



PORTS OF AUCKLAND LIMITED

STATEMENT OF CORPORATE INTENT

For the period from 1 July 2011 to 30 June 2014

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STATEMENT OF CORPORATE INTENT

For the Period from 1 July 2011 to 30 June 2014

1. Introduction

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

POAL is a wholly owned subsidiary of Auckland Council Investments Limited (referred to as “ACIL” or “the Shareholder”).

This SCI covers the period from 1 July 2011 to 30 June 2014, 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 POAL and the objectives to which those activities will contribute; and
- Provide a basis for the accountability of the Board of Directors of POAL to the Shareholder for the performance of the Company and its subsidiaries.

POAL recognises the need to operate on a “no surprises policy” with its shareholder.

3. Nature and Scope of Activities

POAL owns and operates the Port of Auckland (New Zealand’s largest international container port), the regional Port of Onehunga and the Wiri Inland Port.

POAL 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;
- (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.

4. Objectives

4.2 Principal Objective

The principal objective of POAL is to operate as a successful business.

We recognise the important impact the achievement of our goals has on the economic wellbeing of Auckland City, the Auckland region and New Zealand and we will provide the infrastructure and services to facilitate trade for the region’s and nation’s exporters and importers and the cruise ship industry.

We recognise the place POAL plays in the Auckland community and are committed to ongoing consultation with Auckland City, its related entities and our community.

POAL strives to achieve targets set under its people, process, customer, business model and sustainability goals to provide an increased level of financial returns to its shareholder.

5. Vision

“Working for Auckland” - Kia kaha, kia maia - (Give of your best, be confident in your own ability)

6. Goals

6.1 Best We Can Be - People

A Winning Culture, Effective Leadership, Living the Values

6.2 Doing it Better - Process, Assets and Technology

Safety First, Continuous Improvement, Innovation and Productivity.

6.3 Loyal Fans - Customers

Improve Customer Service and delivery of Customer Value. Interlinked.

6.4 Success in Diversity - Business Model / Services

Successful business models and services for our Container Operations, Multi Cargo, Marine, Cruise and Property teams.

6.5 Here for the Future - Sustainable Outcomes

Sustainable outcomes for our People, our Shareholders, our Community and our Environment.

7. Performance Targets and Other Measures

Objectives	Key performance measures	Targets		
		<u>2012</u>	<u>2013</u>	<u>2014</u>
Process	Crane rate (as measured by MOT)	28.94	30.82	31.59
	Vessel rate (as measured by MOT)	56.45	57.86	59.30
	Container volume % on Rail v Road	13.0%	15.0%	15.0%
Financial	Increase in revenue	0.5%	6.0%	5.5%
	Interest coverage ratio	2.8 x	3.4 x	4.1x
Customer	Improvement in customer survey	2.5%	2.5%	2.5%
	Truck turnaround time	82% at < 30 min	84% at < 30 min	85% at < 30 min
	Average turn time	25.0 min	24.0 min	23.5 min
People	Improvement in staff engagement and culture survey	5.0%	2.5%	2.5%
	No lost-time injuries	0	0	0
Environmental and Social	No harbour spills caused by POAL	0	0	0
	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 (e.g. noise, emissions complaints)	48 hrs	48 hrs	48 hrs
	Target detailed response timeframe to complaints (if required)	90% within 7 working days and 100% within 10 working days	90% within 7 working days and 100% within 10 working days	90% within 7 working days and 100% within 10 working days

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

- Improving returns, maximising the value of the business, enabling continued long-term capacity investment
- Improving labour flexibility, organisation structure, culture and leadership
- Managing capacity to delay major capital spend
- Working with other participants in the supply chain and seeking value add services and investments
- Preparing to participate in industry restructure if required.

8. Dividend Policy

POAL 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

POAL 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

10.2 Statutory Information Requirements

Annual Statement of Corporate Intent (SCI)

POAL will by 30 June in each year provide the Shareholder with an SCI as required by the Port Companies Act, together with any other information it considers appropriate.

Half Yearly Report

Within seven weeks after the end of the first half of each financial year, the Company will deliver to the Shareholder and the Minister of Transport its Half Yearly Report prepared in accordance with the NZ IFRS and the Financial Reporting Act 1993, 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 three months after the end of each financial year POAL will deliver to the Shareholder and the Minister of Transport its Annual Report prepared in accordance with the reporting requirements of the NZ IFRS and the Financial Reporting 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,
- Auditor's Report, and
- Economic Information on the Strategic Impact of the Company's Contribution to the Regional and National Economies.

10.3 Other Information Requirements

Quarterly Reports

Within three weeks after the end of September, December, March and June, 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 progress in regard to any environmental issues,
- Commentary on progress on key issues affecting or likely to affect the business, and
- Any significant events that have arisen in the quarter.

At a time to be agreed with the Shareholder after the end of the September and March quarters of the financial year, POAL management will present to ACIL 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.

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.

In May and October of each year, the POAL Board will meet with the ACIL Board to discuss strategic issues and results for the previous accounting period.

Strategic Plan

POAL will prepare its updated strategic plan and present at a time to be agreed each year with the Shareholder before 30 September in 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.

Communication of Information

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

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 POAL Constitution and the Companies Act 1993.

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

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 30 June 2011 was [\$396,750,000].