



Auckland Regional Holdings

Statement of Intent

1 July 2009 to 30 June 2012

ARH STATEMENT OF INTENT 2009 – 2012

TABLE OF CONTENTS

1. Introduction	3
2. ARH's objective.....	3
3. ARH's functions	3
4. Vision and mission statement	4
5. The ARH Board's approach to governance.....	4
Statutory framework	4
Best practice governance	5
No surprises approach	5
Role of the Board	6
Board committees.....	6
Relationship with subsidiaries	7
6. Nature and scope of activities	8
7. Ratio of shareholders funds to total assets	10
8. Accounting policies.....	10
9. Performance targets and other measures by which the performance of ARH may be judged in relation to its objectives	10
A. Financial performance.....	10
B. Investment management, administration, governance, and other measures	12
10. Distributions to the ARC	15
11. Information to be provided by ARH to the ARC.....	15
Statement of Intent	15
Long-Term Funding Plan	15
Annual report	16
Half-year report	16
Quarterly report.....	17
Additional information.....	17
12. The procedures to be followed before ARH subscribes for, purchases, or otherwise acquires shares in any company or other organisation	18
13. Any activities for which the Board seeks compensation from any local authority (whether or not the local authority has agreed to provide the compensation).....	18
14. The Board's estimate of the commercial value of the ARH Group and the manner in which, and the times at which, that value is to be reassessed	18
15. Disputes procedure	18

1. Introduction

This Statement of Intent (SOI) of Auckland Regional Holdings (ARH) is for the three (3) year period from 1 July 2009 to 30 June 2012.

ARH is a statutory council-controlled organisation, engaged in investment management activities, established by the Local Government (Auckland) Amendment Act 2004 (LGAAA04) to act in the long-term interests and for the benefit of the Auckland region.

ARH is accountable under LGAAA04 to the Auckland Regional Council (ARC), and provides the ARC with annual funding, in accordance with a long-term funding plan (LTFP). This SOI has been prepared in accordance with Schedule 8 of the Local Government Act 2002 (LGA02), and has been adopted by the board of directors of ARH (Board) following consultation with the ARC.

The SOI sets out, among other things ARH's objectives, the nature and scope of its activities, the Board's approach to the governance of the ARH Group and the financial and other information to be provided to the ARC. It also sets out the performance targets and other measures by which the performance of ARH may be judged. ARH will report against these in its annual report, and in quarterly reports to the ARC.

In addition to this SOI, ARH prepares and adopts a LTFP in consultation with the ARC which sets out for a 10 year period ARH's financial forecasts and the amount of funding ARH intends to provide to the ARC during that period. This SOI should be read in conjunction with ARH's 2009-2019 LTFP.

2. ARH's objective

Clause 19(1) of the LGAAA04 specifies ARH's statutory objective:

"The objective of ARH is to –

- (a) act in the long term interests and for the benefit of the Auckland Region; and*
- (b) without limiting paragraph (a), manage its assets prudently."*

ARH's statutory objective should be read in the context of its functions.

3. ARH's functions

Under LGAAA04, the functions of ARH are to:

- (a) own, directly or indirectly, and manage assets (including funds) in the long term interests of the Auckland Region;
- (b) provide funds to the ARC in accordance with ARH's long term funding plan prepared under section 21;
- (c) make transport assets available to assist Auckland Regional Transport Authority (ARTA) to achieve ARTA's objective; and
- (d) undertake such other functions as are given to it by LGAAA04 or any other Act or are authorised by its statement of intent.

In performing its functions, ARH will also act in accordance with:

- (a) the principles set out in section 19(2) of LGAAA04;
- (b) the restrictions in section 28 of the LGAAA04 regarding disposal of Ports of Auckland Limited (POAL) shares; and
- (c) the rules created for ARH by the ARC (ARH Rules - see section 5 below), and when necessary ARH will consult with, or seek, the ARC's written approval of any relevant activities as required.

4. Vision and mission statement

In keeping with ARH's objective, and to align with and complement the ARC, the ARH Board has adopted the following vision and mission statement:

ARH's vision

That the Auckland region is internationally recognised for its high-quality living and natural environments and its vibrant and strong communities. That the quality of life in the Auckland region is enhanced by sound and sustainable management of key assets and infrastructure.

ARH's mission

By bringing the best available expertise to bear upon management of its assets, ARH will contribute to the resources with which the ARC can address regional infrastructure needs. ARH will do so by owning and managing selected regional assets and investments in accordance with sound business practice and sustainable development principles. It will provide funds to the ARC while protecting those assets under its stewardship.

5. The ARH Board's approach to governance

Statutory framework

ARH is a statutory entity (a body corporate with perpetual succession) established to manage assets in accordance with objectives, functions and principles set out in LGAAA04 and ARH is accountable to the ARC for its performance.

Under section 25 of LGAAA04 ARH is deemed to be a council-controlled organisation and the ARC is to be treated as its shareholder for the purposes of Part 5 of the LGA02.

Pursuant to section 23(4) of the LGAAA04, the ARC is permitted to make rules, not inconsistent with the LGAAA04 specifying the number of directors on the Board, terms and conditions of their appointment, and the powers and procedure of the Board (ARH Rules). A copy of the ARH Rules can be found on ARH's website www.arh.co.nz

The ARH Board is appointed by the ARC. Not more than two (2) directors of ARH may be members or employees of the ARC. In accordance with the ARH Rules, the total number of directors on the Board will not at any time be more than six (6) nor less than four (4).

Best practice governance

The Board of ARH is committed to best practice corporate governance and business ethics. The Board will continue to monitor developments in corporate and public sector governance to ensure ARH implements best practice at all times.

In undertaking its current and future activities ARH will exhibit and ensure:

- best business practice in its commercial undertakings and governance;
- a sustainable development approach in its decision making consistent with its statutory principles and the principles of the ARC;
- good faith and ethical behaviour in its dealings with all parties; and
- an active partnership approach with the ARC and ARTA.

No surprises approach

ARH has a 'no surprises' approach with the ARC in respect to ARH's dealings and will ensure the ARC is informed well in advance of anything potentially contentious in the public arena, regardless of whether or not the issue falls outside the scope of ARH's accountabilities to the ARC under this SOI, the ARH Rules, or any relevant legislation.

ARH will consult with the ARC and allow sufficient time for the ARC to comment before implementing any of the following types of strategic initiatives:

- major new investments;
- material changes in the capital structure of ARH or any subsidiary;
- a significant restructure in response to a major change in the business environment;
- change of ownership (or ownership structure) of strategic assets (as defined in the ARH Rules and as per the ARC's resolution of 26 September 2005) including strategic assets owned by POAL or any of ARH's subsidiary companies;
- major new business initiatives that are outside the scope of, or have an impact on, the achievement of forecasts and objectives in ARH's LTFP or SOI, or the Statement of Corporate Intent (SCI)/SOIs of subsidiaries (including the commercial objectives of POAL); and
- strategic issues relating to the waterfront development, including the use or ownership of waterfront assets.

ARH will also keep the ARC adequately informed (via the ARC Chair and CEO) of any strategic issues affecting POAL or any of ARH's subsidiary companies.

In the operation of the 'no surprises' approach the ARH Board will be mindful that the ARC is a public body with interests wider than those of a commercial entity, and will be sensitive to the demand for accountability placed on the ARC from citizens, ratepayers, and other bodies who hold the ARC directly accountable for ARH, irrespective of the legal definition of the roles of the respective parties.

ARH has also adopted branding and communications protocols that are consistent with the ARC's.

Role of the Board

In accordance with section 23(1) of LGAAA04, all decisions relating to the operation of ARH are made by, or under the authority of, the Board of ARH in accordance with LGAAA04, this SOI, the ARH Rules and any other relevant legislation.

The Board is accountable to the ARC to ensure that ARH:

- acts in a manner consistent with its objectives, principles and functions;
- performs its functions efficiently and effectively;
- complies with relevant legislation and the ARH Rules; and
- meets or exceeds the performance targets, measures, and standards set out in this SOI.

The Board will:

- obtain full and timely information necessary to discharge its obligations fully and effectively;
- actively review and direct the overall strategy of ARH;
- review and determine ARH's internal policies and delegations;
- negotiate the SOI with the ARC;
- monitor the external and internal environment and identify, evaluate and mitigate controllable risk factors;
- ensure ARH remains an effective, focused organisation with core competencies and appropriate systems necessary to carry out its functions;
- undertake appropriate training to ensure directors remain current on how best to perform their duties as directors;
- manage and monitor the performance of the Chief Operating Officer; and
- provide leadership in relationships with key stakeholders.

Board committees

Pursuant to the ARH Rules the Board may (by resolution) appoint a committee of directors to exercise any of ARH's functions and powers delegated to that committee. When establishing any committee the Board will:

- produce written terms of reference that describe its authority, duties, responsibilities and relationship with the Board; and
- review regularly the performance of the committee having regard to those terms of reference.

In accordance with the ARH Rules, the Board has established an Assurance and Risk Committee.

The principal functions of the Assurance and Risk Committee are to assist the Board in the assessment and management of risk and in overseeing the financial accounting and audit activities of ARH, including:

- compliance with all applicable legal requirements and accounting standards;
- reviewing the adequacy and effectiveness of internal controls;
- ensuring that the ability and independence of the external auditors to carry out their statutory audit role is not impaired in any way;
- determining what services, if any, may be provided by the external auditors in addition to their statutory audit role;
- communicating, meeting with, and reviewing the performance of, the external auditors;
- reviewing and making recommendations to ARH; and
- ensuring procedural implementation of ARH's policy in relation to the Local Authorities (Members' Interests) Act 1968, monitoring for compliance on an on-going basis, and reporting to ARH (including making recommendations) on any implementation and compliance issues.

Relationship with subsidiaries

ARH owns the following subsidiary companies:

- POAL; and
- Sea+City Projects Limited (Sea+City Projects).

Each of ARH's subsidiaries has its own board of directors (which may include up to two directors who are also current ARH directors). All decisions relating to the operation of each of ARH's subsidiaries must be taken by, or under the authority of, the board of directors of that subsidiary, in accordance with its SOI/SCI, if any, its constitution, and any relevant legislation. ARH will ensure that the constitutions, SOI/SCI's (including performance targets) and other expectations and requirements of its subsidiaries are strongly aligned with ARH's overall objectives, performance targets, expectations and other requirements of ARH (as may be required by the ARH Rules, ARH's SOI and LTFP, or any relevant legislation).

ARH will:

- act as a diligent, constructive and inquiring shareholder;
- actively monitor strategic issues affecting its subsidiaries;
- use its best efforts to ensure the boards of its subsidiaries address any strategic issues in a timely manner;
- use its best efforts to ensure its subsidiaries meet best practice governance standards;

- use its best efforts to ensure that its subsidiaries are operated on a basis that is not inconsistent with, and contributes to, this SOI and the ARC's long-term strategic objectives; and
- encourage its subsidiaries to include sustainability reporting in their annual reports.

ARH has adopted a policy that sets out an objective and transparent process for:

- identification and consideration of the skills, knowledge and experience required of the directors of each subsidiary;
- appointment of directors; and
- remuneration of directors.

The ARH policy on appointment and remuneration of directors of its subsidiaries will not be inconsistent with the ARC's policy and the requirements of the LGAAA04, LGA02, and the ARH Rules. ARH will ensure that the costs of governance of subsidiaries (including directors' remuneration) will be in keeping with ARH's statutory objective and principles, and the nature and scope of the subsidiaries' activities.

ARH will appoint a person to be a director of a subsidiary only if the person has, in the opinion of the Board of ARH, the skills, knowledge, or experience to:

- guide the subsidiary, given the nature and scope of its activities; and
- contribute to the achievement of the objectives of the subsidiary.

When appointing directors to the board of POAL, ARH will also ensure the appointment is consistent with the requirements of Port Companies Act 1988.

ARH will ensure it has a robust and transparent policy and process for:

- establishing performance targets and measures for each of its subsidiaries; and
- monitoring the performance of the directors of each of its subsidiaries on a regular basis.

6. Nature and scope of activities

ARH is a unique statutory entity, engaged in investment management activities. ARH manages its investment portfolio to optimise ARH's long-term distributions to the ARC, without compromising the achievement of the ARC's other objectives for ARH. ARH does this by implementing appropriate investment strategies and managing its investments and undertaking its commercial activities in a sustainable and financially responsible manner. Through applying best business practice, and generating optimal returns within acceptable levels of risk, ARH can have a high degree of confidence that it can continue to distribute funds to the ARC in accordance with the agreed LTFP.

ARH has a defined investment framework comprising long-term investment objectives, a strategic risk budget, and fundamental investment principles. This investment framework provides the context in which ARH has developed its long-term investment strategy. For further information on ARH's investment strategy please see ARH's most recent annual report on our website www.arh.co.nz

ARH, as at 1 July 2009, has the following assets:

<p>Ports of Auckland Limited (POAL)</p>	<p>Non-listed company - 100% owned.</p> <p>POAL owns and operates the Port of Auckland, New Zealand's largest international container port and a major gateway for trade on the North Island's east coast and the regional Port of Onehunga on the west coast. It also owns two inland ports at East Tamaki and Wiri, in South Auckland.</p> <p>POAL owns 19.9% of Northland Port Corporation (NZ) Limited, which operates the Port of Whangarei and part-owns the Northland port of Marsden Point, and 27.5% of United Containers Limited, one of New Zealand's largest container depot businesses, which allows Ports of Auckland to maximise container supply chain efficiencies.</p> <p>POAL provides towage and pilotage services on the Waitemata and Manukau Harbours. It also has a joint venture, North Tugz Limited, which provides towage and pilotage services on the Whangarei Harbour.</p> <p>POAL is one of New Zealand's more balanced ports - full import containers make up approximately 59% and full export containers make up approximately 41% of all full containers passing through the port, as well as imports/exports of break-bulk and handling cruise ship visits. POAL is a vital contributor to the regional and national economy. Further comprehensive information is available at www.poal.co.nz.</p> <p>ARH, through its ownership and governance of POAL, ensures that POAL continues to operate as a successful business contributing to the region's economic well-being.</p>
<p>Wynyard Precinct Investment Property</p>	<p>The Wynyard Precinct investment property comprises, at 30 June 2009, approximately 18 hectares of land and wharves, together with associated water space rights, situated in the Wynyard Quarter on Auckland's waterfront. This investment property is held for rental income from ground leases as well as to facilitate a world class waterfront development which becomes a visitor destination by delivering high quality and accessible public spaces and attractions. The property is the focus of a major redevelopment project and is to be rezoned for mixed use in accordance with the new district plan notified by the Auckland City Council and coastal plan notified by the ARC in July 2007 with decisions released by the respective councils in November 2008. These Council decisions are subject to the normal appeal process.</p>
<p>Sea+City Projects Limited (Sea+City Projects)</p>	<p>Non-listed company – 100% owned.</p> <p>Sea+City Projects is a property manager and property redevelopment facilitator, and acts as ARH's agent for the Wynyard Precinct investment property. It establishes and manages ARH property leases, and is the project director for co-ordinating and facilitating the redevelopment framework and public infrastructure services programmes for the area. Further comprehensive information is available at www.seacity.co.nz.</p>
<p>Diversified Financial Asset Portfolio (DFA)</p>	<p>The DFA is a long-term portfolio of liquid financial investments that are actively managed by specialist fund managers. The target DFA strategic asset allocation comprises 50% global equities, 40% global bonds and 10% New Zealand cash.</p>
<p>New Zealand Short-Term Cash Portfolio</p>	<p>Portfolio investments include highly liquid cash and short-term fixed interest securities, primarily bank deposits and registered certificates of deposit, which are managed by external fund managers.</p>
<p>Cash at Bank</p>	<p>Cash at bank includes funds held on call and available for working capital requirements.</p>

For more information on ARH's assets and activities, please see ARH's website www.arh.co.nz

7. Ratio of shareholders funds to total assets

The forecast ratio of Shareholders Funds to Total Assets, as at 30 June, in each of the next three years is:

2010	99%
2011	99%
2012	99%

Notes:

- These ratios are achievable only under current plans and forecast economic conditions. If requirements or earnings change, ratios may also change.
- The forecast ratios are based on the forecast Balance Sheet for ARH (the parent entity) and the assumptions in ARH's 2009-2019 LTFP. The parent Balance Sheet only includes the equity value of the shares ARH owns in its subsidiaries. For forecast ratios of Shareholders Funds to Total Assets for POAL, ACVL, and Sea+City Projects, please refer to their respective SCI/SOIs.
- Shareholders Funds means the sum of vested equity, retained earnings and accumulated losses, and equity reserves, of ARH (the parent entity).
- Total Assets are defined as the total value of all current and non-current assets of ARH (the parent entity), but excluding the value of funds identified to meet Infrastructure Auckland Legacy Grant commitments.

8. Accounting policies

The ARH Group has adopted accounting policies that are consistent with New Zealand International Financial Reporting Standards (NZ IFRS), generally accepted accounting practice, and other standards issued by the New Zealand Institute of Chartered Accountants.

A full statement of ARH's accounting policies can be found in ARH's most recent annual report, on ARH's website www.arh.co.nz

9. Performance targets and other measures by which the performance of ARH may be judged in relation to its objectives

A. Financial performance

ARH is a long-term investor focused on sustainably managing its assets and risk and maximising long-term distributions to the ARC. The key measure of ARH's success will be its long-term financial performance. *NB. While measurement and comparison of short-term returns may provide a useful immediate target, it may not be indicative of long-term performance.*

In this regard the Board has the following specific investment objectives:

- (1) To out-perform the NZ Government Bond index by 1.5% p.a., over ten-year rolling periods;
- (2) To maintain the real revenue-earning capabilities of total assets by outperforming inflation, as measured by the Consumer Price Index, by 5.5% p.a. over 20-year rolling periods;
- (3) For distributions, on a rolling ten-year basis:
 - Short term, to pay to the ARC 100% of the planned distributions per the first three (3) years of the LTFP, with a 95% probability of achievement;
 - Long-term, to pay to the ARC at least 90% of the planned distributions per years four (4) to ten (10) of the LTFP, with a 75% probability of achievement; and
- (4) To maintain the fund in a satisfactory financial condition by not exceeding the debt-servicing criteria for borrowings used to finance distributions:
 - Interest costs are no more than 40% of total expected earnings.

It is noted that in the current economic climate, ARH is not able to meet the long-term target of 75% probability of achievement of paying 90% of planned distributions in years four to ten. ARH does not plan to borrow in the current economic environment, however ARH maintains the ability to borrow should the need arise.

ARH's financial performance will be measured as follows:

- (a) in respect to investment objectives (1) and (2) above, until such time as ARH has accumulated sufficient performance history to properly compare its performance over rolling ten-year and twenty-year periods, ARH's cumulative performance for the period ARH has been in operation will be measured (on an indicative basis) relative to the investment objectives for the same period;
- (b) ensure that it makes available the amounts for distributions to the ARC in the 2009/2010 financial year (for Infrastructure Auckland Legacy Grants and the ARC General distributions) as set out in section 10 of this SOI;
- (c) ensure that its financial performance for the 2009/2010 financial year will meet or exceed the forecast in ARH's 2009-2019 LTFP; and
- (d) manage its total investment portfolio to optimise ARH's long-term distributions to the ARC and will ensure that it is in a position to make future distributions in accordance with its LTFP, evidenced by the following measures:
 - (i) in preparing its LTFP, ensure that its financial performance forecast meets or exceeds the forecast for the investment objectives in (1) and (2) above for the same period;
 - (ii) ARH ensures that the management of its investment portfolio is consistent with the investment strategy and investment and treasury management policy and liability management policy in its LTFP; and

- (iii) ARH reviews its investment portfolio, policies and strategy annually, by 30 June each year.

B. Investment management, administration, governance, and other measures

Investment management, administration, governance and other measures of ARH's performance are as follows:

- (a) ARH will ensure that its subsidiaries' SOIs and/or SCIs are agreed annually in accordance with statutory requirements;
- (b) ARH receives an unqualified audit opinion in respect of its annual report;
- (c) ARH will ensure that its administration costs do not exceed:
 - (i) the annual amount approved by the ARC in accordance with the requirements of LGAAA04; and
 - (ii) 0.25% per annum (over a rolling five year period) of the total ARH investment portfolio;
- (d) Investment management costs are kept to a level appropriate to meet ARH long-term return objectives, and ARH will keep the ARC informed on a quarterly basis as to asset allocation work programmes and subsequent forecast costs to achieve long-term returns;
- (e) ARH will work with the ARC to ensure a co-ordinated approach is adopted where borrowings may be required to finance ARH distributions to the ARC;
- (f) ARH will keep the ARC informed of issues arising at the ARH/Auckland City Council Joint Liaison Body (JLB).
- (g) ARH will adhere to the Master Planning Process for the redevelopment of Wynyard Precinct and consult with the ARC on the following occasions:
 - (i) when each draft precinct plan (Precinct Plan) is developed for each stage of the project;
 - (ii) each draft comprehensive area structure plan (CASP) is developed;
 - (iii) where the JLB doesn't approve a CASP on the basis that is inconsistent with the underlying Precinct Plan – ARH will consult with the ARC on whether to resubmit a revised CASP or instead re-submit the same CASP as a non-complying activity request (in accordance with the Framework Agreement between ARH and Auckland City for the redevelopment of Wynyard Precinct); and
 - (iv) if at any time a CASP or non-complying activity resource consent application is not approved at a regulatory level, ARH will consult with the ARC on whether or not to appeal that decision to the Environment Court;

- (h) The objectives in respect of the waterfront investment property are to:
 - (i) enable the creation of a world-class, mixed-use, urban waterfront redevelopment that becomes a visitor destination by delivering high-quality and accessible public spaces and attractions alongside high-quality private works;
 - (ii) give effect to the ARC's and Auckland City Council's Waterfront Vision 2040 statement of principles;
 - (iii) adhere to principles of design quality, sustainability, environmental, cultural and social responsibility;
 - (iv) while achieving i, ii, and iii, optimise the cash returns from the waterfront investment property and deliver long term value to stakeholders on a commercially-feasible and sustainable basis; and
 - (v) operate as a development facilitator and agent landlord rather than as a developer (other than by way of managing the public amenity and infrastructure works to be implemented at the Wynyard Precinct and developing key initial activation sites, Site 14 and potentially Silo 7).
- (i) ARH will contribute to the ARC's waterfront objectives in furtherance of the One Plan CBD/Waterfront Action Programme, the Waterfront Vision 2040 and the Precinct Plans through the redevelopment of Wynyard Precinct which is being undertaken on behalf of ARH by Sea+City Projects. Key tasks during the period of this SOI are:

Master Planning

- (i) Sea+City Projects actively participating on behalf of ARH in the District and Coastal Plan change processes;
- (ii) working with the relevant stakeholders to finalise and approve Precinct Plan 1;
- (iii) development and approval of CASP(s) for the Precinct Plan 1 area;

Public Works in conjunction with Auckland City Council

- (iv) completion of required remedial work on North Wharf;
- (v) design, predevelopment, and commencement of public infrastructure works within the Precinct Plan 1 area, e.g. for storm water, waste water and utilities;
- (vi) design and pre-development work for public amenities within the Precinct Plan 1 area, e.g. Jellicoe Street, Jellicoe Street West, Dalby Street, Wynyard Plaza and Gateway Plaza
- (vii) design, pre-development, and commencement of public works for the redevelopment of Jellicoe Street, Jellicoe Street West including water feature, Dalby Street and Wynyard Plaza;

Development of Investment Property

- (viii) ARH and Sea+City Projects to work collaboratively with the ARC Bulk Liquids Sector Group and Auckland City Council to achieve the relocation of bulk liquid operators currently located at Wynyard Precinct in a seamless and well managed transition process, to minimise any adverse effects or disruption to regional economic activity;
- (ix) facilitation of relocation strategies with existing lessees for their relocation from key sites, that will be redeveloped in the Precinct Plan 1 area;

- (x) ARH and Sea+City Projects to work collaboratively with the ARC and Auckland City Council regarding the Wynyard Precinct remediation strategy work with landholders and leaseholders;
 - (xi) completion of demolition and site remediation for key sites to be redeveloped in the Precinct Plan 1 area;
 - (xii) ARH and Sea+City Projects to work collaboratively with the ARC and ARTA to ensure that the transport infrastructure and servicing at Wynyard Precinct is consistent with regional strategy and policy;
 - (xiii) ARH and Sea+City Projects to work collaboratively with the ARC, Auckland City Council and ARTA towards ensuring that facilities continue to be available for Great Barrier Island ferry operations in the medium term, until a longer term location is found; and
 - (xiv) selection of developers for the private development of key sites in the Precinct Plan 1 area, leasing of those sites, and overseeing any development to ensure conformance with the agreed developed design.
- (j) ARH will work collaboratively with the ARC as the ARC leads work with ARH, POAL, Auckland City Council and central government to investigate alternative uses for Queens Wharf including:
- (i) Options for the use of Queens that do not adversely effect port commercial operations and long-term port functionality; and
 - (ii) Providing improved cruise industry facilities.
- (k) In accordance with the 'no surprises policy', the ARC is advised of all pending decisions about strategic assets (including strategic assets owned by POAL or any of ARH's subsidiary companies) and, where feasible, the views of the ARC are obtained. This will be evidenced by the ARC Chair and CEO being satisfied that the 'no surprises' policy is operating appropriately;
- (l) ARH, as equity owner of POAL, will use its best efforts to work to ensure POAL continues to operate as a successful business contributing to the region's interests and economic wellbeing. In doing so ARH will:
- (i) actively engage with POAL in setting appropriate performance targets including profitability, efficiency and contribution to the regional economy in POAL's SCI;
 - (ii) monitor and report to the ARC on POAL's performance in ARH's quarterly reporting;
 - (iii) hold board-to-board meetings each year with the POAL board to share information and understandings, and convey expectations;
 - (iv) undertake appropriate succession planning and recruitment in advance of any possible board vacancies, including conducting an annual board evaluation and director review process;
 - (v) help facilitate an integrated approach with key stakeholders, including POAL, for the development of the Auckland waterfront and Auckland's long-term port and other associated infrastructure needs; and

- (vi) keep the ARC abreast of strategic issues affecting POAL in accordance with the 'no surprises' policy.

ARH will report its performance against the above targets and measures in its quarterly reports to the ARC and/or in its annual report.

10. Distributions to the ARC

ARH's estimate of the amount of funds (from ARH's accumulated profit and capital reserves) that are intended to be distributed to the ARC in each of the three (3) years to which this SOI relates is:

	<i>IALG</i>	<i>ARC General</i>	<i>Total</i>
2009/2010	\$31.4m	\$79.2m	\$110.6m
2010/2011	\$7.7m	\$62.7m	\$70.4m
2011/2012	\$3.4m	\$47.0m	\$50.4m
	\$42.5m	\$188.9m	\$231.4m

Notes:

- The basis for the estimate can be found in the forecast financial statements in ARH's LTFP for 2009-2019 on ARH's website www.arh.co.nz
- *IALG* refers to funds paid to meet Infrastructure Auckland Legacy Grants.
- Amounts rounded to nearest \$0.1million. Totals may not add exactly due to rounding.

11. Information to be provided by ARH to the ARC

Statement of Intent

ARH will provide the ARC with a draft and final SOI annually, prepared and finalised in accordance with the requirements of Schedule 8 of the LGA02.

Long-Term Funding Plan

Having regard to the ARC's current Long-Term Council Community Plan, ARH will provide the ARC, for consultation, with a draft LTFP by 31 January each year that covers a ten (10) year period from 1 July of that year. The finalised LTFP will be provided to the ARC by 30 June each year.

Section 21(2)(b) of the LGAAA04 requires that the LTFP must include the following matters:

- forecasts of funds required by the ARC from ARH;
- forecasts of funds, both capital and income, that will be available for distribution by ARH to the ARC;
- forecasts of funds, both capital and income, that ARH intends to reinvest in existing or new activities;
- the proposed source of those funds;
- estimated cash flow projections for the period of the LTFP;
- estimated changes in the net worth of the ARH Group for the period of the LTFP;

- such other financial and non-financial information as is necessary for a proper understanding of the forecasts;
- an investment and treasury management policy; and
- a liability management policy.

Annual report

Within six weeks from the end of each financial year, ARH will provide to the ARC an executive summary of ARH (parent) performance against the SOI, and the un-audited annual financial statements of ARH (parent). With best endeavours, subject to POAL commercial obligations, ARH will provide to the ARC no later than ten weeks after the end of each financial year its audited consolidated financial statements, and by mid-September each year a full annual report. This will comply with section 68 of the LGA02 and include the following:

- directors' report;
- statement of financial performance;
- statement of financial position;
- statement of cash flows;
- statements of movements in equity;
- notes to the financial statements;
- auditors report in terms of section 69 of the LGA02 on the:
 - financial statements; and
 - performance targets and other measures by which ARH was judged in relation to its objectives as per the SOI;
- sustainability report; and
- reporting of subsidiary companies performance.

Half-year report

Within six weeks after the end of the first six months of each financial year, ARH will provide to the ARC a report of ARH performance against the SOI, commercial and strategic issues associated with its assets, and the un-audited financial statements of ARH (parent). No later than ten weeks after the end of the first six months of each year, ARH will provide to the ARC an un-audited consolidated Half-Year Report that includes:

- statement of financial performance;
- statement of financial position;
- statement of cash flows;
- statements of movements in equity;

- notes to the financial statements; and
- reporting of subsidiary companies performance.

Quarterly report

Within five weeks after the end of the September and March quarters of each financial year ARH will provide to the ARC an un-audited quarterly report that includes:

- statement of financial performance;
- statement of financial position;
- statement of cash flows;
- report on performance against the SOI;
- report on all commercial and strategic issues associated with its assets (subject to confidentiality agreements);
- report year one (1) LTFFP gross costs and revenue against actual;
- reporting of subsidiary companies performance;
- report on the progress of key tasks and milestones in the redevelopment of the Wynyard Precinct and how ARH has contributed to the ARC's waterfront objectives;
- report on current administration costs against the ARC approved administration budget; and
- investment performance of each macro asset class, benchmarked against the following:
 - POAL (NZ equity non-listed) – against LTFFP assumptions;
 - NZ property – against LTFFP assumptions;
 - DFA – against a composite index made up of the market indices that each mandate is monitored against, together with the current composition of the DFA (i.e. types of investments and geographical location); and
 - NZ short-term cash – against 90-day bank bill index.

Additional information

ARH will provide additional information to the ARC (subject to and where permitted by any relevant agreements with third parties) on a confidential basis (subject to statutory requirements and the ARH Rules), so as to ensure that the ARC is informed in a timely manner of significant events which relate to ARH, which may affect the ARC, and in accordance with the 'no surprises' policy.

This includes the provision of sufficient supporting information as reasonably necessary to enable the ARC to make informed comment on ARH's draft SOI and LTFFP, and the SCI/SOI's of ARH's subsidiaries. As part of ARH's LTFFP consultation process with the ARC, ARH will advise the ARC on its ability to make the distributions in years two (2) to ten (10) of the relevant LTFFP period.

ARH will also provide the ARC (on a confidential basis) with an analysis of POAL's performance against its cost of capital, and on POAL's capital structure versus relevant benchmarks. This analysis will be provided to the ARC at the same time as ARH's end of year reporting on its performance and the performance of its subsidiaries.

12. The procedures to be followed before ARH subscribes for, purchases, or otherwise acquires shares in any company or other organisation

Where required by the ARH Rules (sections 3.1 to 3.3), ARH will obtain the prior written approval of the ARC before ARH subscribes for, purchases, or otherwise acquires shares in any company or other organisation.

13. Any activities for which the Board seeks compensation from any local authority (whether or not the local authority has agreed to provide the compensation)

It is not anticipated that ARH will seek compensation from any local authority otherwise than in the context of normal commercial contractual arrangements.

14. The Board's estimate of the commercial value of the ARH Group and the manner in which, and the times at which, that value is to be reassessed

The Board's estimated commercial value of the ARH Group as of 31 December 2008 is \$1.1 billion.

This assessment is based on the accounting policies and methods of valuation set out in the un-audited interim financial statements for the six months ended 31 December 2008, as reported to the ARC. The commercial value (and methods of valuation) of the ARH Group will be reassessed and reported to the ARC periodically in ARH's half-year and annual reports.

15. Disputes procedure

If ARH or the ARC identifies any matters of disagreement then both parties will endeavour to discuss and consult on those matters at the earliest opportunity and seek resolution between them.