



**Auckland Regional
Holdings**

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Media Release

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Auckland Regional Holdings delivers on commitments

Auckland Regional Holdings (ARH) achieved a 9.0% gross return on its investment portfolio for the year ended 30 June 2007.

The investment management entity advised that it distributed \$78.3 million to the Auckland Regional Council (ARC) to fund major infrastructure programmes in the Auckland region.

ARH chair, Judith Bassett, said “the results put ARH in a strong position to continue building on its \$1.45 billion investment portfolio which in the three years of its existence has grown by \$166 million after distributing \$246 million to the ARC. Since inception, ARH’s annualised gross return on its investments has been 11.6% p.a.”

ARH’s profit for the year from ordinary earnings was 4% above the \$56 million budget in its published long-term funding plan. ARH’s overall net surplus before distributions for the 2006/2007 year of \$155.7 million, included property transfers from ARH’s subsidiary companies.

ARH has a long-term investment strategy and plan with a clearly segmented and diversified investment portfolio across four macro asset classes. These comprise New Zealand equities, New Zealand property, diversified financial assets and NZ short-term cash.

Mrs Bassett said “a huge amount of work went into repositioning ARH’s investment portfolio this financial year into a more diversified mix which now comprises New Zealand property and equities, cash and a new diversified financial asset class – largely in global shares and bonds”.

ARH is a statutory investment management entity which makes funding available to the Auckland Regional Council (ARC) – the sole beneficiary of distributions.

It has a long-term investment strategy in place to ensure secure and sustainable funding for the region. ARH is committed to distribute \$1 billion to the ARC over 10 years.

Of the total \$78.3 million in distributions to the ARC in the 2006/2007 year, \$34.2 million was for “legacy” grants – a commitment from Infrastructure Auckland, the entity which preceded ARH.

The grants were distributed through the ARC to local councils for stormwater and transport projects such as ferry wharf improvements, rail network and station upgrades, walkways and cycleways in Waitakere, work on the busway on both sides of the Harbour Bridge and stormwater improvements in Auckland and Waitakere cities.

At 30 June 2007 the ARH had an outstanding commitment of \$99 million to the ARC for legacy grants to local councils.

ARH investment portfolio

ARH in the 2006-2007 year achieved an 11.1% return on its Ports of Auckland Limited (POAL) equity investment. The POAL return to the shareholder over the year includes dividends, appreciation of the underlying value in its core logistics business, as well as investment property returns.

“POAL is in a very strong position to meet future challenges which aligns well with ARH’s long-term financial investment strategy and plan,” Mrs Bassett said.

The land transfer by POAL in April this year was the springboard for the launch of the Sea+City project – the biggest urban renewal project in New Zealand – and a strategic property asset in ARH’s portfolio.

“It secures the space in public hands and allows ARH to meet its dual commitment of prudent asset stewardship balanced by providing benefits for the people of the Auckland region,” said the ARH Chair. “ARH gave up considerable opportunity cost to achieve this.”

In March 2007, ARH formed Sea+City Projects Limited to manage the day-to-day operations of the ARH investment as well as redevelop the Wynyard Quarter. ARH is appointing a permanent specialist board with suitable experience in managing a development of this size and complexity.

Judith Bassett said: “ARH is the major investor, landowner and sponsor of the Sea+City project but works collaboratively with the ARC and Auckland City Council towards delivering a world-class Auckland waterfront.”

ARH has also implemented a more traditional diversified financial asset (DFA) portfolio during the first quarter of the 2007/2008 financial year. The strategic asset allocation of this portfolio is 50% global equities, 40% global bonds and 10% New Zealand cash.

Judith Bassett said that ARH has adopted a thirty-year investment and planning horizon to make sure that the benefits of the regional investments span generations. “This very long-term view is critical to achieve a balance between our dual roles of achieving the best in commercial terms and the best for our community.”

Summary

- Strong returns from investments – 9.0% gross return 2006/2007
- Cumulative annualised gross return of 11.6% p.a. over three years since inception
- Distributions to Auckland Regional Council of \$78.3 million in the 2006-2007 year
- \$1.45 billion investment portfolio in mixed asset classes
- Long-term investment strategy in place and 30-year planning horizon
- Clearly segmented and diversified investment portfolio
- ARH achieving a balance between the dual roles of achieving the best in commercial terms and the best for our community.

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