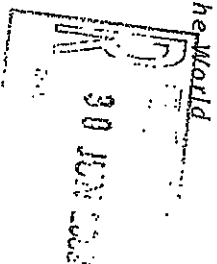


PORT NELSON

The Region's Gateway to the World



29 June 2009

Mr M Staitte
Corporate Services Manager
Tasman District Council
Private Bag 4
Richmond 7050

Dear Murray

RE: Port Nelson draft 2009/2010 Statement of Corporate Intent

Please find enclosed a copy of the draft 2009/2010 Statement of Corporate Intent ("SCI"). The SCI has been reviewed by the Port Nelson Board of Directors.

Every effort is made to keep changes to a minimum. In this regard most changes are a function of updating future Performance Measurements as required by the Port Companies Act. A summary of the changes are as follows:

Date - Updated for 2009/2010.

Performance Targets - Changed as per 2009/2010 budget.

Financial Targets - Changed as per 2009/2010 budget.

Capital Expenditure - Changed as per 2009/2010 budget.

Ratio of Shareholders Funds to Total Assets – This has been updated reflecting the current three year forecast.

Dividend Policy – The forecast dividend payments have been updated reflecting the current three year forecast.

Director's Estimate of Company Value – This is based on the 1 July 2008 audited figure and will be updated post the 2009 audit.

Yours sincerely,

A O Patterson
Chairman

AP: 

STATEMENT OF CORPORATE INTENT 2009/2010

MISSION STATEMENT

To operate the Company as a successful business providing cost efficient, effective and competitive services and facilities for port users and shippers.

To provide for the present and future needs of the Company in ways that are sensitive to people, use resources wisely and are in harmony with the environment of an export port.

OBJECTIVES

- 1 To operate as a successful business.
- 2 To be a good employer.
- 3 To work within a debt equity ratio not exceeding 66.67% (40/60)
- 4 To aim to grow the business through stimulation of throughput, added value services and related business activities, so leading to increased revenue.
- 5 To achieve a commercially acceptable rate of return on shareholders funds in accordance with meeting the objectives herein.
- 6 To ensure that Port development takes place which meets the needs of the region.
- 7 To ensure that high environmental standards are maintained.
- 8 To strive for continuous improvement in everything that we do.

Performance and other Measurements

Performance shall be judged against the following measures:

Performance description	08/09 Forecast (08/09 Budget)	Measure 09/10
1 Lost Time Injury ("LTI") frequency rate compared with target.	TBC	LTI of less than - 1.5
2 Debt/equity ratio compared with measure. Note: Measure may change after external review	24/76 (31.4%) 24/76 (31.4%)	40/60 (66.67%) Not to exceed measure
3 Dividends paid compared with the target.	\$4.0 million (\$4.0 million)	\$4.1 million
4 a) Return on average funds employed. b) Return on average shareholders funds.	7.6% (6.6%)	6.6% (2009/2010 budget)
5 Sustainability and environmental measures	5.2% (4.7%)	4.9% (2009/2010 budget)
	Incidents leading to	Incidents leading to

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19 August 2009	Patke Pittar	Chief Commercial Officer

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<p>Note: This measure relates to port operational area only (excludes port lease areas).</p> <p>6 Navigation and safety – Compliance with New Zealand Maritime Safety requirements in respect of:</p> <ul style="list-style-type: none"> o Dredged channels compliant with charts o Navigation aids o Pilotage 	<p>pollution of harbour Actual</p> <p>Compliance with all resource consent conditions</p> <p>Actual -full compliance</p>	<p>pollution of harbour Target - nil</p> <p>Compliance with all resource consent conditions Target -full compliance</p>
<p>Monitoring and Reporting</p> <p>Breaches of noise level guidelines will be disclosed, however new noise level standards are in the process of being set. Breaches will be reported against the new guidelines.</p> <p>Resource useage will be reported against previous years for disclosure purposes only.</p> <p>Note: External and internal environmental incidents will be disclosed, however are not part of the performance targets.</p>	<p>08/09 Forecast</p> <p>Awaiting ratification of new noise variation.</p> <p>Resource useage e.g – water, electricity, fuel</p>	<p>Measure 09/10</p> <p>Breaches of noise level guidelines</p> <p>Resource useage e.g – water, electricity, fuel</p>
<p>Activity Measure</p> <p>a) Annual cargo tonnes compared with target.</p> <p>b) Annual ships visits and gross tonnes of shipping compared with target.</p> <p>c) Total revenue compared with target</p> <p>d) Capital expenditure for the year approved by the Directors compared with target.</p>	<p>08/09 Forecast (08/09 Budget)</p> <p>2.69 (2.61) million tonnes</p> <p>933 (1,003) visits</p> <p>8.6 m (8.6) Gross tonnes</p> <p>\$37.6 m (\$35.5m)</p> <p>\$7.6 m (\$4.5m)</p>	<p>Measure 09/10</p> <p>2.66 million tonnes</p> <p>923 visits</p> <p>8.6 m Gross tonnes</p> <p>\$37.9 m</p> <p>\$4.4 m</p>

Financial Targets

The Measure for Financial Performance (measure 4) is based on the following year budget and does not allow for asset revaluation increases. The Benchmark returns that Port Nelson is aiming for are:

a) Return on average funds employed compared with target. 9.0%

b) Return on average shareholders funds compared with target. 6.0%

Note: The Benchmark returns are based on the portfolio of assets currently employed by Port Nelson and an optimal capital structure. The Target Measure for the next SCI year is based on budget and thus reflects the business risks that Port Nelson faces on a yearly basis.

The 2008/2009 target return measures have decreased as a result of the upward revaluation of assets in June 2008. The revaluation quantum of \$24 million increases the asset base and thus reduces the return metric on a given earnings figure.

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LTI frequency rate = $\frac{\text{Lost time injuries}}{\text{Hours worked in period}} \times 100,000$

Return on average funds employed = $\frac{\text{Earnings Before Interest and Tax/average shareholder equity} + \text{net interest bearing debt}}{\text{Return on average shareholder funds} = \text{Net Profit After Tax} / \text{average shareholder funds}}$

Nature & Scope of Existing Activities;

- ◆ The provision of all services, navigation aids, access and plant required for the safe arrival, berth, and departure of vessels at Port Nelson.
- ◆ The provision of berths to accommodate vessels at the port.
- ◆ The provision of wharves and plant to facilitate the discharge and loading of vessels.
- ◆ The provision of all services required by a vessel while it is in port.
- ◆ The provision of all services required for cargo while it is in the company's care.
- ◆ The marshalling and stevedoring of cargo.
- ◆ The maintenance and repair of all company assets.
- ◆ The leasing of land and buildings not required for port operating purposes.
- ◆ The warehousing and storage of goods.
- ◆ Cargo logistic services.
- ◆ Any other activity required to comprehensively manage and operate a safe, efficient, and competitive port.

Ratio of Shareholders Funds to Total Assets

Shareholders funds are defined as paid up capital, plus retained earnings and reserves. Net Debt is defined as term and short term debt less any cash in bank. Total assets are defined as the sum of current assets and non current assets. The ratios for the next three years are expected to be;

	Shareholders Funds/Total Assets	Net Debt/Equity
2010	70.9%	30.9%
2011	69.1%	30.0%
2012	69.1%	31.5%

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General Accounting Policies

- a) Those accounting principles considered appropriate by the NZ Institute of Accountants for the measurement and reporting of results and financial position under the historical cost method, modified by the revaluation of land shall be followed.
- b) The going concern concept shall be adopted.
- c) Accrual accounting shall be used to match income and expenses.

Particular Accounting Policies

Specific Accounting policies will be detailed in the financial statements.
Dividend Policy

- (a) The dividend payable to shareholders will be determined:
 - (1) Taking account of the shareholders expectation that not less than 50% and the Port Nelson Board expectation that not more than 75% of net profit after tax shall be distributed to the shareholders. Special dividends are not covered by this policy.
 - (2) In accordance with rolling three years projections provided annually as to likely profits and capital reserves taking into account and based on the Company's forward financial plan. Estimates are:

2010	\$4.1 million
2011	\$4.2 million
2012	\$4.2 million

- (b) In determining the dividend projections regard shall be had to the desired debt equity ratio.

Information to be provided

The following information will be made available:

1. Half-yearly report covering abbreviated Profit and Loss Statement and abbreviated Balance Sheet, performance indicators, commentary on activities, Cash Flow Statement, and other such information as the Directors consider necessary to enable an informed assessment of the Company's performance during the period being reported.
2. Any other information that would normally be available to a controlling private shareholder, thereby enabling the shareholder to assess the value of his investment in the Company.
3. Any other matters that the shareholders and the directorate agree shall be disclosed as appropriate.

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Procedure to be followed with purchase of shares in other company or organisation

The procedure to be followed before subscription for, or purchase of, or other acquisition of shares in any Company or organisation, shall be by resolution of the Directors, excepting that any significant diversification or addition to existing activities will be referred to the shareholders for approval.

Director's Estimate of Company Value

The director's estimate that the opening balance of shareholder's funds in the annual accounts will represent the value of the company. The directors will advise the shareholders on an annual basis if they believe the value to differ materially from this state. The opening balance of shareholders funds at 1 July 2008 is \$134,334,000.

Dated thisday of 2009

Signed by Port Nelson Limited

Chairman

Director

Signed by the Nelson City Council

Mayor

Chief Executive

Signed by the Tasman District Council

Mayor

Chief Executive

Port Nelson Limited	Revision Eight	QM-POL-017
19 August 2009	Parke Pitara	Chief Commercial Officer