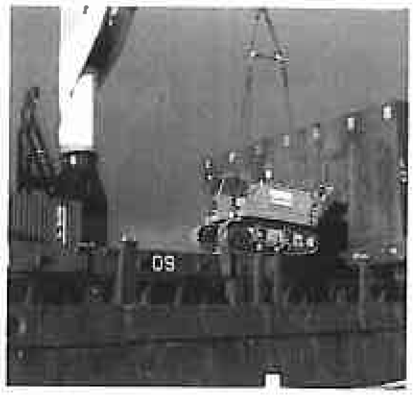
ccmau

CROWN COMPANY
MONITORING ADVISORY UNIT
TE MATA AROTURUKI RAWA A TE KARAUNA

Protecting and enhancing shareholder value



Released under the Official Information Act 1982

Briefing to Incoming Ministers on entities monitored under Vote State-Owned Enterprises

Commercial: Sensitive

November 2008

Content of this report

This report provides information on the following companies which CCMAU monitors through Vote State-Owned Enterprises (SOEs). These companies have historically been monitored on behalf of the Minister for State Owned Enterprises and a range of other Ministers.

SOEs – Energy sector

- Genesis Power Ltd (Genesis)
- Meridian Energy Ltd (Meridian)
- Mighty River Power Ltd
- Solid Energy New Zealand Ltd (Solid Energy)
- Transpower New Zealand Ltd (Transpower)

SOEs – Other sectors

- Airways Corporation of New Zealand Ltd (Airways)
- Animal Control Products Ltd (ACP)
- AsureQuality Ltd
- ECNZ Residual Ltd (ECNZ)
- Kordia Group Ltd (Kordia)
- Landcorp Farming Ltd (Landcorp)
- Learning Media Ltd (LML)
- MetService Ltd (MetService)
- New Zealand Post Ltd (NZ Post), including Kiwibank Ltd
- New Zealand Railways Corporation (trading as ONTRACK and KiwiRail)
- Quotable Value Ltd (QV)
- Terralink Ltd (In Liquidation)
- Timberlands West Coast Ltd (Timberlands)

Crown entity companies

- Radio New Zealand Ltd (RNZ)
- Television New Zealand Ltd (TVNZ)

Crown entities

- New Zealand Lotteries Commission (Lotteries)
- Public Trust

Partly owned companies

- Christchurch International Airport Ltd (CIAL)
- Dunedin International Airport Ltd (DIAL)
- Invercargill Airport Ltd (IAL)
- Hawke's Bay Airport Ltd
- Pacific Forum Line Ltd (PFL)

Structure of this report

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Part 3	Short-term issues that may arise and/or may require Ministers' attention
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Part 5	Medium- to long-term issues that may arise and/or may require Ministers' attention
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Part 1 CCMAU structure and role

CCMAU is a semi-autonomous unit attached to the Treasury. CCMAU has 20 staff, and this level has remained largely constant since 2000. During this period the number and value of entities monitored have both increased.

CCMAU provides services in the following areas:

- ownership – advising on strategic and tactical issues, investment and diversification opportunities, restructuring issues, and the impact of policy positions
- monitoring – reporting on business plans, company reports, performance against targets, and sectoral trends and benchmarking
- Ministerial servicing – managing issues and drafting replies to correspondence, Parliamentary questions, and requests for information under the Official Information Act 1982
- governance – identifying and screening potential directors, managing appointments and inductions, director training and governance best practice.

The companies we monitor

CCMAU monitors the performance of the following 38 Crown companies and entities:

- 18 state-owned enterprises (SOEs)
- eight Crown research institutes (CRIs)
- two statutory entities (New Zealand Lotteries Commission and Public Trust)
- four Crown entity companies (New Zealand Fast Forward Fund Ltd (NZFF Fund), New Zealand Venture Investment Fund Ltd (NZVIF), Radio New Zealand Ltd, and Television New Zealand Ltd)
- four partly owned airport companies at Napier, Christchurch, Dunedin, and Invercargill (structured as council-controlled trading organisations)
- Pacific Forum Line Ltd (PFL), a Samoan-registered company in which the Crown has a shareholding, and Research and Education Advanced Network New Zealand Ltd (REANNZ), a company listed on Schedule 4 of the Public Finance Act 1989.

Our structure

CCMAU has three sector-focused advisory teams.

- Science & Innovation (S&I): The S&I team monitors eight CRIs and REANNZ on behalf of the Minister of RS&T, NZVIF on behalf of the Minister for Economic Development, and NZFF Fund on behalf of the Minister for SOEs (all under Vote CRIs).
- Communications, Services & Infrastructure (CSI): The CSI team monitors 15 Crown companies and entities, and reports to six responsible Ministers. These companies and entities include SOEs such as NZ Post and New Zealand Railways Corporation and other companies and entities such as Lotteries, TVNZ, Public Trust, the Crown's four partly owned airports, and PFL.
- Energy, Land & Environment (ELE): The ELE team monitors 12 SOEs which include energy companies (Genesis, Meridian, Mighty River Power, Solid Energy and Transpower) and others including Landcorp and MetService.

These three teams are supported by a dedicated Appointments & Governance (A&G) team which makes recommendations to shareholding Ministers on board appointments for all companies monitored by CCMAU.

CCMAU's modus operandi

Company relationships

The quality of our advice rests to a large extent on the quality of our relationship with the companies that we monitor. Besides formal reporting, we have frequent interaction with the Chairs, CEOs and CFOs in each company and with other senior managers.

CCMAU officials do not attend board meetings, although some boards may occasionally invite officials to be present during parts of board meetings or annual business planning sessions. This would typically be to discuss issues or to provide an update on CCMAU's work plan or events in Wellington that affect the companies which we monitor. Such invitations are entirely at the discretion of each board.

CCMAU visits the entities around New Zealand on a regular basis to get to know each entity's activities.

Ministerial servicing

CCMAU would generally meet with you on a weekly basis. These meetings aim to brief you or to seek your view on emerging or current issues. There may also be infrequent occasions when it may be necessary to arrange urgent meetings to discuss issues that require immediate resolution.

Besides regular meetings, CCMAU will provide a weekly 'State of Play' report to your office, copied to the offices of the Minister of Finance and Associate Minister of Finance. This report will provide an update on relevant issues and events during the past week.

The current Output Plan between the Minister for State Owned Enterprises and the Executive Director of CCMAU for 2008/09 sets out the outputs that CCMAU will produce for Ministers under Vote SOEs. Attached is a copy of the existing Output Plan, which you may wish to amend if necessary, to reflect your required outputs.

Funding

CCMAU receives its revenue through two votes: Vote Crown Research Institutes and Vote SOEs. CCMAU's appropriation for 2008/09 is $3.690 million, of which Vote SOEs is $2.616 million.

Key CCMAU contacts

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Secondee in Minister's office

CCMAU has historically had a staff member based in the Minister for SOEs' office (currently this is Emily Richards). We consider that this role is an important conduit between CCMAU and the Minister's office, and we would be keen to maintain this link.

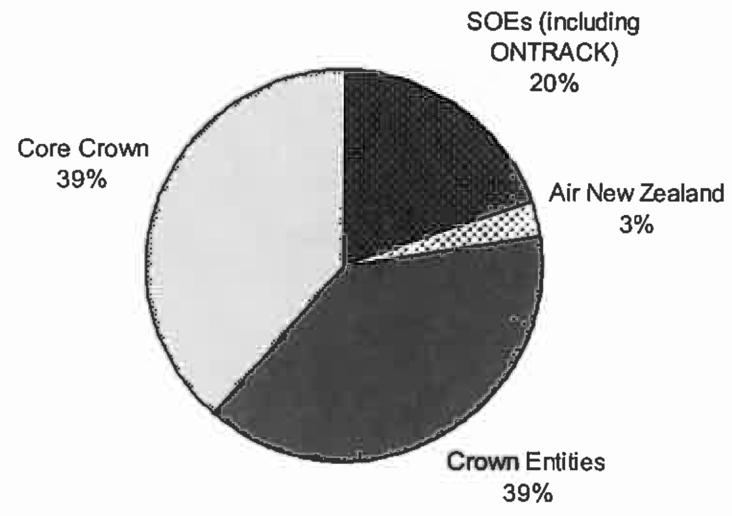
Part 2 Background information on SOEs

This section provides some background information on SOEs.

SOEs and the other commercial trading organisations that CCMAU monitors are significant assets of the Crown and are important to its balance sheet. They are also a significant source of revenue for the Crown through the taxes and dividends they pay.

- As at 30 June 2008, SOEs alone had total assets of approximately $27.7 billion, excluding ONTRACK (or $39.6 billion including ONTRACK[1]). This represents about 14% (20% including ONTRACK) of the Crown's total assets, as illustrated below.
- In 2007/08, SOEs earned revenues of $9.9 billion (excluding ONTRACK), resulting in a net profit after tax of $639 million (excluding ONTRACK), which represented a return on equity of 4.8% (excluding ONTRACK)[2].
- SOEs employ approximately 17,000 full-time equivalent (FTE) staff with approximately another 2,000 employed by the Crown entity companies (TVNZ and RNZ) and Crown entities (various) that CCMAU monitors under Vote SOEs.

Figure 1: Composition of Total Crown Assets as at 30 June 2008



[1] ONTRACK is highlighted because, although strictly speaking it is an SOE, it is accepted that in the foreseeable future it is unrealistic to expect that it will earn a commercial rate of return on its approximately $12 billion of land and rail assets.
[2] Including ONTRACK, the return on equity was 2.4% in 2007/08.

The portfolio of SOE companies has a particular bias towards electricity generation, transmission and retailing, and rail infrastructure, as illustrated below.

Figure 2: SOE Portfolio by Shareholder's Equity as at 30 June 2008

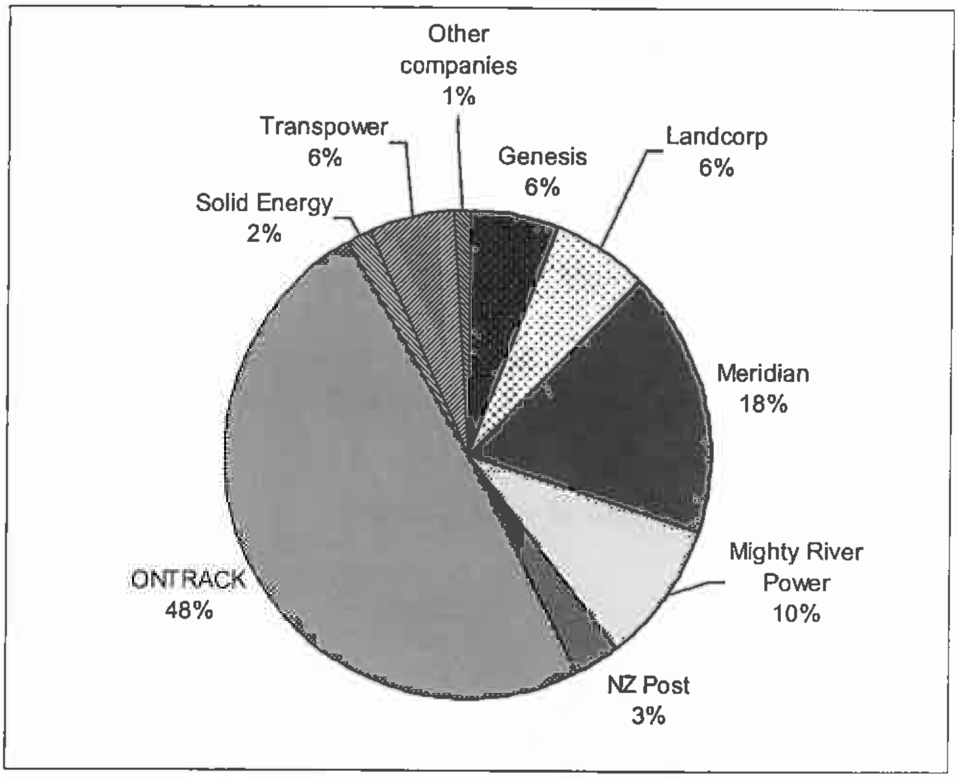
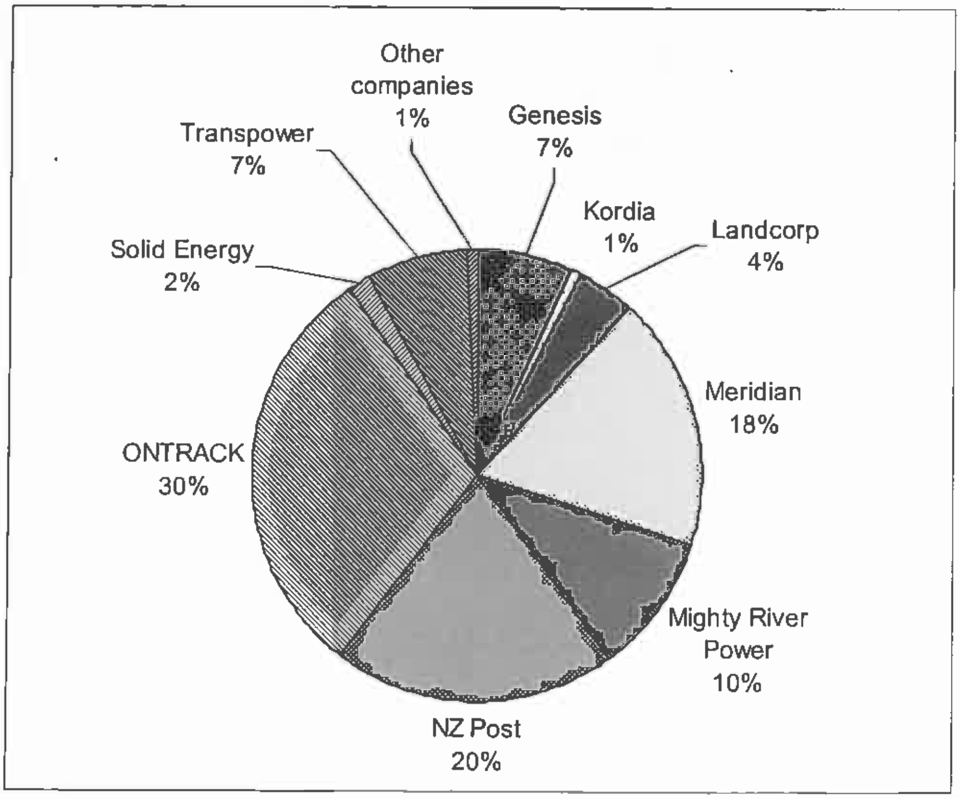


Figure 3: SOE Portfolio by Asset Value as at 30 June 2008



This bias has largely resulted due to historic reasons (because some other significant assets such as Telecom, Air New Zealand and Auckland International Airport had previously been privatised). Although Air New Zealand is once again majority-owned by the Crown, it is worth noting that Air New Zealand is not an SOE and is not monitored by CCMAU.

The Owner's Expectations Manual was originally written by CCMAU and the Treasury in 2002 with input from relevant Ministers. It was designed to document in a single place the arrangements for the companies and entities monitored by CCMAU, with particular emphasis on SOEs and the other commercial entities we monitor. It was updated in 2007 and is publicly available on our website (www.ccmau.govt.nz). A copy is attached to this briefing and we encourage you to refer to it.

The manual outlines shareholding Ministers' expectations of Crown company boards and clarifies the environment within which shareholding Ministers expect boards to meet their responsibilities and shareholding Ministers' expectations. Over the years there has not been any fundamental change in the expectations of Ministers, which have been well established over time.

The New Zealand SOE and Crown company model is held in high regard internationally. CCMAU frequently receives delegations of visitors from foreign governments who wish to investigate the New Zealand model for adoption in their own countries. They are often surprised at how commercially focused the government's trading organisations are here and the freedom they have to operate without political interference, which is often not the case in some other countries.

Given the robustness of the model, we would not recommend that wholesale changes be made to the underlying model. Rather, we consider that Ministers' attention is best focused on encouraging SOEs and Crown companies to continue improving their performance over time. We believe it is very important that companies maintain their focus on enhancing value - through effective management of their existing operations or through new initiatives.

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Part 3 Short-term issues that may arise and/or may require Ministers' attention

You may be required to address the following issues in the next six months.

All companies

Debt financing

The 'credit crunch' is expected to have an adverse impact on SOEs' cost of debt and/or access to debt facilities. Some SOEs have begun assessing options for refinancing existing debt facilities, including Genesis' proposed retail bond issue in late 2008 or early 2009.

Annual meetings

Most companies (with the exception of airports – see below) do not hold annual meetings any longer and, instead, shareholding Ministers sign written resolutions in lieu of holding an annual meeting. It will be necessary for shareholding Ministers to sign these resolutions prior to 31 December 2008, for all companies that have a 30 June balance date.

Business planning process

The 2008/09 business planning process has been completed although, because Parliament was dissolved on 3 October 2008, there are a few final Statements of Corporate Intent (SCIs) that will need to be tabled in the House of Representatives once the new Parliament commences.

For the forthcoming 2009/10 business planning round, business planning outlook letters will need to be sent to companies setting out shareholding Ministers' expectations. Typically these letters are prepared by CCMAU (in consultation with the Treasury) for Ministers, ready to be sent out in December. This year we recommend that you send them out by the end of November.

Public release of annual reports

For companies with a 30 June balance date (all but two SOEs have a 30 June balance date), most annual reports were tabled in the House of Representatives on 2 October 2008.

For the remaining companies, there are already processes in place under the SOE Act 1986 and the Crown Entities Act 2004 to facilitate publication of the annual reports. However, when the new Parliament sits, the annual reports must still be tabled.

Inquiry into valuation methodology and practice for valuing SOEs

The report of the Commerce Select Committee on the above matter was released on 3 September 2008. Ministers will need to consider an appropriate response to this report.

CSI companies

Annual meeting for airport companies in which the Crown owns shares as indicated – Christchurch (CIAL-25%), Dunedin (DIAL-50%) and Invercargill (IAL-45%)

Because these companies are partly owned by the Crown and partly owned by the relevant city councils, they still hold annual shareholder meetings. Whilst shareholding Ministers have the right to attend these, typically they do not and, instead, appoint representatives of CCMAU as their proxies to attend the meetings on their behalf. The CIAL and DIAL meetings have both already been held. However, the IAL meeting is scheduled for Monday, 15 December 2008, in Invercargill. Although the meeting is largely procedural in nature, we would encourage you to attend if you are able to, as the meeting would provide an opportunity for you to meet the Board and management of the company.

CIAL

Integrated Terminal Project (ITP)

Tenders for Christchurch Airport's ITP close at the end of November 2008, with construction due to commence in early 2009. This is a major transaction for the company, which has previously been approved by its shareholders. Should there be any material change to the cost, there may need to be further consultation with shareholders.

Noise contours

In order to preserve CIAL's ability to operate fully on a 24 hour per day basis, CIAL has proposed a variation to the District Plan to reinforce noise contours over land affected by the airport's operations. There has been a fair amount of local interest in this process and, whilst it is an operational matter for the airport company, you should be aware of this process.

Hawke's Bay Airport

The Crown (50% ownership interest), Napier City Council (26% ownership interest) and Hastings District Council (24% ownership interest) recently agreed to corporatise the airport and a Heads of Agreement to facilitate this has been signed. For various reasons, the previous unincorporated joint venture arrangement dating from the 1960s was not an optimal structure for the airport. Corporatisation will place the airport on a more usual commercial footing by incorporating it as a limited liability company, which will in turn give the company's directors power to make more decisions on capital projects themselves.

It will be necessary for the Crown to appoint two directors to the new airport company's board. We will give you separate advice on these appointments in due course.

All airports – Domestic Aviation Security Review

Following a security incident on an Air New Zealand flight from Blenheim in early 2008, a Domestic Aviation Security Review has been underway. This review is considering what additional measures, if any, should be taken to avoid potential security threats on domestic flights. The review is being coordinated by the Ministry of Transport in consultation with relevant government agencies, airports and airlines. Ministers will most likely need to consider this issue further during 2009.

Airways

The annual meeting is scheduled for 27 November 2008, in Wellington. As above, we would encourage you to attend if you are able to, as the meeting provides an opportunity for you to meet the Board and management.

The Employment Relations (Breaks, Infant Feeding, and Other Matters) Amendment Act 2008 was recently passed. This will have an impact on Airways' rosters for its air traffic controllers, which Airways has been working through with its staff and the union representing them. Withheld under OIA section 9(2)(j)

Kordia

Kordia is currently developing a business case for a second trans-Tasman communications cable, in conjunction with an Australian company called Pipe Networks. This is likely to require shareholder consultation.

LML

Withheld under OIA sections 9(2)(b)(ii), 9(2)(i) and 9(2)(j)

LML's CEO recently resigned, and we understand that the process to find a replacement is nearing completion. This is an operational matter for the LML Board; however, you should be aware of this change.

Lotteries

Lotteries is contemplating the introduction of a new game called Withheld under OIA sections 9(2)(b)(ii), 9(2)(ba)(i) and 9(2)(i). This will require the approval of the Minister of Internal Affairs, and is part of Lotteries' ongoing strategy to rejuvenate its products.

New Zealand Railways Corporation (trading as KiwiRail and ONTRACK)

A largely new Board was appointed on 1 October 2008 to oversee this organisation. New Zealand Railways Corporation purchased KiwiRail from the Crown (which had acquired it from Toll Holdings in Australia). The Board has commenced the process to appoint a CEO to lead the combined organisation, and initial work is underway to integrate the two organisations. We expect that this will take a number of months.

NZ Post

Withheld under OIA sections 9(2)(b)(ii), 9(2)(ba)(i) and 9(2)(i)

Pacific Forum Line Ltd – 23.1% Crown ownership

Globalisation is creating increasing challenges for small shipping lines such as PFL. An independent review is presently being undertaken about strategic options for the future operation of PFL. The results will be presented at a meeting of PFL's shareholders in December, and relevant Ministers will need to decide who should attend this meeting on behalf of the New Zealand Government.

Public Trust

As a result of the 'credit crunch' affecting global financial markets, the value of certain investments held by Public Trust has been adversely affected. In general, these are 'mark-to-market' losses and will reverse in future periods as the investments mature at their face values. There have, however, been some provisions made for 'real' mortgage losses, where Public Trust does not expect to recover all of the funds it had secured against certain property. In order to maintain capital adequacy at prudent levels, Ministers have agreed to a capital injection of $20 million, subject to certain conditions being met.

RNZ

As part of the last government's 'Broadcasting Programme of Action', the form of RNZ was reviewed and legislation to change RNZ's form from that of a company to an autonomous Crown entity had been awaiting introduction to the House of Representatives. For a number of reasons CCMAU had opposed a change from the corporate form as we considered it would weaken accountability for no real benefit. We will be happy to brief you further on this matter should you wish us to.

The legislation was also intended to give effect to the last review of RNZ's Charter, which is required to be conducted at five-yearly intervals.

TVNZ

Withheld under OIA sections 9(2)(ba)(i), 9(2)(f)(iv) and 9(2)(j)

Chairmanship

The appointment of the current Chair (Sir John Anderson) is due to expire on 31 December 2008 and Ministers will need to promptly consider whether to reappoint him for a further term. Withheld under OIA sections 9(2)(f)(iv), 9(2)(g)(i) and 9(2)(j)

Capital structure review

TVNZ is scheduled to complete a capital structure review in early 2009. Shareholding Ministers may need to meet with the company to discuss this matter.

ELE companies

Emissions Trading Scheme (ETS)

The ETS represents a threat and an opportunity for a number of SOEs, including Genesis, Landcorp, Meridian, Mighty River Power, Solid Energy and Transpower. These are elaborated on below where significant, but a common concern is the amount of uncertainty about the timing and final form of the scheme. This is particularly relevant for electricity generators, which are expected to join the scheme on 1 January 2010 (just over 12 months away), given the potential impact of the scheme on investment decisions, and the long-lived nature of generation assets.

Landcorp

Landcorp's ability to sell land will continue to be constrained by the Protected Land Agreement, signed in September 2007 between the Crown and Landcorp. Under the Agreement, Landcorp protects from sale a number of specific properties which it had earmarked for disposal. The Agreement limits the ability of Landcorp to sell any land on the open market, for a period of four years. The Agreement also specifies the terms under which Landcorp is compensated for the protected land, including the diversion of future dividend payments.

Withheld under OIA sections 9(2)(b)(ii) and 9(2)(j)

Meridian

Withheld under OIA sections 9(2)(b)(ii) and 9(2)(g)(i) and 9(2)(j)

New generation

While of an operational nature, Meridian has a number of generation projects in various stages of development. Most notably, progress with Project West Wind – the wind farm located in Makara (west of Wellington) – continues, with the first turbines due to arrive onsite over the next few weeks. RMA-related decisions are expected on Meridian's North Bank Tunnel hydro proposal and the Project Hayes wind farm proposal late in 2008, or early 2009.

Mighty River Power

Mighty River Power is progressing a number of new generation projects, including the Nga Awa Purua geothermal station at Rotokawa, and the Turitea wind farm in the Tararua ranges. Mighty River Power has asked the Minister for the Environment to call-in Tuitea; a decision is pending.

Genesis

Impact of ETS on Huntly

The ETS has particular relevance to Genesis, given that Huntly power station is the single largest emitter of CO_2 in New Zealand. Genesis will need to determine the future viability of Huntly under the ETS and engage with Ministers before any final decisions are made, given the strategic importance of Huntly in maintaining security of electricity supply.

Rodney resource consent

The resource consent hearing for Rodney (Genesis' proposed thermal station north of Auckland) began in September. Its future viability may depend on the moratorium on new thermal baseload generation being lifted.

Retail bond issue

Genesis is proposing a retail bond issue in late 2008 or early 2009. It has already made a pre-offer announcement, to alert the market to a potential bond offer. You can expect to be informed under the 'no surprises' policy once the Board has made a final decision on the proposed bond offer and before any formal offer is made to the market.

Solid Energy

Solid Energy is holding its first public annual meeting in Auckland on 24 November 2008. An agenda is not yet available, but the purpose of the meeting is to provide an opportunity for engagement with stakeholders. Shareholder representation is not expected, but you may wish to take the opportunity to attend this in order that you can meet the Board and management.

Transpower

Grid upgrade

Transpower is awaiting final decisions on three key strategic projects: the North Island grid upgrade, the North Auckland and Northland grid upgrade, and the HVDC upgrade. Transpower expects to progress many projects during 2009, including the above, as well as undertaking considerable upgrading work on existing transmission lines.

Cross-border leases

Transpower is working through the impacts of the US credit crisis on its cross-border leases and options for resolving these issues. Transpower is expected to formally write to Ministers on this matter once it has further clarity.

Reserve charges

Transpower has been incurring significant financial costs for reserve charges which it considers should be 'pass-through' costs. The Commerce Commission (CC) has issued a draft decision not to allow this treatment and is currently seeking submissions. Transpower is making its case to the CC, and is asking the CC to reverse its decision.

Timberlands

Timberlands is in the process of being wound up, and its assets transferred to the Crown, with their management to be undertaken by Crown Forestry.

Withheld under OIA section 9(2)(j)

Responsibility for resolving any outstanding issues relating to the alleged under-supply of log volumes from Timberlands to West Coast sawmills is shared between the Timberlands' Board and the Minister of Finance.

Any legal action taken against Timberlands for contractual failures is an issue for the Board to resolve. Timberlands will retain a residual Board until the company has been formally wound up, which will require legislation to remove the company from the SOE Act 1986. Responsibility for engaging with the West Coast Timber Association, particularly with respect to its claim that a moral and/or political obligation exists for the Crown to provide financial assistance to its members due to the reduced log supply volumes, has been led by the office of the Minister of Finance to date.

Part 4 Board appointments and governance issues

One of the most significant areas where you can add value to the Crown company portfolio is in the selection of competent directors. There is a standardised Cabinet-ratified process for this.

Board appointment process

The 2009 board appointment process looms as a significant issue requiring Ministerial consideration. There are currently 154 individual director positions across the 25 boards covered by Vote SOEs, and approximately 49 come up for consideration in the first half of 2009 (including nine of the Chairs). This does not mean that Ministers will necessarily be seeking 49 new directors, as a number of people will only be completing first terms, and Ministers are likely to reappoint a number of them. Depending on the individual circumstances, we would expect that approximately 20-25 new directors will be required.

Based on the previous Ministerial portfolio split, the allocation of these board appointments is as follows:

- Minister for SOEs – 39 positions
- Minister of Education (LML) – two positions
- Minister of Internal Affairs (Lotteries) – two positions
- Minister Responsible for Public Trust – two positions
- Minister of Broadcasting (RNZ and TVNZ) – four positions.

We will begin to engage with Ministers on these appointments as soon as possible after the election, particularly to seek agreement to the process to be followed. Although final decisions may not occur until closer to March 2009, there is considerable lead-in work involved in managing the process (especially for this number of appointments) and this will need to commence before the end of 2008 if possible.

While we will provide more detail in due course, following are the key elements of a typical appointment round (following the process agreed by Cabinet in 1999) that CCMAU will administer on Ministers' behalf. This is essentially in chronological order, but with the various strands overlapping each other at any given time.

- CCMAU identifies forthcoming term ends, and develops a skills profile and succession needs for each board.
- Chairs advise preferences for succession.
- The Minister agrees skills profile, and provides an early indication of likely reappointments.
- The Minister calls for nominations from colleagues and CCMAU from representative agencies (Te Puni Kōkiri, Ministry of Women's Affairs, Ministry of Pacific Island Affairs, Office of Disability Issues, and Office of Ethnic Affairs). CCMAU advertises positions on its website. Chairs asked for any nominees. CCMAU reviews its database.
- CCMAU compiles long lists of options (likely to be several hundred). Minister shortlists those candidates to be interviewed.
- Due diligence interviews conducted by chairs and CCMAU with short-listed candidates.
- CCMAU recommends preferred candidates to the Minister, and final preferences confirmed. The Minister conducts any final checks with colleagues.
- CCMAU completes final reference checks.
- The Minister takes candidates through the Cabinet Appointments and Honours Committee (APH), Cabinet and Caucus.
- Decisions are confirmed – all involved notified of outcome.

Note that CCMAU runs similar processes for the boards covered by Vote CRIs, which will cover 23 out of 66 director positions over the same period.

Directors' fees

Ministers are required to approve the annual directors' fee pool for each Crown company board (based on a Cabinet approved methodology). We will provide advice in this regard in approximately May 2009 for the following financial year.

Attention on board appointments

The make-up of the Crown company boards is public information, and changes generally receive attention. Media, and other commentators, will occasionally criticise the make-up of the boards appointed by Ministers to the various companies and entities owned by the Crown. Such comment has increased over recent months. Criticisms often point to appointments that are perceived as 'political', or appointments perceived as being made for non-skills based reasons (such as being only for diversity reasons), and will occasionally call for a change in the way appointments are made, eg changing the decision point to lessen the influence of Ministers.

From CCMAU's point of view, while the majority of the approximately 230 directors of the 37 active companies and entities we monitor have skills well aligned to the needs of their boards, there is always room for improvement. Board appointments are the most direct involvement Ministers will have in the Crown companies. If Ministers consider there is a problem, the answer is relatively straightforward - appoint experienced skills-based directors to the boards. This does not need to be at the expense of diversity considerations and, indeed, the movements made by the Crown in this regard have received positive mention from some quarters.

There is no shortage of skilled candidates willing to serve on Crown boards, and CCMAU will ensure that Ministers always have a range of strong, well aligned, candidates for consideration for every position. The ultimate decision, of course, rests with Ministers.

Directors' professional development

Through a partnership with Massey University's Graduate School of Business, CCMAU delivers periodic director professional development and networking programmes to both serving and aspiring Crown company directors. We expect the next programme will be carried out early in 2009, and we hope to use this as an early opportunity for Ministers to engage directly with the boards.

Part 5 Medium- to long-term issues that may arise and/or may require Ministers' attention

The following are issues that you may be required to address beyond six months and up to 10 years.

All companies

Increasing productivity

Most economists agree that it is important for New Zealand companies to increase their productivity. As SOEs and other Crown companies and entities are a significant component of the New Zealand economy and employ a significant number of people, it is important that they play their part in ensuring this occurs.

Whilst the specific means of achieving this objective is a matter for the boards to determine, Ministers may wish to continue to encourage SOEs and other Crown companies and entities to pursue this objective.

Sustainability/corporate social responsibility (CSR)

It is clear that operating in a sustainable and socially responsible manner will be a key challenge for businesses over the coming years.

Shareholding Ministers wrote to all SOE boards in 2007, reminding them of their obligations under the SOE Act 1986 and advising of the expectations for a CSR framework to be included in their Business Plans and SCIs. The letter outlined that SOEs specify their:

- CSR values and behaviours, and how these are incorporated into the fabric of the company
- objectives and performance targets reflecting good social responsibility practice
- specific CSR programmes that will be put in place
- reporting framework.

Just as there is an expectation that companies' financial performance will improve over time, there is an expectation that companies' non-financial performance will also improve over time. Ministers may wish to continue to encourage SOEs and other Crown entities to achieve this objective.

CSI companies

Impact of globalisation of air traffic control services - Airways

Air traffic control services are expected to aggregate into larger regional groupings in the medium to long term. Withheld under OIA sections 9(2)(b)(ii), 9(2)(ba)(i), 9(2)(ba)(ii) 9(2)(i) and 9(2)(j)

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Hawke's Bay Airport

On occasions, the Napier and Hastings councils have both expressed interest in extending the airport's runway in order to accommodate jet services, including to international destinations.

We understand that this would be likely to cost approximately Withheld under OIA sections 9(2)(b)(ii), 9(2)(ba)(i), 9(2)(i) and 9(2)(j), and that the business case for such an investment is unlikely to be economic in the short term. Current indications are that airlines are quite unlikely to commit to such services, and we note that IAL extended its runway in 2005, but is yet to receive a scheduled international flight. In addition, international flights have ceased from Palmerston North, and have been reduced at both Hamilton and Dunedin. The robustness of any business case put forward by Hawke's Bay Airport will, therefore, need to be carefully assessed.

Growth in non-postal services of NZ Post - Kiwibank

Kiwibank's asset base is expected to continue growing significantly over the next 5 to 10 years. In order to maintain an acceptable capital adequacy ratio, this implies that it will continue to require significant amounts of new capital. This can be achieved by Kiwibank not paying dividends from its profits, NZ Post taking on more debt, which is then used to provide additional capital to Kiwibank, or the Crown injecting additional equity into NZ Post, which then injects additional equity into Kiwibank. In practice, it may be a combination of the above methods; however, the key point to recognise is that, if Kiwibank is to continue to grow, then, whilst the Crown may not receive significant cash dividends from its profits, the underlying value of the asset should be increasing significantly over time.

Impact of competition on TVNZ

Over time TVNZ's audience share is gradually declining due to the impact of competition from pay television (ie SKY Network Television Ltd) and other free-to-air (FTA) broadcasters (primarily TV3 and C4 owned by Canwest and Prime). This may ultimately affect its ability to buy programming. This is because as those other broadcasters' audience shares increase, their programming budgets are likely to also increase meaning that they can outbid TVNZ when purchasing programming. The risk is that this may then exacerbate TVNZ's decline in viewership. Whilst this is an operational matter for the TVNZ Board to manage (which it is by ensuring TVNZ is active in making its content available on new transmission platforms), it is of relevance to the shareholders as it may affect the value of their investment in the long term.

Litigation affecting the Crown - Terralink

Terralink was placed in receivership on 15 January 2001. It was sold as a going concern by the receiver and was subsequently placed in liquidation. When the liquidation has been completed it will be necessary to remove Terralink from the second schedule to the SOE Act 1986. However, this may not occur for some time yet.

This is because one of the actions of the liquidator is to review the actions of the directors and officers of the company in the period leading up to the receivership. He has done this and considers that they took certain actions and/or failed to take certain actions to the detriment of the creditors. As a result, he issued legal proceedings against the former directors and CEO. They have responded to these proceedings and we understand that negotiations are still likely to take place with a view to reaching an out-of-court settlement.

The former directors and CEO have joined the Crown as a second defendant in the insolvent trading portion of the claim against them. In summary, the directors and former CEO allege that they were acting under instructions from the Crown in the period leading up to the receivership. The Crown refutes this and is defending this claim, with the legal 'discovery' process (of documents) now underway. CCMAU and the Treasury are regularly obtaining advice from Crown Law regarding this matter.

Withheld under OIA section 9(2)(h)

ELE companies

ETS

ELE companies will need to adapt to an ETS, whatever final form it takes. As noted above, this represents both a risk and an opportunity for many SOEs; some SOEs are expected to benefit from an ETS, while others will lose. The ability of SOEs to adapt to the ETS will largely determine the magnitude of these gains and losses.

Electricity price rises

There is an expectation that electricity prices will continue to rise over the short to medium term, partly in response to the increased cost of developing new generation projects, the cost of fuel, transmission constraints and the ETS. Withheld under OIA section 9 (2)(g)(i).

Investment in electricity infrastructure

The electricity industry requires considerable investment in both generation and transmission capacity over the next decade. SOEs will play a crucial role in this investment. While most – if not all – of these investments are expected to be self-funded or debt-financed, the investment programme will entail lower dividend returns in the short to medium term, in the expectation of higher returns in the future.

All SOE generator/retailers are also expected to make a significant investment in smart electricity meter technology over the next few years. Smart meters are used for demand side management and to assist in the development of new innovative retail products.

ECNZ

An Order in Council, applying since 1 April 1999, has exempted ECNZ from the requirement in the SOE Act to be a successful business. Accordingly, ECNZ's objectives, and its nature and scope of activities are consistent with those of a residual business to be wound up, rather than that of an SOE with a commercial focus. This wind-up function essentially involves managing a range of contractual and balance sheet issues, whilst taking into account the need to preserve the Crown's and the SOE's financial interests.

ECNZ's performance targets for the coming year include resolving outstanding matters by their due date, so that wind-up can occur in a timely way without unnecessary loss of value, and that there are no defaults that would trigger a call on the Crown's guarantees.

Outstanding matters include the management of ECNZ's debt portfolio to ensure zero defaults. ECNZ's debt portfolio matures on 15 April 2009. Assets include a term loan of $16 million payable to ECNZ from Mighty River Power. Term liabilities include a $16 million loan from ECNZ to 10 corporate bondholders.

An issue of critical importance to the timing of ECNZ's wind-up is the transfer of titles to power stations. When Meridian, Genesis, Mighty River Power and Contact were separated from ECNZ, ECNZ entered into agreements with these companies whereby titles to power station land that had not been finalised by the Crown would, when ready, transfer from the Crown to ECNZ, and then to the four electricity companies and various other privately owned electricity companies.

This process of land title transfer has been very time consuming, and is ongoing. A further complication is the extent to which litigation involving the Waikato riverbed affects assets to be transferred to Mighty River Power *(Paki v AG)*. This case involves a fiduciary duty and constructive trust claim by Pouakani Māori against the Crown, which covers land under the Whakamaru Dam used by Mighty River Power to run its hydro power station. The litigation is ongoing, and may not be resolved by the planned wind-up date of 30 June 2009. At the request of the Minister, the Board has agreed to delay the wind-up of ECNZ until such time as the land title transfer process is completed.

Withheld under OIA sections 9(2)(b)(ii), 9(2)(ba)(i) and 9(2)(i)

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Part 6 Company profiles

The following pages provide a brief profile of each company. This profile includes a brief analysis of their past performance and their future outlook and a summary of relevant current issues.

Most companies have a 30 June balance date and two shareholding Ministers: the Minister of Finance and another responsible Minister.

The profiles are ordered as follows:

a) SOEs – Energy sector

b) SOEs – Other sectors

c) Crown entity companies

d) Crown entities

e) Partly owned companies.

Part 6(a) SOEs – Energy sector

- Genesis Power Ltd (Genesis)
- Meridian Energy Ltd (Meridian)
- Mighty River Power Ltd
- Solid Energy New Zealand Ltd (Solid Energy)
- Transpower New Zealand Ltd (Transpower)

Genesis Power Ltd (Genesis)

Company profile

Genesis is a generator, wholesaler and retailer of energy. Its major assets are the Huntly power station (New Zealand's largest) and the Tongariro and Waikaremoana power schemes. Genesis is also New Zealand's largest electricity and gas retailer.

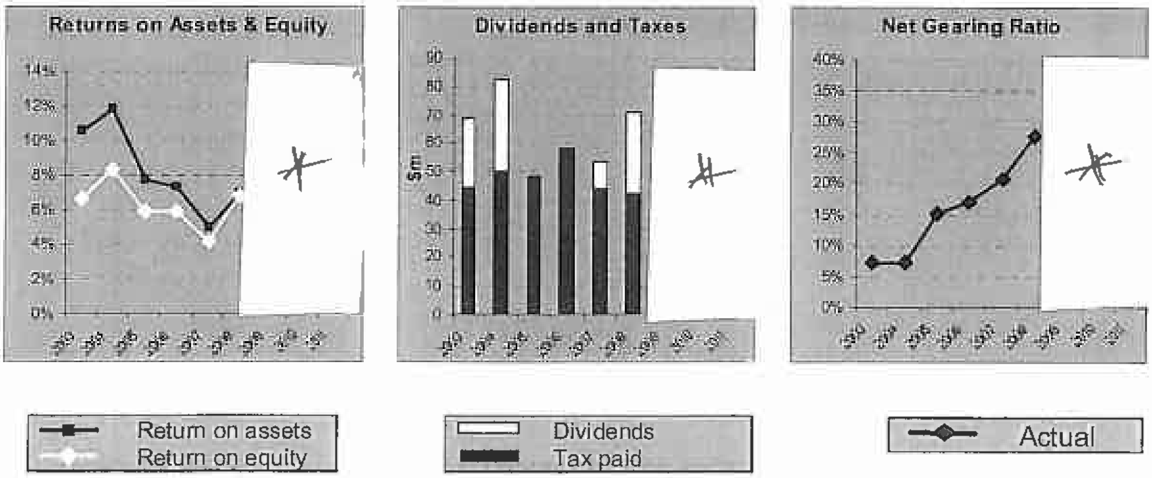
Performance summary and issues

Genesis' financial performance was above expectations in the 2007/08 financial year, due partly to dry weather conditions during the last quarter resulting in increased thermal generation and high wholesale electricity prices.

The single biggest challenge facing Genesis in the short term is adapting to the government's energy and climate change policies, particularly given the level of uncertainty about the final form and timing of the Emissions Trading Scheme (ETS). This is because Genesis is New Zealand's largest thermal generator and will have one of the largest carbon liabilities of any company in New Zealand, starting from 1 January 2010 (based on the current timetable for stationary energy producers).

One immediate challenge is to secure a portfolio of emissions credits (or at the very least, rights to such credits); to achieve this Genesis will need to import credits. Although the ETS legislation allows the surrender of imported credits if they meet specific environmental conditions, the regulations that specify which credits are allowed will only be completed next year. The resulting uncertainty has significant strategic implications for Genesis including the future role of Huntly. There is also a great deal of uncertainty about the future price of carbon and the impact that this will have on Genesis' competitiveness.

Historical and forecast financial performance



Key company data as at 7 November 2008

Chair	Brian Corban (October 2009)	CEO	Albert Brantley
Deputy Chair	Mike Williams (April 2009)	Shareholding Ministers	Minister for SOEs
Directors	Annabel Cotton (April 2010)		Minister of Finance
	Dr Nicki Crauford (October 2010)	Balance date	30 June
	Barbara Elliston (April 2011)	Entity type	State-owned enterprise
	Ian Kusabs (April 2010)		
	Sara Lunam (April 2011)		
	Joanna Perry (April 2010)		
	John Stace (April 2009)		

* Withheld under OIA sections 9(2)(b)(ii), 9(2)(ba)(i) and 9(2)(i)

ccmau

Meridian Energy Ltd (Meridian)

meridian

Company profile

Meridian is a generator, wholesaler and retailer of electricity. Its core assets are hydro stations located at Manapouri and on the Waitaki River, and the Te Apiti, White Hill and West Wind wind farms. Meridian generates about 25% of New Zealand's electricity and has around 65% of New Zealand's total hydro storage.

Performance summary and issues

During 2007/08, Meridian faced the most demanding operating environment in its history. Net profit after tax for the year was $128.6 million, compared with $241.2 million the previous year.

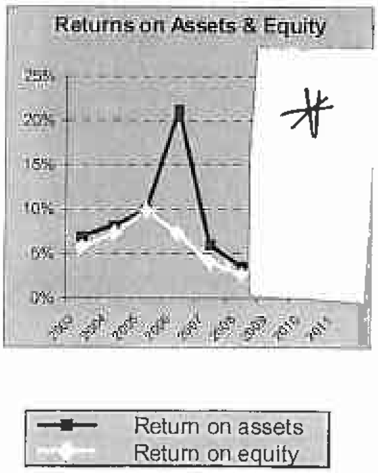
In the second half of the year, poor inflows to the Waitaki system were compounded by high spot wholesale electricity prices, constraints on the HVDC link and North Island thermal outages. Despite the difficult trading conditions, Meridian paid a $235.9 million dividend for the year. Withheld under OIA sections 9(2)(b)(ii), 9(2)(ba)(i) and 9(2)(i).

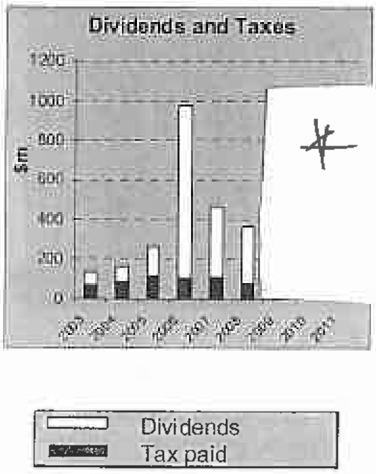
During the year, construction began on the West Wind wind farm near Wellington, a half-life refurbishment upgrade of Manapouri was completed, and refurbishment of Benmore was commenced. Major projects in various stages of the consenting process include the Project Hayes, Mill Creek and Central wind farms, the Mokihinui and North Bank Tunnel hydro schemes, and the Hunter Downs irrigation project.

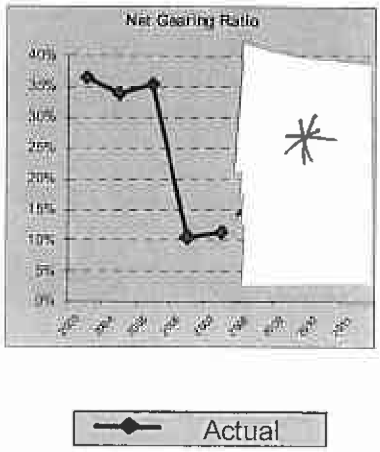
Withheld under OIA sections 9(2)(b)(ii), 9(2)(ba)(i) and 9(2)(i) and providing regulatory input into the effectiveness of investment decision-making for grid transmission, restoring the HVDC Pole 1 link, and speeding up generation consenting processes. However, greater volatility in the electricity market is expected until at least 2012, when the HVDC Pole 1 is due to be replaced. Until then, any generation constraints in either the North or South Islands may lead to significant movements in wholesale market prices.

Meridian is also preparing for potential consequences of electricity market reviews being undertaken by the Commerce Commission and the Electricity Commission, national policy statements due from the Ministry for the Environment, and upgrade and pricing issues for the national grid.

Historical and forecast financial performance







Key company data as at 7 November 2008

Chair	Wayne Boyd (April 2011)	CEO	Tim Lusk
Deputy Chair	Ray Watson (April 2011)	Shareholding Ministers	Minister for SOEs Minister of Finance
Directors	Anne Blackburn (April 2010) Catherine Drayton (April 2009) Polly Schaverien (October 2010) David Shand (April 2009) Anne Urlwin (October 2010)	Balance date Entity type	30 June State-owned enterprise

* Withheld under OIA sections 9(2)(b)(ii), 9(2)(ba)(i) and 9(2)(i)

Mighty River Power Ltd (Mighty River Power)

Company profile

Mighty River Power is New Zealand's third-largest electricity generator, in terms of value of total assets, with a capacity to supply 15% of New Zealand's annual load requirements and, over short periods, 22% of peak demand. Its retail brand, Mercury Energy, supplies over 300,000 retail customers.

Performance summary and issues

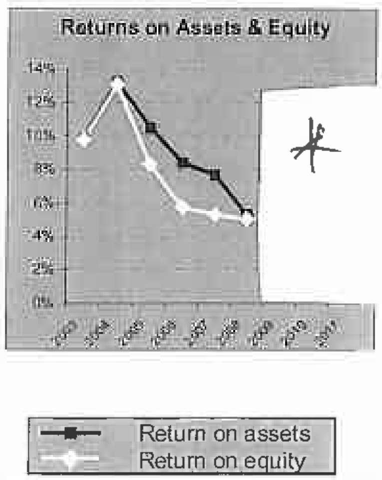
Mighty River Power performed above expectation during 2007/08, with net profit after tax of $111 million, despite the Waikato being declared a drought zone for the first time in 100 years (Mighty River Power owns nine power stations on the Waikato River). As a result of the drought, the company's hydro production was down 9% on the previous year. Hydro generation was offset by a 61% increase in production from the company's Southdown gas-fired cogeneration plant, which was upgraded in early 2007.

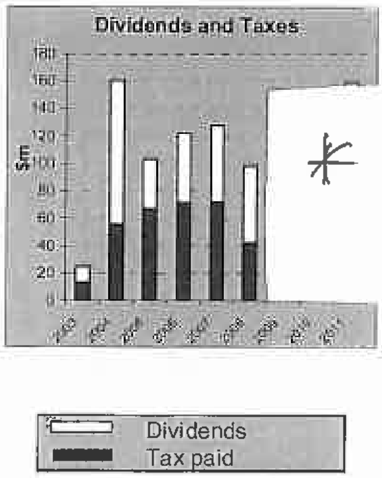
The strategic focus for Mighty River Power going forward continues to be geothermal; the company plans to have over 400MW of geothermal generation operating by 2012. In June 2008, Might River Power successfully commissioned a 100MW geothermal plant in Kawerau. The plant was completed ahead of schedule, under budget and with a capacity factor higher than expected. Mighty River Power is currently constructing a 132MW geothermal plant based at Rotokawa.

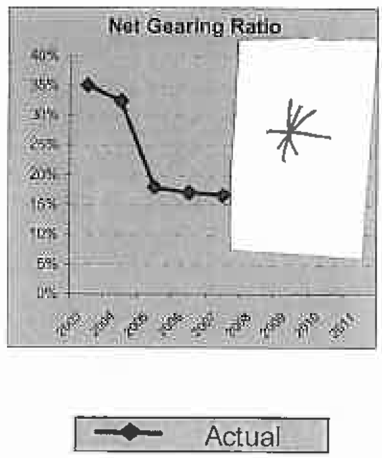
In addition to geothermal generation, the company is also seeking opportunities to become actively involved in wind generation projects. In October of this year, the company purchased a cornerstone shareholding in the listed company, Windflow Technology Ltd. Other wind generation opportunities include a 300-360MW wind farm based at Turitea. The company recently sought to have the Turitea proposal called-in; a decision by the Minister for the Environment is pending.

Mighty River Power has also commenced the roll out of 300,000 smart meters to its Auckland-based customers.

Historical and forecast performance







Key company data as at 7 November 2008

Chair	Carole Durbin (October 2009)	CEO	Dr Doug Heffernan
Directors	John Baird (October 2009)	Shareholding Ministers	Minister for SOEs
	Diana Crossan (October 2010)		Minister of Finance
	Dr Graham Hill (October 2010)	Balance date	30 June
	Trevor Janes (April 2011)	Entity type	State-owned enterprise
	Dr Sandy Maier (April 2010)		
	Neil Ranford (October 2009)		
	Sir Paul Reeves (October 2009)		
	Tania Simpson (October 2009)		

Withheld under OIA sections 9(2)(b)(ii), 9(2)(ba)(i) and 9(2)(i)

Solid Energy New Zealand Ltd (Solid Energy)

SOLID ENERGY
Coals of New Zealand

Company profile

Solid Energy's core business is the mining of coking coal for export markets and thermal coal for Genesis' Huntly power station, NZ Steel and a number of industrial customers. Solid Energy is also investing in alternative energy forms such as biomass, biodiesel, coal-to-gas options and developing the vast Southland lignite resources.

Performance summary and issues

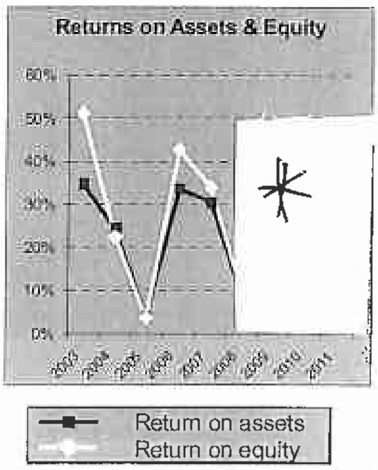
After a poor first half year, Solid Energy's full-year performance for 2007/08 recovered to record an after-tax profit of $34.4 million, 63% higher than plan of $21.1 million. In the early months of the year, profits were badly impacted by production difficulties at its Stockton mine on the West Coast (which produces high-value coking coal). In the second half of the year, Stockton production improved and the company was able to take advantage of large increases in international coal prices. The year's highlights included a resumption of coal production from Spring Creek mine, an 18-year transport agreement with Pike River Coal, and significant improvements to water quality off the Stockton plateau, following the completion of a large water treatment plant.

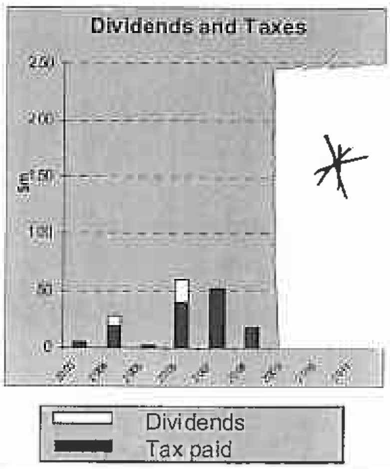
Solid Energy is forecasting strong profits in the short to medium term, with international coal prices expected to remain high. Increased mining costs and attracting/retaining qualified, experienced staff remain areas of concern, however.

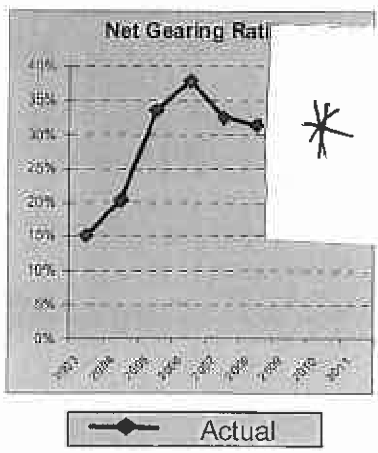
Solid Energy is diversifying away from its core coal business, into a range of alternative energy technologies such as coal bed methane, underground coal gasification and renewable energy options such as biomass, biofuels and solar heating.

Solid Energy has a long-term business plan that takes into account the future effects of its current activities and being publicly accountable for these. With this in mind, the company is to hold its first annual public meeting in Auckland on 24 November 2008.

Historical and forecast performance







Key company data as at 7 November 2008

Chair	John L Palmer (October 2009)	CEO	Don Elder
Deputy Chair	John Spencer (April 2011)	Shareholding Ministers	Minister for SOEs
Directors	Alan Broome (April 2009)		Minister of Finance
	Helen Cull, QC (October 2010)	Balance date	30 June
	John Fletcher (April 2010)	Entity type	State-owned enterprise
	John McDonald (April 2010)		
	Simon Marsters (April 2011)		
	Adrienne Young-Cooper (April 2009)		

*Withheld under OIA sections 9(2)(b)(ii), 9(2)(ba)(i) and 9(2)(i)

Transpower New Zealand Ltd (Transpower)

TRANSPOWER

Company profile

Transpower owns and operates the national grid for transmission of electricity from producers to distributors and some customers. Transpower has several subsidiary companies, including Electricity Market Services Ltd, which provides electricity data management services.

Performance summary and issues

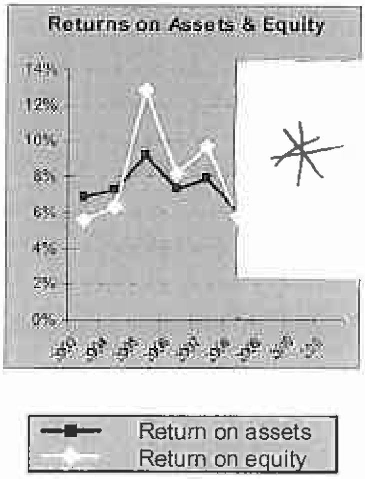
Transpower's 2007/08 net profit after tax of $78.1 million was significantly below the budget of $131.6 million. The unfavourable result was largely due to a $28.8 million impairment relating to the Market Systems Upgrade project, and reserve charges being $14.0 million higher than expected (due to dry weather conditions and Pole 1 of the HVDC link being stood down in September 2007). Unplanned interruptions to supply during the year equalled 24.6 system minutes, compared with a target of 9.0 (although Transpower considers that 15.7 of the system minutes were from factors outside its control).

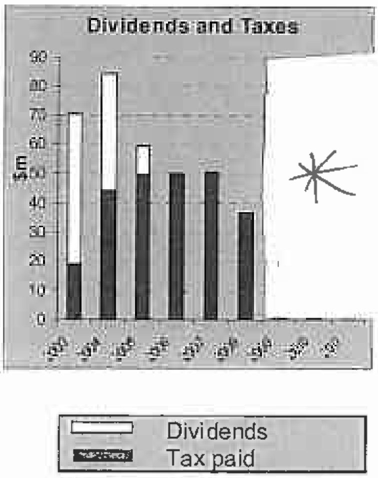
Transpower faces two key issues over the short to medium term: improving reliability of the existing grid, and investment in new grid infrastructure.

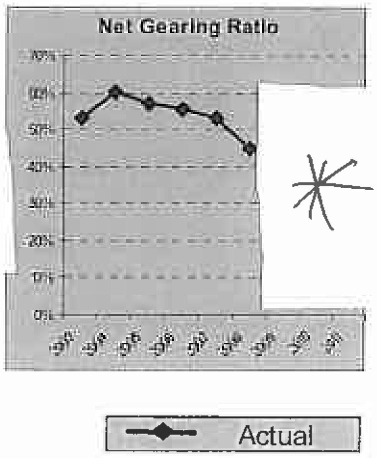
Grid reliability is a growing concern to Transpower, given the ageing transmission asset base and increasing load on the network. One of the challenges in this regard is securing planned outages – as load on the grid increases, it is becoming more difficult to take parts of the grid out of service to permit such upgrades.

Transmission investment to increase capacity and enable new renewable generation is also a critical issue. Transpower has $2 billion worth of grid investment projects underway (some of which are still subject to judicial review and/or RMA decisions, such as the North Island Grid Upgrade project), and $3-5 billion planned over the next 10 years. Challenges associated with new grid investment include: long lead times from approval to commissioning (including securing land access and property rights), the level of uncertainty about where future investment is required, cost escalation, and a shortage of appropriately qualified staff.

Historical and forecast performance







Key company data as at 7 November 2008

Chair	Wayne Brown (April 2009)	CEO	Dr Patrick Strange
Deputy Chair	Paul Cochrane (April 2009)	Shareholding Ministers	Minister for SOEs
Directors	Ian Donald (April 2009)		Minister of Finance
	Gregory Fortuin (October 2010)	Balance date	30 June
	Ian Fraser (April 2010)	Entity type	State-owned enterprise
	John Irving (April 2011)		
	Hon Jim Sutton (October 2010)		
	Elena Trout (October 2010)		
	Mark Tume (April 2009)		

* Withheld under OIA sections 9(2)(b)(ii), 9(2)(ba)(i) and 9(2)(i)

Part 6(b) SOEs – Other sectors

- Airways Corporation of New Zealand Ltd (Airways)
- Animal Control Products Ltd (ACP)
- AsureQuality Ltd
- Kiwibank Ltd[3]
- Kordia Group Ltd (Kordia)
- Landcorp Farming Ltd (Landcorp)
- Learning Media Ltd (LML)
- MetService Ltd (MetService)
- New Zealand Post Ltd (NZ Post)
- New Zealand Railways Corporation (trading as ONTRACK and KiwiRail)
- Quotable Value Ltd (QV)
- Timberlands West Coast Ltd (Timberlands)

[3] Kiwibank Ltd is a wholly owned subsidiary of NZ Post. It represents a significant part of NZ Post's assets and has a significant impact on the parent company's performance. It is, therefore, shown separately.

Airways Corporation of New Zealand Ltd (Airways)

NEW ZEALAND AIRWAYS

Company profile

Airways provides air navigation services (ANS) within New Zealand's two flight information regions and internationally. It also pursues related businesses, such as international ANS consulting and aviation publishing.

Performance summary and issues

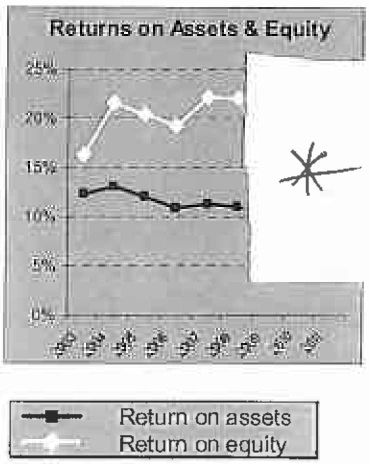
Airway's performance was above expectations in the 2007/08 financial year.

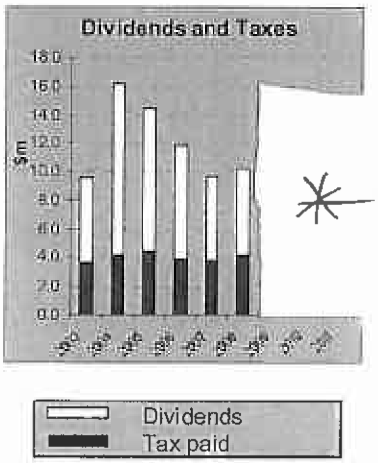
This was because Airways benefited from increased air traffic volumes, especially arising from the introduction of domestic services by Pacific Blue in November 2007.

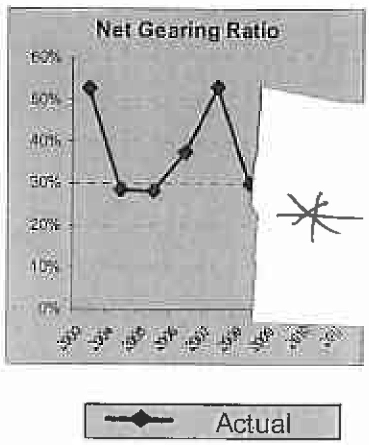
The main issue Airways is facing is the impact of the current economic conditions on the aviation industry, which might lead to a decrease in scheduled services.

In the long term, there is likely to be ongoing aggregation of airlines into much larger multinational groups. This may have flow-on impacts on how air traffic control services are configured worldwide.

Historical and forecast performance







Key company data as at 7 November 2008

Chair	Con Anastasiou (October 2010)	CEO	Ashley Smout
Deputy Chair	Susan Paterson (April 2009)	Shareholding Ministers	Minister for SOEs
Directors	Anthony Briscoe (October 2009)		Minister of Finance
	Craig Ellison (October 2009)	Balance date	30 June
	Don Hamilton (April 2009)	Entity type	State-owned enterprise
	Hoani Hipango (October 2009)		
	Susan Putt (April 2011)		
	Graeme Reeves (April 2010)		

Withheld under OIA sections 9(2)(b)(ii), 9(2)(ba)(i) and 9(2)(i)

Animal Control Products Ltd (ACP)

Company profile

ACP's core business is the manufacture and sale of pest management products largely, though not exclusively, for New Zealand application.

Performance summary and issues

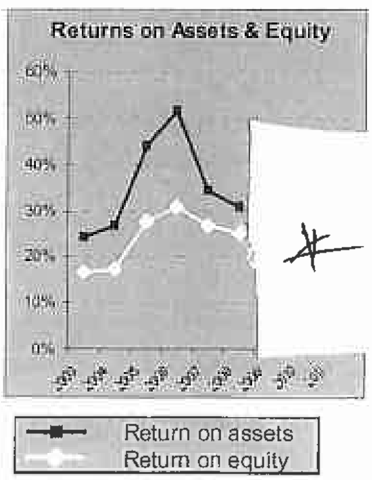
ACP achieved a net profit after tax of $1.2 million in 2007/08, compared with an $810,400 budget, as a result of strong sales in the second half of the year.

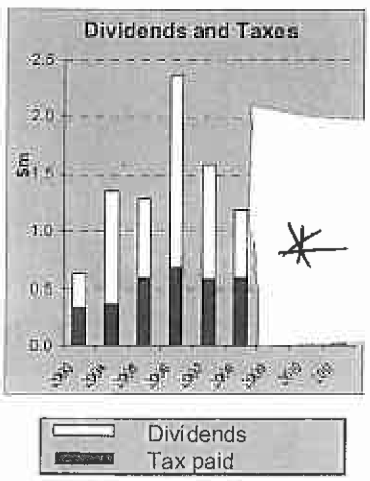
This result was achieved in a challenging operating environment, following a decision by the Environmental Risk Management Authority (ERMA) to allow the continued use of 1080, albeit with tighter conditions attached to its use. While the decision in August 2007 was generally well received, it did galvanise an increasingly vocal anti-1080 lobby, resulting in the delay, postponement and cancellation of some aerial 1080 drops.

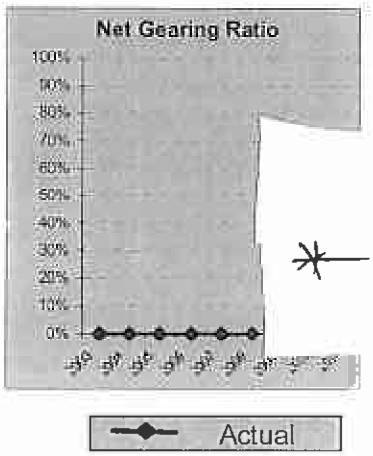
ACP expects sales in 2008/09 to be deferred to the second half of the year, reflecting a greater seasonal use of 1080. Another short-term issue involves restructuring of production facilities, through the closure of its Waimate plant and an upgrade of its Wanganui plant.

A short- to medium-term issue for ACP involves diversification of its product offering. In this regard, ACP is investing in research to develop alternatives to 1080, and other methods of 1080 application.

Historical and forecast performance







Key company data as at 7 November 2008

Chair	Derek Kirke (April 2011)	CEO	Colin Carter
Director	David Warburton (October 2009)	Shareholding Ministers	Minister of Agriculture
			Minister of Finance
		Balance date	30 June
		Entity type	State-owned enterprise

Withheld under OIA sections 9(2)(b)(ii), 9(2)(ba)(i) and 9(2)(i)

AsureQuality Ltd (AsureQuality)

AsureQuality

Company profile

AsureQuality was created on 1 October 2007 by the merger of Asure and AgriQuality. AsureQuality is a leading provider of food safety and biosecurity services in the southern hemisphere, generating in excess of $130 million in sales annually, and employing over 1,700 people throughout New Zealand and Australia.

Performance summary and issues

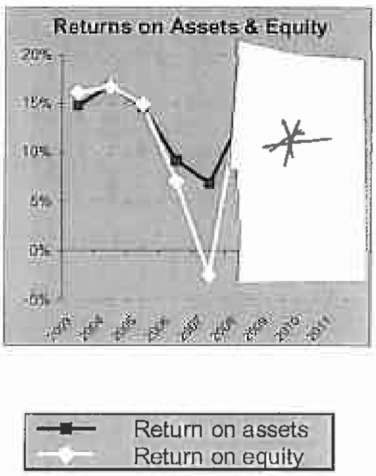
The year ended 30 September 2008 represented AsureQuality's first year of operation. Withheld under OIA sections 9(2)(ba)(i) and 18(d).

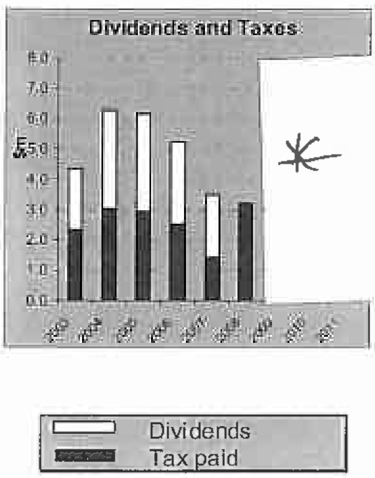
A core focus for the company during its first full year of operation was integrating and rationalising organisation structures and realigning business activities to position the newly merged company for the future. Earlier this year, AsureQuality divested its loss-making Melbourne Food Laboratory business in exchange for a shareholding in an Australian dairy food testing company called Dairy Technical Services (DTS). AsureQuality now has a cornerstone shareholding in DTS.

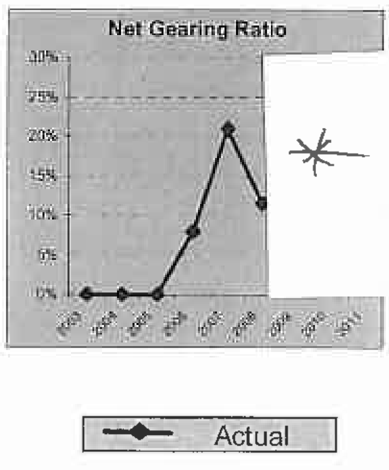
A key focus for the company over the next 12-18 months is to ensure that it maintains market share and facilitates growth, particularly in the competitive, but high growth and high margin laboratory testing market. Withheld under OIA sections 9(2)(b)(ii), 9(2)(ba)(i) and 9(2)(i)

A key strategy for the company in 2009 is to create greater alignment with key customers and stakeholders such as Fonterra, MAF Biosecurity New Zealand, Animal Health Board, meat processors, Prionics AG, DTS, New Zealand Food Safety Authority, Meat Industry Association, and Public Service Association.

Historical performance







Key company data as at 7 November 2008

Chair	John Spencer (October 2010)	CEO	Tony Egan
Deputy Chair	Dr Richard Janes (October 2009)	Shareholding Ministers	Minister for SOEs
Directors	Grant Gillon (April 2009)		Minister of Finance
	Sarah Herrod (October 2009)	Balance date	30 September
	Joanna Perry (October 2010)	Entity type	State-owned enterprise
	Sam Robinson (October 2010)		
	Rakihia Tau (April 2009)		
	Garry Wilson (October 2010)		

* Withheld under OIA sections 9(2)(b)(ii), 9(2)(ba)(i) and 9(2)(i)

Kiwibank Ltd (Kiwibank)

Company profile

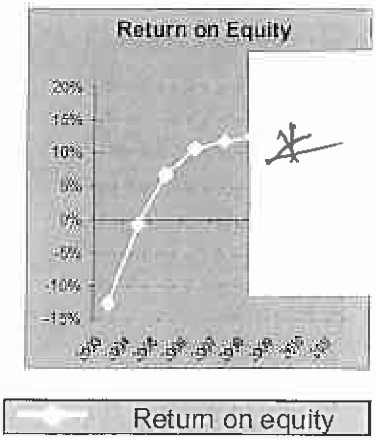
Kiwibank is a wholly owned subsidiary of NZ Post, which was launched in February 2002. It offers retail and small business banking services.

Performance summary and issues

Kiwibank's performance was above expectations in the 2007/08 financial year, delivering a net profit after tax of $36.8 million in 2007/08 compared to $30.9 million in 2006/07 (NZIFRS adjusted). Revenue was $3.3 million ahead of budget at $249.6 million. Customer numbers grew to almost 650,000, deposits were up 42% and loans grew by 56%, as Kiwibank continued an aggressive growth strategy based on competitive interest rates, innovative products and a 'patriotic' branding.

To date, Kiwibank has been able to source a higher proportion of its funding from depositors than its main banking rivals have been able to do (approximately 90% compared to a 60% average for rivals, who therefore have had a higher reliance on overseas sources of funds). This has given Kiwibank a cheaper and less volatile source of funds and fuelled mortgage volume growth without compression of margins or incurring higher risk.

Historical and forecast performance



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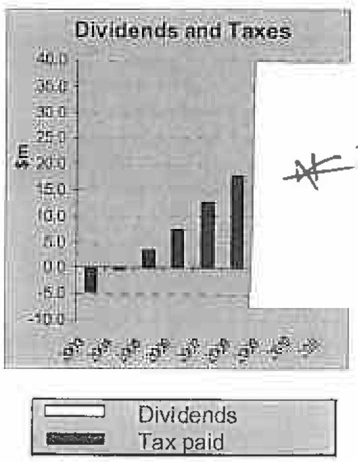

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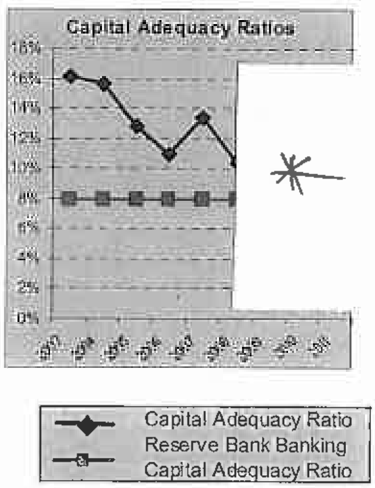

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Key company data as at 7 November 2008

Chair	Rt Hon Jim Bolger	CEO	Sam Knowles
Deputy Chair	Ian Fitzgerald*	Shareholding Ministers	Minister for SOEs
Directors	John Allen		Minister of Finance
	Alison Gerry*	Balance date	30 June
	Prof Ngatata Love	Entity type	State-owned enterprise subsidiary
	James Ogden		
	Peter Schuyt		
	Richard Westlake*		

* Indicates independent directors who are neither on the Board nor employees of NZ Post.

ccmau

*Withheld under OIA sections 9(2)(b)(ii), 9(2)(ba)(i) and 9(2)(i)

Kordia Group Ltd (Kordia)

Company profile

Kordia's aim is to be a leading provider of customised broadcast and telecommunications networks, network services and converged solutions. It acquired the internet service provider Orcon Internet Ltd (Orcon) in 2007.

Performance summary and issues

Kordia's performance was below expectations in the 2007/08 financial year as net profit after tax (NPAT) of $838,000 was well below the target of $12 million and last year's NPAT of $14 million. This was driven by adverse market factors experienced in both New Zealand and Australia, impacting on the contracting and consulting business units. This led to a restructuring of the business that ultimately resulted in staff redundancies and a $2.6 million redundancy cost. Orcon, acquired by Kordia in July 2007, also required significant investment, particularly for its local loop unbundling (LLU) programme.

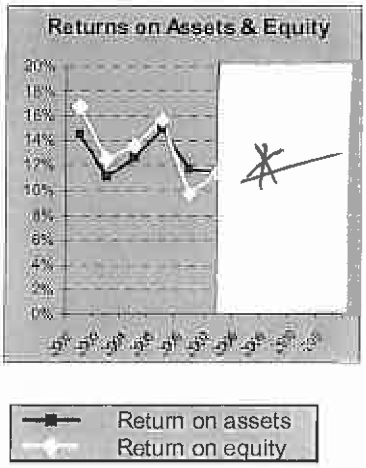
During 2007/08, Kordia successfully launched the Digital Terrestrial Television and satellite platforms, allowing the launch of Freeview.

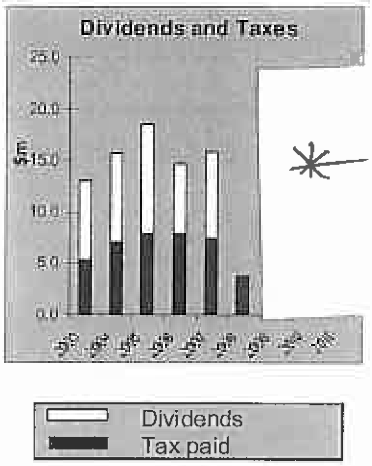
Kordia is currently developing a business case for a trans-Tasman undersea cable in a joint venture with Pipe Networks, an Australian-based network owner. Orcon continues to invest in a high-speed broadband network through taking advantage of LLU.

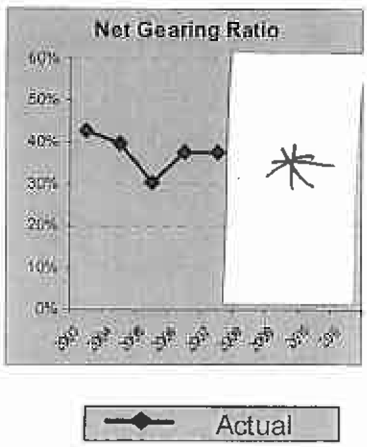
Kordia is also exploring other opportunities for extending its national network through opportunities such as the regional broadband initiative in Northland.

The investments have impacted on short-term profitability but are aimed at providing longer-term returns to counter the projected decline in current revenue streams.

Historical and forecast performance







Key company data as at 7 November 2008

Chair	Wayne Brown (April 2009)	CEO	Geoff Hunt
Directors	Sturt Eastwood (October 2010)	Shareholding Ministers	Minister for SOEs
	Phillip Meyer (October 2010)		Minister of Finance
	Taari Nicholas (April 2011)	Balance date	30 June
	Brian Oliver (October 2009)	Entity type	State-owned enterprise
	Janine Smith (April 2009)		
	Lorraine Witten (April 2011)		

Withheld under OIA sections 9(2)(b)(ii), 9(2)(ba)(i) and 9(2)(i)

Landcorp Farming Ltd (Landcorp)

Landcorp

Company profile

Landcorp's core business is pastoral farming including dairy, sheep, beef and deer. Landcorp farms approximately 1.6 million stock units on 108 farms totalling 371,000 hectares (including the 180,500 hectares Molesworth Station, which Landcorp leases).

Performance summary and issues

Landcorp recorded a favourable net profit after tax result of $58.6 million in 2007/08, compared with a $43.7 million budget and last year's result of $16.5 million. The result was largely due to gains on the sale of non-strategic farmland by the parent company and the non-cash gains in the market value of livestock reported (under IFRS) over the period. Operating (or underlying farming) profit declined to $25.0 million due to severe drought conditions, and despite a large increase in milk prices.

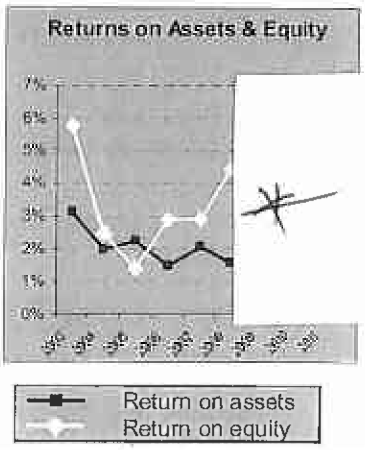
Landcorp considers the overall trading outlook to be positive, with rising cost pressures (such as fertiliser and fuel) being more than offset by rising international market prices for lamb, beef and venison, in tandem with a falling NZ dollar. Dairy prices are predicted to remain relatively high, although off their peak in 2007/08.

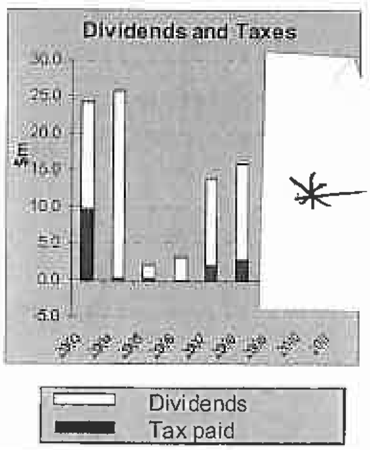
In terms of its non-farming operations, Landcorp Estates Ltd (which subdivides and sells former farmland for residential or lifestyle block development) is likely to be significantly impacted by the current residential housing slow-down.

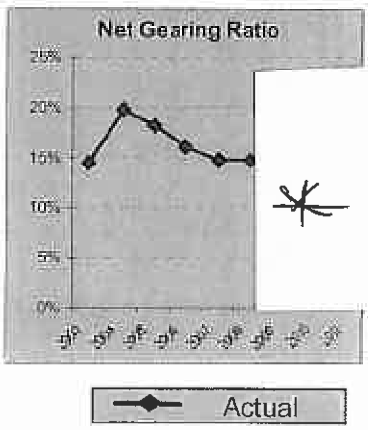
Landcorp awaits the final form of the Emissions Trading Scheme (ETS) with interest. In its current form, the ETS has already had a direct impact on its forestry-to-pasture conversion project in the central North Island, known as the Wairakei Estate Project. Land use conversion was suspended indefinitely on 1 January 2008, until the final form of the ETS is known.

Landcorp Holdings Ltd was incorporated during 2007/08 to hold the properties subject to the Protected Land Agreement (PLA) between Landcorp and the Crown. The 10 properties (part or whole) currently covered by the PLA will continue to be farmed until the government decides on their future for public policy purposes.

Historical and forecast performance







Key company data as at 7 November 2008

Chair	Hon Jim Sutton (April 2009)	CEO	Chris Kelly
Deputy Chair	Warren Larsen (April 2009)	Shareholding Ministers	Minister for SOEs
Directors	Falcon Clouston (April 2011)		Minister of Finance
	Lex Henry (October 2009)	Balance date	30 June
	Marise James (April 2009)	Entity type	State-owned enterprise
	Basil Morrison (April 2011)		
	Mavis Mullins (April 2010)		
	Chrissie Williams (April 2009)		

Withheld under OIA sections 9(2)(b)(ii), 9(2)(ba)(i) and 9(2)(i)

Learning Media Ltd (LML)

Company profile

The core business of LML is the publication, production, marketing and sale of educational materials, particularly to the Ministry of Education. LML also develops education material for overseas markets, in particular the US.

Performance summary and issues

LML's performance was below expectations in the 2007/08 financial year. The full-year loss of $3.3 million was well below its budgeted profit of $550,000.

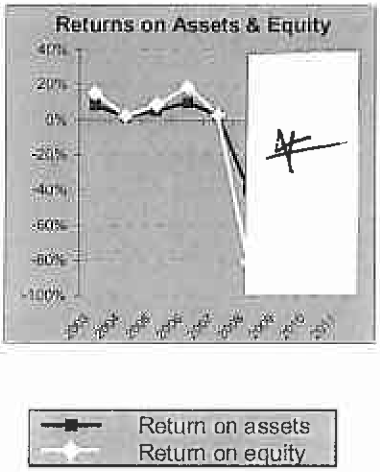
This was caused by an unsatisfactory performance by its new distributor in the US and the move away from investment publishing to contract publishing. This resulted in impairments on unamortised development costs and inventory of $4.8 million.

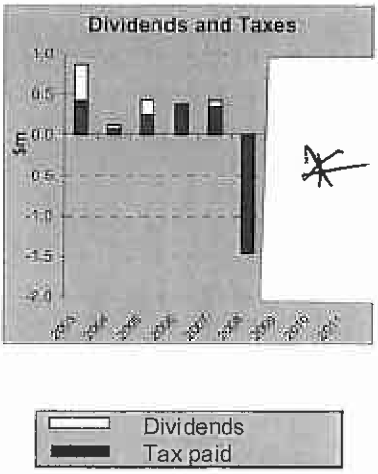
The Board has appointed an experienced consultant to assist with the required turnaround and has undertaken a review of LML's organisational structure. The review aims to create an organisational structure that better aligns resources with revenue opportunities and is likely to result in a number of redundancies.

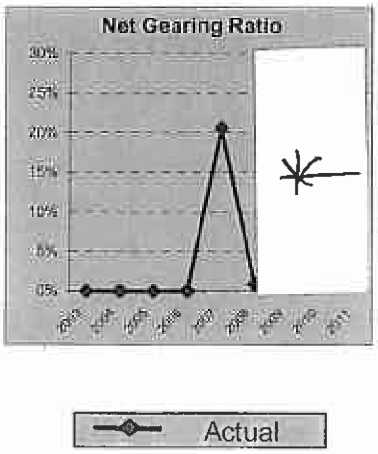
While LML's position remains concerning, we acknowledge the Board's undertakings to help address the issues it faces. However, achieving a sustainable financial position in 2008/09 will be a challenge.

LML's CEO, Gillian Candler, has recently resigned and the Board is currently recruiting for the position.

Historical and forecast performance







Key company data as at 7 November 2008

Chair	Jerry Rickman (April 2009)	Acting CEO	Steve Gregan
Deputy Chair	Joanna Beresford (October 2009)	Shareholding Ministers	Minister of Education
Directors	Lindsay Corban (April 2011)		Minister of Finance
	Stephen Mills (October 2009)	Balance date	30 June
	Ian Wilson (April 2009)	Entity type	State-owned enterprise
	Dianne Yates (April 2011)		

*Withheld under OIA sections 9(2)(b)(ii), 9(2)(ba)(i) and 9(2)(i)

Meteorological Service of New Zealand Ltd (MetService)

METSERVICE

Company profile

MetService provides weather and information presentation services to customers around the world from its base in New Zealand. It has particular expertise in supporting the media, aviation, and energy industries, and in national meteorological service operation.

Performance summary and issues

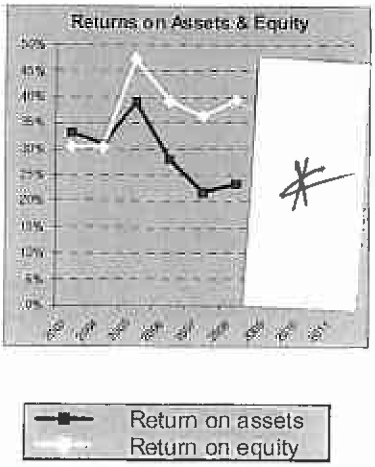
During the 2007/08 year MetService grew revenue by 11% to $34.9 million. After-tax profit was slightly below budget at $2.9 million. Highlights during the year included the commencement of a new six-year contract with the Ministry of Transport and the company's first offshore investment in United Kingdom-based forecasting company, Weather Commerce.

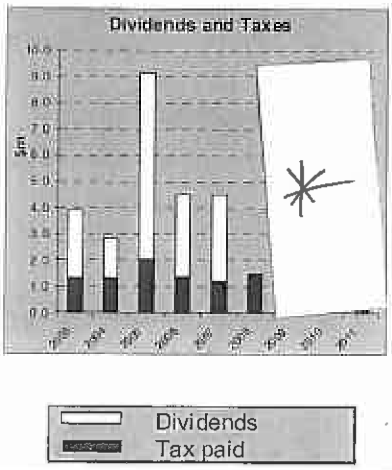
Approximately 50% of MetService's revenue is derived from its contract with the Ministry of Transport to provide weather-related services to New Zealanders. MetService is extending its national weather radar network; a new radar is operational in New Plymouth and installations are planned for Mahia Peninsula, Bay of Plenty and the West Coast.

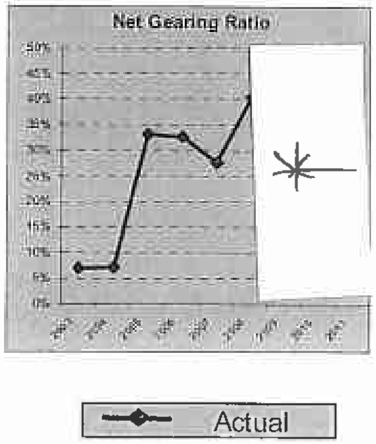
MetService is continuing to target growth through international sales of its weather information and presentation services, such as its Weatherscape television graphics package. Existing media customers include TVNZ and TV3 in New Zealand, several major Australian networks, and the BBC. Media companies throughout the Middle East and Asia are being targeted. MetService is also developing new energy forecasting products that will mitigate the risks of weather on generation, transmission and retailing. Withheld under OIA sections 9(2)(b)(ii), 9(2)(ba)(i) and 9(2)(i) and use of its *Vantage* software by Macquarie Bank's United Kingdom subsidiary, Corona Energy.

MetService's website is consistently amongst the top-10 visited sites in New Zealand, with increases of over 50% in traffic during the last year. New features are regularly added to the site, which is currently undergoing a significant redevelopment following major upgrades in IT infrastructure assets.

Historical and forecast performance







Key company data as at 7 November 2008

Chair	Dr Francis Small (April 2009)	CEO	Paul Reid
Deputy Chair	Sarah Astor (October 2010)	Shareholding Ministers	Minister for SOEs
Directors	David Houldsworth (October 2009)		Minister of Finance
	Joanne Keestra (October 2010)	Balance date	30 June
	James Koh (April 2011)	Entity type	State-owned enterprise
	Polly Schaverien (October 2010)		
	Gregory Whitau (October 2010)		

Withheld under OIA sections 9(2)(b)(ii), 9(2)(ba)(i) and 9(2)(i)

New Zealand Post Ltd (NZ Post)

New Zealand Post

Company profile

NZ Post operates New Zealand's largest postal and courier businesses. It also owns Kiwibank; its services being offered through NZ Post's nationwide retail network. For clarity, NZ Post's performance here is exclusive of Kiwibank. Kiwibank's performance is presented separately elsewhere in this report.

Performance summary and issues

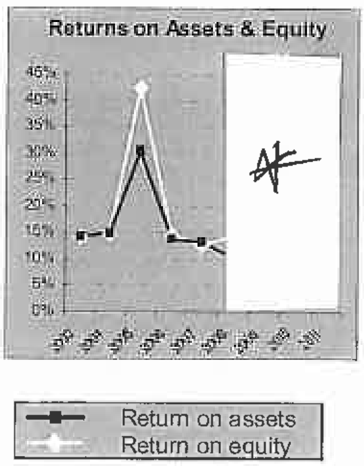
NZ Post's net profit after tax was $110.2 million in the 2007/08 financial year, compared to $86.8 million in 2006/07. However, this year's figure included $24.8 million from the partial sale of NZ Post's Australian courier businesses into its joint venture with DHL, and a favourable property revaluation gain of $3.5 million. Once these two one-off gains are excluded, the 2007/08 figure looks less impressive.

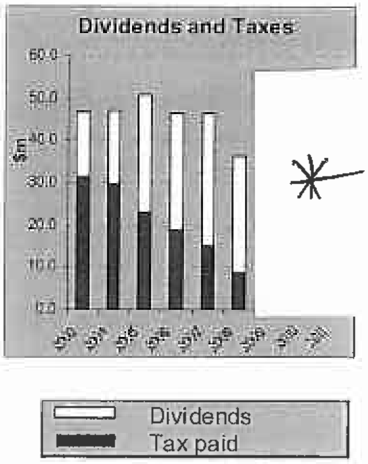
Nevertheless, the 2007/08 result was achieved in a difficult trading environment, with declining consumer confidence, a flat property market, and the effects of the global 'credit crunch' affecting different parts of NZ Post's business. The diversified nature of NZ Post's business helped maintain overall profitability.

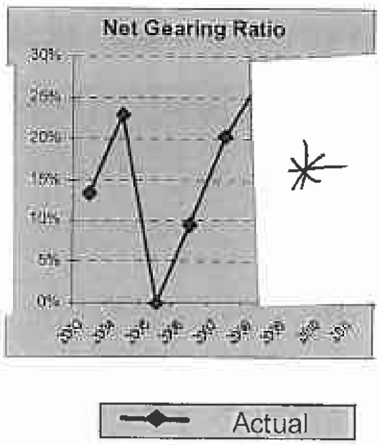
NZ Post also uses Economic Value Added (EVA) to measure its profitability after accounting for the cost of equity capital and debt. The EVA figure of $33.9 million for 2007/08 was ahead of the 2006/07 figure of $28.1 million, indicating that the company has continued to generate positive value, and has returned greater value this year than last year. NZ Post announced a dividend of $23.5 million (compared to $30.8 million in 2006/07).

For various reasons, during 2007/08 NZ Post had some difficulty meeting its service delivery commitment of 96.5% on-time delivery for domestic letters. The actual average delivery for the 2007/08 year was 94.7%, which is still commendable by international standards, but disappointingly below plan.

Historical and forecast performance







Key company data as at 7 November 2008

Chair	Rt Hon Jim Bolger (October 2009)	CEO	John Allen
Deputy Chair	Ken Douglas (October 2009)	Shareholding Ministers	Minister for SOEs
Directors	Shale Chambers (October 2010)		Minister of Finance
	Pip Dunphy (October 2010)	Balance date	30 June
	Prof Ngatata Love (April 2009)	Entity type	State-owned enterprise
	Sara Lunam (April 2011)		
	James Ogden (April 2010)		
	Hon Stan Rodger (April 2009)		
	Justine Smyth (April 2009)		

Withheld under OIA sections 9(2)(b)(ii), 9(2)(ba)(i) and 9(2)(i)

New Zealand Railways Corporation (trading as ONTRACK and KiwiRail)

Company profile

New Zealand Railways Corporation, which trades as ONTRACK and KiwiRail, is an SOE as well as a statutory corporation pursuant to the New Zealand Railways Corporation Act 1981. The figures referred to below do not include KiwiRail because it was acquired by the Corporation on 1 October 2008 and figures are not yet available.

Performance summary and issues

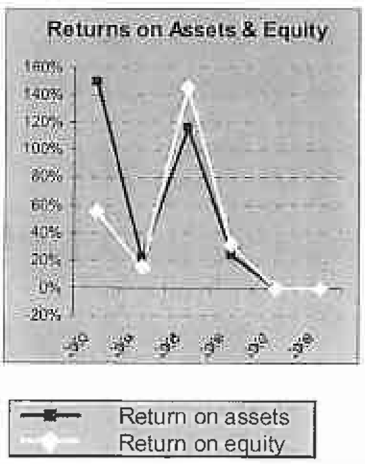
ONTRACK received $138.9 million of grant income in 2007/08 (Crown grants plus funds for the Auckland rail network upgrade). Including these sources as income, ONTRACK declared a net loss of $42.6 million, compared to a loss of $20.4 million in 2006/07.

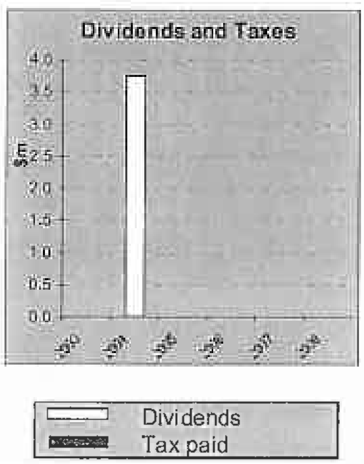
ONTRACK operated under difficult conditions in 2007/08, with uncertainty surrounding the outcome of negotiations by the Crown to buy Toll Holdings' (Toll's) rail operations, and a degree of reticence from Toll over payments for track access. These factors adversely affected overall performance.

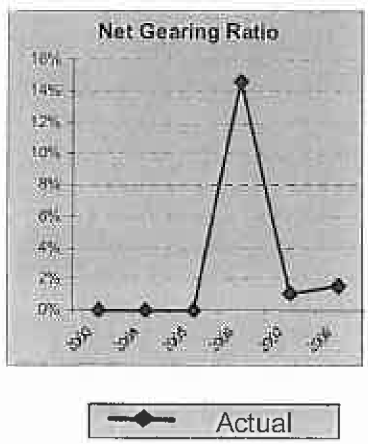
After the end of the financial year, purchase negotiations were concluded, and we expect that the new entity will be able to present planning and reporting documents that allow more transparent and accurate tracking of the entity's performance.

Forecast data for New Zealand Railways Corporation was not available at the time of writing.

Historical and forecast performance







Key company data as at 7 November 2008

Chair	Rt Hon Jim Bolger (June 2009)	Acting CEO	William Peet
Deputy Chair	Brian Corban (June 2009)	Shareholding Ministers	Minister for SOEs
Directors	Linda Constable (June 2009)		Minister of Finance
	Mark Franklin (June 2009)	Balance date	30 June
	Bryan Jackson (June 2009)	Entity type	State-owned enterprise/statutory corporation
	Ross Martin (June 2009)		
	Ross Wilson (June 2009)		

Quotable Value Ltd (QV)

QV Quotable Value Limited

Company profile

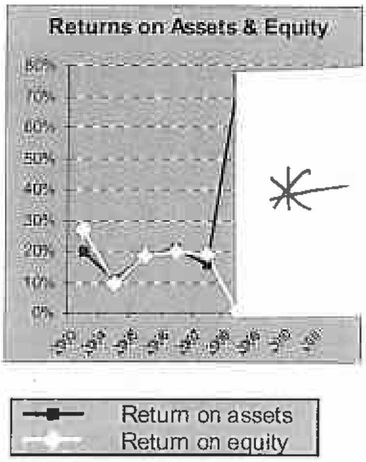
QV's business is focused on the provision of valuation and other property-related information-based services in New Zealand and Australia.

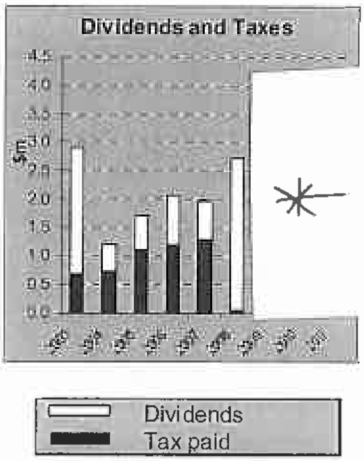
Performance summary and issues

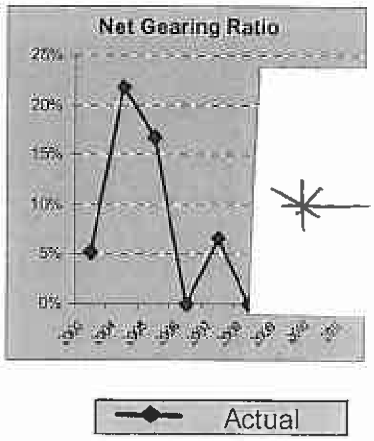
QV achieved net profit after tax for 2007/08 of $17.9 million, compared with a budgeted profit of $2.8 million. The favourable result was largely due to a $17.8 million gain made on entering a joint venture transaction with RP Data Ltd on 1 April 2008. This was partially offset by a poor trading result, reflecting low levels of activity in the residential property market.

QV faces a difficult trading environment in the short to medium term, reflecting a down-turn in the residential property market and the 'credit crunch'. This is expected to have a significant adverse impact on the valuation part of the business. QV's rating revenue is expected to hold up relatively well despite prevailing economic conditions. Cost control will be crucial in the current environment, as will lifting the performance of Egan Australasia, a wholly owned subsidiary of QV.

Historical and forecast performance







Key company data as at 7 November 2008

Chair	Kay McKelvie (April 2009)	CEO	Bill Osborne
Deputy Chair	Derek Walker (October 2010)	Shareholding Ministers	Minister for SOEs
Directors	Sir Barry Curtis (April 2011)		Minister of Finance
	Bryan Hemi (October 2009)	Balance date	30 June
	Jocelyn Martin (April 2009)	Entity type	State-owned enterprise
	Sue Piper (October 2010)		
	George Reedy (April 2009)		
	Tony Timms (October 2010)		

* Withheld under OIA sections 9(2)(b)(ii), 9(2)(ba)(i) and 9(2)(i)

Timberlands West Coast Ltd (Timberlands)

TIMBERLANDS WEST COAST LTD.

Company profile

Timberlands is a forestry management company managing approximately 28,000 hectares of plantation forest on 51,000 hectares of land on the West Coast of the South Island. Of this, about 46,000 hectares are owned by Ngāi Tahu and leased to the company under a forestry right.

Performance summary and issues

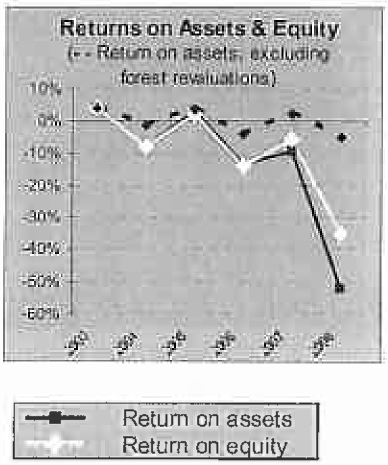
During the second half of 2006 it became apparent that Timberlands' sustainable harvest volumes were about half those of previous forecasts. This, in conjunction with irregular plantings in the late 1980s, poor *Pinus radiata* growing conditions on the West Coast, and severe wind throw losses, means that Timberlands is forecasting large cash flow deficits until 2017, requiring ongoing shareholder support.

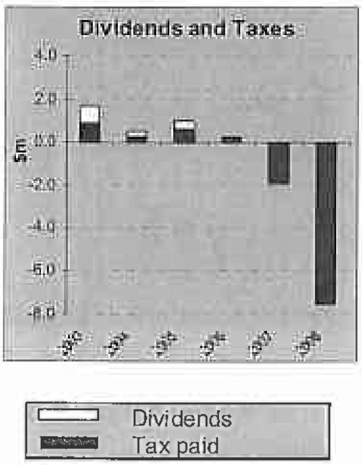
The revised harvest forecasts were confirmed by an independent forestry audit in September 2007, and following the analysis and recommendations of the Board, shareholding Ministers announced their intention to discontinue Timberlands as an SOE and transfer its assets to the Crown, to be managed by Crown Forestry.

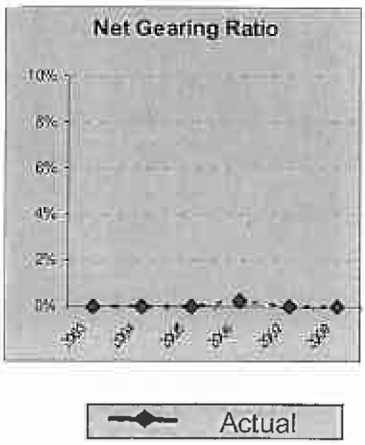
CCMAU, Treasury and Crown Forestry officials are working with Timberlands and its stakeholders to transfer Timberlands' assets to the Crown Withheld under OIA section 9(2)(j)

The 2007/08 financial year was a 15-month period following a change of balance date from 31 March to 30 June. During the period, Timberlands' recorded a net operating loss of $3.7 million ($767,000 in 2006/07), and a forestry write-down of $22.3 million ($5.0 million in 2006/07). The 2007/08 result reflects lower harvest volumes, poor international timber prices and higher operating costs. Harvesting operations produced 196,000 m³ with a further 15,200 m³ purchased externally to meet West Coast sawmill supply contracts.

Historical and forecast performance[4]







Key company data as at 7 November 2008

Acting Chair	Martin Sawyers (April 2009)	CEO	Phil Melhopt
Directors	Stuart McKinlay (October 2010)	Shareholding Ministers	Minister for SOEs
	Suzanne Merriman (October 2010)		Minister of Finance
	Gail Tipa (April 2009)	Balance date	30 June
		Entity type	State-owned enterprise

[4] Timberlands' performance is not forecast, reflecting the intention to wind it up on or about 1 January 2009.

Part 6(c) Crown entity companies

- Radio New Zealand Ltd (RNZ)
- Television New Zealand Ltd (TVNZ)

Radio New Zealand Ltd (RNZ)

Company profile

RNZ is a Crown entity company providing four radio networks: Concert FM, National Radio, Parliamentary Radio and RNZ International (RNZI). It also provides content through its website. RNZ's aim is to provide high-standard independent broadcasting services to New Zealanders and listeners in the Pacific region.

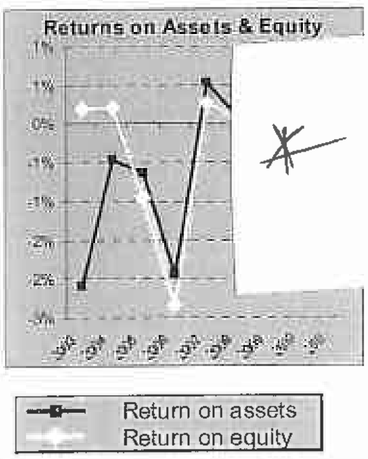
Performance summary and issues

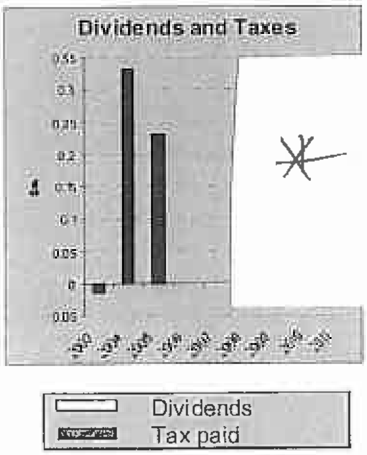
RNZ's performance was in line with expectations in the 2007/08 financial year. It balanced a tight budget, whilst managing to maintain a full range of services covered by its Charter, delivered to a high standard.

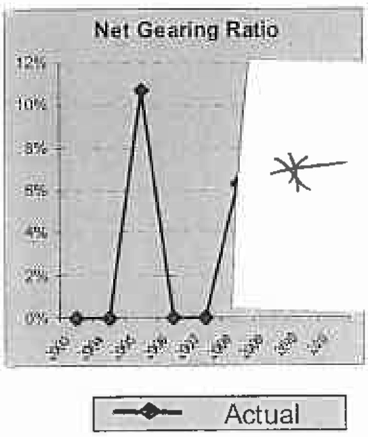
RNZ received an increase in baseline funding of $2.6 million in the 2008 Budget and this will help it retain staff and maintain future capability of personnel, technology and physical assets.

The weekly 'live' audience rose to 614,000 (compared with 540,900 in the 2006 survey) and four million programmes or segments were downloaded from the website. The on-demand audience represents a major growth area for RNZ to reach an international audience as well as local 'listeners'.

Historical and forecast performance







Key company data as at 7 November 2008

Chair	Christine Grice (April 2011)	CEO	Peter Cavanagh
Deputy Chair	Alison Timms (October 2009)	Shareholding Ministers	Minister of Broadcasting
Governors	Rt Hon Paul East (April 2011)		Minister of Finance
	Judy Finn (April 2009)	Balance date	30 June
	Steve Murray (April 2010)	Entity type	Crown entity company
	Yvonne Sharp (April 2011)		
	Sifa Taumoepeau (April 2010)		

Withheld under OIA sections 9(2)(b)(ii), 9(2)(ba)(i) and 9(2)(i)

Television New Zealand Ltd (TVNZ)

TVNZ

Company profile

TVNZ's main functions include the provision of television content via two of the five main free-to-air television channels, web-based news services, and 'tvnz ondemand'.

Performance summary and issues

TVNZ's performance was above expectations in the 2007/08 financial year.

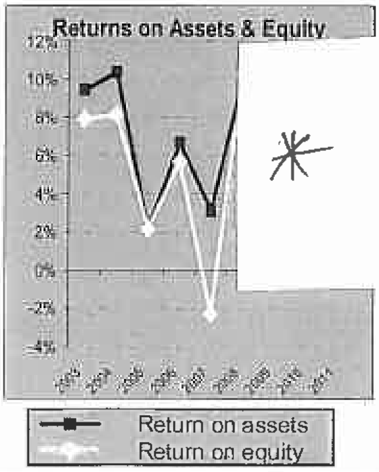
This was primarily due to an increase in core television revenue (advertising revenue) and a decrease in expenses. The increase in core revenue was driven by an improvement in the performance ratings of both TV ONE and TV2 and a lift in television market share. The decrease in expenses was driven by cost savings made in programming and employee costs realised from the restructure in 2006/07.

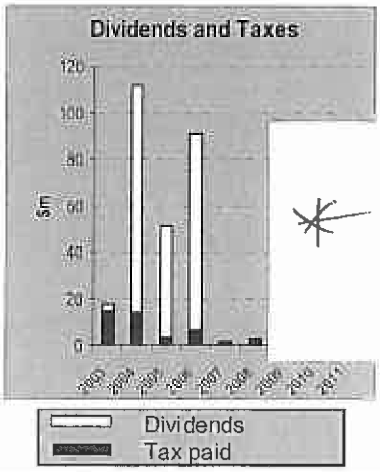
The main issue TVNZ will face in the foreseeable future is the adverse impact of the current economic conditions on advertising revenue.

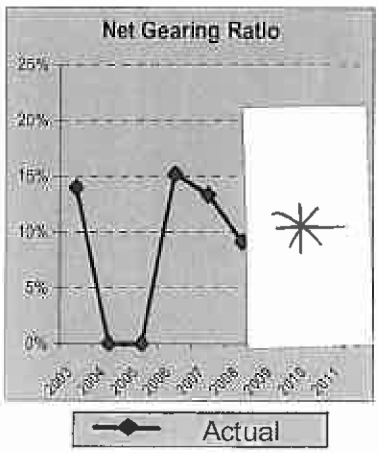
In the longer term, TVNZ is facing the need to generate revenue from alternate sources to fund the two new digital channels launched on Freeview during 2007/08 as the funding received from the government ceases in 2010/11. Another issue TVNZ is facing is the uncertainty with respect to the continuance of the annual direct government funding, and potential changes to how it is administered.

Also in the longer term, TVNZ is facing a major challenge of increasing competition from convergence and new technologies whereby audiences can access news, information and entertainment across multiple media platforms. TVNZ is embracing this change with its 'Inspiring New Zealanders on Every Screen' five-year strategy whereby TVNZ aims to become the market leader in the supply of local (New Zealand) content, and being the preferred partner for supply of content to multimedia platforms.

Historical and forecast performance







Key company data as at 7 November 2008

Chair	Sir John Anderson (December 2008)	CEO	Rick Ellis
Deputy Chair	Robert Fenwick (October 2009)	Shareholding Ministers	Minister of Broadcasting
Directors	Anne Blackburn (April 2009)		Minister of Finance
	Prof Bryan Gould (October 2010)	Balance date	30 June
	John Goulter (April 2011)	Entity type	Crown entity company
	June McCabe (October 2010)		
	Philip Melchior (April 2009)		

*Withheld under OIA sections 9(2)(b)(ii), 9(2)(ba)(i) and 9(2)(i)

Part 6(d) Crown entities

- New Zealand Lotteries Commission (Lotteries)
- Public Trust

New Zealand Lotteries Commission (Lotteries)

Company profile

Lotteries promotes, organises and conducts New Zealand lotteries in accordance with the Gambling Act 2003. Lotteries' profits are transferred to the New Zealand Lottery Grants Board, which distributes them to sporting and cultural agencies and other community recipients.

Performance summary and issues

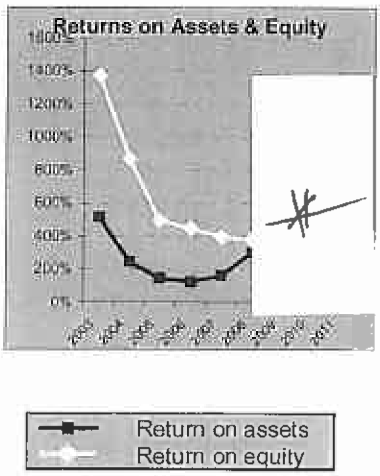
Lotteries' performance was above expectations in the 2007/08 financial year. Sales were $778.0 million, 3.7% ahead of budget and 4.4% up on last year. The net surplus for 2007/08 was $156.8 million, up 6.3% on budget and 2.8% on last year. The total net surplus was distributed to the Lottery Grants Board and was a record transfer.

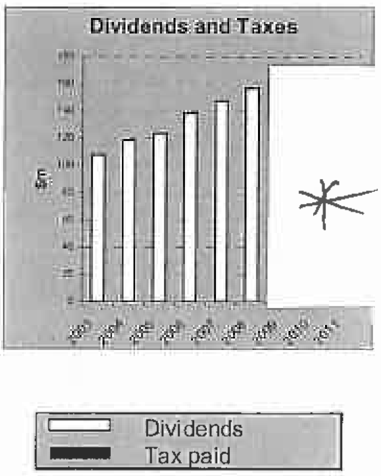
This result was achieved largely through three Powerball jackpots in the second half of 2007/08. Lotteries therefore considers that the strong 2007/08 result was the effect of some 'luck' thanks to the three Powerball jackpots and that trading conditions in 2008/09, in light of the weak economy, may be somewhat tougher.

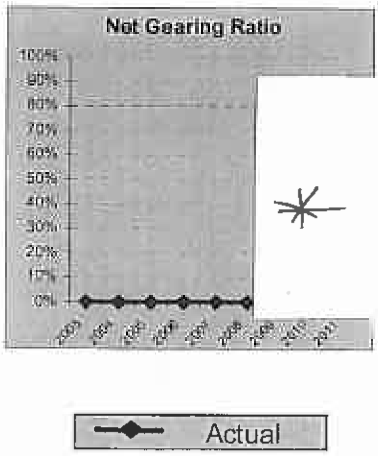
During 2007/08, there were some problems with a few game draws. Lotteries has worked hard to improve its processes to ensure that such problems do not reoccur.

Lotteries' strategy for its game offerings is to continually revitalise its games through introducing innovative new games. As such, Lotteries is currently in consultation with officials and the Minister of Internal Affairs on a new game.

Historical and forecast performance







Key company data as at 7 November 2008

Presiding Member	John Goulter (April 2009)	CEO	Todd McLeay
Deputy Presiding Member	Laura Humphreys (April 2010)	Responsible Minister	Minister of Internal Affairs
Members	Chris Curley (April 2011)	Balance date	30 June
	John Wright (October 2009)	Entity type	Crown entity

*Withheld under OIA sections 9(2)(b)(ii), 9(2)(ba)(i) and 9(2)(i)

Public Trust

YOUR WORD IS LAW publicTRUST

Company profile

Public Trust is New Zealand's largest and oldest trustee organisation, set up as a self-funding provider of trustee, executor and agency services. Its primary focus is to help people protect and manage their family interests and assets during their lifetime and after their death. It is also a trustee for a significant number of corporate funds.

Performance summary and issues

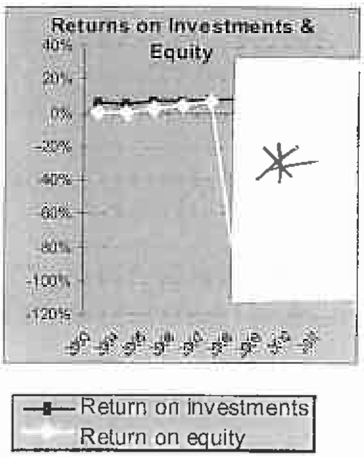
Public Trust's performance was significantly below expectations in 2007/08, with a reported loss for the year of $32.1 million (compared to a budgeted loss of $610,000).

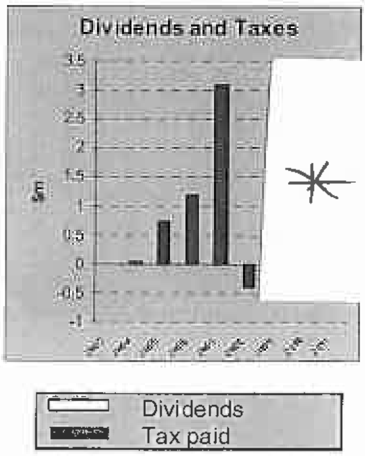
Unrealised mark-to-market adjustments accounted for $21.6 million of the loss, and most of this figure will revert to profit in future years. However, a further $12.4 million of losses relate to provisions for losses in the mortgage portfolio. These losses are real Withheld under OIA section 9(2)(g)(i).

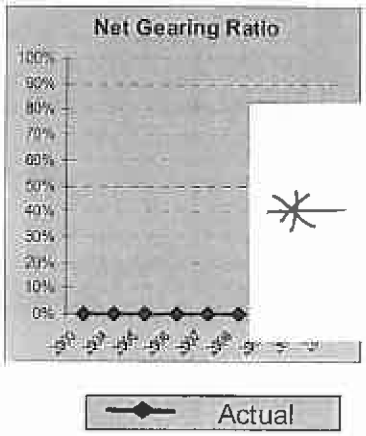
As a non-bank, Public Trust is not subject to Basel requirements for a minimum capital adequacy ratio, but Public Trust operates a voluntary guideline, which has been significantly depressed by the recent losses. As a prudent measure to maintain public confidence, the Crown agreed to inject $20 million extra capital to increase the capital buffer.

The organisation's core operations are trading profitably, and Public Trust holds over $200 million of liquid assets. Therefore, the organisation is in a strong position to manage through its difficulties. It is two years into a five-year change programme to become more a customer-centred and efficient provider, and projects a return to profit in 2008/09.

Historical and forecast performance







Key company data as at 7 November 2008

Chair	Donal Curtin (April 2010)	CEO	Grenville Gaskell
Deputy Chair	Robin Hill (April 2010)	Responsible Ministers	Minister responsible for Public Trust
Members	Candis Craven (October 2010)		Minister of Finance
	David Edwards (April 2009)	Balance date	30 June
	Fiona Pimm (October 2009)	Entity type	Crown entity
	Sarah Roberts (April 2010)		
	Hon Matt Robson (April 2009)		
	Murray Weatherston (October 2009)		

Withheld under OIA sections 9(2)(b)(ii), 9(2)(ba)(i) and 9(2)(i)

Part 6(e) Partly owned companies

- Christchurch International Airport Ltd (CIAL)
- Dunedin International Airport Ltd (DIAL)
- Invercargill Airport Ltd (IAL)
- Hawke's Bay Airport Ltd[5]
- Pacific Forum Line Ltd (PFL)

[5] Hawke's Bay Airport Ltd is in the process of being corporatised. As a result, CCMAU has yet to fully assume monitoring responsibility for it and no profile is included.

Christchurch International Airport Ltd (CIAL)

Christchurch International Airport Ltd.

Company profile

CIAL is New Zealand's second largest airport facility. It is 25% Crown-owned. CIAL has a strong tourism focus and close to one third of passenger numbers are international. Property management of rental space is a substantial revenue stream for the company.

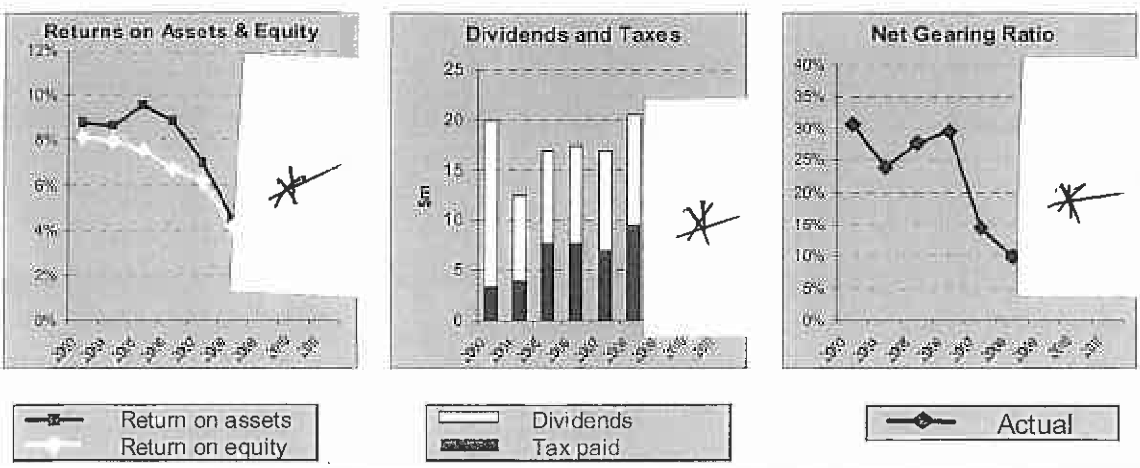
Performance summary and issues

CIAL's performance was above expectations in the 2007/08 financial year, with a net profit after tax (NPAT) of $23.4 million, compared to an SCI target of $17.9 million. This result was similar to 2006/07 (NPAT of $24.0 million) but was achieved in a more difficult environment, with escalating fuel costs and global economic uncertainty.

The favourable result was aided by increases in passenger numbers (up 7.7% to 5,905,211) and aircraft movements (up 2.5% to 84,092), both due largely to the entry of new competitors (and, in particular, Pacific Blue entering the domestic market).

Various planning revisions resulting from consultations with airline clients have caused delays to the Integrated Terminal Project (ITP), but this is still reported to be due for completion by mid 2011, at a cost of Withheld under OIA sections 9(2)(b)(ii), 9(2)(ba)(i), 9(2)(i) and 9(2)(j).

Historical and forecast performance



Key company data as at 7 November 2008

Chair	David MacKenzie*	CEO	Rene Bakx
Deputy Chair	Sue Sheldon*	Shareholding Ministers	Minister for SOEs
Directors	James Boult (October 2009)		Minister of Finance
	Philip Carter*	Balance date	30 June
	Ann Harper*	Entity type	Partly owned airport
	Hanlin Johnstone (April 2011)		
	*Non-Crown-appointed director		

*Withheld under OIA sections 9(2)(b)(ii), 9(2)(ba)(i) and 9(2)(i)

Dunedin International Airport Ltd (DIAL)

Company profile

DIAL operates the airport facility, a surrounding dairy farm, and a nearby residential village on the Taieri Plains just south of Dunedin. The airport is largely domestic-based, but is serviced by a number of international flights to Australia. The Crown has 50% ownership of DIAL.

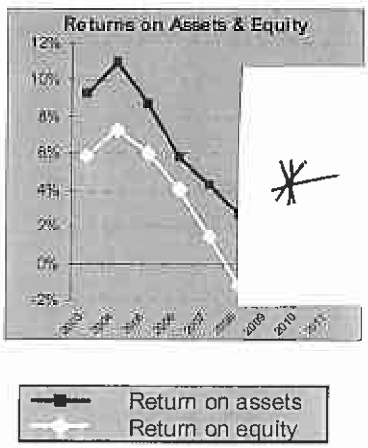
Performance summary and issues

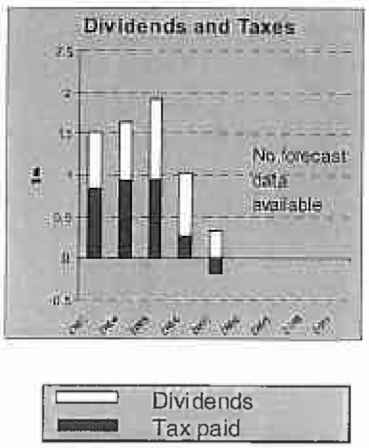
DIAL's performance was above expectations in 2007/08, largely because of higher-than-expected revenues. Aeronautical income was ahead of budget due to an increase in the number of jet services operated by Air New Zealand from February 2008. Non-aeronautical revenue (terminal concession income, car park income and other property rentals) was ahead of budget due to growth in that part of the business. This higher-than-expected revenue was partially offset by higher-than-budgeted depreciation relating to the revaluation of its assets on 1 July 2007 due to the completion of the terminal redevelopment.

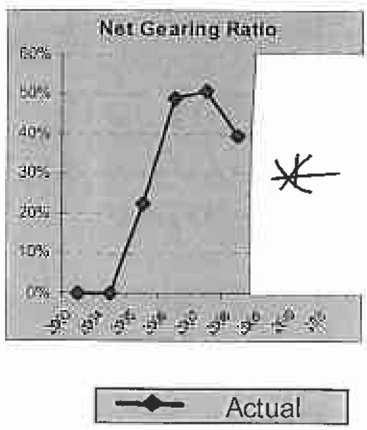
The main issue DIAL will face in the foreseeable future is the industry-wide security review as part of a Ministry of Transport domestic security review that has potentially significant implications for DIAL in terms of terminal infrastructure.

In the longer term, DIAL will need to continue to grow non-aeronautical revenues to offset any decreases in aeronautical revenue arising from future changes to flight schedules.

Historical and forecast performance







Key company data as at 7 November 2008

Chair	Richard Walls *	CEO	John McCall
Directors	Kathy Grant (April 2011)	Shareholding Ministers	Minister for SOEs
	Stuart McLauchlan *		Minister of Finance
	Geoff Thomas (April 2009)	Balance date	30 June
		Entity type	Partly owned airport
	* Non-Crown-appointed director		

* Withheld under OIA sections 9(2)(b)(ii), 9(2)(ba)(i) and 9(2)(i)

Invercargill Airport Ltd (IAL)

Company profile

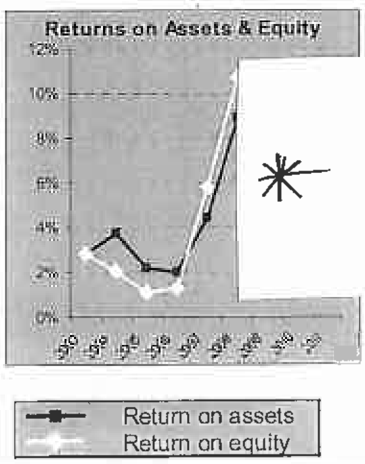
IAL operates the airport facility just west of Invercargill, servicing the Southland and Fiordland regions. The airport is serviced by domestic scheduled flights only, but is occasionally used as an alternative landing site for trans-Tasman flights when Queenstown airport is closed. The Crown has 45% ownership of IAL.

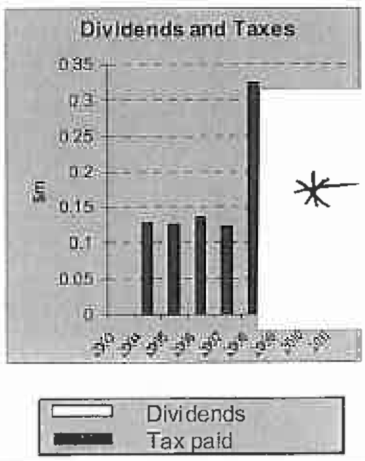
Performance summary and issues

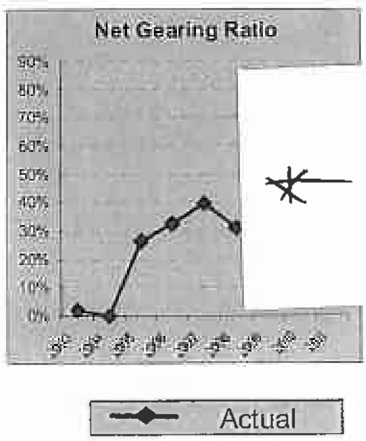
IAL's performance was above expectations in 2007/08. The net profit after tax of $704,000 was well above the budgeted net loss of $63,000. IAL budgeted for a loss in 2007/08 because of expected large increases in operational expenses and runway maintenance, but both did not eventuate as planned. IAL's profit was further aided by an increase in the number of aircraft landings, car parking revenue, and a gain from asset revaluations of $735,000. Adjusting for the asset revaluations, IAL recorded a slight operating profit in 2007/08.

IAL is exploring ways to more fully utilise its land and spare capacity to improve its financial returns. One such initiative is the development of a flight school. This would potentially be a major transaction, as defined by the Companies Act 1993, and would require shareholder approval.

Historical and forecast performance







Key company data as at 7 November 2008

Chair	Mervyn Cook *	CEO	Barry Bouton
Directors	Thomas Foggo (October 2009)	Shareholding Ministers	Minister for SOEs
	Alastair McKenzie *		Minister of Finance
	Martin Walton (April 2011)	Balance date	30 June
		Entity type	Partly owned airport
	* Non-Crown-appointed director		

*Withheld under OIA sections 9(2)(b)(ii), 9(2)(ba)(i) and 9(2)(i)

Pacific Forum Line Ltd (PFL)

PFL Your Pacific Shipping Line

Company profile

PFL was established in 1977 by the South Pacific Forum, as a commercial shipping company and as an instrument for regional development. The Crown holds 23.1% of the shares in PFL and 8.3% of the voting rights, which are divided equally between 12 of the South Pacific Forum countries. New Zealand appoints one director.

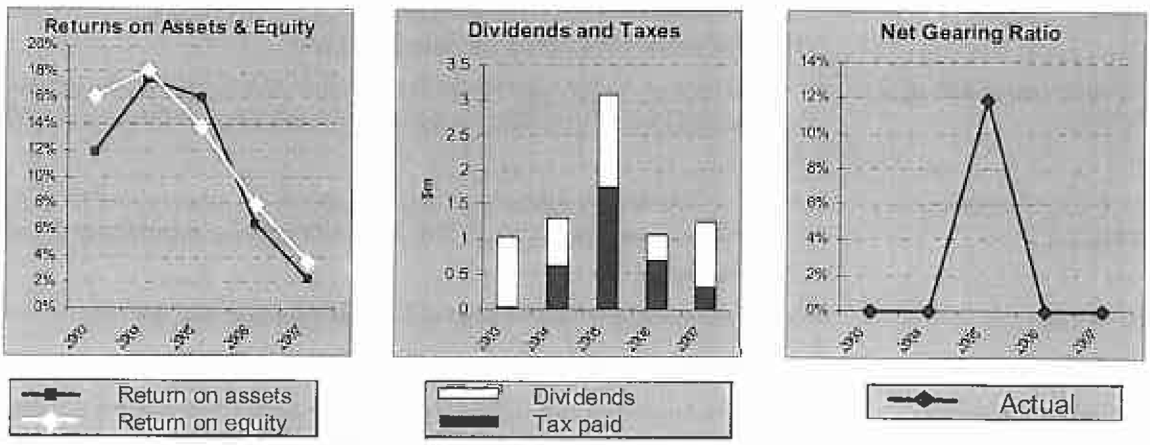
Performance summary and issues[6]

PFL's performance was below expectations in the 2007 financial year.

This was because PFL faced increased competition, high fuel prices, the expiration of charters on three vessels which were replaced at higher charter rates, and the flow-on effect of political events which occurred in Tonga and Fiji in 2006.

The main issue PFL will face in the foreseeable future is the need to change its strategy. An independent review of PFL and its operating environment is mostly complete. Shareholders will consider the findings of this review in December 2008 to assess the strategic options for the future of the shipping line. In both 2006 and 2007, PFL received expressions of interest from competitors wishing to acquire the shares of the company. After a special meeting of shareholders held in March 2008, it was resolved that none of these expressions of interest would be pursued and that PFL is not for sale. Shareholders, however, raised concerns over the future of PFL and agreed to undertake an independent review of the current status and future potential of PFL.

Historical and forecast performance[7]



Key company data as at 7 November 2008

Chair	Patrick Fepulea'i (Samoan appointee)	CEO	John MacLennan
Directors	John Rounds (Fijian appointee)	Shareholding Minister	Minister of Transport
	Sprent Dabwido (Nauru appointee)	Balance date	31 December
	Dave Morgan (New Zealand appointee)	Entity type	Other entity
	Crossley Tatui (Niuean appointee)		
	Christopher Rupen (PNG appointee)		
	Paul Karalus (Tongan appointee)		

6 PFL has a 31 December balance date.

7 Forecast figures are not available for PFL.

Appendix A: Glossary

The following glossary provides a guide to some of the frequently used monitoring terms.

Term	Definition
Accrual	Recording of a transaction once committed, but before cash changes hands. This can create a difference between the profit and loss statement, which records transactions once committed and the cash flow statement, which records transactions only once cash has been received or paid out.
Amortisation	The spreading of goodwill paid for an acquisition (such as the purchase of a business) over several reporting periods.
Asset revaluation	Revaluation of an asset to its current market value. This often (but not always) represents an increase compared with the 'historical cost' of an asset recorded on the balance sheet, ie the historical cost is the price paid when an asset was acquired.
Balance sheet (or capital) structure	This refers primarily to the proportion of debt or equity used to fund a company's assets.
Capital expenditure	Expenditure incurred in increasing a company's fixed assets and investments. This could include, for example, land and buildings, vehicles, and equipment.
Cost of (equity) capital	The level of return required to compensate the shareholder for investing capital in a company, taking into account a company's volatility and risk compared with alternative investments.
Depreciation	An expense designed to spread the cost of assets over their useful life. It accounts for the loss of value of an asset over its estimated life.
Earnings before interest and tax (EBIT)	Earnings before interest (earned and paid) and tax. It excludes any unusual or non-recurring items and, therefore, is a key indicator of underlying profitability. Very similar to operating profit, but operating profit includes interest received and paid.
EBIT margin	EBIT divided by operating revenue, expressed as a percentage. This shows the level of expenditure required to generate sales.
Economic value added (EVA)	Estimated returns in value-added terms rather than accounting profit. Includes a charge on capital invested and adjustments to accounts to reflect their changes in value.
Equity (or shareholder funds)	The money that shareholders have invested into a company at the time that it was formed or subsequently. Profits are added to shareholder equity, while losses are taken out.
Equity ratio	Shareholder equity as a percentage of total assets at balance date.
Fixed assets	Generally plant, equipment, land and other 'physical' assets.
Foreign exchange gains/losses	The positive or negative difference on a transaction as a result of a movement in foreign exchange rates. For example, a company may make a loss on a service that it provides and invoices to an overseas customer in a foreign currency if the exchange rate moves making the amount converted back into NZ$ lower than expected
Gearing ratio	Ratio of debt (liabilities on which a company is required to pay interest) to debt plus equity. Expressed as a percentage.
Interest cover ratio	Ratio of EBIT divided by interest expense. This shows the ability of a company to pay the interest on its debt from its operating profit. A higher ratio means that profit is sufficient to cover interest and, therefore, indicates a lower risk for the providers of debt such as banks.

Term	Definition
Interest expense	Interest that a company pays to service its debt.
International Financial Reporting Standards (IFRS)	From 1 January 2007, New Zealand adopted International Financial Reporting Standards. These have resulted in changes to the treatment of certain items in financial statements to bring New Zealand reporting in line with reporting in other countries.
Liquidity	A measure of short-term cash available to meet short-term debts.
Long-term hold review	For SOEs, this is an in-depth review by officials of a company's performance, strategy and future capital needs, to provide shareholding Ministers with a greater understanding of and, therefore, confidence in the performance of a company. The review aims to make shareholder expectations clearer to boards.
Net debt	Interest-bearing liabilities less cash. This shows the 'true' debt position of a company once cash reserves are used to reduce debt.
Net profit after tax (NPAT)	The 'bottom line' once all revenue and expenditure has been accounted for. This is the amount left over from which dividends can be paid.
Net gearing ratio	Similar to the gearing ratio above, although cash is taken out. Therefore, it is the ratio of debt (liabilities on which a company is required to pay interest) less cash to debt less cash plus equity. Expressed as a percentage.
Net present value (NPV)	The value in today's terms of a future stream of cash flows from an investment, calculated at a certain discount rate. A positive NPV is generally required to support the business case for an investment.
Operating margin	Operating profit divided by total revenue, expressed as a percentage. A higher number indicates higher underlying profitability.
Operating profit	Earnings before tax and unusual or non-recurring items. Differs from EBIT by the inclusion of interest income and expenditure.
Operating revenue	Income from a company's 'routine' activities. Generally excludes items such as the sale of assets and investment income.
Return on assets	Earnings before interest and tax (EBIT) divided by average total assets, expressed as a percentage. The higher the number, the better the return as it shows that the company's assets are being put to good use to generate a return.
Return on equity	Net profit after tax divided by average shareholder equity, expressed as a percentage. A higher number indicates higher returns.
Statement of Corporate Intent (SCI)	This is a document for SOEs, which outlines a company's high-level strategy and forecasts for the next three years. It is a public document and is tabled by shareholding Ministers in the House of Representatives.
Statement of Intent (SOI)	For non-SOEs and non-CRIs, the SCI is known as an SOI.
Statement of Shareholder Preferences (SSP)	For SOEs, the SSP provides guidance for boards about shareholding Ministers' preferences for various aspects of company business. It is intended to provide assistance to the board when it considers its overall strategy and when it prepares its SCI, business plans, and business cases.
Total revenue	Operating revenue together with investment income and any abnormal (one-off) items.
Working capital	Short-term deposits, debtors and inventories, less creditors and short-term debt. This indicates generally how much a company currently has available to invest in its growth.