HARBOUR QUAYS
Business on Wellington's Waterfront

BUSINESS CASE

Harbour Quays
Development of Site D4 for
The New Zealand Customs Service

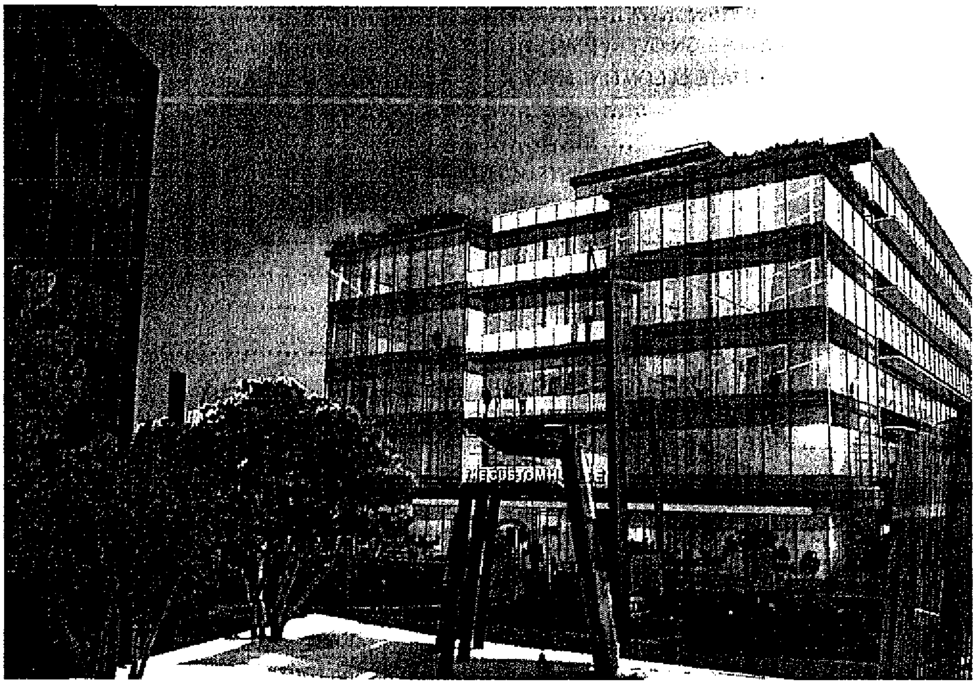


Table of Contents

1 INTRODUCTION

CentrePort Limited (CPL) plans to construct a high quality 6 level office building on site D4 at the Hinemoa St end of its Harbour Quays business park.

The proposed development provides a total net lettable area of 7,244m^2 and 18 internal carparks.

Under the signed Heads of Agreement, The New Zealand Customs Service (Customs) has conditionally agreed to be the principal tenant for this project by taking 7,034m^2 of office space (97% of total net lettable area) plus all 18 secure car parking spaces. Customs intends using this facility as its national headquarters. The Heads of Agreement requires CPL to have Board and Shareholder approval by the end of July to enable Customs to fulfil their requirement for Treasury and Cabinet approval by 15 August 2007.

3% of the building remains to be leased, this is a 210 m^2 retail unit.

Captured within the business case is a summary of the current CPL Strategy and a detailed analysis of the D4 development including a summary of the development agreement with Customs, financial review of the development and design and construction overview of D4. Further information on funding options is to be provided.

2 RECOMMENDATION

2.1 BOARD APPROVAL

CPL Management seek the Board of Directors' conditional approval for the company to proceed with the project subject to satisfaction of the following conditions:

1. Resource consents being granted for the development by the Wellington City Council;
2. The company securing a construction price for the building of no greater than $22.2m plus project contingency of $2.3m;
3. Obtaining suitable funding of up to $33m (being $31.5m for the project and the potential $1.5m for environmental features) for this project on terms acceptable to CPL;
4. Shareholder approval for the company to proceed with and fund the project;
5. Customs securing final approvals from Treasury and Cabinet of the Government of New Zealand; and
6. Adherence of financial forecasts to gearing and interest cover banking covenant ratios.

Meeting these conditions will enable the completion and execution of a conditional Development Agreement (DA) with Customs, which will in turn allow the commencement of Preliminary Design and associated expenditure.

2.2 REQUIREMENT FOR SHAREHOLDERS APPROVAL

CPL's constitution (as amended) requires a shareholder resolution for transactions with a value above 15% of total assets (or greater than $30m), or increased borrowings in excess of 25% of total borrowings (or $20m). This investment will require such a resolution.

2.3 RECOMMENDATION TO SHAREHOLDERS

CPL Management request the Board of Directors' recommend to Shareholders that they approve:

(a) The development of an office building on site D4 and associated infrastructure works for a total investment value of $33.6m, including a project contingency of $2.3m conditional upon:

- The company obtaining Resource Consents from the relevant territorial local authorities for the building and associated infrastructural works that make up the project.
- The company entering into a construction contract for the building of no greater than $22.2m, plus project contingency of $2.3m.
- Customs securing final approvals from Treasury and Cabinet of the Government of New Zealand.
- Completion and execution of a Development Agreement with Customs.

(b) An increase in borrowings of up to $31.5m to fund this project or an alternative future agreed funding source on acceptable commercial terms to CPL.

(c) Additional funding of an estimated $1.5m for the increased requirement to deliver a 5 star building on acceptable commercial terms to CPL.

3 CENTREPORT'S LONG TERM STRATEGY

In early 2004, the strategic decision was taken by CentrePort's Board of Directors that the company should be an international port company, with property interests including the Harbour Quays and Seaview developments. Based on this focus, the Board and management embarked upon the development and implementation of a growth strategy founded on cargo aggregation and hubbing concepts. In addition to pursuing organic growth and other growth opportunities, CentrePort management has sought to anticipate and hasten industry trends towards supply chain rationalisation, through cargo aggregation using larger ships, reduced port calls and cargo hubbing.

CentrePort is well-placed to benefit from the long-term rationalisation of the shipping industry, which is seeking further economies of scale through introducing new and larger ships and fewer port calls. CentrePort has a central location, a natural deep water port, is positioned for east or west shipping routes, and has access to rail, road and coastal shipping links. However, it does not possess a strong natural hinterland for cargo, either primary produce or manufactured goods. CentrePort therefore relies upon the delivery of cargo from the wider hinterland using road, rail and coastal shipping. Thus the economics and sophistication of internal and coastal transport are crucial to the success of the strategy.

As a result, CentrePort has placed considerable emphasis upon the development of mutually beneficial partnerships with key transport and logistics chain participants. A partnership approach to managing the supply chain is fundamental to the success of CentrePort's growth strategy.

Alongside CentrePort's port strategy is its property strategy which seeks to improve the returns from existing vacant land and property, with a particular focus on the completion of the Harbour Quays and Seaview development opportunities, and where possible, using these to enhance the port-related business.

3.1 PORT STRATEGY

3.1.1 Partnership with Influential Supply Chain Participant

In order to achieve CPL's strategic growth objectives based on cargo aggregation, CPL management believes that there is greater chance of this growth being realised if the company partners with an influential supply chain operator(s), who has significantly greater ability to channel cargo from outside CPL's immediate hinterland to the port than CPL. This partnership would be structured in a manner that would provide all participants the opportunity to share in the potential commercial benefits from such an arrangement. This model is not uncommon within the global shipping/port industry, however it would be unique within New Zealand at the current time. Management's belief that this model provides a secure pathway to achieving the company's strategic objectives is based on the following key drivers:

- Volume growth certainty/sustainability
- Terminal profitability
- Viable return on assets to Shareholders
- Improved asset utilisation
- Minimise future capex exposure

- Minimise future labour exposure
- Reduce ongoing operating expenses
- Opportunity to 'shape' NZ Port Industry in favour of CPL
- Gain access to international best practice and purchasing power
- Increase revenue from existing JV's

3.1.2 Port Merger

An alternative option for CPL to secure its long term viability is to partner with another New Zealand port(s).

As a result of recent industry dynamics, consolidation in New Zealand port ownership and operations could potentially occur in the near future, as ports look to increase utilisation and improve returns. As reported in the media, there have previously been merger talks between the ports of Auckland and Tauranga. In 2006 Hong Kong based international port operator Hutchison Ports expressed interest in The Lyttelton Port Company (LPC), and since this time industry sources report that merger talks are underway between The LPC and Port Otago (which is already a significant shareholder of LPC). The potential benefits of CPL merging with another port(s) include:

- Synergies in overheads leading to profit growth
- Longer term channelling of Cargos i.e: specialisation
- Procurement Synergies
- Common pricing
- Operational & Capital synergies
- Common Service Level Agreements

3.1.3 Strategy Reassessment

If CPL is unsuccessful in securing growth through the port via strategic partnerships, there is a high possibility that the port would be under threat of erosion of its existing container and cargo volumes. If this situation was to occur, CPL would need to re-evaluate its current business model, encompassing a review of its extensive asset replacement programme with the emphasis on cost containment rather than revenue growth, which in turn would drive the company's choice of terminal handling equipment. Regardless of the outcome of this review, CPL has no alternative but to replace this equipment due to its excessive age. However, this expenditure would continue to negatively impact CPL's profitability. The outcome of a forced shift in strategy from growth to cost containment would also dictate CPL's future level of service delivery offered to customers.

The key drivers for this business decision include:

- Decisions by the major lines to hub on New Zealand ports other than CPL
- The continued erosion of the cargo base within CPL's immediate hinterland, resulting in port revenues not keeping pace with the necessary capital and operating expenditure required to maintain current service delivery levels

- The inability to maintain current terminal handling equipment, due to unavailability of parts, maintenance cost escalations and reduced service reliability

CPL is continuing to pursue viable long-term strategies for its port business.

3.2 PROPERTY STRATEGY

3.2.1 Development of Harbour Quays

The current buoyant property market provides CPL with an opportunity to take a further step in its completion of the Harbour Quays development. This development has the potential to substantially increase asset values, while producing a long-term revenue stream that is stable and predictable, and able to offset any volatility in the port business. This will add significant value for the benefit of shareholders.

CPL is faced with an opportunity to secure a significant government tenant, Customs, for Harbour Quays. This is a tenant whose business is closely associated with the smooth operation of the port, but whose presence will significantly increase the credibility of the Harbour Quays concept, and move it a step closer to realisation. This business case assesses the attractiveness and feasibility of this opportunity.

3.3 CENTREPORT RESTRUCTURING

The Directors have been examining ways to partition CentrePort's port and property businesses through separation into two distinct legal entities. Separation of the businesses will allow each to focus on its core business and permit the introduction of third party equity or debt funding. The key objectives for a change in CentrePort's corporate structure are:

- Land ownership – retain ownership of the core port and development land.
- Capital expenditure, financing, dividends and tax – provide the flexibility to maximise the funding opportunities without requiring capital from existing shareholders, restricting dividend payments or disrupting current tax arrangements.
- Operational synergies and conflicts – facilitate achieving synergies and resolving conflicts between the port operations and the land development businesses.
- Skills and focus – provide the opportunity for focussed skills to be applied to each of the two businesses at both a board and management level.
- Risk profile – avoid the risk profile of the port operations being unduly impacted by the risks involved in property development.

A review has been completed by the Board and Management to determine what work is to be undertaken to transition CentrePort from its current structure to the new model taking into account governance requirements; legal and tax arrangements; and financial responsibilities and management.

To date the Directors have:

- Agreed a new name for the new property subsidiary company to be CentrePort Properties Ltd.
- Financial reporting will be done from 1 July 2007 notionally by CentrePort based on the intended financial arrangements for CentrePort Properties Ltd.

- Commenced the selection and recruitment process for a General Manager for the new property subsidiary company.
- Have sought advice from Fife Capital to determine the investment and funding strategy for CentrePort Properties Ltd which will determine the land asset allocation between CentrePort and CentrePort Properties Ltd and recapitalisation options.

The implementation of these arrangements will be made once the current funding review is completed and agreed with the Shareholders.

4 PROPOSED DEVELOPMENT

The proposed development is a 6 level A grade office building, with a single retail tenancy.

The building is a steel frame structure with concrete pre cast elements to the façade. The current specification is targeting a minimum 4.5 star rating on the NZ Green Building Council rating system.

The building will have (subject to final measure) a gross floor area of 8,890m^2 and a net lettable floor area of 7,244m^2 comprising:

Office	6,536m^2
Terrace	498m^2
Retail	210m^2
TOTAL	**7,244M^2**

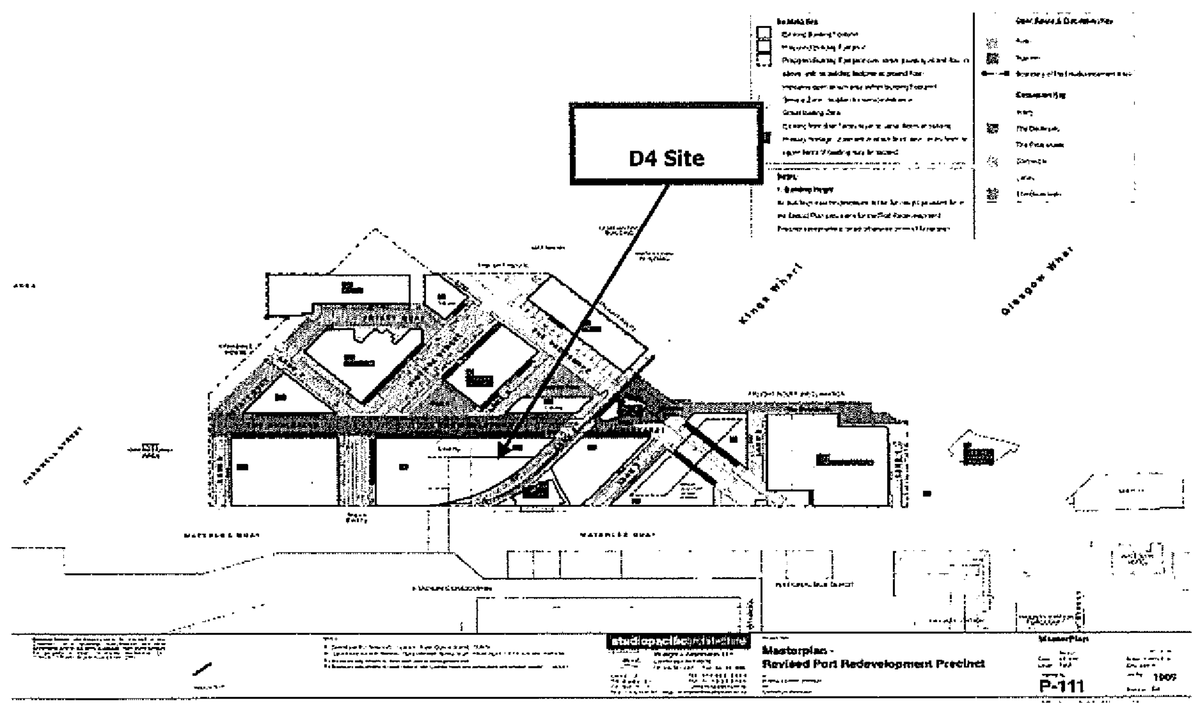
In addition to the floor area the development will provide 26 carparks:

Car parks secure: leased to Customs	18
Car parks outside the building: 2hr visitor parking	8
TOTAL	**26**

Developed Concept Stage perspectives and plans are attached in **Appendices 1, 2, 3 and 4.** **Appendix 5** details the development management structure for this project.

The proposed location of the building is shown in Figure 1.

Figure 1: Location Plan of Proposed D4 Development



4.1 DEVELOPMENT AGREEMENT

The Development Agreement (DA) formalises the design and construction principles that underpin CPL's agreement to construct the building. Subject to the outstanding terms highlighted below Customs, has agreed to the terms of the DA and the deed of lease. A detailed summary is provided in **Appendix 6.**

A Long Stop Date has been agreed under the DA, this is 6 months after the Target Delivery Date. If the project is delivered between these dates CPL's only penalty is the loss of rental income. However, if the project is delivered after the Long Stop Date or it is impossible to reach Practical Completion before it then Customs may give 10 days notice to cancel the agreement. This does not apply if Customs directly causes the late delivery of the project.

The following table outlines the points still to be agreed with Customs prior to signing the DA:

ISSUE	COMMENT
Naming rights – rent review	Open market review sought by CPL, but Customs want increases tied to office rent increases.
Insurance excess	CPL group insurances have $50k excess, Customs to consider two options for excess & premium.
Practical Completion Certification	CPL wants the Project Manager to certify, Customs want the Architect. Expect compromise of consultation by the two experts.
Project Manager's fee for processing tenant's variations	CPL want 2.0% of value, Customs want a lump sum per variation.
Design & Specification	Ongoing fine-tuning required.
Dates for satisfying conditions	The dates in the DA can not be agreed until the point of signing as they flow on from that initial commencement.
Rent review mechanism	Two options both acceptable to CPL, market or cap and collar, have been offered to Customs.

On Friday 8th June 2007 Cabinet passed a directive that all Property deals signed by a government department after 1st July 2007 must be for a minimum 5 star rated building. The design team are confident that the specification priced by Maltbys is comfortably at 4.5 stars, and following a very high level review in the last week estimate that the cost in moving to 5 stars is between $1m – 1.5m. Until an evaluation is carried out and the options fully designed the impact of moving to 5 stars is not confirmed. Customs have the option of amortising the cost or gaining an EECA grant to fund the increase in specification.

4.2 LEASING PROFILE

Customs has agreed to enter into an agreement to lease 7,034m^2 of office space and 18 car parking spaces on the following terms:

CUSTOMS LEASE SUMMARY	
Net Lettable Area	7,034 m^2 made up of 6,536m^2 of office space and 498m^2 of Terrace.
Car Parking	18 bays
Lease Commencement	From date when Practical Completion Certificate is issued
Term	12 years
Rights of Renewal	Two of 6 years
Early Occupation	Yes; to allow fit out.
Net Annual Rent (excluding operating costs)	To be set at 8.5% of Accepted Cost (AC). Current estimate is \$360 to \$390/m^2 dependant on final AC (including utilisation, if any, of contingencies).
Operating Costs	\$90/m^2 estimated on commencement date
Rent Reviews	Three yearly: method to be determined as either open market or cap and collar – refer **Appendix 6.**
Form of Lease	ADLS modified by Gibson Sheat
Fitout	Integrated with base building but separate contract
Reinstatement	Nil unless the tenant removes some of the fitout

4.2.1 Rental Adjustment

The rent to be paid by Customs is to be calculated at 8.5% of the Accepted Costs (AC). These are costs normally associated with property development projects and include the following:

- Land (at market value)
- Professional fees – design, legal
- Construction costs
- Local body rates
- Council charges such as building consent fees, Development Impact Levies
- Leasing fees
- Capitalised interest and finance charges

All components of the AC have been estimated with confidence, except for construction costs, which will be tendered in November 2007. Estimated AC with contingencies is \$33.1m, which drives a rent of \$390/ m^2 and without contingencies is \$30.7m, which drives a rent of \$360/m^2. If the final AC is below \$30.7m the final rent reduces to 8.5% of AC.

As part of the partnering concept, Customs are motivated in the same way that CPL is to keep the construction cost as low as possible without compromising on the quality of the building.

With the high level of certainty on costs at the point of signing a construction contact, the quantum of project contingency remaining will reduce to reflect the remaining construction risk.

4.2.2 Vacant space still to be leased

CPL will have responsibility for leasing the ground floor retail space of 210 m^2. CBRE advised rental for this area is \$200/m^2 which equates to \$42k p.a. plus GST and outgoings.

4.3 ASSUMPTIONS USED IN BUSINESS CASE

The following lists the high level assumptions used in the Business Case:

- The construction estimate assumes that competitive tenders will be called and that there will be no restraint on access during the construction period.
- Procurement route is Guaranteed Maximum Price (GMP).
- Funding is via Westpac facility notwithstanding the Board and Shareholder agreed position of moving to alternate funding sources.
- The estimate has been based on elemental quantities and costed at rates and prices as anticipated at a tender date of October 2007. No allowance has been made for increases in labour and materials beyond that date.
- Customs gain Cabinet approval on or before 15th August 2007.
- Rail Corridor is retained and fenced along the length of D4 with barriers to the Boulevard, however future projects fund the Promenade barriers and fencing from Boulevard to Shed 35.
- Resource Consent process is not notified and no further plan changes are made by WCC
- The CBRE valuation of retail rentals is correct, even though significantly below current CBD market rentals.
- Increased costs in moving to a 5 star Environmentally Sustainable Developments (ESD) rated building will be recovered in full from Customs through one of three alternatives:
    - amortisation of cost, or
    - rentalisation of cost, or
    - Customs provide direct capital funding.

5 FINANCIAL ANALYSIS

This investment has a positive impact on CPL's financial performance (income yield on cost of 8.15%, unrealised valuation gain on completion of between $3.2m and $4.5m, and profit before tax contribution of $0.4m). Based on current operating assumptions, including provision for the replacement of container handling equipment between 2008 and 2010 ($17m) but excluding growth initiatives for container income, were CPL to utilise the 'back stop position of bank funding, banking covenant commitments following this investment.

The following table summarises the financial components of this investment:

INDICATOR	**DESCRIPTION**	**FORECAST OUTCOME** WITH FULL UTILISATION OF CONTINGENCIES	**FORECAST OUTCOME** WITHOUT CONTINGENCIES
DEVELOPMENT PHASE			
Development cost	Land (1,522 m2 @ $2,250/m2) Building and related costs including estimation contingency Capitalised financing costs CPL Project contingencies Total	$3.4m $26.4m $1.5m $2.3m $33.6m	$3.4m $26.4m $1.4m - $31.2m
Income yield on cost	Forecast revenue (between $2.5m and $2.7m dependant on cost) as a % of development cost[1]	8.15%	8.15%
Income yield on market value	Forecast revenue (between $2.5m and $2.7m dependant on cost) as a % of market value	7.34%	7.11%
Projected value on completion	Valuation provided by CBRE using capitalisation and discounted cash flow approach	$36.8m	$35.7m
Unrealised valuation gain on completion	Forecast unrealised revaluation gain on completion flows through CPL 2010 Financial Statements being the projected value on completion less development cost.	$3.2m 9.52%	$4.5m 14.4%

[1] Development cost differs from Accepted Cost (see section 4.2.1) due to Development Cost including landscaping and site preparation costs but excludes development levies (included within HQ wide infrastructure costs.)

Financing			
Committed facility	Westpac has indicated funding support for the project (terms still to be negotiated)		
Net borrowing requirement	Bank funding for construction of building, land enabling and infrastructure costs and interest expense (until building generating revenue)	\$31.5m [2]	\$29.1m
Bank covenant – gearing ratio	Total liabilities to total assets shall be less than 60%	Forecast financial statements show ratio's highest point of 56.4% in 2010	
Bank covenant –interest cover ratio	EBITDA to interest costs shall not be less than 2 times	Forecast financial statements show ratio's lowest point of 2.29	
Bank covenant – minimum net worth	At all times Tangible Net Worth shall be at least \$140m	Forecast financial statements show lowest point of \$164m in 2007	

Investment Phase			
Profit before tax	Contribution to profitability (assuming interest rate of 7.25%)	\$0.4m	\$0.4m
Liquidity (building)	Net cash surplus after meeting forecast interest costs of project	Revenue \$2.7m Interest costs \$2.3m Net surplus \$0.4m	\$2. 5m \$2.1m \$0.4m

5.1 DEVELOPMENT COST

5.1.1 Land

The site area is 1,522m² which has been valued by Colliers (as part of CPL's annual valuation of investment properties) on a 'completed value' basis (infrastructure and services in place) of \$2,250/m². This land value includes an allocation of \$1,255/m² of common area used for roading and associated infrastructure costs (see below). The land value has regard to the 27 metre building height limit, location and restriction on any sub-terrain development. A site of 1,522m² gives a land value of \$3.4m. The book value of the land at 30 June 2007 is \$1.5m.

5.1.1.1 Infrastructure costs

CPL requires an adequate return on this spending. Our productive 'site' land to unproductive 'infrastructure' land ratio is approximately 50:50 meaning a return on infrastructure costs must be recovered from productive land. For investment evaluation purposes costs are pooled and split over

[2] Excludes \$1.5m for Green Star rating pending resolution of how this is to be funded

productive sites on a proportional basis. These costs equate to approximately $1,255/m^2 and are included in the land value of $2,250/m^2. The CPL Board have confirmed this approach.

Appendix 7 provides details of the infrastructure costs.

5.1.2 Building Costs

The building and related costs (excluding project contingencies) total $26.4m. This is made up of the following:

Construction cost	$22.168m	Maltby (Quantity Surveyors) have provided a preliminary cost estimate based on the developed concept drawings (see **Appendix 8**). Savings of $800k have been agreed against this initial estimate which established the construction budget of $22.168m. This gives an estimated construction cost of $2,493/m^2 of Gross Floor Area (GFA).
Professional fees	$2.623m (design & project management) $0.350m (Leasing Agent Fee) $0.190m (Legal Fees & Consents)	Negotiated fees have been established with Architects and Engineers and provision has been made for other disciplines as required. An allowance has been made for Project Management fees to allow the back filling of existing resource, or the capitalisation of internal costs. An agreement has been reached with CBRE for a lump sum agent's fee of $350k. This works out to 14% of the rental and is within the market norms. Gibson Sheat has estimated a fee of $60k for the negotiation of the DA and Lease. The remainder is the estimated fees and costs associated with gaining resource and building consents for the site.
Landscaping costs	$0.920m	Extension of the Boulevard and the establishment of lane 4. The development budget also includes the development of Shed 35 Park into a landscaped car park and safety measures for the rail corridor.
Site preparation	$0.125m	Estimated cost to relocate services away from the footprint of the new building and conduct geotechnical survey of ground conditions to reduce piling risk.
TOTAL	**$26.4M**	

Appendix 9 provides details on all aspects of the project cost feasibility.

5.1.2.1 Project Contingency

The project proposed includes project contingencies of $2.3m being $340k for site conditions and a general contingency of $1.95m (approximately 7.5% of forecast project costs). This protects the project against continuing escalation of construction costs, the possibility that resource consent may not be straight forward and may require changes to the design, unknown costs associated with site clearance, and the general project risks associated with establishing a budget at this level of detail. Further details of the risks associated with the construction are provided in section 6.2.

5.1.3 Capitalised Interest

Interest of $1.5m (inclusive of contingencies) on construction costs will be capitalised at 8.4%. This being the average forecast Overnight Cash Rate (OCR) for the construction period as predicted by Westpac plus CPL's line fee and margin. We have used a 45% 'S' curve to estimate the fall of costs over the construction period. Capitalised interest is included in the amount to be borrowed and is excluded from interest cover covenants.

5.2 INCOME YIELD

Forecast annual income from this investment is between $2.5m and $2.7m (dependant on final project costs), giving an income yield of 8.15%.

5.3 VALUATION ON COMPLETION

CBRE (an independent valuer) has valued the building, on completion, at $35.7m [3] (**Appendix 10a**).

In arriving at its opinion of value, CBRE has considered relevant general and economic factors and recent sales and leasing transactions of comparable properties. The CBRE valuation uses the capitalisation and discounted cash flow (DCF) approaches to derive a market based value as follows:

	WITH CONTINGENCIES	**WITHOUT CONTINGENCIES**
Capitalisation approach	$37.7m	$36.1m
Capitalisation rate	7.00%	7.00%
Discounted cash flow approach	$35.8m	$35.2m
Terminal Yield	7.25%	7.25%
CBRE valuation	$36.8m	$35.7m

The valuation is positioned between the capitalisation and discounted cash flow (DCF) approaches. The valuation makes provision for "make good" at CPL's cost at the end of the lease.

5.4 INVESTMENT RETURN

In addition to the income yield, the investment generates an unrealised investment property gain on completion in the 2010 financial year of between $3.2m and $4.5m dependant on the final project cost calculated as:

	WITH CONTINGENCIES	**WITHOUT CONTINGENCIES**
Value on completion (refer CBRE valuation)	$36.8m	$35.7m
Development cost (including capitalised interest)	$33.6m	$31.2m
UNREALISED REVALUATION GAIN	**$3.2M**	**$4.5M**

The forecast unrealised gain will result in an increase in net profit after tax and shareholders' funds in the June 2010 accounts.

The income yield and unrealised gains need to be compared to other investment options for this site. The site currently generates revenue of $112k per annum from car parking for tenants. Car parking income is currently being reviewed with future revenue to approximately $169k. This proposal is financially preferable to retaining this site for car parking.

CPL's constitution does not provide for the sale of land. However, if sale were an option and the land value used in this business case (excluding infrastructure costs) was achieved, then the proceeds less costs of sale would be inferior to development (unrealised valuation on completion exceeds valuation gain on sale of land). The sale of land would remove CPL's ability to control the site and the associated interface with port operations.

[3] CBRE have valued the building at $36.8m should contingencies be utilised and rent increased to $390/m^2 **(Appendix 10b)**

5.5 RISKS AND OPPORTUNITIES TO ACHIEVING VALUE ON COMPLETION

The following tables outline the risks and opportunities for the Development, with an indication of their rating according to probability and impact:

- High rating is a likely risk with greatest financial impact.
- Medium rating is reduced probability or reduced financial impact
- Low is both low probability and low impact.

RISK	DESCRIPTION	RATING (PROB X IMPACT)	POTENTIAL FINANCIAL IMPACT	MITIGATING STRATEGY
Obstructions on site	Obstructions from old foundations encountered on site by contractor.	High	Increased Construction cost post contract and reduced return on building.	Investigations carried out prior to Construction contract and historical information included in tender package. Appropriate contingency included in development cost.
GWRC Contaminated Land Register	The listing of all of CPL land on the GWRC register moves the Resource Consent to discretionary unrestricted status	High	WCC require Economic Assessment to be carried out and delay Resource Consent application with requests for additional information.	Work with GWRC to remove this title from the register through testing.
Reduction in asset values	A global shock is likely to undermine investment sentiment and associated asset value.	Medium	A reduction in asset values would impact negatively on CPL's property portfolio thereby reducing the 'head room' for the gearing covenant ratio.	There is sufficient 'head room' to accommodate a decrease in property investment values by approximately 15% before covenant levels are breached. In addition CPL has been conservative in the adoption of valuations for investment properties.
Vibrant Wellington	Indoor Community Sport Centre (ICSC) not on CPL land sparks further challenge from Vibrant Wellington	Medium	Cost of defending against Injunction and increased resource consent application costs	Further negotiation between CPL and Vibrant required.
Piling noise	Work on site is stopped by WCC due to piling noise. Causing delay to construction.	Medium	Delays lead to Extension of time by contractor and loss of revenue through late delivery.	Work closely with all tenants of neighbouring sites to inform them of the works and extent of works to reduce risk of complaint to WCC.
Escalation of Construction prices	Escalation beyond that in the current Maltby estimate, or due to late signing of Construction Contract.	Medium	Increases construction contract cost, and risks reducing return if above max market rental.	Appropriate contingency built into development cost at early stage to allow for escalation.

Resource Consent requires changes	The WCC through the RMA process may require changes to the building design which impact both cost and NLA.	Medium	Increase in Design cost through redesign, increase in Construction Cost, loss of income	Set up early consultation process with WCC to allow feedback to be incorporated in design and reduce surprises.
Reduced Demand for Office Space	Currently very high demand for new high quality offices especially from the govt sector. This demand is likely to diminish over the next 5 years.	Medium	Lower market value if market rents fall, even though contract rent is still being paid by tenant.	Commencement rent ratchet – cannot fall for first 12 years.
Change of Government in 2008.	Change in govt could reduce demand for new space in Wellington market.	Medium	Lower demand leads to easing of market rents, reducing rent reviews.	Commencement rent ratchet – cannot fall for first 12 years.
Stadium Trust approval of land under ramp	The Stadium Trust could seek a reduction in their license fee relative to the use of the space under their ramp.	Medium	Reduction in current license fee payable by Stadium	Discussions have commenced with the Stadium Trust on this issue, and their current Licence is being reviewed by CPL legal team.
Stadium Trust do not approve the creation of car parks under ramp	Would reduce the number of car parks available at grade. This would require a re-design of the building to comply with the Customs Brief for car parks.	Low	Increased construction cost and reduced NLA for office.	Discussions have commenced with the Stadium Trust on this issue, and their current Licence is being reviewed by CPL legal team.
Weakening Investor Demand	With large offshore and local funds looking to purchase investment grade property, low risk of falls in value.	Low	Lower value at completion, lowers unrealised gain	Ensure building is future proofed, attractive appearance, include ESD features.
Major corporate head office relocated	If a major Wellington HQ is relocated this could create temporary surplus supply.	Low	Short term issue – Low impact on D4 but could affect wider Harbour Quays	Commencement rent ratchet – cannot fall for first 12 years.
Ground Conditions	Problems similar to F1F2 site are encountered doubling the cost of Piling	Low	Increased Construction cost post contract and reduced return on building.	Extensive Geotechnical testing carried out in June 07 reducing surprises once on site. Piling design is driven rather than bored reducing impact of soil type. Appropriate contingency included in development cost.
Contaminants found in soil	Contaminated soils delay construction and require further resource consents to use site.	Low	Delay to project, loss of income and extension of time claims	Desktop study carried out now as part of the Geotechnical testing. Soil samples tested prior to construction contract and information provided in tender. Ensure construction price allows for appropriate disposal of soils.

The Opportunities facing the project include:

Opportunity	Description	Rating (prob x impact)	Potential Financial Impact	Achievement Strategy
Reduction in Specification of Building	Current D4 scope is beyond the Statistics and F1F2 scope in a number of areas.	High	Reduction in Construction cost due to change in specification	Work with tenant to reduce specification in areas that do not effect the achievement of an Environmentally Sustainable Developments (ESD) rating of 5. Mutually beneficial to Customs due to the rental setting agreement.
Reduce pile length	The current estimate allows for average of 18m length piles. Following analysis these could be reduced.	High	Savings of $635/m of reduction	Bore testing completed by CPL suggests a decrease in length of piles.
Smart ESD	ESD rating gained through invisible items rather than "show off" low point value high cost items such as solar panels and wind turbines.	Medium	Reduce impact of the ESD items on Construction Cost.	Work with ESD consultant and Tenant to have a smart building, select items with highest point value for cost. This works to their advantage due to rental agreement.
Smarter pile design	Geotechnical engineer gains information to change design assumptions and reduce pile size for building load.	Low	Savings on the current estimate	Information gained from settlement monitoring on F1F2 site adds to the knowledge base used in design of D4.

5.6 FINANCING

The Board is currently investigating alternative funding sources for CPL's Property Portfolio with our investment advisor Fife Capital to allow CPL to move away from the traditional debt funding model for property development.

Fife Capital has canvassed a wide range of funding options all of which will successfully introduce additional funding into the company. However, the objective of their approach is to focus on those options that deliver the best long-term value for the company in terms that are preferred by the Directors and Shareholders.

The initial recommendation from Fife Capital is that CPL should pursue funding that provides for a partial sale on completion of respective developments but that CPL retains an option to re-purchase equity at no more than a prescribed rate of return. Over time CPL's balance sheet should become sufficiently strong to re-purchase equity and move to sole development.

The recommended approach envisages:

- Land sites separately subdivided with a 99 year ground lease;
- Each project separately tendered, developed and financed;
- CPL continues to source and secure potential tenants thus retaining the maximum investment value of each project

- CPL securing funding/co-investment arrangements

A copy of Fife Capital's strategic options paper is attached as **Appendix 11**. When the Board has fully considered this paper (including next steps) it will commence discussions with shareholders.

As a 'back stop' arrangement pending resolution of an agreed future funding strategy, CPL's banker Westpac has offered interim funding for this development. A copy of their term sheet is provided in **Appendix 12**. The development timeframe for this building gives Directors sufficient confidence that an agreed alternative funding strategy with Shareholders will be in place prior to the potential draw down on any debt for this building.

Our borrowing requirements are forecast to be between $29.1m and $31.5m[1] as follows:

ITEM	AMOUNT $M
Building cost	26.4
Infrastructure costs funded now but allocated to other development sites	1.3
Capitalised interest	1.4
TOTAL BORROWING EXCLUDING PROJECT CONTINGENCIES	29.1M
Contingencies including additional capitalised interest of $100k	2.4
TOTAL BORROWING INCLUDING CONTINGENCIES	31.5M

The borrowing requirement of $31.5m is different from the development cost of $33.6m as follows:

ITEM	AMOUNT $M
Development cost	33.6
Less book value of land excluding infrastructure costs (land CPL already owns meaning no cash outflow)	(3.4)
Infrastructure costs incurred now but allocated to sites other than D4	1.3
TOTAL	31.5M

The Westpac facility is likely to be a construction facility dedicated to the funding of this investment. Security is by negative pledge (same as CPL's current facility) with fees and margin to be negotiated.

The financial covenants in our current agreement and our achievement of these covenants using forecast financial performance and allowing for full utilisation of contingencies are:

FINANCIAL COVENANTS		CPL ACHIEVEMENT
Gearing ratio	Total liabilities to total assets shall be less than 60%	Forecast financial statements show ratio's highest point of 56.4% in 2010
Interest cover ratio	EBITDA to interest costs shall not be less than 2 times	Forecast financial statements show ratio's lowest point of 2.29 times in 2010
Minimum net worth	At all times Tangible Net Worth shall be at least $140m	Forecast financial statements show lowest point of $164m in 2007

The following table shows the respective "headroom" for the interest cover and gearing ratios. This means EBITDA can deteriorate by up to $3.8m in 2010 or interest costs increase by up to $1.9m before the covenant is breached. Similarly, liabilities can increase by up to $14m or assets decrease (e.g. through negative valuation changes) by up to $23m in 2010 before covenants are breached.

[1] Excludes $1.5m for Green Star rating pending resolution of how this is to be funded.

$M Headroom		Jun-07	Jun-08	Jun-09	Jun-10	Jun-11	Jun-12	Jun-13	Jun-14	Jun-15	Jun-16	Jun-17
Interest	- decrease in EBITDA	8.8	9.9	7.1	3.8	4.6	6.3	8.8	11.3	14.4	18.9	23.0
Interest	- increase in Interest	3.9	4.9	3.6	1.9	2.3	3.1	4.4	5.6	7.2	9.4	11.5
Gearing	- increase in Liabilities	59.7	36.7	16.4	14.1	17.8	21.4	26.6	35.0	46.1	59.5	74.9
Gearing	- decrease in Assets	99.5	61.2	27.3	23.5	29.7	35.7	44.4	58.4	76.8	99.2	124.9
	Interest cover	2.25	2	2	2	2	2	2	2	2	2	2
	Gearing	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%

The forecasts do not include any provision (other than the $3.2m unrealised gain from the investment) for asset revaluation gain. Revaluation gains[2] (including the gain associated with the BNZ) will improve the gearing ratio and increase "headroom". CPL has been conservative with its adoption of changes in value of investment properties meaning there is more upside risk to asset values than downside risk.

The above table shows there is sufficient "headroom" to accommodate a downturn in profitability. The Boards desire to attract external funding for the property portfolio will mitigate this risk further. In addition, the forecasts include the purchase of $17m of container handling equipment from 2008-2010 (at a forecast interest cost of approximately $1.2m) meaning CPL has not "locked-in" higher interest costs

It is important to have sufficient "headroom" because a breach of covenant is an event of default. Under such a breach CPL could face serious liquidity problems.

5.7 INVESTOR PHASE

CPL has entered into this project as a long-term investor. The nature of risk changes on completion from managing project construction and associated risks to post-completion management of the asset.

The project is forecast to deliver an on-going contribution to CPL's operating profit and positive cash flows of $0.4m per annum from 2010. **Appendix 13** details a profit and loss statement and balance sheet for the project[3]. This shows post tax profitability increasing from $328k in 2011 (first full year of income) to $718k in 2017.

Any strategic impacts from the wider Harbour Quays development such as property management contracts or operating efficiencies have not been quantified. CPL expects this investment will increase the value of the BNZ development and Statistics House, as well as provide diversification benefits to the port operations by balancing the volatility of port earnings.

Key risks in the investor phase are interest rate risk. Interest rate risk management derivatives will be used to manage interest rate risk.

---

[2] Revaluation losses will have the reverse effect

[3] Key assumptions are revenue increase by 6% every three years, no provision for revaluations, and all cashflow applied to debt reduction.

5.8 FINANCIAL ANALYSIS

This transaction impacts on CPL's financial forecasts as follows:

- revenue increases by 4.4%,
- free cash flow by $0.4m,
- assets by 9% and
- borrowings by 18%.

This section focuses on the forecast financial statements to 2017, the assumptions underlying these forecasts, and the impact of the transaction.

5.8.1 Assumptions Underlying CPL Financial Forecasts

The following table details assumptions (approved by the CPL Board as part of the Strategic and Business Plan process in April 2007) used in the financial forecasts (**Appendix 13**). These forecasts are the same as those that will be provided to the CPL Board in June 2007 as part of the approval process for CPL's financial planning documents.

ITEM	ASSUMPTION
Capital Revenue	Volume and price growth equal to 4% per annum.
Property Revenue	Growth approximately 2% per annum.
Other Port Revenue	Growth rate of between 1.5% and 4%.
Interest rates current debt	7.25% until 2010 then 7% reflecting yield curve and CPL's level of interest cover
Interest rate Customs	8.4% during construction then 7.25%
Operating Costs	Increases of between 1% and 1.7% reflecting anticipated operating efficiencies from new capital equipment.
Capital expenditure	As per CPL's asset management plan.

Sensitivity Analysis

Sensitivity analysis has been conducted on the forecast financial performance using a scenario of a downturn in container profitability (a 20% reduction in container volumes and deferral of the purchase of container handling equipment) in 2009 and 2010. The sensitivity analysis detailed in **Appendix 14** shows CPL is able to meet interest cover banking covenants in all years.

Financial Forecasts

Full financial forecasts, including the Customs investment, are detailed in **Appendices 13** and show the impact of this transaction on the group financial forecasts.

6 DEVELOPMENT OVERVIEW

6.1 CONSTRUCTION AND DESIGN OVERVIEW

The proposed building comprises ground plus 5 floors of office space, with a roof top plantroom. The ground and first floors use all of the site area, with this reducing from level 2 upwards to a more efficient floorplate shape that approximates a square with a corner removed. (See **Appendices 1, 2, 3 and 4.**)

The main entrance is off the Boulevard facing the future Shed 35 park, and vehicle access is off the lane parallel to the rail corridor. By excavating under the stadium ramp 18 car parks are provided under cover for the secure use of Customs. Along with the entrance and reception areas the Ground floor also provides a retail unit, space for a tenant gym and various service /back of house functions.

In keeping with the masterplan, and in accordance with the district plan requirements, as much of the ground floor as possible is treated with an "active edge", i.e. some visible and interactive human activity. For this reason the southern tip of the site is intended for use by a separate retail tenant.

Each façade of the building is designed in response to its context and relevant ESD (Environmentally Sustainable Design) principles. The stadium ramp façade is treated with a combination of glazing and projecting horizontal precast concrete panels, providing shading of high level summer sunshine to reduce solar gain on the floor. In addition these projections also allow convenient maintenance access to this face of the building without having to use the sloping stadium ramp.

The lane façade has approximately two thirds glazing to one third solid which is a recommended ratio to minimise solar gain while allowing good natural light. To further reduce solar gain from low west sun, and to focus views to the Wadestown hills, vertical fins project from the façade. These fins will also be visible to people driving south along Waterloo Quay and will emphasise the gentle curve of this facade parallel to the rail corridor.

The Boulevard façade comprises a simple 3 bay symmetrical façade to the main part of the building (with terraces to the central bay) next to the shorter 2-storey southern building form. Both are treated relatively simply in curtain wall glazing, which wraps around at the higher levels to meet the lane façade.

There are a number of terraces available to building users, including a large terrace on the roof of the 2-storey southern part of the building which gets excellent summer midday and afternoon sun. This terrace is also treated with an over-height glass balustrade intended to provide wind shelter. The terraces on the east of each upper floor have excellent morning sun (as well as views to the Shed 35 park), and the larger roof terrace off level 5 also has good sun for most of the day.

Within the building there is a central core, formed by shear walls providing the seismic restraint to the building. This means that the perimeter of the building has a more slender gravity-only structure which results in a more open and transparent feel to the floors. The typical upper floors are essentially 3 bays of an efficient 12m span.

From the main entrance wind lobby the building core is accessed across an open plan area (suitable for reception). Once at the core it is possible to use the stairs or one of the two lifts.

The feature stair is similar to that in Statistics House being wider than normal and with glazed walls. On upper floors the core's generous lobby space can be used as part of an interactive hub area which can extend eastwards to the terraces. Off the lobby is access to the toilets and second egress stair, which also means that the core can be easily enclosed for multiple sub tenants. The core has a good riser allocation to accommodate ducts for the VAV (Variable Air Volume) air-conditioning.

The space has no in-board columns and is planned on a 6m structural grid which has space planning advantages. Because of the near square proportion of a typical floor, the tenant efficiency (basically how much space they can effectively utilize) is excellent. There is a high load zone (for compactus/library shelving) immediately adjacent to the core. Lighting to the general office areas has electronic dimmable control gear.

The Level 5 floorplate is reduced along its eastern side in accordance with masterplan requirements to ensure the Shed 35 park is not overly shaded. The level 6 plantroom is further set back to reduce its visual impact. This plantroom houses air handling units and space for a tenant required emergency generator. Servicing of the building together with elements like façade sun shading and double glazing are aimed at achieving the ambition for a 4.5 star rated building. The design will be further enhanced to achieve the new target of 5 stars.

6.2 CONSTRUCTION ESTIMATE & CONTINGENCY

Within the $22.167m cost estimate there is a 5% Estimating Contingency of approximately $1.108m. This covers risk associated with assumptions made for construction details not known, and the general low level of design detail at this early phase.

The Maltby estimate has been based on elemental quantities and costed at rates and prices as anticipated at a tender date of October 2007. No allowance has been made for increases in labour and materials beyond that date. As the building is a steel structure this is a real risk and it is important that appropriate contingency is agreed to cover potential escalation.

As discussed in 5.2.1, a general project contingency of $1.95m is requested to cover the following risks:

- Escalation risk, covering the risk of price rises resulting from currency fluctuations and general construction cost increases;
- Change to the design due to resource consent requirements;
- Changes to the design due to operational requirements, eg. Impact of rail corridor on traffic movements;
- Adverse weather delays which the contractor will contract out to CPL;
- Unforeseen restrictions on access to the site caused by the Stadium ramp or rail corridor;
- Contaminates being found in the soil.

A specific project contingency of $0.340m is requested to cover the risks associated with piling which the contractor will contract out to CPL:

- Obstructions;
- Unforeseen ground conditions;
- Piling noise;

6.3 RESOURCE CONSENT

The effect of the Wellington City Council notified Plan Change 48 and its preceding Plan Change 41 has changed the compliance status of building developments within the CPL Harbour Quays Area. During the transition from the existing Plan to the incorporation of Plan Change 48 the provisions of both have application until any appeals on particular aspect of the plan have been settled.

Under Plan Change 48 building developments within Harbour Quays are covered by a special character area section referred to as the "Port Redevelopment Precinct". Further details of these requirements are outlined in **Appendix 15**.

A review of the D4 design against the District Plan requirements has been carried out and is summarised in the table below:

DISTRICT PLAN REQUIREMENT	RESPONSE
Need to include open space development detail with building application	Resource Consent application will include design for Boulevard extension, creation of lane and the landscaping of the car park.
Ensuring that the building does not extend more than 10% of proposed building footprint as per CPL Masterplan	Building does not extend more than 10% of footprint. Will need to confirm with WCC that creation of the under ramp car parking is not an issue.
Building must not exceed 27 metres in height	The Plant Room height does exceed 27m. Currently estimated to be by 2m, this is within the discretionary allowance to exceed the 27m currently in the District plan and should not be a problem.
Building must have primary frontage as shown on CPL Masterplan	Compliant with main entrance off the Boulevard.
At ground level the building must have 60% of its frontage to The Boulevard as entrance space or display windows	Due to the requirement of Customs to restrict occupation and not allow ground floor retail as per the HQ Masterplan, we are relying on the office windows into the Customer service area and conference facilities to be acceptable to WCC as display windows.
For primary frontage areas and any frontage to a road, boardwalk, park, square or lane (excluding service lanes 1,3,4,7 & 8), storeys above ground floor level must have no more than 20% of their length as blank space. Blank space means portions of the building façade without windows, significant modulation, voids or other architectural features.	Our interpretation of this clause is that it only applies to the Boulevard façade, in which case the building complies. If this is extended to the stadium ramp façade we rely on the louvers being counted as "significant modulation" or " other architectural feature".
The total space occupied by office space within the Port Redevelopment Precinct must not exceed 65,000m^2	This building alone will not exceed this restriction.
General standards relating to such issues as noise, insulation, vehicle parking and servicing, wind and verandas.	The only compliance of concern here is wind. The building will be wind tunnel tested at the time of Resource Consent and appropriate mitigation will be implemented.

DISTRICT PLAN REQUIREMENT	RESPONSE
Building mass limits volume of building to 75% of developable potential (ie site area x height limit)	The current scheme does not comply with this requirement. Strictly the definition of site in the District Plan is Title, in which case the building does comply. This massing rule is being challenged by the wider city and may not be adopted in the final district plan.
Use of Contaminated site	As all of CPL land is listed on the GWRC potential Contaminated site register it is possible for WCC to deem the site contaminated and this will move the Resource Consent into a Discretionary Unrestricted status.

6.4 ASSOCIATED LEGAL ISSUES

6.4.1 Section 27B State Owned Enterprises Act 1986

The development site D4 is contained within part of Certificate of Title WN34C/102.

That Title includes a number of encumbrances of which one in particular is of relevance to the D4 site development. That encumbrance subjects the site to Section 27B State-Owned Enterprise Act 1986 which provides for the resumption of land on the recommendation of the Waitangi Tribunal and which does not provide for third parties, such as the owner of the land, to be heard in relation to the making of any such recommendation.

This issue arose with the development of the Statistics House which is partially situated on the same Title. At that time it was acknowledged and accepted that the Crown was unlikely to exercise its right to take the land for settlement purposes having regard to its own land holdings and that even if it did then it could only be taken with full compensation being offered to CPL as the holder of the fee simple interest in the land.

6.4.2 Offer Back Provision - Section 40 Public Works Act

CPL is deemed a determining authority for a Section 40 offer back clearance under the Public Works Act as a consequence of provision 26 of the Port Companies Act 1988.

The land within the Harbour Quays precinct is either endowment land or land acquired from the Crown and was all originally reclaimed from the sea by the Wellington Harbour Board.

A review by CPL's legal advisors has determined that the Harbour Quays land is not affected by the Section 40 offer back requirements.

6.5 CONTRACTOR PROCUREMENT AND CONSTRUCTION PRICE

It is assumed that a GMP contract with a novated design team will be used to deliver this development.

Once the DA is approved the Design Team will commence Preliminary Design and proceed to develop enough information to submit the Resource Consent application. The Preliminary Design information will also be used to tender the project for a GMP contract.

Due to the smaller size of this building compared to the F1F2 site a larger number of Construction Companies are capable of delivering this building. During the Preliminary Design stage a number of Construction Companies in the Wellington market will be contacted and expressions of interested received, including an indication of the team to be used, recent experience with similar projects, and the Margin and P&G percentages to be charged. This will be used to short list 2 or 3 companies that will then be approached for a full GMP tender at the conclusion of Preliminary Design.

Alternate procurement strategies are:

1. Traditional Procurement with CPL retaining management of the Design Team: This would provide a higher level of control over quality than the GMP contract, however, it would involve a greater resource within CPL, and would not offer the cost certainty received under GMP.
2. Turnkey: This procurement route requires a Construction Company to also fund the development as well as deliver it. It would defer the cash flow to CPL, however it would decrease control of the design and quality. As the contractor would rely on achieving a set ROR there would be an increased cost to CPL over and above the general financing cost of the GMP procurement route.
3. Hybrid Funding arrangement with Construction Partner: It may be possible to come to a Hybrid funding arrangement with a Construction Partner that allows CPL to draw on the balance sheet of that company in their funding of the project. A possible form of this would be to agree set lump sum progress payments across the contract. This would increase the cost of the construction contract to cover financing cost.

6.6 PROGRAMME CONSTRAINTS

The main driver to the current programme is the desire of Customs to take the commercial terms to Treasury in early July 2007, to enable them to have Cabinet approval in August 2007.

The key programme dates and approvals are:

Signing of DA	Mid August
Preliminary Design	Mid August – End Oct 2007
Resource Consent Application	13 November 2007
Construction Contract Signed	Early January 2008
Developed Design	Early January 2008 – late April 2008
Detailed Design	Early May 2008 – October 2008
Construction Commences	Mid August 2008
Target Completion	Early March 2010
Long Stop Date (+6 months beyond target)	September 2010

6.7 QUALITY STATEMENT

A draft architectural specification has been developed along with a Building Services Design Features report to inform the pricing process. These documents will be included in the DA along with the concept plans and will be developed further during preliminary design to form the outline specification for the building.

Where these documents are silent the agreement between Customs and CPL is to refer to the Quality Statement contained in the DA. This Quality Statement uses Statistics House as the benchmark for quality and environment.

6.8 RELOCATION OF EXISTING TENANTS

The site for D4 is currently used as parking which is licensed to a number of different tenants. In order to clear the site for construction a majority of these licences will need to be cancelled, with some being able to be relocated to Little Pipetea (D3 site) until that is developed.

The remaining parking will be redesigned and developed into a landscaped carpark until the development of Shed 35 park. This will include the removal of the hoarding beside Statistics.

CPL has a contractual requirement to provide for up to 50 coach parks on up to 6 occasions per year to satisfy the Resource Consent Conditions imposed by the Wellington City Council for the development of the Westpac Stadium. The D4 building development site is the primary location currently used for meeting CPL's Coach Parking obligation. With the development of D4 we will need to accommodate the coaches on other areas, possibly D3.

As Harbour Quays is developed it is becoming increasingly difficult to accommodate the Coaches and there have been discussions with the Council to provide alternative Coach Parking areas elsewhere in the city. The Council is understood to have been working on alternative Coach Parking Options which would likely require a change to the current Resource Consent condition for the Westpac Stadium. The Council is being encouraged to continue with this objective.

6.9 RAIL CORRIDOR

One of the main issues that the D4 development has faced has been the existence of the rail corridor that services Transport Systems 2000 Ltd and Wellington Port Coldstore which neighbours the D4 site.

Customs have now agreed in principle that the rail corridor can remain operational. A provision reflecting this agreement will be contained in the DA.

7 MARKET OVERVIEW

The following key factors are creating strong demand for high quality office premises:

- A "flight to quality" for reasons such as low quality building services, limited outlook, high energy costs, more sophisticated requirements, staff retention
- A preference from many tenants for locations with views and outlook as an alternative to cramped CBD locations
- A growing awareness of Environmentally Sustainable Design – being adopted by responsible Corporates and now a requirement for Government departments
- Convenient access to Public Transport for staff

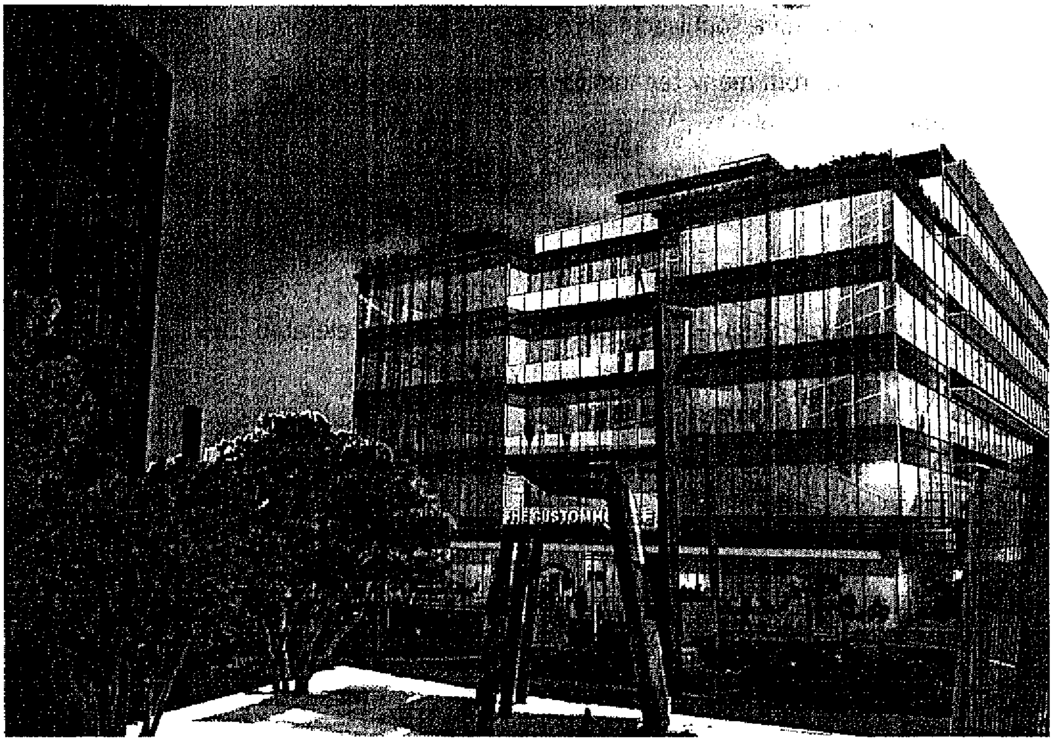
As the demand for high quality energy efficient space has accelerated, the supply has lagged behind creating very low vacancy rates in better quality buildings.

New Zealand generally, and Wellington in particular, are currently enjoying an office building boom after almost 20 years of low levels of activity. The very strong demand for new premises from tenants is riding on the back of a sustained economic growth period. This demand is expected to ease as the current wave of prospective tenants secure new premises.

A full market commentary is included in the CBRE Valuation report, attached as **Appendix 10.**

Critics of Harbour Quays have focused on what they regard as the negative impact on the city of the Harbour Quays development. The principal areas of criticism and CPL's response are detailed in **Appendix 16.**

APPENDIX 1: D4 BUILDING DEVELOPED CONCEPT PLANS - VIEW FROM BOULEVARD



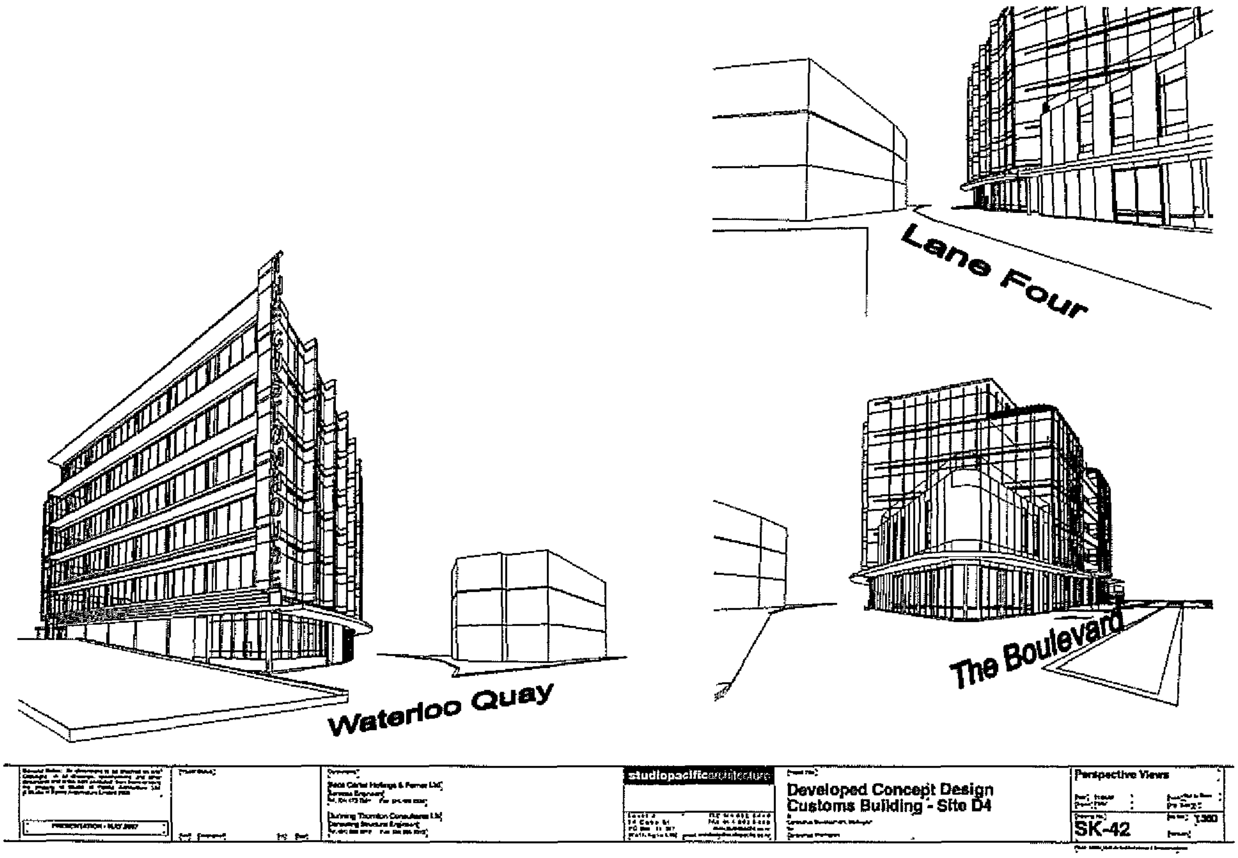
studiopacific architecture

Developed Concept Design
Customs Building - Site D4

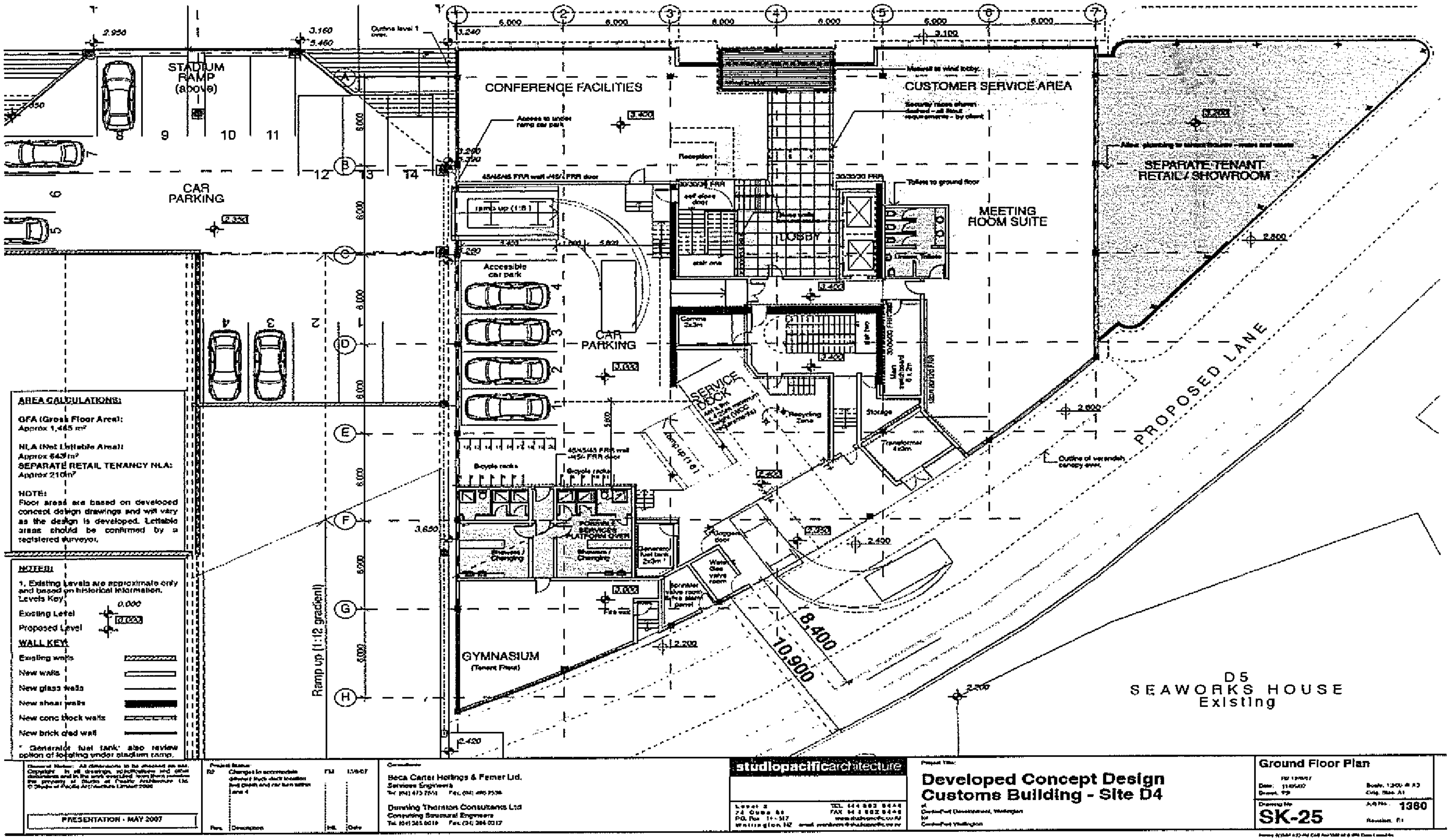
Perspective View

SK-43

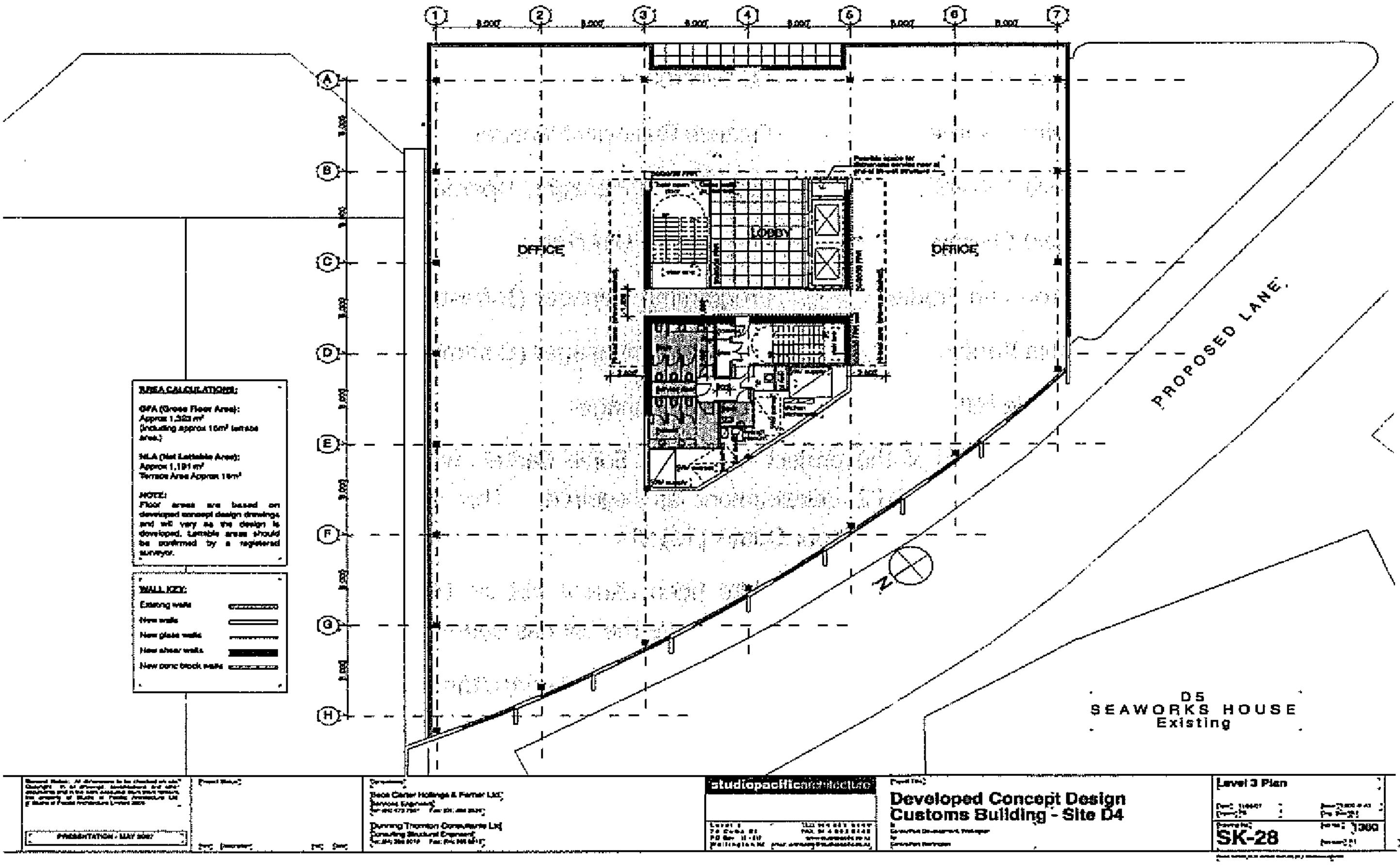
APPENDIX 2: D4 BUILDING DEVELOPED CONCEPT PLANS – MIXED PERSPECTIVES



APPENDIX 3: D4 BUILDING DEVELOPED CONCEPT PLANS – GROUND FLOOR PLAN



APPENDIX 4: D4 BUILDING DEVELOPED CONCEPT PLANS – TYPICAL OFFICE FLOOR PLAN



APPENDIX 5: DEVELOPMENT MANAGEMENT STRUCTURE

The D4 development will be managed with the same governance framework that has been established for the F1F2 project. This involves an Executive Steering Committee (ESC) that the specific project's project manager must report to for all of Harbour Quays developments. Membership of the ESC is:

Liz Ward	CE CentrePort
William Gorrie	Finance Business Manager
Steve Tarrant	Commercial Manager, Operations
David Cossey	Programme Director
Anton Van Staden	Programme Manager (Infrastructure)
Sonia Barker	Programme Manager (Commercial Property)
Jacquie Hill	Property Manager

The day to day management of the project will be by Sonia Barker, with additional resource being hired to back fill her on the F1F2 development as required. This will allow Sonia to retain a programme level knowledge of all Harbour Quays projects.

The role of Development Manager has to date been carried out on the D4 development by Nick Brandon from Optimax, his involvement will cease once the DA has been signed.

In additional to the above, CPL will be using a team of external consultants as required; including:

Architect -	Studio Pacific Architecture: Michael Davis
Structural Engineer -	Dunning Thornton: Alistair Cattanach
Mechanical & Electrical Services -	Beca: Patrick Breen
Fire Engineering -	Beca
Quantity Surveyor -	Maltbys: Louis Ferreira
Acoustics -	TBA
Traffic Engineering -	GHD: Andrew Lawson
Surveyors -	Spencer Holmes: Hudson Moody
Planners -	MWH: Sylvia Allen

APPENDIX 6: LEGAL SUMMARY OF DEVELOPMENT AGREEMENT AND LEASE

CENTREPORT - CUSTOMS
DOCUMENTATION - EXECUTIVE SUMMARY –AS AT 13 JUNE 2007 - DOCUMENTATION NOT FINALISED

NO	HEADING	PROVISION/COMMENT
DA		
1	Overview	Agreement based on that used for Statistics Building but modified to deal with Customs requirements. Assumes Preliminary Design and Outlined Specification will be agreed and attached when signed. Provides for CentrePort to complete the Developed Design and the Detailed Plans and Specifications based on the Preliminary Design and Outline Specification, Customs Quality Statement and the Tenant's Building Performance Specification and otherwise with input from Customs. Allows for integration of Customs fitout with the Base Building Works and Services but still provides for Customs fitout to be completed under a separate contract. Is conditional upon: The approval by Treasury and Cabinet of the Government of New Zealand by 15 August 2007; The approval of the Board of CentrePort by 4 December 2007; CentrePort entering into a Construction Contract for the construction of the Building on terms satisfactory to CentrePort by 4 December 2007; Application for resource consent to be lodged by 9 October 2007 and obtained within nine (9) months of the date on which CentrePort's Board approval has been given. Contains Customs obligation to lease the premises and sign a lease on Practical Completion of the Building. Obliges CentrePort to use its best endeavours to procure Practical Completion of the Building by the Target Completion Date [ ][7]. Provides Customs a right to terminate the Agreement if Practical Completion not achieved by the Long Stop Date (six months after the Target Completion Date).
2	Partnering Concept	The parties have agreed their commitment to the over arching principal of the Partnering Concept which is to govern and guide the contractual and working relationships between the parties.
3	Land	CentrePort warrants to Customs that it owns the Land, that it has the appropriate funding to complete its obligations under the Agreement and that if it charges the Land it will procure the consent of charge holders to the grant of the Lease to Customs.

[7] To be advised by CentrePort.

No	Heading	Provision/Comment
4	Developed Design and Detailed Plans and Specifications	CentrePort must consult and liase with Customs in developing the plans for the Building. Customs can request a change of the plans if they do not comply with specified criteria. Clauses strike a balance between involvement by Customs and making sure that Customs do not delay the construction of the Building or increase the cost.
5	Construction Contract	CentrePort to enter into Construction Contract as soon as possible following execution of this Agreement. CentrePort to provide copy of DA to Contractor. CentrePort to novate Principal Consultants to Contractor and provide Customs with: Deed of Covenant – Contractor – Customs Deeds of Professional Care from each of the Principle Consultants; Blanket Guarantee. Main Contract Hard Fitout including Customs Work Package Modifications to be undertaken by CentrePort's Contractor. Customs Tenant Hard Fitout may also be undertaken by the same Contractor but under a separate Contract. CentrePort is required to use all reasonable endeavours to ensure that rates payable to its Contractor and Sub Contractors for any work done on behalf of Customs are no less favourable then rates payable by CentrePort under the main Construction Contract.

NO	HEADING	PROVISION/COMMENT
6	Construction of Building	CentrePort required to (or required to procure a Contractor) to obtain all necessary consents and, having regard to the Programme, require the Contractor to construct the Building: In a professional and workman like manner; In accordance with the Detailed Plans and Specifications and with due adherence to the Quality Statement; In conformity with the Milestone Dates and the Programme; So that the Tenant Hard Fitout will commence at least two (2) months before the Target Completion Date and Practical Completion; and So that Practical Completion is achieved on or before the Target Completion Date. CentrePort must use its best endeavours (without being required to incur additional financial liability to the Contractor) to procure Practical Completion by the Target Completion Date. The Target Completion Date may be extended as a consequence of variations to the Programme. CentrePort is required to consult with Customs before approving any extensions of time under the Construction Contract. Any disputes are to be dealt with having regard to the Partnering Concept and may be referred to the Expert for a resolution if an agreement is not reached. If the Contractor falls behind in the Programme CentrePort shall, if required by Customs use its best endeavours to require the Contractor to accelerate the Construction of the Building at no cost to Customs provided CentrePort is not required to incur any additional material financial liability to the Contractor. CentrePort is required to remedy all defects in the Building within twelve (12) calendar months of Practical Completion. CentrePort is required to obtain and advise Customs of all guarantees and warranties procured from the Contractor in respect of workmanship, materials and products used in the Construction of the Building and take all such action as is reasonably required to enforce such guarantees and warranties.
	Long Stop Date	Notwithstanding anything contained in the Agreement if: Practical Completion has not been achieved by the Long Stop Date; or It is impossible for Practical Completion to be achieved by the Long Stop Date – then Customs may terminate the Agreement on the giving of not less than ten (10) working days notice.

No	Heading	Provision/Comment
7	Customs Fitout	Customs is required to procure the preparation and completion of its Fitout Design and deliver to CentrePort for approval by no later than the Milestone Dates specified for submission of such Designs. CentrePort must approve the Fitout Designs, such approval not to be unreasonably withheld. While Customs Fitout is to be conducted under a separate building contract the parties have agreed that they will endeavour to maximise the integration opportunities in respect of the Base Building Works and Services and the installation of the Tenant Hard Fitout. CentrePort indemnifies Customs against all losses, claims, costs and expenses incurred by Customs as a result of any material or physical damage or loss of the property of Customs or the Hard Fitout where such damage or loss is caused either directly or indirectly by CentrePort or any of its agents.
8	Customs Variations	It is acknowledged that Customs may wish to make or be required to make variations to the Tenant Hard Fitout Design after Construction of the Base Building Works and Services and/or the Tenant Hard Fitout has commenced. The Agreement sets up the process whereby Customs may submit Variation Requests. CentrePort is then required to either seek a Variation Price Request or if required by Customs request the Contractor to carry out the variation at Customs cost. Where a Variation Price Request has been issued CentrePort is required to use its reasonable endeavours to facilitate Customs negotiations on the price. Customs may require CentrePort to proceed with a Variation Request provided Customs agrees to meet the net additional cost of implementing the Variation. CentrePort is entitled to charge [$][8] for processing each Variation Request.
9	Soft Fitout	Customs is responsible for the Soft Fitout. CentrePort will use reasonable endeavours to provide access to the Premises prior to Practical Completion to enable Customs to install the Soft Fitout. Customs is responsible for any damage that may be caused during the installation of the Soft Fitout.
10	Programme	CentrePort is required to consult with Customs prior to approval of the Programme. The Programme is required to: Ensure that Customs will be entitled to commence the Tenant Hard Fitout at least two (2) months prior to the Target Completion Date and Practical Completion; and Accommodate Customs other Milestone Dates as set out in schedule 10 [these to be notified].

[8] Amount to be advised by CentrePort.

No	Heading	Provision/Comment
11	Force Majeure	Either party may be excused from its obligations under the Agreement without liability for non performance during the time to the extent that such performance is prevented by an Event of Force Majeure. Event of Force Majeure is defined in the Definitions and includes: Act of God – fire, earthquake, storm, flood or landslide; Unavoidable accident; Riot, civil commotion, war, terrorism etc; Industrial action; If CentrePort is prohibited by law from proceeding with the Project (by injunction or otherwise) arising from or referable to the Resource Consent; A change in law after commencement of the Project that could not have been foreseen by an experienced developer. The parties may only cancel the Agreement as a result of an Event of Force Majeure if: The Event of Force Majeure has continued for forty (40) working days; and One party at the expiry of that forty (40) day working period, has served a further forty (40) working days written notice to the other party cancelling the Agreement and the Event of Force Majeure has not been remedied prior to the expiration of that notice period.
12	Representation and Project Control Group	The Agreement provides for membership and meetings of a Project Control Group which will include representatives from both parties.
13	Lease	The Agreement provides that on Practical Completion Customs will lease the Premises, twenty carparks and accept a grant of Naming Rights. The rental is to be calculated by reference to a measurement process on Practical Completion at the following rates: Premises [ ][9]; Reserve Area [ ][3]; Carparks $70.00 plus GST per week per carpark; Naming Rights $5,000.00 plus GST per annum. The parties are required to execute a Lease on the later of Practical Completion or the date on which a Code Compliance Certificate is obtained for the Base Building Works and Services.

[9] Rental rates per square metre will be completed when costs for the Project have been determined. Rental for the whole Building will be calculated as 8.5% of the Accepted Costs (AC) [this concept is yet to be specifically defined] which will include costs for land, construction cost, professional fees, financing, agents fees etc. At this stage the construction price is the only unknown component of the AC. When the rental for the whole Building has been calculated there will be an apportionment between rental payable on the area of the Building to be occupied and the area which is intended will only be completed as a shell as at the Commencement Date (Reserve Area).

No	Heading	Provision/Comment
14	Development of Infrastructure	CentrePort has agreed to complete the following additional works prior to Practical Completion of the Building: Arrange a pedestrian crossing across Waterloo Quay either adjacent to the existing traffic light controlled intersection at the stadium entry in Hinemoa Street or immediately adjacent to the existing BNZ construction site; Proceed and complete construction of the proposed boulevard (to be indicated on a plan) from Hinemoa Street up to and including lane 3 with all associated landscaping; Proceed to construct the Shed 35 parkland or if a carpark is developed on such site it will include areas of landscaping and lawn areas to create the impression of a parkland.
15	Resource Consent Condition	CentrePort is required to apply for Resource Consent for the Project on or before 9 October 2007. The Agreement is conditional upon CentrePort obtaining Resource Consent for the Project within nine (9) months of CentrePort giving its Board approval. CentrePort, acting reasonably is required to appeal any adverse decisions in relation to its Resource Consent application.
16	Other Conditions	The Agreement is conditional upon the conditions noted in paragraph 1above
17	Assignment	Customs is not entitled to assign its interest under the Agreement to any person prior to the Commencement Date but from the Commencement Date the provisions of the Lease will apply. CentrePort may assign its interest to a wholly owned subsidiary company of CentrePort provided that CentrePort will remain liable to Customs under this Agreement notwithstanding such an assignment.
18	Default and Termination	In the event that either party defaults under the terms of the Agreement and such default in the reasonable opinion of the other party is a serious and material default, the non defaulting party may give written notice to the defaulting party specifying the default and required the default to be remedied within a reasonable period of time. Should any default remain unremedied following the receipt of a notice then the non defaulting party may terminate the Agreement.
19	Warranties	CentrePort warrants: The Building will be constructed in accordance with the Agreement; The Design will be in accordance with sound architectual and engineering principles and the Building will be weather tight in all respects; It will require the Contractor to take such steps as may be reasonable to minimise disruption to Customs following the Commencement Date; and It will at the earliest opportunity obtain a warrant of fitness and all code compliance certificates required for the Building. Notwithstanding any other provision contained in the Agreement CentrePort's liability is limited to $1,000,000.00 and warranty claims must be made within twelve (12) months of the date of Practical Completion.
20	Dispute Resolution and Arbitration	These provisions contain detailed processes for resolving disputes including provisions for the referral of specific matters specified in the Agreement to the Expert.
21	GST	This provision provides that any payments due under the Agreement are exclusive of GST and GST must be paid in addition.

NO	HEADING	PROVISION/COMMENT
22	Generator and Fuel Tank	This provision provides that Customs be entitled to install a generator on the top floor of the Building and a fuel tank within the carpark area. The parties agree to work together in the spirit of the Partnering Concept in order to achieve this result.
23	General	This clause contains the normal general provisions including: Notice provisions; Non merger provision; Entire Agreement provision; Further assurances provision; A confidentiality provision.
Consultants' Deed of Professional Care [Deeds to follow form adopted for Statistics]		
1	Parties	CentrePort, [Contractor], Customs and relevant Consultant
2	Duty of Care	Consultants have proposed that they covenant to carry out work with all reasonable care, skill and diligence. Consultants to covenant to CentrePort, [Contractor] and Customs.
3	Limit of Liability	$2 million
4	Professional Indemnity Insurance	A minimum level of cover of $2 million is required for not less than 6 years.

No	Heading	Provision/Comment
Lease to New Zealand Customs Service		
1	Type of Lease	Based on the Auckland District Law Society 4^{th} Edition Lease with a number of amendments and changes negotiated by the parties. Fair Balance between landlord and tenant.
2	Term	12 years + 2 Rights of Renewal of 6 years each
3	Business Use	The Business Use is stated as offices and ancillary office use including storage use. It is acknowledged that as part of Customs activities it may store noxious, illegal or dangerous goods on the premises. However Customs must comply with all statutes and regulations in doing so. Further Customs must not do anything to void CentrePorts insurance.
4	Rent	Naming rights $5,000 per annum renewable every three (3) years. Rent [ ].
5	Rent review	Rent reviews 3 yearly from the Commencement Date. At any time not more than 6 months before the relevant rent review date and not later than 6 months after a rent review date the rent can be reviewed. If the Landlord elects not to review the rent the tenant may elect to review the rent. Provisions in the lease to ascertain current market rental as at the rent review date. The standard provisions in relation to determining the rent should the parties not agree or be in dispute about the current market rent are included. Under no circumstances can the rent fall below the rent payable as at the Commencement Date of the lease.
6	Outgoings	Customs is to pay for all outgoings listed in the first schedule. Customs will be organising its own rubbish collection and the provisioning of toilets and other facilities in the common areas.

No	Heading	Provision/Comment
7	Make good obligations	Customs at the end of the lease (whether by termination or the effluxion of time) is not required to remove any of its fixtures, fittings and chattels although it may elect to do so. If any such fixtures, fittings and chattels remain on the premises 7 days after the termination of the lease ownership will pass to CentrePort. Notwithstanding this Customs must leave the premises in a clean and tidy condition.
8	Alterations and Additions	Standard alteration and addition clauses apply. Customs is not to make any alterations or additions to the premises without first producing to CentrePort plans and specifications and obtaining CentrePort's consent (which is not to be unreasonably or arbitrarily withheld). Customs must satisfy certain conditions before consent is required. Customs must also obtain regulatory consents and approvals for any alterations or additions.
9	Destruction of the building	In the case of total destruction CentrePort may within 3 months of the date of such damage or destruction give Customs 1 months written notice to terminate. In the case of partial destruction that can be repaired or reinstated and CentrePort's policy of insurance has not been invalidated and all necessary permits and consents are available then CentrePort is to reinstate the building. Until completion of repairs or reinstatement a fair proportion of rent and outgoings shall cease to be payable by the tenant. The proportion is what is reasonable having regard to the effect of the damage or destruction on the use and enjoyment of the building by Customs.
10	Tenant's maintenance obligation	Customs is responsible for maintaining the interior of the premises and CentrePort's fixtures and fittings in the same clean, order, repair and condition as they were at the Commencement Date save wear and tear. In addition CentrePort is responsible for the repair of all glass breakages and breakage or damage to all doors, windows, light fittings and power points in the premises. Customs is also required to make good any damage to the premises or loss caused by careless or abnormal use by Customs.
11	Landlord's maintenance obligations	CentrePort is required to keep and maintain all Building Services in good working operational order, repair and condition including maintaining service and maintenance contracts (including preventative maintenance to the extent available in the market). In addition, CentrePort will be required to keep clean and maintain the roof and exterior of the building in good and substantial repair, order and condition including repainting when required. In addition, CentrePort must: keep the roof and exterior of the building in a structurally sound and watertight condition; comply with all its obligations under the Building Act 2004; keep and maintain the appropriate health and safety management scheme for the building; comply with all its obligations under the Resource Management Act 1991.
12	Assignment and Subletting	Customs may assign or sub let to any other crown entity or government department without obtaining the consent of CentrePort provided certain conditions are met in particular in relation to the compatibility of the potential assignee or sub tenant with the objectives of the commercial business park as a whole.

No	Heading	Provision/Comment
13	Other tenants of Building	CentrePort is to consult with Customs prior to granting any other tenancy in the building. Customs prior approval will also be required to any proposed lease of a gambling establishment or video and parlour game operator.
14	Signage and Naming Rights	Customs has the right to name the building and to erect signage, subject to the reasonable approval of CentrePort. Naming rights $5,000 per annum. Naming rights rent is reviewable every three (3) years.
15	Special Security Provisions	Due to the nature of its operations Customs is concerned to deal with its particular security requirements. In that regard a special provision has been included in the lease. Customs will be responsible for security arrangements in relation to the premises. Customs will ensure that CentrePort and any other tenants are provided with access to those areas of the building to which they are entitled. CentrePort acknowledges and accepts that as a result of the nature of Custom's business continual access to the premises is essential to the tenant. CentrePort acknowledges and accepts the security requirements set out in the lease and will comply with those requirements and will otherwise use their best efforts to ensure compliance with the security requirements by other tenants provided they have been notified to the landlord.
16	Unit Titling	CentrePort is not to unit title the building while Customs remains a tenant.
17	ESD Outcomes	CentrePort is to use its best endeavours to provide energy efficiency outcomes identified in the lease throughout the term of the lease and any renewal. Further CentrePort is to undertake regular commissioning and monitoring work in respect of those parts of the building and its services which are relevant to such outcomes.
18	Reserve Area	As the planned building comprises an area greater than that currently required by Customs a part of the building will be completed as a shell only (the Reserve Area) Abated rent will be payable for that Reserve Area. Within the first 6 years of the lease term Customs may require CentrePort to complete the base building works for the Reserve Area. From practical completion of the Reserve Area the full and then current market rent will be payable for that area. If at the end of the initial 6 year term Customs has not given written notice that it requires the Reserve Area to be completed CentrePort may complete the base building works for the reserve area and Customs shall commence payment of rent from the date of completion of any such work.

APPENDIX 7: HARBOUR QUAYS PROJECTED INFRASTRUCTURE DEVELOPMENT COSTS

The following details the forecast (or actual costs in the case of Area A, Coastal Route and Reclamation/Tenant Relocation) infrastructure costs and associated allocation to Harbour Quays development sites:

Site	Site Area	
A1	1,867	Stats
C1	2,615	NZRU
C2	2,559	Telstra
C5	0	CPL Hse
C7	0	
D1	2,176	Shed 35
D2	0	
D3	1,929	
D4	1,522	
D5	511	MSC Hse
E1	0	Maritime
E3	1,683	
E4	2,117	
E5	1,052	
F1/F2	4,261	BNZ
F4	0	Bluebridge
Total	**22,291**	

Infrastructure costs	**m2**	**$$/m2**	**Cost**
		$290	
Area A	9740	$290	$2,824,600
Area D	6638	$290	$1,925,020
Area E	8036	$290	$2,330,440
Area F	4509	$290	$1,307,610
Port access route			$2,200,000
Reclamation/tenant relocation			$9,412,820
Overbridge			$2,500,000
Development Levy			$4,395,405
Demolition costs			$1,000,000
Stadium Stairs			$100,000
Total infrastructure costs			**$27,995,895**
Allocation of costs to HQ sites	/m2	$1,255.93	

APPENDIX 8: QUANTITY SURVEYOR ESTIMATE AT DEVELOPED CONCEPT STAGE

Maltbys 16:50:36 14 MAY 2007 Page 1

W4056E CUSTOMS BUILDING - SITE D4, WELLINGTON

E S T I M A T E   S U M M A R Y

REVISION		
R0	ORIGINAL ESTIMATE - MAY 2007	22,967,650.40
		22,967,650.40
ELEMENT		
01	SITE PREPARATION	81,655.00
02	WORK BELOW LOWEST FLOOR FINISH	1,306,786.97
03	FRAME	1,518,872.85
04	STRUCTURAL WALLS	1,060,257.00
05	UPPER FLOORS	1,365,360.10
06	ROOF	917,358.00
07	EXTERNAL WALLS AND EXTERNAL FINISH	811,490.50
08	WINDOWS AND EXTERNAL DOORS	2,496,050.00
09	STAIRS AND BALUSTRADES	337,051.78
10	PARTITIONS	733,080.00
11	INTERNAL DOORS	92,200.00
12	FLOOR FINISHES	573,955.00
13	WALL FINISHES	675,410.50
14	CEILING FINISHES	987,257.00
15	FITTINGS AND FIXTURES	128,850.00
16	SANITARY PLUMBING	497,825.56
17	HEATING AND VENTILATION SERVICES	2,754,672.00
18	FIRE SERVICES	440,290.00
19	ELECTRICAL SERVICES	1,561,600.00
20	VERTICAL AND HORIZONTAL TRANSPORTATION	250,000.00
21	SPECIAL SERVICES	50,000.00
22	DRAINAGE	50,000.00
24	SUNDRIES	69,800.00
25	PRELIMINARIES	1,875,982.23
26	MARGINS	1,238,148.27
27	CONTINGENCY	1,093,697.64
		22,967,650.40

MALTBYS
DEFINING COSTS · MANAGING RISK · DELIVERING RESULTS

APPENDIX 9: PROJECT COST FEASIBILITY

Project Name **Customs - Site D4 - 6 level building** Date Prepared 14-Jun-07

1. Land & Acquisition Costs							
Land	1,522	m2 @	$2,250	3,424,500			3,424,500
2. Construction & Development Costs							
Resource Consent							
		Duration	6	Months			
Planner/Urban Design				20,000			
Legal				10,000			
Traffic				10,000			
Economic				5,000			
Wind test				15,000			
Total Resource Consent Costs				60,000		60,000	
Site Preparation							
Geotechnical Survey				75,000			
Service Relocation				50,000			
				125,000		125,000	
		Duration	16	Months			
Construction Cost		Area	$/m2				
Demolition/Removal				0			
Construction Costs							
Cost specific items				0			
Gross building area		8,890	$2,454	21,817,650			
Deductions agreed with Customs				-800,000			
Estimating Contingency				1,150,000			
Total Construction Costs				22,167,650			
Construction Escalations							
	Cost	Period (mths)	Esc Rate	S-curve			
Pre-constuction	22,167,650	0	6%		0		
During construction	22,167,650	0	0%	45.00%	0		
					0		
Total Construction Cost (incl escalation)						22,167,650	
Professional Fees		%					
Architect		5.50%		1,219,221			
Structural		2.00%		443,353			
Services		2.00%		443,353			
Quantity Suveyor		1.00%		221,677			
Project Manager		0.50%		110,838			
Geotech				85,000			
Misc (acoustic etc)				40,000			
Total Professional Fees		11.00%		2,563,442		2,563,442	
Other Costs/Fees							
Local Authority Rates (18 mths)				60,000			
Building Consent Fees				70,000			
Landscaping				820,928			
Protect rail				100,000			
Leasing Fees (agreed sum)				350,000			
Legal Fees				60,000			
Insurance (incl in Maltby's estimate of P & G)							
Total Other Costs/Fees				1,460,928		1,460,928	
Funding Costs	Interest Rate		8.40%				
Land & Acquisition Costs (assumed for const period only)				0			
Resource Consent Fees				2,520			
Finance fees	0.10% of bank loan		$30,000,000	30,000			
Const./Fees/Other Costs - (45% s-curve over const. period)				1,444,818			
Total Funding Costs				1,477,338		1,477,338	
Total Development Costs (excluding land)							27,854,357
Project Contingency		7.50% of Development Costs				1,950,000	
		Contingency for site conditions				340,000	
							2,290,000
TOTAL DEVELOPMENT COSTS							33,568,857

APPENDIX 10A: CBRE D4 DEVELOPMENT VALUATION & MARKET COMMENTARY ASSUMING RENTAL OF $360/M^2

VALUATION & ADVISORY SERVICES

CBRE
CB RICHARD ELLIS
CB Richard Ellis Ltd
Level 12
2 Hunter Street
Wellington New Zealand
PO Box 5053
Wellington New Zealand
T 64 4 499 8899
F 64 4 474 9829

12 June 2007

Optimax Property Advisory Ltd
P O Box 10308
The Terrace
Wellington 6143

Attention: Nick Brandon

Dear Sir

Proposed New Zealand Customs Building, Site D4, Harbour Quays, Wellington

In accordance with instructions, we have assessed the likely market value of the proposed New Zealand Customs (NZC) office development based on a 12 year lease term, as at completion in February 2010. We have aligned supplied information in terms of contract rents, proposed review mechanisms and indicative outgoings to market evidence and have adopted the latter where applicable.

As part of the brief, we provide additional commentary regarding likely prospects for future rental growth, projected outgoings and escalation thereof, and scope for future uplift in the property's value.

Key valuation parameters and valuation conclusion are provided in the form of an executive summary and worksheets.

Brief Outline of Proposed Development

The proposed NZC development will comprise an attractive contemporary style low rise office structure with extensive glazing to all elevations and various sized decks to all levels on the eastern elevation. The development is to be located towards the northern end of Harbour Quays, alongside the existing Statistics Building and Westpac Stadium overbridge.

Building design incorporates two central service cores; the smaller front core will contain two lifts and a single stairwell, whilst the rear service core is to accommodate secondary stairs, separate amenities and all service ducts.

F:\Valuations\Paul\2007\Letters\Harbour Quays NZ Customs Bldg 060607.Doc

VALUATION & ADVISORY SERVICES

12 June 2007

Ground floor configuration will consist of a reception/lobby with side conference and meeting room suites, rear dockway and carpark, together with a staff gymnasium and associated amenities. Ramp access from the ground floor is to provide additional parking beneath the stadium ramp. The upper floors will provide virtually column-free open plan office space with a feature extended curved frontage to the western elevation and part recessed small deck to the east.

The proposed building will have a total net lettable area of approximately 6,759m^2, together with 19 carparks. The southern showroom is some 210m^2 and is included in the aforementioned area.

Proposed Lease Terms

NZC will occupy the entire building apart from a small retail tenancy to the southern side. Lease term is for 12 years from practical completion, with two renewal options of six years each. The net annual rental is to be set as a percentage (8.5%) of the total development cost plus outgoings, estimated at \$90/m^2 from commencement.

Rent reviews will occur three yearly. The actual review mechanism is yet to be determined but is likely to be either to market or to market with "collar/cap" increase linked to CPI. A soft ratchet clause protects the initial rent.

Fitout is to be integrated with the base building but under a separate contract. NZC will not be required to reinstate unless they modify or remove some of the fitout.

We anticipate that the part ground floor retail tenancy, comprising 210m^2 will be leased prior to completion at a gross rental of around \$290/m^2. For modelling purposes, we have adopted a hypothetical lease term of six years at this rental level. Strong rental growth for this sector is unlikely as there is limited foot traffic, particularly until Harbour Quays is further developed.

Market Rents

The proposed lease structure indicates that the net annual rent will be set at 8.5% of total development cost, currently estimated at \$360/m^2 net. This rental has been calculated on total development costs and includes an adopted underlying land value. Variations to this rental will be subject to tendered construction costs.

Inflated outgoings of \$89.07/m^2 have been adopted as supplied.

As the project has a lengthy "lead-in" time, we have forecast projected office rents based on evidence today, having regard to current office supply/demand trends and anticipated market dynamics.

VALUATION & ADVISORY SERVICES

12 June 2007

Consideration has also been given to the proposed building specifications and the level of accommodation it will provide in comparison to other similar grade office buildings.

Records indicate that the latest leasing transactions within the CBD for A Grade and Premium stock are at market benchmark levels. Whilst these buildings are not directly comparable to the subject, one could infer that the same would likely occur in those buildings that are considered more comparable to the subject if vacant space was available today.

Bearing this in mind, we consider that the most comparable buildings to benchmark the subject development against include Statistics, BNZ, Meridian, Maritime, Harbourside and the NZX Building. We have had regard to the latest evidence within these buildings and have made appropriate adjustments for location, quality and timing.

Based on such evidence, and after making appropriate adjustments for physical differences and prevailing state of the market, we conclude that the proposed office development could sustain indicative gross market office rents in the order of $\$440$–$\$460/m^2$ as at completion.

As the proposed NZC rental falls within this range, ongoing rental growth is anticipated at subsequent reviews, providing scope for rental uplift and increase in the property's value.

We have applied a contract rent of $\$100/m^2$ to the $498m^2$ of terraces (decks) – no outgoings have been ascribed to the same. This approach differs from that applied to the BNZ development due to the quantum area of terraces to net lettable areas, representing approximately 7.4% of the total NLA. In contrast, the deck areas in the BNZ development represent less than 1% of the NLA.

In assessing the naming rent for the subject development, we are conscious that the only exposure/profile is from Waterloo Quay. Foot traffic is low throughout the week, only increasing with weekend events at the stadium. Historically, buildings that are leased predominantly to a single Tenant tend to achieve lower naming rents as efforts to maximise this revenue stream may result in nil revenue if the primary Tenant does not wish to secure such rights. Accordingly, we have adopted naming rights of $10,000 pa.

Review of Outgoings

We have been provided with an outgoings schedule based on current levels together with an inflated schedule to coincide with completion of the development. The inflated outgoings rate of $\$89.07/m^2$ falls within acceptable market parameters considering the building's specification, but on a direct comparison basis it appears light when aligned to other Harbour Quay buildings, noting Statistics was leased at $\$90/m^2$ (set well before completion) and BNZ at approximately $\$97/m^2$.

12 June 2007

Furthermore, the podium extension to the Treasury, No. 1 The Terrace, is a new build, low rise structure with modern systems not dissimilar to the subject. Current outgoings for this property are $92/m² (excluding the ground rent component.)

Historically, research indicates that those buildings leased entirely to a single Tenant typically realise lower outgoings than a multi-Tenant building due to exclusion of any common areas and corresponding expenses. Furthermore, we acknowledge that additional savings may well be realised through the proposed modern systems and operating efficiencies however, these factors are partially offset by time and likely inflation over the intervening period.

In summary, we have adopted advised outgoings of $89.07/m² as at February 2010 and have inflated the same at CPI for subsequent years. We believe this level of outgoings will more closely mirror those actually incurred and avoids a "correction step" when the rental is reviewed in Year 3 (February 2013.)

Market Commentary

Supply

The most prominent change to Wellington's office stock are three new office developments recently completed, providing an additional 36,300m². These developments include Defence House, the Department of Conservation building and the former Maritime Tower.

In addition, the Chews Lane office development is well underway, providing additional prime retail and six levels of quality office space, comprising some 7,200m² with completion scheduled for early 2008.

After initial delays, the six-level BNZ office development forming part of Harbour Quays has commenced, directly opposite the Railway Station. The building is essentially fully leased to the BNZ (approximately 17,000m²) with the ground floor to accommodate uses that interface with the public. Completion is planned for March 2009.

The Meridian Building is progressing well on the waterfront and is fully leased to Meridian Energy with completion scheduled for late 2007.

Furthermore, there are several new developments on the "drawing board" that are likely to commence upon securing adequate pre-lease commitments. Identified development sites include Pipitea Street, Bunny Street, 34 Waterloo Quay and alongside the Meridian development on the waterfront. There are also plans afoot for development above New World Metro on Willis Street.

If all of these developments proceed, we envisage supply will outstrip demand, giving way to some vacancies and consequently, a softening of rental growth during 2009/2010.

12 June 2007

Demand

Records indicate that demand for the CBD office space is differentiated between quality grades with prime buildings being especially sought-after.

Major transactions include Connell Wagner taking up most of the Old Bank offices (approx 2,500m²) and Aon leasing two contiguous floors (1,482m²) in BP House. Other noted transactions include Airways Corporation leasing approximately 2,500m² comprising the upper levels in the Majestic Centre from March 2007 and the Department of Justice leasing the lower two levels at 86 Customhouse Quay, from a similar date.

In Optimation House, Chapman Tripp's existing space has been "backfilled" with the upper floors leased to Maritime Safety and Westpac taking five lower floors. Mobil currently occupy three floors in Vodafone on the Quay and are vacating in late 2007. Two of the three floors have already been re-leased from early 2008 with strong interest in the last remaining floor.

Accommodation options for Premium, A and B Grades continue to diminish. There is a trend towards Tenants exercising their lease renewal options to meet future requirements, and in some cases, lease terms are lengthening. New lease transactions are commonly negotiated at "benchmark" levels – this is indicative of the tightening market with few good quality alternatives available to Tenants.

Agents confirm that there continues to be genuine interest from government-related Tenants and national corporations seeking large space requirements. We foresee these sectors as being the most active over the coming years, however, relocation/expansion of government agencies is strongly dependent on the elected Government.

Most of the major law and accounting based firms, which historically are not averse to paying "new-build" rental rates, have entered into long term lease commitments and short term demand from this sector is likely to be limited.

Vacancy

During the second half of 2006 total vacancy decreased slightly from 3.9% to 3.7% which is the second lowest rate over the past five years within the CBD core. Premium Grade saw an increase in vacancy from 0.6% to 2.5% due to the two vacant floors in Maritime House. Grade A and B vacancies increase insignificantly from 1.2% to 1.5% and 2.7% to 2.8% respectively, whereas, Grade C stock showed moderate declines from 8.4% to 6.8%.

In the fourth quarter of 2006, the office leasing market was "quiet" in response to many Tenants exercising their renewal options in preference to relocating. Certain secondary office stock remains difficult to lease, with examples of these including the Grand Annex and 256 Lambton Quay.

VALUATION & ADVISORY SERVICES

12 June 2007

New builds typically only proceed once required thresholds of lease pre-commitment have been secured. Space vacated from those Tenants upgrading from Grade A and B stock are quickly backfilled whereas older stock is commonly converted to alternative uses – this is expected to keep vacancies in check for the lower quality space.

The June 2007 CBRE vacancy survey is shortly to be commissioned. We anticipate vacancy levels to have tightened further, and at worse, existing levels have been maintained.

Rent
Rents have continued to firm over the last 12 months, especially within quality buildings. This is evidenced by significant rental increases recorded for many sitting Tenants. Primary and secondary gross rent series have increased by 0.8% and 1.7% in the three months to December 2006 respectively. We also note that the level of incentives offered by Lessors has reduced, and in many cases, transactions are being negotiated free of any incentives. Typically, Lessees are achieving up to one month rent free, or equivalent monetary contribution, for every six years of lease commitment.

Over the last 12 months there have been very few full vacant floors offered to the market for lease. Most concluded transactions have been rent reviews of sitting Tenants or at renewal options.

Since April 2007, three full vacant floors in A Grade and Premium buildings have been leased at what is regarded as "benchmark" rental levels. This clearly highlights the strength of the market and demand for better quality office accommodation.

Rents are expected to continue to firm in the short to medium term, particularly in better grade buildings where space options are limited, or until such time that the Tenant demand/supply equilibrium is restored.

Future Trends
In the CBD office sector, Premium and A Grade stock is rapidly approaching total occupancy. This imminent shortage of prime stock has been the catalyst for the likes of AMP to fulfil this demand sector with plans afoot for new build/conversion developments. More recently, other developers have entered the market promoting various new office developments.

We are forecasting rental growth of up to 5.0% pa for Premium and A Grade office rentals over the next two years. Thereafter, our predictions reflect the likelihood of an easing in rental growth as further office developments come on-stream from 2009 onwards.

In summary, our market forecasts are:

- Positive net absorption over 2007 – this will lead to further supply increases.
- Existing vacancy levels are predicted to "hold" for 2007, but ease in 2009/10 as new stock/relocation occurs.

12 June 2007

- Rental rises at the top end of the market and better quality secondary buildings.
- Favourable underlying supply/demand conditions and forecast rental growth will see yields firm over the year.

Growth Profile

As determined, the proposed rental appears to be aligned with market evidence and consequently offers scope for rental growth at subsequent reviews and a corresponding uplift in value.

In contrast, if the gross rent was overstated at lease commencement, any growth in value would be deferred until the market realigns.

Currently, demand is exceptionally strong for modern well leased properties – buyer profile includes local investors, institutions and overseas parties. We anticipate this demand will continue over the coming years and underpin the prevailing firm yields currently being achieved.

The value of the property will be further enhanced as Harbour Quays development continues to progress, together with other nearby developments (Jervois Quay site) and increasing rental levels achieved for the same.

Valuation worksheets are attached. Please do not hesitate to contact the undersigned if you wish to discuss any matter further.

Yours faithfully
CB Richard Ellis Ltd

Paul Butchers BBS, FPINZ
Registered Valuer
Director

VALUATION & ADVISORY SERVICES

12 June 2007

Valuation Summary

Net Lettable Area	6,759.0 sqm	
Valuation Approach	Capitalisation & DCF	
Date of Valuation	1-May-10	
Market Value (NZ$)	35,700,000	
Net Income Analysis:		
Net Passing Income	2,528,600	374 psm
Net Income + Mkt Rent on Vacant Space	2,528,600	374 psm
Net Market Income (Occupied)	2,535,149	375 psm
Net Market Income (Fully Leased)	2,535,149	375 psm
Investment Parameters	Contract	Market
Capitalisation Rate	7.00%	7.00%
Terminal Yield	7.25%	
Target IRR	9.50%	
Analysis		
Ten Year IRR (Indicated):	9.29%	
Passing Initial Yield:	7.08%	
Value psm of NLA:	$5,282	
Value psm of NLA (Excl Cpks):	$5,136	
Contract vs Market (Fully Occupied)	-0.26%	
Current Vacancy Rate:	Nil	

Rental Analysis

Item	Market $pa	Contract $pa	$psm
Major Tenants (5)	2,946,847	2,940,298	446.97
Retail Tenants (1)	60,683	60,683	288.97
GROSS RENT (as occupied)	3,007,531	3,000,982	444.00
Carparking Income	69,160	69,160	70.00
Other Income	59,800	59,800	8.85
GROSS INCOME	3,136,491	3,129,942	463.08
Outgoings	(601,342)	(601,342)	(88.97)
NET PASSING INCOME	2,535,149	2,528,600	374.11
NET INCOME (fully leased)	2,535,149	2,528,600	374.11

*Note - Gross rents detailed.

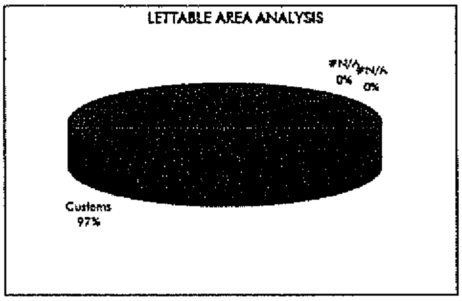
Tenancy Profile

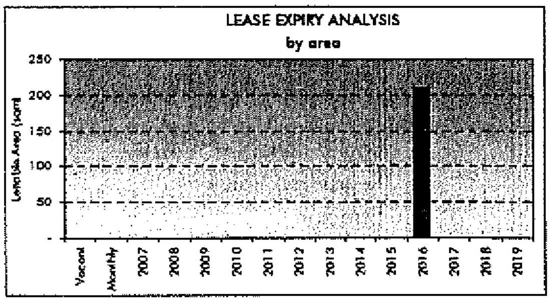
Tenant/Category	Area	Contract Rent	Expiry
Customs	6,549.0	2,940,298	Apr-22
Retail	210.0	60,683	6.0 yrs
TOTAL	6,759.0	3,000,982	11.9 yrs

*Note - Gross rents detailed (Excl. Cpks). Market rent shown for vacancies.

Discounted Cashflow Assumptions

Category		Range from/to:	10 yr Avg.
CPI (NZIER)	1.90%	2.20%	2.02%
Market Rent Growth	2.95%	3.10%	3.01%
Outgoing Escalation	1.90%	2.20%	2.02%
Renewal Probability			50%
Leasing Up Period			6 mths
Capital Expenditure (Year 1)		31,299	$5/sqm
Lessors Works/Make Good Provision ($psm)			$50/sqm
Major Refurbishment Allowance (Year 11)		825,531	$122/sqm





VALUATION & ADVISORY SERVICES

12 June 2007

CAPITALISATION APPROACH		Area	Contract Rent	Market Rent
Gross Rental Income	Customs	6,549.0	2,940,298	2,946,847
	Retail	210.0	60,683	60,683
TOTAL GROSS RENTAL INCOME		6,759.0	3,000,982	3,007,531
Other Income	Carpark Income:	19	69,160	69,160
	Deck Income:		49,800	49,800
	Signage/Naming Rights Income:		10,000	10,000
	Total Other Income (excl. elec profit & a/hrs air):		128,960	128,960
GROSS PASSING INCOME (Excluding electricity profit)			3,129,942	3,136,491
Outgoings	Statutory Expenses:		(441,431)	(441,431)
	Operating Expenses:		(159,911)	(159,911)
	Total Outgoings:		(601,342)	(601,342)
FULLY LEASED NET INCOME		6,759.0	2,528,600	2,535,149
CAPITALISED VALUE	Capitalise In Perpetuity @		7.00%	7.00%
			36,122,857	36,216,414
Capital Adjustments				
Rent Adjustments	PV of Capitalised Rent Reversions:		76,356	-
	PV of Rent Variation (passing vs market rentals):		-	(17,190)
Capital Works	PV of Capital Expenditure:	2 years	(57,348)	(57,348)
	Total Capital Adjustments:		19,009	(74,538)
			36,141,866	36,141,877
		Adopt	36,100,000	36,100,000

Sensitivity Analysis	Contract	Market
-0.25%	37,500,000	37,500,000
Adopted Cap Rate	36,100,000	36,100,000
0.25%	34,900,000	34,900,000

VALUATION & ADVISORY SERVICES

12 June 2007

Valuation Period	1	2	3	4	5	6	7	8	9	10	11
Year Ending	May-11	May-12	May-13	May-14	May-15	May-16	May-17	May-18	May-19	May-20	May-21
Growth Forecast											
CPI (NZIER)	2.1%	2.2%	2.1%	2.1%	2.0%	2.0%	2.0%	1.9%	1.9%	1.9%	1.9%
Average compound CPI					5yrs	2.10%				10yrs	2.02%
Market Rent Growth	3.05%	3.10%	3.05%	3.05%	3.00%	3.00%	3.00%	2.95%	2.95%	2.95%	2.95%
Average compound market rental growth					5yrs	3.05%				10yrs	3.01%
Car Parking Rent Growth	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Average compound market rental growth					5yrs	1.00%				10yrs	1.00%

Purchase Considerations			Target Internal Rate of Return		Sensitivity Analysis				
Purchase Price	35,200,000		I.R.R.	PRICE					
			9.50%	35,189,947				Terminal Yield	
Legal Fees	88,000	0.25%					7.00%	7.25%	7.50%
	35,288,000		ADOPT:	$35,200,000	Internal	9.25%	36,439	35,779	35,163
Selling Considerations					Rate of	9.50%	35,835	35,190	34,588
Terminal Yield		7.25%	Year 1 Cash Flow Yield	7.00%	Return	9.75%	35,245	34,614	34,026
Commission		1.00%	Income %	49.65%					
Legal Fees		0.13%	Terminal Value %	50.35%					

Cashflow Criteria											
Assumed New Lease Term (yrs)	6				New Lease Reviews	MKT		Leasing Commissions:		New	16.0%
Standard New Lease Recoveries	Continue Prior				Review Frequency	Biennial				Renewal	0.0%
Renewal Probability	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
Expiry/Renewal for year (sqm)	0	0	0	0	0	210	0	0	0	0	0
Lease up — Commercial (mths)	6	6	6	6	6	6	6	6	6	6	6
Retail (mths)	6	6	6	6	6	12	12	12	12	12	12
Min Capital Expenditure (% of Gross Income)		1.0%									
Lessors Works/Make Good Allowance		50 psm									
Future Building Refurbishment Allowance		Year 11	$100 sqm								

CASHFLOW FORECAST (All figures shown as $1,000's)											
Income											
Base Rental	2,400	2,400	2,400	2,400	2,639	2,639	2,642	2,878	2,882	2,881	3,142
Recoverable Outgoings	601	614	627	641	654	667	681	694	707	721	734
Car Parking Income	69	69	69	71	71	71	73	73	73	76	76
Other Income	60	61	62	63	65	66	67	69	70	72	73
Total Income	3,130	3,144	3,159	3,175	3,429	3,443	3,463	3,714	3,733	3,749	4,025
Less											
Statutory Expenses:	441	451	461	470	480	490	500	510	519	529	539
Operating Expenses:	160	163	167	170	174	177	181	185	188	192	195
NET INCOME	2,529	2,530	2,531	2,534	2,775	2,776	2,783	3,020	3,025	3,029	3,290
Capital Adjustments											
3) Letting Up Allowances	0	0	0	0	0	36	0	0	0	0	0
4) Leasing Commissions	0	0	0	0	0	6	0	0	0	0	0
6) Capital Expenditure (% Income)	31	31	32	32	34	34	35	37	37	37	40
7) Lessors Works/Make Good	0	0	0	0	0	6	0	0	0	0	0
8) Refurbishment Allowance	0	0	0	0	0	0	0	0	0	0	826
Selling Considerations									Sale Price		44,519
									Agent's Commission		-445
									Legal Fees		-56
NET CASH FLOW	2,497	2,498	2,499	2,503	2,740	2,694	2,748	2,983	2,988	2,991	44,019
Running Yield (Cash Flow)	7.00%	7.00%	7.00%	7.01%	7.68%	7.55%	7.70%	8.36%	8.37%	8.38%	

VALUATION & ADVISORY SERVICES

12 June 2007

Item	Estimated Feb 07	Inflated per annum	Estimated May 2010		Adopted
	$pa		$pa	$pa	$psm
Recoverable Outgoings					
Municipal Rates	400,000	3.0%	440,259	440,259	65.1
Other Statutory Charges	1,000	5.0%	1,172	1,172	0.2
Insurance	71,500	5.0%	83,763	83,763	12.4
Airconditioning & Ventilation	20,000	5.0%	23,430	23,430	3.5
Exterior Cleaning	5,000	5.0%	5,858	5,858	0.9
Fire Protection/Public Address	3,000	5.0%	3,515	3,515	0.5
Lifts & Escalators	12,000	5.0%	14,058	14,058	2.1
Repairs & Maintenance	5,000	5.0%	5,858	5,858	0.9
Administration/Management	20,000	5.0%	23,430	23,430	3.5
Statutory Expenses	401,000		441,431	441,431	65.3
Operating Expenses	136,500		159,911	159,911	23.7
Sub-Total	537,500		601,342	601,342	89.0
Total Outgoings	537,500		601,342	601,342	89.0

SUMMARY OF VALUES	
Capitalisation Approach - Contract Rentals	$36,100,000
Capitalisation Approach - Market Rentals	$36,100,000
Discounted Cash Flow Approach	$35,200,000
Adopted for Valuation Purposes	35,700,000
Initial Yield:	7.08%
Indicated Equivalent Yield:	7.09%
Indicated IRR:	9.29%
Value per square metre of lettable area :	$5,282
Value per square metre of lettable area (excl. Carparks):	$5,136

APPENDIX 10B: CBRE D4 DEVELOPMENT VALUATION & MARKET COMMENTARY ASSUMING RENTAL OF $390/M^2

CAPITALISATION APPROACH

			Area	Contract Rent	Market Rent
Gross Rental Income	Customs		6,549.0	3,136,768	2,946,847
	Retail		210.0	60,683	60,683
TOTAL GROSS RENTAL INCOME			**6,759.0**	**3,197,452**	**3,007,531**
Other Income	Carpark Income:		19	69,160	69,160
	Deck Income:			49,800	49,800
	Signage/Naming Rights Income:			10,000	10,000
	Total Other Income (excl. elec profit & a/hrs air):			128,960	128,960
GROSS PASSING INCOME (Excluding electricity profit)				**3,326,412**	**3,136,491**
Outgoings	Statutory Expenses:			(441,431)	(441,431)
	Operating Expenses:			(159,911)	(159,911)
	Total Outgoings:			(601,342)	(601,342)
FULLY LEASED NET INCOME			**6,759.0**	**2,725,070**	**2,535,149**
CAPITALISED VALUE		Capitalise In Perpetuity @		7.00%	7.00%
				38,929,571	**36,216,414**
Capital Adjustments					
Rent Adjustments	PV of Capitalised Rent Reversions:			(1,204,228)	-
	PV of Rent Variation (passing vs market rentals):			-	1,508,260
Capital Works	PV of Capital Expenditure:		2 years	(60,940)	(60,940)
	Total Capital Adjustments:			(1,265,167)	1,447,320
				37,664,404	37,663,734
			Adopt	**37,700,000**	**37,700,000**

Sensitivity Analysis	Contract	Market
-0.25%	39,100,000	39,000,000
Adopted Cap Rate	37,700,000	37,700,000
0.25%	36,300,000	36,400,000

SUMMARY OF VALUES

Capitalisation Approach - Contract Rentals	$37,700,000
Capitalisation Approach - Market Rentals	$37,700,000
Discounted Cash Flow Approach	$35,800,000
Adopted for Valuation Purposes	**36,800,000**
Initial Yield:	7.41%
Indicated Equivalent Yield:	7.17%
Indicated IRR:	9.11%
Value per square metre of lettable area :	$5,445
Value per square metre of lettable area (excl. Carparks):	$5,298

APPENDIX 11: FIFE CAPITAL - STRATEGIC OPTIONS PAPER

FIFECAPITAL

STRATEGIC OPTIONS PAPER

Topic: CentrePort – Recapitalisation Options

From: Allan Fife and Keir Andrews

Date: 29 June 2007

1 EXECUTIVE SUMMARY

CentrePort Limited (**CentrePort**) has significant surplus, strategic land holdings throughout Wellington available for value adding development. CentrePort has a desire to see an accelerated development of these holdings but is constrained by its funding capacity under its current capital arrangements.

This paper outlines a number of alternatives available to CentrePort to capitalise its property business including:

- Sale of freehold interests in the land;
- Sale of ground lease interests in the land;
- Joint venture development with a sale on completion;
- Joint venture development with the asset retained by CentrePort on completion;
- CentrePort development with a sale on completion;
- CentrePort development with the development retained on completion;
- CentrePort development with a whole or partial sale on completion and a right to repurchase any un-held interest;
- Third Party or CentrePort managed wholesale fund (unlisted capital source); and
- IPO of the property business on the New Zealand Stock Exchange (**NZSE**).

The options considered each have a particular relevance, whilst some should be dismissed on the grounds of scale, relative operating cost and control. The options also have greater or lesser applicability at different stages in the capital and operational maturation of the property business. We believe some of the early, immediately cash positive options available to CentrePort may not necessarily be sustainable.

We recommend CentrePort embrace a series of recapitalisation structures that match the capital phases it will go through. These are:

Phase One: Sale of leasehold interests;

Phase Two: Joint ventures with an option to reconsolidate (repurchase) equity interests; and, then

Phase Three: Sole development initiation and independent, stabilised capital base.

Where possible, a phase one approach would be entirely avoided. However if required, (due to cash needs) the sale agreement should contain a buy back provision.

In order to progress with consideration of enterprise capitalisation/asset recapitalisation alternatives, we recommend CentrePort:

FIFECAPITAL

STRATEGIC OPTIONS PAPER

- Confirm the impact of subdividing existing land holdings and any associated income tax consequences;
- Confirm the quantum of funds required to complete the first phase of the Harbour Quays redevelopment;
- Agree and implement its tenure, gearing, dividend and offer criterion;
- Preliminarily tender the BNZ building on a re-equitisation and right of repurchase basis offering a 50% fractional interest and financing package;
- Having secured financing/capital options, determine:
  - The cash contribution derivable from such a transaction;
  - The likely timing of exercise of a repurchase;
  - Whether the outcome is sufficient to support a sustainable capital model; and
- If viable, import the model into later portfolio stages.

2 BACKGROUND

CentrePort has a significant strategic waterfront land holding immediately adjacent to the Wellington CBD known as Harbour Quays, together with additional property holdings at Seaview and Point Howard in the Hutt Valley and Lambton, Thorndon and Miramar in Wellington. Part of Harbour Quays is used for stevedoring activities with the balance available for higher level, value adding development.

CentrePort is seeking to develop the surplus land to accommodate a range of office and other uses at a cost of approximately $400 - $500 million. However, CentrePort is constrained in its ability to fund the proposed development. Shareholders are reluctant to introduce further equity and CentrePort is unable to support the level of borrowing required to fund the scale of development proposed. Accordingly, CentrePort is seeking to recapitalise the property business by raising third party debt or equity.

As part of this recapitalisation, the existing port and property businesses are to be split into separate entities. The purpose of this is to allow each entity to focus on its core operations and facilitate the recapitalisation of the property business.

3 RECAPITALISATION OPTIONS

This paper considers a number of options by which the business could be recapitalised including:

- Sale of freehold interests in the land;
- Sale of ground lease interests in the land;
- Joint venture development with a sale on completion;
- Joint venture development with the asset retained by CentrePort on completion;
- CentrePort development with a sale on completion;
- CentrePort development with the development retained on completion;
- CentrePort development with a whole or partial sale on completion and a right to repurchase any un-held equity interest;
- Third Party or CentrePort managed wholesale fund (unlisted capital source); and
- IPO of the property business on the New Zealand Stock Exchange (**NZSE**).

FIFECAPITAL

STRATEGIC OPTIONS PAPER

A number of these options have been deemed unsuitable for various reasons but have been included in this paper for completeness.

3.1 Sale of Freehold Interests

CentrePort could consider the sale of some or all of the freehold of remaining surplus land. Whilst this is a low risk option that could provide an immediate injection of capital into the business, it would involve a loss of control over prime waterfront land. Given that long term ground leases are currently being sold at near freehold prices, this option has not been considered further.

3.2 Sale of Ground Lease Interests

An alternative to a sale of freehold is a sale of a ground lease interest over some or all of the surplus land. This is a relatively low risk option with near immediacy of outcome. It could provide an immediate lump sum injection of capital at near freehold prices. This option would also allow CentrePort to retain long term control over the site and re-harvest fees from the renewal or amendment of each ground lease.

There are various ways in which the ground lease is structured, particularly in relation to tenure, capital payments, rent and development control. These options are considered below.

Tenure

Given the current buoyancy of the Wellington property market, ground leases are being sold at near freehold prices. Accordingly, we consider that any ground lease should be limited to a maximum 99 year term. We do not consider that there is sufficient financial benefit to CentrePort to grant a lease of greater than 99 years. Lesser lease terms can be considered for specific sites.

Capital Payments and Rent

In addition to the upfront proceeds from sale, CentrePort could also include a provision in the ground lease under which it would receive a certain percentage of the revenues from any future development of the site. An example of this is the redevelopment of the Woolloomooloo Finger Wharf in Sydney. In this instance, the Marine Ministerial Holding Corporation (the then owner of the land interests) received a lump sum payment from the sale of the land to Walker Corporation and a further 6% of actual gross revenues from the redevelopment.

An alternative to a lump sum capital payment with a peppercorn rent is to combine a lump sum payment with an ongoing ground rent. This rent could be linked either to the underlying value of the land, CPI or some other base. Generally speaking, there will be a trade off between the upfront capital payment and the level of ground rent.

Development Control

There is benefit in CentrePort retaining a level of control over the future development of the surplus land and ensuring that it occurs within a relatively short time frame for a number of reasons:

- Development, or initiation of development, will improve the value of the residual land;

FIFECAPITAL

STRATEGIC OPTIONS PAPER

- There is some concern that a 'ghost town' may be created if remaining surplus land is not developed over the medium term; and
- Land sales in the past may compete with land sales of the future.

In order to avoid this occurring, any ground lease sale should contain a provision that the site is to be developed within a reasonable period of say, three to four years, and that protocols for advancing development approvals and securing relevant commercial outcomes are imposed and policed.

CentrePort may also wish to impose a framework similar to that used by the Sydney Harbour Foreshore Authority (**SHFA**). Ground leases granted by SHFA typically allow the site to be used for a specific purpose with any change of use allowed only with approval from SHFA. This allows SHFA to control the type of activity undertaken on site and use approval for a change in use as an opportunity to re-assess the commercial returns derivable from a site. For example, a change in use from commercial to residential could allow for a significant uplift in the value of the land and trigger a further payment to CentrePort.

Conclusion
Whilst a ground lease overcomes many of the issues associated with a sale of the freehold, this option should only be considered as an initial step in generating sufficient revenue to then undertake or joint venture further development of the site.

3.3 Grant of Licence

This tenure form is only contemplated for short term revenue outcomes whilst land is pending higher value development.

3.4 Joint Venture Development

There are a number of ways in which CentrePort could joint venture the development of the surplus land. Generally speaking, each of these options provides a number of benefits to CentrePort including:

- Diversifying development risk by selecting a joint venture partner with development experience;
- Accessing a lower cost of capital by joint venturing with a financier; and
- Sharing in development profits.

Whilst a joint venture could be in relation to either a single land holding or the whole site, we consider that CentrePort should diversify its economic and utilisation risk, stage its returns and broaden its stock absorption options by entering into individual joint ventures for each site.

3.4.1 JV with Sale on Completion

CentrePort could enter into a 50/50 joint venture arrangement with a partner with development experience. CentrePort would contribute a ground lease interest as equity whilst the JV partner would provide a cash injection. Borrowings to fund the development would be quarantined in a jointly owned special purpose vehicle (**SPV**) with no recourse to the JV

FIFECAPITAL

STRATEGIC OPTIONS PAPER

partners. By selecting a JV partner with development experience, CentrePort may also reduce the need to employ further people to oversee the project.

On completion of the development, the project could be sold on a 99 year ground lease (refer Section 3.2 above) to repay the debt. This would allow CentrePort to realise its share of the development profit without unduly gearing the existing property business.

3.4.2 JV without Sale on Completion

An alternative to a sale on completion is to retain the development and use the rent derived from the property to repay construction funding. Whilst this will burden the property business with greater borrowings over a longer period of time, it will ultimately provide a recurring income stream and allow CentrePort to benefit from long term capital appreciation of the site.

We note that we do not see this as a viable stand alone option. Its applicability is predicated upon other elements of the portfolio generating more immediate cash returns.

3.5 Undertake Development

As an alternative to joint venturing the development, CentrePort could develop the remaining sites on its own with the same permutations of either a sale on completion, retention on completion or sale on completion with a right to repurchase.

Whilst CentrePort would benefit from development profits, it is unclear whether CentrePort has sufficient capital to fund the development without long term over gearing of the existing property business. Our preliminary impression is that CentrePort does not have the capacity. Accordingly, this option should be considered at a later stage and possibly in conjunction with joint ventures on other sites.

3.5.1 Develop with Partial Sale on Completion and a Right of Repurchase

CentrePort could limit its long term gearing by undertaking development but negotiating a partial takeout from a co-investor or financial joint venture partner on completion. By combining a partial sale on completion with an option to repurchase the equity interest at some point in the future at a pre-agreed rate of return, CentrePort could retire part of its construction funding and realise a development profit in the medium term to fund further developments. It would also provide an opportunity to regain control over the site once CentrePort was sufficiently capitalised.

The buyback price would need to guarantee a minimum return to the purchaser of say, a 12% IRR and would not be able to be exercised for an initial period of approximately five to ten years. Given the strength of the market, we recommend that CentrePort tender the sale on completion as soon as practicable. Securing a pre-commitment for the property would also assist in maximising the proceeds from the sale on completion.

PO Box 794 Wellington, New Zealand | p: +64 4 498 3800 | f: +64 4 495 3820 |www.centreport.co.nz

FIFECAPITAL

STRATEGIC OPTIONS PAPER

3.6 Third Party or CentrePort Managed Wholesale Fund

CentrePort could sponsor or initiate and mange an unlisted special purpose fund to provide equity on a sole or co-venture basis to individual development projects. Such an arrangement raises issues of scale, value and liability, particularly in the context of CentrePort undertaking a funds management role. As such, we have concluded that, at least initially, this is not an appropriate capital arrangement.

3.7 IPO of Property Business

Listing the property business on the NZSE would provide for a highly publicised introduction of additional equity into the business to fund future development of the surplus land. Listing is an expensive exercise and imposes significant compliance and disclosure obligations. Further, we believe the disclosure obligations may conflict with the longer term objectives of CentrePort. We consider that CentrePort could attract the necessary equity at a competitive price via alternative means (such as a joint venture) without the disadvantages associated with listing. Accordingly, this option has not been considered further.

4 RECOMMENDATION

The recapitalisation options which have been considered in this paper each have a particular relevance, whilst some, due to their nature, should be dismissed on the grounds of scale, relative operating cost and control. The options also have greater or lesser applicability at different stages in the capital and operational maturation of the property business. We believe some of the early, immediately cash positive options available to CentrePort may not necessarily be sustainable.

By way of example; a sale of a long term ground lease interest at an upfront premium but with no ongoing equity interest in the development asset, will illicit an immediate positive cash position but no sustainable revenue, whereas a development such as the BNZ project will not illicit an immediate cash flow benefit but will provide growing unencumbered revenues as debt is amortised and rentals grow.

Accordingly, we recommend CentrePort embrace the following series of recapitalisation structures that match the capital phases it will experience:

Phase One:	Sale of leasehold interests;
Phase Two:	Joint ventures with an option to reconsolidate (repurchase) equity interests; and, then
Phase Three:	Sole development initiation and independent, stabilised capital base.

We anticipate the following scenario:

- The land sites will be separately subdivided via either freehold or leasehold subdivision.
- Each project would be separately tendered, developed and financed, with priority given to diversifying project partners and financiers.
- CentrePort will continue to source and secure potential tenants, thus retaining the maximum investment value in each project.

FIFECAPITAL

STRATEGIC OPTIONS PAPER

- On completion of development of each site, a 99 year ground lease (or less where commercially viable) would be granted containing land use and occupational planning constraints.
- From inception, CentrePort would seek to secure funding/co-investment arrangements on the preferred, whole of ownership, model.

Where possible, a Phase One approach would be entirely avoided. However if required, (due to cash needs) the sale agreement should contain a buy back provision.

We favour initiating future capitalisations with a Phase Two approach with the following characteristics:

- An offer scenario as outlined above;
- Development with a partial take out on completion (refer 3.5.1 above) where CentrePort retains an option to acquire its equity partner's interest at no more than a prescribed rate of return; and
- On revaluation and with the support of rental growth, a move to total ownership.

We note that this recommendation is conceptual. No modelling or revenue forecasting of hypothetical projects has been undertaken and a Board dividend policy has not been assumed. Whilst we believe a total ownership model is desirable for CentrePort, we have not yet been able to establish its immediate affordability.

4.1 Alternative Financing Instruments

The recommendation has not addressed alternative financing instruments as we believe this is somewhat secondary to the higher level questions for the CentrePort Board and Shareholders of:

- Risk and risk management;
- Sustainable gearing levels;
- Dividend policy;
- Tenure; and
- Operational sovereignty.

Alternative financing instruments will be introduced by financiers tendering on specific assets and/or projects and will vary in nature. Key considerations for the Board and Shareholders with respect to financing are:

- Funding should be project specific;
- Recourse should be limited to the leasehold tenure instruments with no cross collateralisation within the investment or development portfolios;
- Co-investor/financial joint venturer equity should be from real counter party interests. This is important for consolidation purposes. Whilst CentrePort should retain a right of repurchase, this right must not compromise the accounting arrangements for any debt instruments.
- Any Commercial Mortgage Backed Security (**CMBS**) or other instrument issued by financiers as part of a project or investment funding package must not rely upon the support of CentrePort, but rather, look through to the underlying asset and rental income stream.

FIFECAPITAL

STRATEGIC OPTIONS PAPER

4.2 Going Forward

In order to progress with consideration of enterprise capitalisation/asset recapitalisation alternatives, CentrePort should:

- Confirm the impact of subdividing existing land holdings and any associated income tax consequences;
- Confirm the quantum of funds required to complete the first phase of the Harbour Quays redevelopment;
- Agree its tenure, gearing, dividend and offer criterion;
- Implement the criterion;
- Preliminarily tender the BNZ building on a re-equitisation and right of repurchase basis offering a 50% fractional interest and financing package;
- Having secured financing/capital options, determine:
  - The cash contribution derivable from such a transaction;
  - The likely timing of exercise of a repurchase (assuming fixed rental growth assumptions, known exit return rates and an assumed yield forecast);
  - Whether the outcome is sufficient to support a sustainable capital model; and
- If viable, import the model into later portfolio stages.

5 DISCLAIMER

This report has been prepared by Fife Capital Pty Limited (**Fife Capital**) for the sole use of CentrePort. This report must not be copied (in whole or in part) or provided by CentrePort to any other person. Copyright subsists in this report, and it cannot be reproduced without the written permission of Fife Capital.

This report has been prepared solely for information purposes, based on information obtained from sources believed to be reliable by Fife Capital. This report does not constitute a valuation. Fife Capital has not verified the accuracy of the information relied upon and makes no guarantee, representation or warranty that the information or values are accurate or reliable. Fife Capital is under no obligation to update information contained in this report. The opinions expressed in this report reflect the writers' opinions as at the date of the report, and are subject to change.

Neither Fife Capital nor any individual involved in the preparation of this report accept any liability in relation to this report.

APPENDIX 12: WESTPAC OFFER LETTER

Jo Muggeridge

From: deyna_richardson@westpac.co.nz
Sent: Monday, 2 July 2007 1:39 p.m.
To: William Gorrie
Subject: Terms Sheet

Attachments: pic12988.jpg

pic12988.jpg (5 KB)

Will,

As discussed Westpac has today forwarded a Briefing Paper to Credit in Sydney requesting approval to present Centreport with an Indicative Terms Sheet for a $201,500,000 Revolving Cash Advances Facility.

The facility is for the purposes of funding the Port ($80.0m), the BNZ Building ($90.0m) and the proposed Customs Building ($31.5m).

The Briefing Paper has the support of NZ credit and includes a proposal to change the Interest Cover Ratio Covenant from 2.25x to 2.0x, however there is a preference to step this covenant level up again once revenue streams from the developments begin to flow.

We would envisage having an Indicative terms Sheet out to you later this week (subject to approval).

Apologies again for not meeting the timeframe of having something to you today, however the requirement to go to Sydney on this one is due to unforeseen circumstances. I'll keep in touch with progress over the next couple of days.

kind regards
Deyna

Deyna Richardson | Associate Director | Corporate & Institutional Banking
Westpac Institutional Bank | Level 14, 188 Quay Street, Auckland 1010
T +64 9 367 3891 | F +64 9 367 3733 | M +64 21 275 3205 | E deyna_richardson@westpac.co.nz

(Embedded image moved to file: pic12988.jpg)

APPENDIX 13: FINANCIAL FORECASTS

13a D4 Financials

Income Statement for D4 Project

Thousands of Dollars

	2010	2011	2012	2013	2014	2015	2016	2017
Commerercial Prop revenue	$903	$2,736	$2,736	$2,818	$2,903	$2,903	$2,990	$3,079
Total Revenue	$903	$2,736	$2,736	$2,818	$2,903	$2,903	$2,990	$3,079
Operating Profit	$903	$2,736	$2,736	$2,818	$2,903	$2,903	$2,990	$3,079
EBIT	$903	$2,736	$2,736	$2,818	$2,903	$2,903	$2,990	$3,079
Total Interest Expense	$755	$2,267	$2,242	$2,215	$2,181	$2,143	$2,102	$2,053
Earnings Before Taxes	$148	$469	$494	$603	$722	$759	$888	$1,026
Total Taxes	$43	$141	$148	$181	$216	$228	$266	$308
Income After Taxes	$105	$328	$346	$422	$505	$531	$622	$718
unrealised revaluations	$2,100	$0	$0	$0	$0	$0	$0	$0
Net Income	$2,205	$328	$346	$422	$505	$531	$622	$718
EBITDA	$903	$2,736	$2,736	$2,818	$2,903	$2,903	$2,990	$3,079
Income Available for Common Shareholders	$2,205	$328	$346	$422	$505	$531	$622	$718
Interest Cover	1.196	1.207	1.220	1.273	1.331	1.354	1.423	1.500

Balance Sheet for D4 Project

Thousands of Dollars

	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net Fixed Assets	18,922.00	31,536.00	31,536.00	31,536.00	31,536.00	31,536.00	31,536.00	31,536.00	31,536.00
Asset revaluation D4	0.00	2,100.00	2,100.00	2,100.00	2,100.00	2,100.00	2,100.00	2,100.00	2,100.00
Total Assets	18,922.00	33,636.00	33,636.00	33,636.00	33,636.00	33,636.00	33,636.00	33,636.00	33,636.00
Total Long-Term Debt	18,922.00	31,431.13	31,102.73	30,757.22	30,334.78	29,829.61	29,298.14	28,676.46	27,957.98
Total Liabilities	18,922.00	31,431.13	31,102.73	30,757.22	30,334.78	29,829.61	29,298.14	28,676.46	27,957.98
Retained Earnings	0.00	2,204.87	2,533.27	2,878.78	3,301.22	3,806.39	4,337.86	4,959.54	5,678.02
Total Equity	0.00	2,204.87	2,533.27	2,878.78	3,301.22	3,806.39	4,337.86	4,959.54	5,678.02
Total Liabilities & Equity	18,922.00	33,636.00	33,636.00	33,636.00	33,636.00	33,636.00	33,636.00	33,636.00	33,636.00
Gearing Ratio	100.00%	93.44%	92.47%	91.44%	90.19%	88.68%	87.10%	85.26%	83.12%

Income Statement for Base + D4

Thousands of Dollars

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Container Revenue	$15,008	$15,412	$16,028	$16,670	$17,336	$18,030	$18,751	$19,501	$20,281	$21,092
Vehicles Revenue	$3,139	$3,462	$3,600	$3,744	$3,894	$4,050	$4,212	$4,381	$4,556	$4,738
Forestry Revenue	$4,779	$4,922	$5,070	$5,222	$5,379	$5,540	$5,706	$5,878	$6,054	$6,236
Misc. Cargo Revenue	$875	$893	$910	$929	$947	$966	$985	$1,005	$1,025	$1,046
Other Port Revenue	$1,754	$1,789	$1,825	$1,861	$1,899	$1,937	$1,975	$2,015	$2,055	$2,096
Coastal Revenue	$8,455	$8,582	$8,711	$8,841	$8,974	$9,108	$9,245	$9,384	$9,524	$9,667
Bulk Revenue	$6,042	$6,163	$6,286	$6,412	$6,540	$6,671	$6,804	$6,940	$7,079	$7,221
Cruise Revenue	$1,005	$1,040	$1,077	$1,114	$1,153	$1,194	$1,235	$1,279	$1,323	$1,370
Port Property Revenue	$1,421	$1,449	$1,478	$1,508	$1,538	$1,569	$1,600	$1,632	$1,665	$1,698
Commerercial Prop revenue	$6,851	$6,988	$14,931	$16,904	$17,046	$17,987	$18,223	$18,376	$19,392	$19,645
Car Parks Revenue	$521	$419	$427	$436	$445	$454	$463	$472	$481	$491
Utility Cost Recovery	$585	$600	$615	$630	$646	$662	$678	$695	$713	$731
Other Property Income	$588	$600	$612	$624	$636	$649	$662	$675	$689	$703
Total Revenue	$51,023	$52,319	$61,571	$64,896	$66,433	$68,816	$70,541	$72,233	$74,838	$76,733
Cost of Sales	$24,296	$24,779	$25,193	$25,401	$25,706	$26,018	$26,336	$26,661	$26,993	$27,332
Gross Profit	$26,727	$27,539	$36,378	$39,495	$40,727	$42,798	$44,205	$45,572	$47,845	$49,402
Overheads	$5,839	$5,822	$5,834	$5,987	$6,048	$6,111	$6,175	$6,240	$6,306	$6,372
Depreciation Expense	$6,781	$7,704	$8,401	$8,315	$8,261	$8,300	$8,351	$8,381	$8,411	$8,441
Operating Profit	$14,108	$14,012	$22,142	$25,194	$26,417	$28,387	$29,679	$30,951	$33,128	$34,588
EBIT	$14,108	$14,012	$22,142	$25,194	$26,417	$28,387	$29,679	$30,951	$33,128	$34,588
Total Interest Expense	$5,509	$7,287	$13,363	$14,468	$14,204	$13,927	$13,379	$12,468	$11,321	$10,021
Earnings Before Taxes	$8,599	$6,725	$8,779	$10,725	$12,213	$14,460	$16,300	$18,483	$21,808	$24,567
Total Taxes	$2,150	$1,950	$2,546	$3,218	$3,664	$4,338	$4,890	$5,545	$6,542	$7,370
Income After Taxes	$6,449	$4,775	$6,233	$7,508	$8,549	$10,122	$11,410	$12,938	$15,265	$17,197
unrealised revaluations	$0	$0	$2,100	$0	$0	$0	$0	$0	$0	$0
Associate income	$450	$464	$477	$492	$506	$522	$537	$553	$570	$587
Net Income	$6,899	$5,239	$8,811	$7,999	$9,056	$10,644	$11,948	$13,492	$15,835	$17,784
EBITDA	$20,888	$21,717	$30,543	$33,508	$34,679	$36,687	$38,030	$39,332	$41,539	$43,029
Income Available for Common Shareholders	$6,899	$5,239	$8,811	$7,999	$9,056	$10,644	$11,948	$13,492	$15,835	$17,784
Total Common Dividends	$4,770	$5,170	$5,170	$5,170	$5,170	$5,170	$5,170	$5,170	$5,170	$5,170
Interest Cover	3.792	2.980	2.286	2.316	2.441	2.634	2.843	3.155	3.669	4.294

Balance Sheet for Base + D4

Thousands of Dollars

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Cash	42.00	12.00	38.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00
Net Accounts Receivable	5,700.00	5,025.00	5,261.00	5,509.00	5,500.00	5,500.00	5,500.00	5,500.00	5,500.00	5,500.00	5,500.00
Inventory	800.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00
Total Current Assets	6,542.00	5,537.00	5,799.00	6,059.00	6,050.00	6,050.00	6,050.00	6,050.00	6,050.00	6,050.00	6,050.00
Net Fixed Assets	251,416.00	315,219.49	366,022.04	378,434.59	376,119.90	376,898.56	377,548.71	373,497.87	366,617.02	359,706.18	352,765.33
Deferred Tax Asset	1,427.00	1,427.00	1,427.00	1,427.00	1,427.00	1,427.00	1,427.00	1,427.00	1,427.00	1,427.00	1,427.00
Asset revaluation D4	0.00	0.00	0.00	2,100.00	2,100.00	2,100.00	2,100.00	2,100.00	2,100.00	2,100.00	2,100.00
Investments: Equity Method	630.00	630.00	630.00	630.00	630.00	630.00	630.00	630.00	630.00	630.00	630.00
Total Non-Current Assets	253,473.00	317,276.49	368,079.04	382,591.59	380,276.90	381,055.56	381,705.71	377,654.87	370,774.02	363,863.18	356,922.33
Total Assets	260,015.00	322,813.49	373,878.04	388,650.59	386,326.90	387,105.56	387,755.71	383,704.87	376,824.02	369,913.18	362,972.33
Accounts Payable	7,659.00	8,079.00	8,401.00	8,715.00	8,000.00	8,000.00	8,000.00	8,000.00	8,000.00	8,000.00	8,000.00
Income Taxes Payable	-41.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Current Liabilities - Dividend	1,800.00	1,800.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00
Total Current Liabilities	9,418.00	9,879.00	10,401.00	10,715.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00
Long-term portion of Long-Term Debt: Scheduled	0.00	0.00	18,922.00	31,536.00	31,536.00	31,536.00	31,536.00	31,536.00	31,536.00	31,536.00	31,536.00
Long-Term Debt: Excess	86,283.00	146,491.50	178,043.44	176,247.21	171,809.01	168,701.92	163,878.28	153,049.88	137,847.34	120,271.07	100,715.83
Total Long-Term Debt	86,283.00	146,491.50	196,965.44	207,783.21	203,345.01	200,237.92	195,414.28	184,585.88	169,383.34	151,807.07	132,251.83
Other Liabilities	608.00	608.00	608.00	608.00	608.00	608.00	608.00	608.00	608.00	608.00	608.00
Total Non-Current Liabilities	86,891.00	147,099.50	197,573.44	208,391.21	203,953.01	200,845.92	196,022.28	185,193.88	169,991.34	152,415.07	132,859.83
Total Liabilities	96,309.00	156,978.50	207,974.44	219,106.21	213,953.01	210,845.92	206,022.28	195,193.88	179,991.34	162,415.07	142,859.83
Common Stock (Par Value)	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00
Retained Earnings	45,266.00	47,395.00	47,463.60	51,104.39	53,933.89	57,819.63	63,293.43	70,070.99	78,392.69	89,058.11	101,672.51
Other Equity	88,440.00	88,440.00	88,440.00	88,440.00	88,440.00	88,440.00	88,440.00	88,440.00	88,440.00	88,440.00	88,440.00
Total Equity	163,706.00	165,835.00	165,903.60	169,544.39	172,373.89	176,259.63	181,733.43	188,510.99	196,832.69	207,498.11	220,112.51
Total Liabilities & Equity	260,015.00	322,813.49	373,878.04	388,650.59	386,326.90	387,105.56	387,755.71	383,704.87	376,824.02	369,913.18	362,972.33
Gearing Ratio	37.04%	48.63%	55.63%	56.38%	55.38%	54.47%	53.13%	50.87%	47.77%	43.91%	39.36%

PO Box 794 Wellington, New Zealand | p: +64 4 498 3800 | f: +64 4 495 3820 |www.centreport.co.nz

Income Statement for Property + D4

Thousands of Dollars

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Commerercial Prop revenue	$6,851	$6,988	$14,931	$16,904	$17,046	$17,987	$18,223	$18,376	$19,392	$19,645
Car Parks Revenue	$521	$419	$427	$436	$445	$454	$463	$472	$481	$491
Utility Cost Recovery	$373	$382	$391	$401	$411	$421	$432	$442	$453	$465
Other Property Income	$392	$400	$408	$418	$429	$439	$450	$462	$473	$485
Total Revenue	$8,137	$8,189	$16,157	$18,159	$18,330	$19,301	$19,567	$19,752	$20,799	$21,086
Cost of Sales	$2,291	$2,329	$2,367	$2,414	$2,463	$2,512	$2,562	$2,613	$2,666	$2,719
Gross Profit	$5,846	$5,860	$13,790	$15,745	$15,867	$16,789	$17,005	$17,139	$18,134	$18,367
Overheads	$1,488	$1,499	$1,511	$1,526	$1,541	$1,557	$1,572	$1,588	$1,604	$1,620
Depreciation Expense	$347	$315	$679	$679	$679	$679	$679	$679	$679	$679
Operating Profit	$4,011	$4,046	$11,600	$13,540	$13,647	$14,553	$14,754	$14,871	$15,851	$16,068
EBIT	$4,011	$4,046	$11,600	$13,540	$13,647	$14,553	$14,754	$14,871	$15,851	$16,068
Total Interest Expense	$3,105	$3,400	$9,555	$10,901	$10,812	$10,672	$10,514	$10,341	$10,108	$9,852
Earnings Before Taxes	$906	$646	$2,045	$2,639	$2,835	$3,881	$4,240	$4,530	$5,743	$6,216
Total Taxes	$227	$220	$627	$765	$822	$1,125	$1,230	$1,314	$1,665	$1,803
Income After Taxes	$679	$426	$1,418	$1,874	$2,013	$2,755	$3,011	$3,217	$4,077	$4,414
Unrealised revaluations	$0	$0	$2,100	$0	$0	$0	$0	$0	$0	$0
Net Income	$679	$426	$3,518	$1,874	$2,013	$2,755	$3,011	$3,217	$4,077	$4,414
EBITDA	$4,358	$4,361	$12,279	$14,219	$14,326	$15,232	$15,433	$15,550	$16,530	$16,747
Income Available for Common Shareholders	$679	$426	$3,518	$1,874	$2,013	$2,755	$3,011	$3,217	$4,077	$4,414
Total Common Dividends	$500	$500	$750	$750	$750	$750	$750	$750	$750	$750
Interest Cover	1.404	1.283	1.285	1.304	1.325	1.427	1.468	1.504	1.635	1.700

Balance Sheet for Property + D4

Thousands of Dollars

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Cash	32.00	8.00	29.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00
Net Accounts Receivable	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Current Assets	32.00	8.00	29.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00
Net Fixed Assets	111,576.00	155,345.00	203,087.00	215,022.00	215,022.00	215,022.00	215,022.00	215,022.00	215,022.00	215,022.00	215,022.00
Deferred Tax Asset	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Asset revaluation of D4	0.00	0.00	0.00	2,100.00	2,100.00	2,100.00	2,100.00	2,100.00	2,100.00	2,100.00	2,100.00
Investments: Equity Method	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Non-Current Assets	111,576.00	155,345.00	203,087.00	217,122.00	217,122.00	217,122.00	217,122.00	217,122.00	217,122.00	217,122.00	217,122.00
Total Assets	111,608.00	155,353.00	203,116.00	217,147.00	217,147.00	217,147.00	217,147.00	217,147.00	217,147.00	217,147.00	217,147.00
Accounts Payable	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income Taxes Payable	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Current Liabilities - Dividend	250.00	250.00	250.00	625.00	625.00	625.00	625.00	625.00	625.00	625.00	625.00
Total Current Liabilities	250.00	250.00	250.00	625.00	625.00	625.00	625.00	625.00	625.00	625.00	625.00
Long-term portion of Long-Term Debt: Scheduled	0.00	0.00	18,922.00	31,536.00	31,536.00	31,536.00	31,536.00	31,536.00	31,536.00	31,536.00	31,536.00
Long-Term Debt: Excess	52,287.00	95,851.00	124,653.00	123,060.00	121,936.32	120,673.68	118,668.18	116,407.63	113,941.03	110,613.70	106,950.13
Total Long-Term Debt	52,287.00	95,851.00	143,575.00	154,596.00	153,472.32	152,209.68	150,204.18	147,943.63	145,477.03	142,149.70	138,486.13
Other Liabilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Non-Current Liabilities	52,287.00	95,851.00	143,575.00	154,596.00	153,472.32	152,209.68	150,204.18	147,943.63	145,477.03	142,149.70	138,486.13
Total Liabilities	52,537.00	96,101.00	143,825.00	155,221.00	154,097.32	152,834.68	150,829.18	148,568.63	146,102.03	142,774.70	139,111.13
Common Stock (Par Value)	7,500.00	7,500.00	7,500.00	7,500.00	7,500.00	7,500.00	7,500.00	7,500.00	7,500.00	7,500.00	7,500.00
Retained Earnings	4,501.00	4,682.00	4,721.00	7,356.00	8,479.68	9,742.32	11,747.82	14,008.37	16,474.97	19,802.30	23,465.87
Other Equity	47,070.00	47,070.00	47,070.00	47,070.00	47,070.00	47,070.00	47,070.00	47,070.00	47,070.00	47,070.00	47,070.00
Total Equity	59,071.00	59,252.00	59,291.00	61,926.00	63,049.68	64,312.32	66,317.82	68,578.37	71,044.97	74,372.30	78,035.87
Total Liabilities & Equity	111,608.00	155,353.00	203,116.00	217,147.00	217,147.00	217,147.00	217,147.00	217,147.00	217,147.00	217,147.00	217,147.00
Gearing Ratio	47.07%	61.86%	70.81%	71.48%	70.96%	70.38%	69.46%	68.42%	67.28%	65.75%	64.06%

Asset and equity values exclude any allowance for changes in the value of investment properties. Including positive valuation

Income Statement for Port

Thousands of Dollars

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Container Revenue	$15,008	$15,412	$16,028	$16,670	$17,336	$18,030	$18,751	$19,501	$20,281	$21,092
Vehicles Revenue	$3,139	$3,462	$3,600	$3,744	$3,894	$4,050	$4,212	$4,381	$4,556	$4,738
Forestry Revenue	$4,779	$4,922	$5,070	$5,222	$5,379	$5,540	$5,706	$5,878	$6,054	$6,236
Misc. Cargo Revenue	$875	$893	$910	$929	$947	$966	$985	$1,005	$1,025	$1,046
Other Port Revenue	$1,754	$1,789	$1,825	$1,861	$1,899	$1,937	$1,975	$2,015	$2,055	$2,096
Coastal Revenue	$8,455	$8,582	$8,711	$8,841	$8,974	$9,108	$9,245	$9,384	$9,524	$9,667
Bulk Revenue	$6,042	$6,163	$6,286	$6,412	$6,540	$6,671	$6,804	$6,940	$7,079	$7,221
Cruise Revenue	$1,005	$1,040	$1,077	$1,114	$1,153	$1,194	$1,235	$1,279	$1,323	$1,370
Port Property Revenue	$1,421	$1,449	$1,478	$1,508	$1,538	$1,569	$1,600	$1,632	$1,665	$1,698
Utility Cost Recovery	$212	$218	$224	$229	$235	$241	$247	$253	$259	$266
Other Property Income	$196	$200	$204	$206	$208	$210	$212	$214	$216	$218
Total Revenue	$42,886	$44,130	$45,413	$46,736	$48,103	$49,515	$50,974	$52,481	$54,038	$55,647
Cost of Sales	$22,005	$22,450	$22,826	$22,986	$23,243	$23,506	$23,774	$24,048	$24,327	$24,613
Gross Profit	$20,881	$21,679	$22,587	$23,750	$24,860	$26,009	$27,200	$28,433	$29,711	$31,035
Overheads	$4,351	$4,323	$4,323	$4,460	$4,507	$4,555	$4,603	$4,652	$4,702	$4,752
Depreciation Expense	$6,434	$7,389	$7,722	$7,636	$7,582	$7,621	$7,672	$7,702	$7,732	$7,762
Operating Profit	$10,097	$9,966	$10,542	$11,654	$12,770	$13,834	$14,925	$16,079	$17,277	$18,520
EBIT	$10,097	$9,966	$10,542	$11,654	$12,770	$13,834	$14,925	$16,079	$17,277	$18,520
Total Interest Expense	$2,404	$3,887	$3,808	$3,568	$3,392	$3,255	$2,865	$2,127	$1,212	$169
Earnings Before Taxes	$7,693	$6,079	$6,734	$8,086	$9,379	$10,579	$12,060	$13,953	$16,065	$18,351
Total Taxes	$1,923	$1,730	$1,919	$2,452	$2,842	$3,213	$3,660	$4,231	$4,877	$5,568
Income After Taxes	$5,770	$4,349	$4,815	$5,634	$6,537	$7,367	$8,400	$9,722	$11,188	$12,784
Associate income	$450	$464	$477	$492	$506	$522	$537	$553	$570	$587
Net Income	$6,220	$4,813	$5,292	$6,126	$7,043	$7,888	$8,937	$10,275	$11,758	$13,371
EBITDA	$16,530	$17,356	$18,264	$19,290	$20,353	$21,455	$22,597	$23,781	$25,009	$26,282
Income Available for Common Shareholders	$6,220	$4,813	$5,292	$6,126	$7,043	$7,888	$8,937	$10,275	$11,758	$13,371
Total Common Dividends	$4,270	$4,670	$4,420	$4,420	$4,420	$4,420	$4,420	$4,420	$4,420	$4,420
Interest Cover	6.876	4.465	4.797	5.407	6.000	6.592	7.887	11.182	20.629	155.339

Balance Sheet for Port

Thousands of Dollars

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Cash	10.00	4.00	9.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00
Net Accounts Receivable	5,700.00	5,025.00	5,261.00	5,509.00	5,500.00	5,500.00	5,500.00	5,500.00	5,500.00	5,500.00	5,500.00
Inventory	800.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00
Total Current Assets	6,510.00	5,529.00	5,770.00	6,034.00	6,025.00	6,025.00	6,025.00	6,025.00	6,025.00	6,025.00	6,025.00
Net Fixed Assets	139,840.00	159,874.49	162,935.04	163,412.59	161,097.90	161,876.56	162,526.71	158,475.87	151,595.02	144,684.18	137,743.33
Deferred Tax Asset	1,427.00	1,427.00	1,427.00	1,427.00	1,427.00	1,427.00	1,427.00	1,427.00	1,427.00	1,427.00	1,427.00
Investments: Equity Method	630.00	630.00	630.00	630.00	630.00	630.00	630.00	630.00	630.00	630.00	630.00
Total Non-Current Assets	141,897.00	161,931.49	164,992.04	165,469.59	163,154.90	163,933.56	164,583.71	160,532.87	153,652.02	146,741.18	139,800.33
Total Assets	148,407.00	167,460.49	170,762.04	171,503.59	169,179.90	169,958.56	170,608.71	166,557.87	159,677.02	152,766.18	145,825.33
Accounts Payable	7,659.00	8,079.00	8,401.00	8,715.00	8,000.00	8,000.00	8,000.00	8,000.00	8,000.00	8,000.00	8,000.00
Income Taxes Payable	-41.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Current Liabilities - Dividend	1,550.00	1,550.00	1,750.00	1,375.00	1,375.00	1,375.00	1,375.00	1,375.00	1,375.00	1,375.00	1,375.00
Total Current Liabilities	9,168.00	9,629.00	10,151.00	10,090.00	9,375.00	9,375.00	9,375.00	9,375.00	9,375.00	9,375.00	9,375.00
Long-term portion of Long-Term Debt: Scheduled	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Long-Term Debt: Excess	33,996.00	50,640.50	53,390.44	53,187.21	49,872.69	48,028.24	45,210.10	36,642.25	23,906.31	9,657.37	-6,234.30
Total Long-Term Debt	33,996.00	50,640.50	53,390.44	53,187.21	49,872.69	48,028.24	45,210.10	36,642.25	23,906.31	9,657.37	-6,234.30
Other Liabilities	608.00	608.00	608.00	608.00	608.00	608.00	608.00	608.00	608.00	608.00	608.00
Total Non-Current Liabilities	34,604.00	51,248.50	53,998.44	53,795.21	50,480.69	48,636.24	45,818.10	37,250.25	24,514.31	10,265.37	-5,626.30
Total Liabilities	43,772.00	60,877.50	64,149.44	63,885.21	59,855.69	58,011.24	55,193.10	46,625.25	33,889.31	19,640.37	3,748.70
Common Stock (Par Value)	22,500.00	22,500.00	22,500.00	22,500.00	22,500.00	22,500.00	22,500.00	22,500.00	22,500.00	22,500.00	22,500.00
Retained Earnings	40,765.00	42,713.00	42,742.60	43,748.39	45,454.20	48,077.31	51,545.61	56,062.61	61,917.71	69,255.81	78,206.63
Other Equity	41,370.00	41,370.00	41,370.00	41,370.00	41,370.00	41,370.00	41,370.00	41,370.00	41,370.00	41,370.00	41,370.00
Total Equity	104,635.00	106,583.00	106,612.60	107,618.39	109,324.20	111,947.31	115,415.61	119,932.61	125,787.71	133,125.81	142,076.63
Total Liabilities & Equity	148,407.00	167,460.49	170,762.04	171,503.59	169,179.90	169,958.55	170,608.71	166,557.86	159,677.02	152,766.18	145,825.33
Gearing Ratio	29.49%	36.35%	37.57%	37.25%	35.38%	34.13%	32.35%	27.99%	21.22%	12.86%	2.57%

APPENDIX 14: SENSITIVITY ANALYSIS

Income Statement for CentrePort Limited
Base + D4, with 20% reduction in Container revenue in 2009/2010/2011

Thousands of Dollars

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Container Revenue	$15,008	$12,330	$12,823	$13,336	$15,008	$15,609	$16,233	$16,882	$17,558	$18,260
Vehicles Revenue	$3,139	$3,462	$3,600	$3,744	$3,894	$4,050	$4,212	$4,381	$4,556	$4,738
Forestry Revenue	$4,779	$4,922	$5,070	$5,222	$5,379	$5,540	$5,706	$5,878	$6,054	$6,236
Misc. Cargo Revenue	$875	$893	$910	$929	$947	$966	$985	$1,005	$1,025	$1,046
Other Port Revenue	$1,754	$1,789	$1,825	$1,861	$1,899	$1,937	$1,975	$2,015	$2,055	$2,096
Coastal Revenue	$8,455	$8,582	$8,711	$8,841	$8,974	$9,108	$9,245	$9,384	$9,524	$9,667
Bulk Revenue	$6,042	$6,163	$6,286	$6,412	$6,540	$6,671	$6,804	$6,940	$7,079	$7,221
Cruise Revenue	$1,005	$1,040	$1,077	$1,114	$1,153	$1,194	$1,235	$1,279	$1,323	$1,370
Port Property Revenue	$1,421	$1,449	$1,478	$1,508	$1,538	$1,569	$1,600	$1,632	$1,665	$1,698
Commerercial Prop revenue	$6,851	$6,988	$14,931	$16,904	$17,046	$17,987	$18,223	$18,376	$19,392	$19,645
Car Parks Revenue	$521	$419	$427	$436	$445	$454	$463	$472	$481	$491
Utility Cost Recovery	$585	$600	$615	$630	$646	$662	$678	$695	$713	$731
Other Property Income	$588	$600	$612	$624	$636	$649	$662	$675	$689	$703
Total Revenue	$51,023	$49,236	$58,365	$61,562	$64,105	$66,395	$68,023	$69,614	$72,114	$73,901
Cost of Sales	$24,296	$24,314	$24,778	$24,988	$25,706	$26,018	$26,336	$26,661	$26,993	$27,332
Gross Profit	$26,727	$24,922	$33,587	$36,574	$38,399	$40,377	$41,687	$42,953	$45,121	$46,569
Overheads	$5,839	$5,822	$5,834	$5,987	$6,048	$6,111	$6,175	$6,240	$6,306	$6,372
Depreciation Expense	$6,231	$6,655	$7,232	$7,695	$7,975	$8,133	$8,351	$8,381	$8,411	$8,441
Operating Profit	$14,658	$12,445	$20,521	$22,892	$24,376	$26,132	$27,161	$28,332	$30,405	$31,756
EBIT	$14,658	$12,445	$20,521	$22,892	$24,376	$26,132	$27,161	$28,332	$30,405	$31,756
Total Interest Expense	$5,314	$6,788	$12,363	$13,830	$14,151	$14,238	$13,986	$13,325	$12,354	$11,246
Earnings Before Taxes	$9,344	$5,657	$8,158	$9,063	$10,226	$11,894	$13,175	$15,008	$18,050	$20,510
Total Taxes	$2,336	$1,641	$2,366	$2,719	$3,068	$3,568	$3,952	$4,502	$5,415	$6,153
Income After Taxes	$7,008	$4,017	$5,792	$6,344	$7,158	$8,326	$9,222	$10,505	$12,635	$14,357
unrealised revaluations	$0	$0	$2,100	$0	$0	$0	$0	$0	$0	$0
Associate income	$450	$464	$477	$492	$506	$522	$537	$553	$570	$587
Net Income	$7,458	$4,480	$8,370	$6,836	$7,664	$8,847	$9,760	$11,059	$13,205	$14,944
EBITDA	$20,888	$19,100	$27,753	$30,587	$32,351	$34,266	$35,512	$36,713	$38,816	$40,197
Income Available for Common Shareholders	$7,458	$4,480	$8,370	$6,836	$7,664	$8,847	$9,760	$11,059	$13,205	$14,944
Total Common Dividends	$4,770	$5,170	$5,170	$5,170	$5,170	$5,170	$5,170	$5,170	$5,170	$5,170
Interest Cover	3.931	2.814	2.245	2.212	2.286	2.407	2.539	2.755	3.142	3.574

Balance Sheet for CentrePort Limited

Base + D4, with 20% reduction in Container revenue in 2009/2010/2011

Thousands of Dollars

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Cash	42.00	12.00	38.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00
Net Accounts Receivable	5,700.00	5,025.00	5,261.00	5,509.00	5,500.00	5,500.00	5,500.00	5,500.00	5,500.00	5,500.00	5,500.00
Inventory	800.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00
Total Current Assets	6,542.00	5,537.00	5,799.00	6,059.00	6,050.00	6,050.00	6,050.00	6,050.00	6,050.00	6,050.00	6,050.00
Net Fixed Assets	251,416.00	307,519.44	351,871.88	363,654.32	370,209.56	376,274.85	378,891.66	377,340.82	370,459.97	363,549.13	356,608.28
Deferred Tax Asset	1,427.00	1,427.00	1,427.00	1,427.00	1,427.00	1,427.00	1,427.00	1,427.00	1,427.00	1,427.00	1,427.00
Asset revalution for D4	0.00	0.00	0.00	2,100.00	2,100.00	2,100.00	2,100.00	2,100.00	2,100.00	2,100.00	2,100.00
Investments: Equity Method	630.00	630.00	630.00	630.00	630.00	630.00	630.00	630.00	630.00	630.00	630.00
Total Non-Current Assets	253,473.00	309,576.44	353,928.88	367,811.32	374,366.56	380,431.85	383,048.66	381,497.82	374,616.97	367,706.13	360,765.28
Total Assets	260,015.00	315,113.44	359,727.88	373,870.32	380,416.56	386,481.85	389,098.66	387,547.82	380,666.97	373,756.13	366,815.28
Accounts Payable	7,659.00	8,079.00	8,401.00	8,715.00	8,000.00	8,000.00	8,000.00	8,000.00	8,000.00	8,000.00	8,000.00
Income Taxes Payable	-41.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Current Liabilities - Dividend	1,800.00	1,800.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00
Total Current Liabilities	9,418.00	9,879.00	10,401.00	10,715.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00
Long-term portion of Long-Term Debt: Scheduled	0.00	0.00	18,922.00	31,536.00	31,536.00	31,536.00	31,536.00	31,536.00	31,536.00	31,536.00	31,536.00
Long-Term Debt: Excess	86,283.00	138,232.38	164,092.80	162,107.54	167,703.18	171,274.14	170,213.54	164,073.03	151,303.34	136,357.29	119,642.56
Total Long-Term Debt	86,283.00	138,232.38	183,014.80	193,643.54	199,239.18	202,810.14	201,749.54	195,609.03	182,839.34	167,893.29	151,178.56
Other Liabilities	608.00	608.00	608.00	608.00	608.00	608.00	608.00	608.00	608.00	608.00	608.00
Total Non-Current Liabilities	86,891.00	138,840.38	183,622.80	194,251.54	199,847.18	203,418.14	202,357.54	196,217.03	183,447.34	168,501.29	151,786.56
Total Liabilities	96,309.00	148,719.38	194,023.80	204,966.54	209,847.18	213,418.14	212,357.54	206,217.03	193,447.34	178,501.29	161,786.56
Common Stock (Par Value)	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00
Retained Earnings	45,266.00	47,954.06	47,264.08	50,463.78	52,129.38	54,623.72	58,301.12	62,890.79	68,779.63	76,814.84	86,588.72
Other Equity	88,440.00	88,440.00	88,440.00	88,440.00	88,440.00	88,440.00	88,440.00	88,440.00	88,440.00	88,440.00	88,440.00
Total Equity	163,706.00	166,394.06	165,704.08	168,903.78	170,569.38	173,063.72	176,741.12	181,330.79	187,219.63	195,254.84	205,028.72
Total Liabilities & Equity	260,015.00	315,113.44	359,727.88	373,870.32	380,416.56	386,481.85	389,098.66	387,547.82	380,666.97	373,756.13	366,815.28
Gearing Ratio	37.04%	47.20%	53.94%	54.82%	55.16%	55.22%	54.58%	53.21%	50.82%	47.76%	44.11%

APPENDIX 15: LEGAL SUMMARY OTHER MATTERS

Resource Consent under District Plan

The effect of the Wellington City Council notified Plan Change 48 and its preceding Plan Change 41 has changed the compliance status of building developments within the CPL Harbour Quays Area.

During the transition from the existing Plan to the incorporation of the Plan Change 48 the provisions of both have application until any appeals on particular aspect of the plan have been settled.

The Customs building development will require resource consents. Under Plan Change 48 building developments within Harbour Quays are covered by a special character area section referred to as the "Port Redevelopment Precinct".

The Rules applicable to building developments within the Precinct area are as follows;

1. Building developments, structures and creation of associated open space within the Port Redevelopment Precinct are Controlled Activities in respect to:

   i. design, external appearance and siting

   ii. the placement of building mass (limits volume of building to 75% of developable potential (ie site area x height limit)

   iii. public space structure and public space design

2. Subject to compliance with conditions relating to:

   i. need to include open space development detail with building application

   ii. ensuring that the building does not extend more than 10% of proposed building footprint as per CPL Masterplan

   iii. building must not exceed 27 metres in height

   iv. building must have primary frontage as shown on CPL Masterplan

   v. at ground level the building must have 60% of its frontage to The Boulevard as entrance space or display windows

   vi. building must have no more than 20% of its frontage to the stadium walkway and 20% of it frontage to The Boulevard above ground level as blank space

   vii. the total space occupied by office space with the Port Redevelopment Precinct must not exceed 65,000m^2

   viii. general standards relating to such issues as noise, insulation, vehicle parking and servicing, wind and verandas.

CPL has lodged submissions on Plan Change 48 objecting to the reviewed land contamination, building mass, vehicle servicing and wind provision having application within the Port Redevelopment Precinct as well as condition (vii) above.

It is of note that the Council Officers have proposed under Plan Change 48 an increased building height for the D4 site of up to 50 metres as a Discretionary Restricted Activity.

The building has been designed to comply with the Controlled Activity provisions as outlined above except with respect to the height limit (designed height is 29 metres). Height will need to be considered as a Discretionary Restricted Activity. The wind tunnel testing requirements, under the plans general standards, may require some addressing of the building design or installation of wind mitigation features similar to those designed for wind mitigation for the F1/F2 (BNZ) building development. It is considered unlikely that the wind environment created by the D4 building development will comply with the District Plan/Plan Change 48 and accordingly this aspect will also migrate to being considered as a Discretionary Restricted Activity relative to wind impacts only.

Contamination

It is of note that the land on which the building is to be developed is identified in the Greater Wellington Regional Council Register of potentially contaminated sites due to the past activities on the whole port area. The effect of the inclusion of the land on the register means, under the Plan Change 48 review, that a Discretionary Restricted Consent will be required which addresses;

a) the nature and extent of the contamination

b) the risk of contaminant exposure on public health safety and the environment

c) the approach to any necessary decontamination, remediation or management of the contaminated site.

There will be a need for the site to be tested for contaminants; however, past records of use of this site are seen as unlikely to have resulted in the release of contaminants. It would nevertheless be expected that in the event that contaminants are present that it would be most likely that Consent would be granted but with conditions relating to the management of any release of those contaminants. This would be more relevant to the creation of associated public space ie Shed 35 park and creation of the swale drainage systems.

None of the above application will require the approval of affected persons or public notification.

If, however, the Council's decision arising out of the Hearings on Plan Change 48, in regard contaminated site activity rules, is not acceptable to all parties who submitted on this aspect then until this issue is fully dealt with the current Plan provisions will apply. Those provisions will open up the application for consent for the D4 building development to a full Discretionary Unrestricted Activity Status which enables the Council an open hand as to what it may consider and require and includes the possibility that the application may be notified.

Subject to the settlement of the reviewed contaminated site activity rules prior to lodgement of an application for the D4 building development the securing of the necessary consents would be expected to be processed within the statutory 20 days subject to full supporting detail being provided with the applications and no section 90 (RMA) requests being received from Council for additional material or explanation.

APPENDIX 16: VIBRANT WELLINGTON ISSUES

On 14 November 2006 CPL was served with an application to the High Court by The Wellington Company Limited, Vibrant Wellington Limited and Big Future Limited for judicial review seeking to quash Wellington City Council's decision not to notify CPL's application for the development on site F1/F2 (BNZ Building), Harbour Quays and the decision to grant Resource Consent for the development to CPL. The issues on which the latter cause of action relates are traffic and economic. The defendants are sighted as the Wellington City Council and CPL.

Following negotiations with the Vibrant Wellington Group a conditional agreement was reached which provided as follows;

1. That there would be a ceiling of 25,000m2 of additional net lettable office space within Harbour Quays disregarding the existing occupied commercial office space, the BNZ building development and any redevelopment of Shed 35 and Maritime House.
2. That the Bluebridge Terminal be removed from the Port Redevelopment Precinct (Building Site F3).
3. That agreement is reached between CPL and the Wellington City Council on a variation to the District Plan to provide for;
    a) An increase in the current 27m height limit on some sites within the Port redevelopment Precinct
    b) The agreed ceiling of additional net lettable office space to be developed within the modified Port Redevelopment Precinct.
4. That agreement is reached between CPL and the Wellington City Council on the development of the proposed indoor sports complex on CPL land north of Hinemoa Street.

The Vibrant Wellington Group have not progressed their application for a Judicial Review even though the above conditions have not been met including there being no agreement over the positioning of the proposed indoor sports complex on CPL land.

There will be no issue for the D4 building development if the agreement stands. If on the other hand the conditions of agreement with the Vibrant Wellington Group are not fulfilled there is no agreement and the Group might pursue, as they did with the F1/F2 building development, a similar judicial tactic with the D4 building development. The Company's legal advice is, however, that providing there are no consents required for a Discretionary Unrestricted Activity (refer land contamination provision comments under RMA section), the Council process the application correctly there is little likelihood that the Group would be successful in any Court Action to overturn the Council's Consent.

If there is a requirement for a Discretionary Unrestricted Activity consent and the current conditional agreement with the Vibrant Wellington Group falls over then CPL could be in the same position as it was in with the F1/F2 development and could again be presented with a Judicial Review process.