

Embargoed until 7 am 1 September 2010

SOLID INVESTMENT PERFORMANCE DELIVERED

Summary

The New Plymouth District Council Perpetual Investment Fund (PIF) achieved a solid investment performance of 5.94% for the year, adding \$15.85 million to the Fund, and made release payments of \$21.95 million to NPDC.

The closing balance of the Fund as at 30 June 2010 after all payments and costs was \$251.74 million.

While the investment environment improved on the prior year there was a relatively soft growth in earnings and listed equity markets, and bonds became less attractive with low interest rates prevailing.

The PIF outperformed its benchmarks for the year in US equities, Europe and Pacific equities and fixed income but underperformed in emerging markets, alternative assets and cash.

The PIF continues to rate as the top performing fund in the Mercer survey of comparable NZ based funds over three to five years with a five year return of 7.24%.

The PIF held overweight cash and bond positions at 13% of the portfolio, reduced equity holdings to 24% and successfully exited the final holdings of SPARCS during the year.

Alternative assets now represent 63% of the net assets of the Fund as it builds towards its 70% strategic allocation to that class.

The Fund has made release payments to New Plymouth District Council since inception totaling \$119.1 million.

The TIML board is satisfied with the sustainability of the Release Rule, the appropriateness of the current Strategic Asset Allocation and the maintenance of liquidity and the cash-flow of the PIF.

The Release Rule is working as intended to smooth out periodic variations in the Fund's performance and to provide a long term sustainable approach and budget certainty to NPDC.

Tasman Farms Limited

The Tasman Farms Limited board utilised independent external valuers to value the land and buildings for its farming operations which resulted in a \$13.4 million write down for the year.

The TIML board is of the view that the reduction in value is temporary and expect to see it reversed over the medium term.

Improvements in livestock have been reflected by a significant \$9.7 million gain in livestock valuations. Continuous improvements within TFL include:

- Improved operating performance (with EBIT up 230% to \$7.9m),
- Ongoing land improvements and development (including an extra 400ha development),
- Increasing milk production (33% increase since acquisition),
- Improvement in quality and value of livestock (\$9.7 million revaluation).

An increase of at least 14% is expected in milk price this year, along with additional productivity gains and future land conversion and development opportunities.

During the year the PIF increased its investment in the company by 3.3%, increasing ownership to 77.7%.

Outlook

The year was positive overall in listed equity markets but a soft June quarter took the shine off an otherwise solid year of listed market investment performance.

The PIF favours China, Australasia and emerging economies over US, Europe and Japan and have positioned the PIF accordingly.

The TFL investment provides exposure to soft commodities and agriculture asset upside and Barings Private Equity investments provide diversified sector exposure to China, India and non- Japan Asia.

Direct Capital Private Equity investments are providing exposure to mid-size New Zealand companies.

The PIF's listed equity exposures are spread across ETFs in US, Europe and emerging economies.

A focus for the year is to retain liquidity and manage cash flow; this may trade off a portion of the year's future investment returns.

However, the board is satisfied it is well positioned for the long term with its strategic asset allocation and it does not intend to change its investment strategy.

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