



**PORT marlborough**  
NEW ZEALAND LTD

**PORT MARLBOROUGH NEW ZEALAND LIMITED**

**STATEMENT OF CORPORATE INTENT**

**2010 / 2011**

**This Statement of Corporate Intent has been prepared  
in accordance with Section 9 of the Port Companies Act 1988  
and is reviewed annually in accordance with Sections 8 and 10 of the Act**

**Date: 17 September 2010**

## **STATEMENT OF CORPORATE INTENT**

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### **NATURE AND SCOPE OF ACTIVITIES**

#### **Port Marlborough New Zealand Limited provides:**

1. Port facilities and services for Cook Strait freight and passenger ferry services including ro-ro berths, two passenger terminals and associated facilities.
2. Wharf facilities for bulk cargo ships, cruise ships, fishing vessels, freight barges and vessels used in the marine farming industry.
3. Cargo storage areas.
4. Marinas and boat storage facilities for recreational craft and facilities for associated businesses.
5. Facilities and services related to the above activities.

### **OBJECTIVES**

1. The principal objective of Port Marlborough New Zealand Limited (the “company”) is to operate as a successful business (Section 5, Port Companies Act 1988).
  - To maintain and grow the company’s position as the prime inter-island shipping port in the South Island.
  - To achieve maximum use of the company’s facilities, by taking advantage of Picton’s strategic position as an inter-island link and its natural advantages as a central, deep water port.
  - To develop and operate the best commercial marina facilities for pleasure craft in the South Island.
  - To provide for visits of cruise ships to Marlborough.
  - To advance the company’s position as the principal provider of port facilities for the marine farming industry and to increase use of the company’s facilities by fishing vessels.
2. To ensure that the Company’s operations are performed in an efficient and safe manner.
  - To promote positive Health and Safety management practices in the workplace.
  - Employees are properly trained and supervised to carry out their work without causing harm or damage.
  - Health and Safety plans are developed, implemented and communicated with staff, contractors and visitors.
  - Health and Safety objectives are set, monitored and reviewed annually.
3. That the Company’s activities are undertaken with due regard to its environmental and social responsibilities.
  - Ensure that high environmental standards are maintained.
  - That environment management compliance is monitored and best practice is identified and strived for.
  - To engage with stakeholders and the community to identify and minimise adverse impacts resulting from the Company’s activities.

4. To properly plan and provide for the demand for facilities and services.

- Undertake a review of the Company's Strategic Plan on an annual basis, including engaging with the Shareholder on significant changes in direction before finalisation by PMNZ.
- Implement objectives of the Strategic Plan in a timely and efficient manner.

## PERFORMANCE AND OTHER MEASURES

\*NOPAT excluding Investment Property Revaluations is projected as follows for the next three years:

2011	\$3.156m
2012	\$4.698m
2013	\$4.355m

Performance shall be judged against the following measures:

	Actual	Measure		
	09 / 10	10 / 11	11 / 12	12 / 13
<b>Financial</b>				
NOPAT / Return on Shareholders Funds (i)	2.36% (iii)	4.0%	5.7%	5.1%
EBITDA (ii) (excludes non cash revaluations)	\$8.74m	\$8.01m	\$10.72m	\$11.42m
Equity Ratio	71.1%	64.4%	62.6%	58.3%
<b>Trade</b>				
Ferry freight movement (% volume movement to prior year)	2.4%	12%	1%	1%
Log volumes (jas)	378,104	400,000 jas	450,000 jas	450,000 jas
Cruise ships (number visited)	10	11	20	20
<b>Marinas</b>				
Berth occupancy	92%	93%	97%	94%
Boatshed occupancy	93.3%	95%	97%	97%
<b>Health and Safety</b>				
Frequency rate (Lost Time Accidents per 100,000 work hours)	0.91	1	0.5	0.5
Number of incidents	12	12	10	9

(i) NOPAT = Net Operating Profit After Tax

(ii) EBITDA = Earnings Before Interest, Tax, Depreciation and Amortisation

(iii) The result includes a one-off deferred tax expense of \$2.35m (non cash) in relation to removal of building depreciation claim per 2010 Government Budget. If this was excluded, the return would be **5.4%**

## **DIVIDEND POLICY**

A Recommendation on the level of any dividend to be paid will be made by Directors each year. Dividends to shareholders will be maximised consistent with consideration of the current and future capital requirements of the company and its debt : equity ratio.

It is anticipated that distributions will be in the order of 45% of taxable profit as returned to Inland Revenue. Based on the above, projected distributions for the next 3 years are:

2011	\$1.42m
2012	\$1.76m
2013	\$2.00m

\* Also from time to time there will be requests for a special dividend. The Company will look at whether a distribution is appropriate at the time having regard to its own future capital requirements and gearing.

## **PROJECTED BORROWINGS**

The Directors have adopted a policy of seeking to keep the gearing of the company in a range between 20% and 40% (debt to debt-and-equity) but accept that the debt ratio may fall outside this range at times, that is, prior to, or following, a major planned development.

Due to a combination of a special dividend sought and an extensive capital programme, there will be a need to increase debt funding significantly.

The matter is highlighted in this document as the Shareholder is the Company's financier in terms of debt funding, and it is assumed that justifiably additional borrowings would subsequently be made available.

The current level of debt and projections is set out below:

2010	\$21.65m
2011	\$34.95
2012	\$40.45
2013	\$51.70m

## **RATIO OF SHAREHOLDERS' FUNDS TO TOTAL ASSETS**

The ratios for the next three years are expected to be:

Shareholder Funds / Total Assets

2011	64.4%
2012	62.6%
2013	58.3%

## **ACCOUNTING POLICIES**

The accounting policies adopted by the company are those recognised by the Institute of Chartered Accountants of New Zealand for the measurement and reporting of profit and financial position and are set out in the company's most recent published annual report which is available on the Company's website – [www.portmarlborough.co.nz](http://www.portmarlborough.co.nz). In line with its parent, the company adopted IFRS as from 1 July 2006. As a consequence, land and buildings are recorded at valuation and not at historical cost.

## **PROVISION OF INFORMATION TO SHAREHOLDERS**

**The following information will be provided to shareholders:**

1. An annual report as required by Section 16(3) of the Port Companies Act 1988 including:
  - a) A report of the operations of the Port Company and those of its subsidiaries during the financial year; and
  - b) Audited consolidated financial statements for that financial year consisting of:
    - (i) Statement of Comprehensive Income, Balance Sheet and Cash Flow Statement; and
    - (ii) Such other statements as may be necessary to show the financial position of Port Marlborough and its subsidiaries and the financial results of the operations during the financial year; and
    - (iii) The audit report on those financial statements.

The report will contain such information as is necessary to enable an informed assessment of the operations of the company and its subsidiaries, including a comparison of the performance of the company and its subsidiaries with this Statement of Corporate Intent and it will state the maximum dividend recommended to be paid by the Company to its Shareholders.

2. A half-year report covering a Statement of Financial Performance, abbreviated Statement of Financial Position, Statement of Cash flows, performance indicators, commentary on activities and such other information as the Directors may consider necessary.
3. The shareholder will be regularly briefed on significant new capital projects.
4. Any other information reasonably required by the shareholder.

## **PROCEDURES FOR SHARE SUBSCRIPTIONS OR PURCHASES**

The Company will only invest in the shares of another business when the shares acquired are considered likely to bring added value to the business of the company. In cases where the Company intends to subscribe for or otherwise acquire (whether at the same time or over a period of time) 20% or more of the issued capital of any company it will give prior written notice to the Shareholders of its intention and, in the case of any new subsidiaries, will comply with the rules as set out in Appendix 1.

## **DIRECTOR'S ESTIMATE OF COMPANY VALUE**

The director's estimate that the opening balance of Shareholder's funds in the annual accounts will represent the value of the company. The directors will advise the Shareholders on an annual basis if they believe the value to differ materially from this state.

As part of adoption of IFRS, land, buildings and port infrastructure are valued on a regular basis by independent valuation.

The opening balance of Shareholder Funds at 1 July 2010 is \$77.78m.

## **APPENDIX 1**

### **SUBSIDIARIES AND ASSOCIATED COMPANIES**

The Group consists of

- Waikawa Marina Trustee Limited
- PMNZ Marina Holdings Limited
- Marlborough Sounds Maritime Pilots Limited

Waikawa Marina Trustee Limited and PMNZ Marina Holdings Limited were incorporated in September 1997 to facilitate the sale of long term berth entitlements in the Waikawa Marina extension.

Marlborough Sounds Maritime Pilots Limited was established in October 2006 to undertake pilotage services for the Port.

1. The company shall ensure at all times that in the case of new subsidiaries:
  - 1.1 Control of the affairs of every subsidiary of the company is exercised by a majority of the Directors of that subsidiary.
  - 1.2 A majority of the Directors of every subsidiary of the company are persons who are also Directors or Employees of the company or who have been approved by the shareholders for appointment as Directors of the subsidiary.
2. Without the prior consent of the Shareholders, neither the Company nor any subsidiary of the Company shall sell or otherwise dispose of, whether by a single transaction or any series of transactions and whether by sale of assets or shares, the whole or any substantial part of the business or undertaking of the Company and its subsidiaries (taken as a whole).
3. Where the Company or its subsidiaries hold 20% or more of the shares in any company or other body corporate (not being a subsidiary of the company) it will not sell or otherwise dispose of any shares in that company without first giving written notice to the Shareholders of the disposition.

The term "share" has the same meaning as in Section 2 of the State-owned Enterprises Act 1986 and the term "subsidiary" has the same meaning as in Section 158 of the Companies Act 1955.