



Port Marlborough

STATEMENT OF CORPORATE INTENT

1 July 2020 – 30 June 2023

This Statement of Corporate Intent outlines Port Marlborough New Zealand Limited's intended path and performance for the next three years. The basis of this path is a clear vision, core values and a strategic delivery programme to guide sustainable operation and future development of Marlborough's regional port.

Port Marlborough is a Port Company under the Port Companies Act 1988 and consequently operates under a commercial imperative.

Port Marlborough's profits are distributed by way of dividend to its sole Shareholder, MDC Holdings Limited, with these financial benefits ultimately accruing to the residents and ratepayers of Marlborough through Marlborough District Council.

This SCI 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.

OUR VISION – THE GOAL THAT DRIVES US

Port Marlborough’s vision is to lead the way as an environmentally restorative port, driving success in Marlborough. We will deliver on this vision by prioritising measurable value delivery across the facets of people (social goals), planet (environmental goals) and prosperity (economic goals) – achieved through partnerships and consistent with our core values.

WHAT WE VALUE

HAUORA	Value well-being	We work together to sustain what keeps us healthy; physically, mentally, socially and culturally
MAHI TAHI	Work together	We operate at the heart of our community. We share ideas, understand, collaborate and celebrate.
KAITIAKITANGA	Protect the future	We consider the environmental, economic, community and cultural impacts of our decisions everywhere we operate.
PONO	Act with integrity	We keep our promises and do what we say we will do.
KAIRANGATIRA	Deliver excellence	We deliver excellent customer service and excellent commercial results.

NATURE AND SCOPE OF ACTIVITIES

Port Marlborough will provide commercial port, harbour, port landing and marina facilities and associated services to meet its responsibilities as Marlborough’s regional port operator. These will encompass:

1. Port facilities for Cook Strait freight and passenger ferry services including ro-ro berths, passenger terminals and associated requirements
2. Commercial harbour facilities including a deep water berth for bulk cargo ships and cruise ships, including cargo storage areas and associated amenities
3. Marine pilotage and towage services to support shipping operations within the harbour catchment
4. Landing areas and berthage for fishing vessels, freight barges and vessels used in the marine farming industry
5. Port and marina facilities for commercial tourism and water transport operators
6. Marinas and boat storage facilities for recreational craft and facilities for associated businesses, including travel lift and hard stand facilities at Waikawa
7. Facilities and services related to the above activities

OBJECTIVES

Port Marlborough's principal objective is to operate as a successful business (Section 5, Port Companies Act 1988) by demonstrating corporate social responsibility and providing a sustainable return to the Shareholder.

1. We intend to deliver a designed, sustainable operation that anticipates evolving and future needs and will:
 - Maintain and regularly review and refresh company's strategic plan, adopting headline goals and measures for long-term success that are balanced across financial, environmental, social, and cultural dimensions
 - Work with Cook Strait ferry operators to deliver infrastructure requirements in service of cost effective, resilient ferry terminal port operations
 - Optimise the company's natural advantage as a sheltered deep water port
 - Further develop use of the port as a key logistics link for regional import and export
 - Further develop Picton's international reputation as a premium cruise ship destination
 - Progress the Port Marlborough's position as the principal provider of port facilities for the marine farming industry; and increase use of the port's facilities by fishing vessels
 - Promote and provide for recreational and small-craft commercial boating in the Marlborough Sounds through provision of excellent commercial marinas and related facilities

2. We intend to conduct the company's operations in a safe and productive way and will:
 - Drive a business culture where safety and wellness are fundamental components of everyday work, adopting safety-in-design principles in infrastructure and process design
 - Work collaboratively with Marlborough District Council and Maritime NZ to provide a safe operating environment within the port and harbour, complying in all regards with the Port and Harbour Safety Code
 - Work in a structured, collaborative way with Port and Marina Users and other PCBUs operating on the port to achieve safe port-wide operations through a risk-based approach
 - Continuously develop organisational capability, productivity and effectiveness in response to systematic review of business needs to support changing customer needs and overall business demand

3. That the company undertakes its activities in a way that supports our communities and protects the future. PMNZ intends to:
 - Balance economic, environmental, community and cultural impacts in our decision making practices
 - Maintain and review an annual sustainability roadmap and implementation plan, setting out clear performance indicators and measurement targets that drive continual improvement and 'beyond compliance' performance underpinned by a long-term restorative intent
 - Engage openly and constructively with stakeholder communities working together to share ideas, understand stakeholder and community perspectives, and collaborate on achieving outcomes
 - Act with integrity in all aspects of our operations and interactions, always behaving as a valued community partner including but not limited to meeting the company's legal, ethical and economic responsibilities
 - In planning to meet the demand for facilities, it may be appropriate to include 'public good' components. Where 'public good' capital expenditure is proposed consultation will be undertaken with the Shareholder

MEASURING SUCCESS

	KEY PERFORMANCE INDICATOR	ACTUAL				TARGET				
		19/20	20/21	21/22	22/23	19/20	20/21	21/22	22/23	
FINANCIAL	Projected NOPAT ¹ (excluding asset and derivative revaluations)	\$7.08m	\$6.40m	\$7.25m	\$8.06m					
	NOPAT ¹ / Return on average Shareholder's Funds	4.7%	4.1%	4.5%	4.9%					
	EBITDA ² (excluding asset and derivative revaluations)	\$15.2m	\$13.38	\$15.73m	\$17.81m					
	Equity Ratio	74.1%	65.6%	55.7%	50.4%					
CUSTOMERS	Ferry sector revenue vs prior year		2.4%	6.3%	1.8%					
	Export log volumes (JAS)	554,767	600,000	720,000	720,000					
	Cruise ships (number berthed)	49	12	15	25					
	Marina berth occupancy	94.3%	92%	94%	80% ³					
	Marina boatshed occupancy	99.4%	95.5	99.5	99.5					
HEALTH, SAFETY, WELLNESS	SAFETY LEAD INDICATORS									
	Near Hits Reported	18	25	30	35					
	SAFETY LAG INDICATORS									
	LTI per 100,000 work hrs	0.8	0	0	0					
	MTI per 100,000 work hrs	0.0	<2	<2	<2					
	WELLNESS INDICATORS									
	Annual health checks and healthcare insurance available for permanent staff	100%	100%	100%	100%					
SUSTAINABILITY	Employee Diversity – Gender	72%M 28%F	Diversity Plan and Succession Plan Strategy implemented by 30 June 2021							
	Employee Diversity – Age	34% < 50 years								
		66% 50+ years								
	Fresh water withdrawal (Megalitres)	124	Nil increase	-3%	-3%					
	General waste to landfill (Tonnes)	817	-3%	-3%	-3%					
	Recycling (Tonnes)	51								
	Recycling as % of general waste to landfill	6.1%	8%	10%	12%					
Greenhouse Gas Net Emissions Scopes 1 + 2 ⁴	-795 T CO _{2e}	No increase	-3% gross emissions	-3% gross emissions						

¹ NOPAT = Net Operating Profit after Tax

² EBITDA – Earnings before Interest, Tax, Depreciation and Amortisation

³ NW Waikawa Marina +252 berths to stock start of 2022/23; estimate 40% full by FY2023 thus estimate 20% average occupancy for year /readability

⁴ GHG Net Emissions = Scopes 1 + 2 emissions (715 T CO_{2e}) offset by GHG reductions Shakespeare Bay forest (-1,509 CO_{2e}) = -795 T CO_{2e}

PERFORMANCE RISK

Risks to achievement of our objectives are:

- General shape and timing of economic recovery following COVID-19 pandemic
- Timing and conditions of NZ Government's decision to open NZ borders to foreign tourists
- International recovery of cruise industry
- Movement in price and demand for export logs
- Outcomes of Marlborough District Council's deliberations on the Marlborough Environment Plan
- Timing of funding requirements for significant capital projects
- The outcome of negotiations with KiwiRail on the IREX Project and Shareholder public consultation

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 to equity ratio. It is anticipated that distributions will be in the order of 45% of after tax profit as returned to Inland Revenue.

The Board will make best endeavours to distribute the above projections, noting upcoming requirements for funding of significant capital projects that will deliver benefits to the regional economy.

YEAR	PROJECTED DIVIDEND DISTRIBUTION
2021	\$3.15m
2022	\$3.07m
2023	\$3.44m

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.

YEAR	PROJECTED GEARING RATIO	LEVEL OF DEBT (CURRENT/PROJECTED)
2020	25.1%	\$29.0m
2021	34.4%	\$60.5m
2022	44.3%	\$106.5m
2023	49.6%	\$141.5m

RATIO OF SHAREHOLDERS' FUNDS TO TOTAL ASSETS

YEAR	EXPECTED RATIO
	SHAREHOLDERS FUNDS TO TOTAL ASSETS
2021	65.6%
2022	55.7%
2023	50.4%

ACCOUNTING POLICIES

Policy application will be made consistent with, and conform to:

- The legal requirements of the Companies Act 1993
- Generally Accepted Accounting Principles (NZ GAAP)
- Financial Reporting Act 2013
- New Zealand equivalents to the International Financial Reporting Standards (NZIFRS)
- Other applicable regulatory and statutory requirements.

The latest published Annual Report including the Statement of Accounting Policies is at www.portmarlborough.co.nz.

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. 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. The report will include:
 - 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.
- 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) Briefing to be provided to the Shareholder, following circulation of Annual and Half Year reports.
- 4) The shareholder will be regularly briefed on significant new capital projects.
- 5) Any other information reasonably required by the shareholder.

PROCEDURES FOR SHARE SUBSCRIPTIONS OR PURCHASES

The company will only invest in another business when it is consistent with the nature and scope of activities and objectives contained in this SCI.

In cases where the company intends to acquire an interest in another business as listed below, either by single transaction or any series of transactions, through the purchase of shares or by other means, it will give the shareholders prior written notice of its intention.

- A business outside the company's current nature, scope and objectives; and/or
- 20% or more of a business; and/or
- An activity where the cost is more than 10% of the company's shareholder funds; and/or
- A business or activity outside the Marlborough District;

DIRECTOR'S ESTIMATE OF COMPANY VALUE

The Directors 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 2020 is \$150.75m (2019: \$150.95m).

SUBSIDIARIES AND ASSOCIATED COMPANIES

The Group consists of

- Waikawa Marina Trustee Limited
- PMNZ Marina Holdings 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.

The company shall ensure at all times that in the case of new subsidiaries:

1. Control of the affairs of every subsidiary of the company is exercised by a majority of the Directors of that subsidiary.
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.
3. 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).
4. 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 155 of the Companies Act 1993.