

Investing for the future

PORT MARLBOROUGH
ANNUAL REPORT 2022



Port Marlborough



Welcome to Port Marlborough's Integrated Annual Report

This report shows how we performed over the 12-month period of 01 July 2021 – 30 June 2022. It recognises the importance of our Partnerships and shows our impact across People, Planet and Prosperity outcomes.

I inamata ki te anamata

The work done in the present
leads us into the future

We continue to invest in the success and prosperity of our region as we move into the delivery phase of our largest-ever capital development programme.

☰ Menu

To navigate this report, click on the word **Menu** above as you journey through and it will bring you back to this contents page.

You can also select the type below to move quickly through sections and pages.

IN OUR WAKE

- 10 Highlights
- 14 Operational Performance
- 16 Governance & Management

OUR CURRENT POSITION

- 18 Our Strategy
- 20 Value Creation
- 22 Our Values
- 24 Sustainability Scorecard

NAVIGATING OUR WORLD

- 26 People
- 32 Planet
- 40 Prosperity
- 48 Partnerships
- 62 Financial Statements



About the Port

Port Marlborough delivers financial, social and environmental value for Marlborough through the operation of the region's port and marinas.

Port business, infrastructure and operations facilitate some of Marlborough's most significant industries, including recreational boating, forestry, aquaculture, fishing, marine farming, and domestic and international tourism, including cruise.

Port Marlborough's sole shareholder is MDC Holdings Ltd, a wholly-owned subsidiary of the Marlborough District Council. Port Marlborough returns profit to the Marlborough community by way of annual dividends to its shareholder.

Shakespeare Bay

The port's operations in Shakespeare Bay accommodate the log export industry, and has New Zealand's deepest export shipping berth at Waimahara Wharf. Further diversification of our log export offering began in 2022 to complement the port's services at Shakespeare Bay.

Waimahara Wharf also welcomes the cruise industry to Marlborough, accommodating cruise vessels up to Oasis-class size, at 362m LOA.

Waitohi Picton

The port centre at Waitohi Wharf contains Port Marlborough's ferry infrastructure, which provides a resilient link in the national road and rail service for passengers, freight, trucks, vehicles and rail between our islands. Port Marlborough's marine services are based here with two tugs and the ability to provide pilotage services for the Marlborough Sounds.

The port has extensive land holdings around the port area, supporting port activities, including cargo and freight facilities, and marine engineering businesses.

The town wharf area provides berthage for commercial, fishing, aquaculture and tourism vessels and business. Picton Marina's recreational boating facilities provide berthage, boatsheds and a busy launching facility for trailer boats.

Motuweka Havelock

The Havelock port and marina operation supports industry and recreation in the Pelorus and Kenepuru Sounds.

Berthage, wharf and land-side facilities support marine farming, tourism, forestry and commercial barging. Havelock Marina provides wet and dry berthage for over 350 recreational vessels and hosts a busy launching facility for trailer boats.

Property holdings around the port area accommodate a range of maintenance industries and aquaculture value-add services.

Marlborough Sounds Marinas

Marlborough Sounds Marinas, a subsidiary of Port Marlborough is New Zealand's largest marina operator outside of Auckland. With operations at Picton and Waikawa in the Queen Charlotte Sound, and Havelock and Elaine Bay in the Pelorus and Kenepuru Sounds, Marlborough Sounds Marinas provides facilities for over 2,000 vessels in berths, boatsheds and storage compounds. Waikawa Marine Centre provides a 35 TonneTravel Lift haulout and hardstand facility (capacity >50 vessels)

Long and short-term term parking is provided in each marina, accommodating further recreational boat users throughout the busy summer period.

Marlborough Sounds

Port Marlborough provides wharf and port landing facilities in Elaine Bay and Te Whanganui Port Underwood to support marine farming operators in the Sounds.

Highlights



3,212,450

Ferries: Lane metres freight
[rail and commercial vehicles]

+ 2.6%



670,655

Passengers through port
[ferry and cruise ship passengers]

- 33.5%



805,128

JAS logs exported

+ 4.6%

Revenue

\$34.4M

2021 \$31.4 million

+ 8.9%



2,818

Vessel visits over 500GRT

- 12.8%



1,591

Vessel accommodated at marinas

+ 1.6%



76.4

FTE staff employed

+ 6.1%



0

Cruise ships to berth

Dividend

\$3.7M

2021 \$3.4 million

+ 8.8%



Chief Executive and Chair Report

It's an exciting time for Port Marlborough as we continue to invest in the future of the Port and the Marlborough region, delivering on our strategy of balancing the needs of people, the planet and prosperity through partnerships. We have committed to a number of significant capital development projects presenting sustainable growth and resilience opportunities for the port and for Marlborough. Our overarching theme for this year has been "Investing for the Future" as we look ahead to cater to growth in a post-COVID economy.

People

The hauora of our people and those who use our facilities is always our top priority. COVID-19 dominated the news and our thinking again for much of the first part of the year. Our teams showed a strong commitment to protecting their teams, communities and whānau, by getting vaccinated at the earliest opportunity and regularly tested.

The development of the Port’s on-site PCR testing laboratory provided us with confidence in operational continuity during times of community transmission.

Developing our people and organisational capabilities has been a key focus for the year. A number of existing team members have been upskilled and promoted to new roles, and we have seen an increase of 6% in total workforce. These changes bring an increased breadth of experience to our teams, which caters to ongoing business growth, showing our commitment to developing our people and being an employer of choice within our industry and the Marlborough region.

Continuing our focus on our people and our organisational culture, we developed and implemented our Just and Fair Culture Policy and Code of Conduct. These two key pieces of policy were brought to life through consultation with our interdisciplinary Policy Focus group, and laid the foundations for formalising and further embedding fair processes and a positive culture across the Company.

We have continued to invest in our people capability in Health and Safety, with an increased focus on worker engagement and representation. This year

saw the strengthening of our H&S Representative Team with NZQA training and increased visible safety leadership across our operations.

Our systems continue to mature, with our first Critical Risk Review programme well underway, and the development of new Safe Systems of Work methods, now implemented and on-boarded by our operational teams.

Planet

Environmental responsibility continues to be at the forefront of all decision-making for our teams. Our company value of Kaitiakitanga – protect the future is embedded in our business planning, with all strategic outcomes carefully measured against our sustainability framework pillars of People, Planet and Prosperity through Partnerships.

Environmental sustainability data in the Sustainability Scorecard shows good progress against previous and baseline years (see page 24).

We have initiated a sustainability and land management plan in Shakespeare Bay with a long-term, restorative project supporting educational development in partnership with the forestry sector. This partnership will result in the development of a comprehensive harvest, replanting and ongoing land management plan for the overall area, with net restorative ecological outcomes.

Prosperity

The Group has again delivered strong operational performance at \$11.4m [measured by pre-tax profit adjusted for non-cash revaluations and subvention payments], an increase of 5% on 2021 and a positive result from a

year heavily impacted by COVID. Revenue increased by 10% at \$34.4m, [2021: \$31.4m] achieving EBITDA of \$16.25m. [excluding non-cash revaluations]

The year saw record log throughput at 800,000 JAS for the first time, and the marinas operating at close to capacity. These strong results counterbalanced the loss of cruise trade for the year.

The year has seen Port Marlborough move into an intensive capital development phase. Our future forecast projects the investment of a quarter of a billion dollars in new infrastructure, a significant portion of which is for the Waitohi Picton Ferry Precinct Redevelopment. The \$30 million Waikawa North West Marina development has seen ongoing work throughout 2021/22 despite global supply chain challenges, and will come to completion in the next financial year.

Value of Group total assets at \$248.9m [2021: \$217.0m] reflects continued investment in productive assets, and a revaluation gain of \$11.5m for operational assets.

The Company is in a good position with the Group’s equity ratio at 71.8%, which reflects the commencement of the capital development programme.

Directors propose a final dividend of \$1.8 million, bringing the total distribution for 2022 to \$3.7 million.

Total dividends of \$28.8 million have been distributed to our Shareholder over the last ten years, and \$84.7 million since Port Marlborough’s establishment in 1988. We are proud to work towards our vision of becoming an environmentally restorative port, driving success for Marlborough.

Partnerships

Our commercial relationships have been constructively developed throughout the year with industry business partners and customers. The redevelopment of the Waitohi Picton Ferry Terminal precinct (iReX) has progressed with Port Marlborough’s share of the funding secured through Marlborough District Council’s loan facility following comprehensive stakeholder engagement with the Marlborough community.

The iReX project involves working together with KiwiRail, Waka Kotahi, Marlborough District Council and mana whenua partners Te Ātiawa o te Waka a Maui. The iReX project has moved into the delivery phase with enabling works well underway and main works beginning in 2023.

The purchase of a 32-hectare site at Riverlands together with Wellington’s Centreport Ltd will provide an end-to-end

logistics supply chain connecting Marlborough exporters directly to the world. The Marlborough Inland Hub Ltd is a new joint venture with Wellington’s Centreport, creating reliable, resilient, and lower carbon freight link between exporters in Marlborough and international markets.

Community partnerships continue to strengthen with engagement throughout the year with our stakeholders, customers and port users. Our sponsorships continue to be fine-tuned to align with the company’s values and strategic goals and ensure that our success is shared throughout our communities.

Governance

Directors Andrew Besley and Ian Boyd concluded their terms at the December 2021 AGM, and Heather Roy and Richard Olliver were appointed to the Board.

Heather Roy is a former member of parliament, a professional director, and former winner of

the Governance New Zealand ‘Women on Board’s’ Inspirational Excellence Award. Richard has extensive experience in taxation, business development and investment banking, and was also a director of Marlborough Airport Ltd, MDC Holdings Ltd and is a St Andrews Property Group Ltd.

We thank Andrew and Ian for their service to Port Marlborough, and extend a warm welcome to Heather and Richard.

Looking ahead

We thank everyone in the wider Port Marlborough team for their collaboration, hard work and dedication. As we look ahead and prepare for the future, moving into an intensive capital development phase, we proudly continue to drive success for Marlborough.



Recognising Keith Taylor ONZM

Keith Taylor retires as Chair of the Board following service of 13 years. Keith has served on the Port Marlborough Board of Directors as a Director from 2009, and as Chair from 2018 to 2022.

Keith has brought significant governance experience to the board as one of New Zealand’s most senior directors, having

also served on the boards of AMP Life Ltd, Southern Cross Health Society and Hospitals, and his professional and charitable experience as Deputy Chair of the Reserve Bank of New Zealand and Chair of Dwell Housing Trust respectively.

Port Marlborough’s board and management team have greatly appreciated Keith’s rare combination of having great attention to detail while retaining the ability to see the big picture, which together with Keith’s personal knowledge of the

Marlborough Sounds has set us up for the future.

Over his time on the Port Marlborough Board, Keith established the Audit and Risk Committee and Board Health and Safety Committee, and as Chair has led the Board through the COVID-19 pandemic, the Waikawa Marina Extension, and through planning, negotiations and funding for Waitohi Picton Ferry Precinct Redevelopment.

We thank Keith for his invaluable leadership through his service to the Port Marlborough board.



Operational Performance

Number of ship visits



Total ship visits

2022 **2,818** 2021: 3,233
- 12.8% 2020: 3,126

Ferries	Cruise ships	Other*
2020: 2,963	2020: 48	2020: 115
2021: 3,114	2021: 0	2021: 119
2022: 2,706	2022: 0	2022: 112
- 13.1%		*[Over 500 GRT]

Non-ferry cargoes



Total cargo [Tonnes]

2022 **858,638** 2021: 829,876
+ 3.5% 2020: 617,997

Logs*	Fish [Tonnes]	Other [Tonnes]
2020: 555,182	2020: 15,290	2020: 47,525
2021: 770,363	2021: 12,106	2021: 47,407
2022: 805,128	2022: 7,691	2022: 45,819
*[Export & domestic, JAS'000]		

Marina facilities – berth occupancy %



Total average occupancy

2022 **100%** 2021: 97%
2020: 94%

Havelock [368]	Waikawa [480]	Picton [206]
2020: 88%	2020: 97%	2020: 100%
2021: 95%	2021: 98%	2021: 101%
2022: 100%	2022: 98%	2022: 102%

Board of Directors Poari Ringatohu

The Board of Directors is responsible for the corporate governance of Port Marlborough. Corporate governance encompasses the direction and control of the business and accountability to the Shareholder, MDC Holdings Limited, for company performance, and compliance with laws and

standards. Further information on the operations and roles of the board is on Page 66.

The Board's Health and Safety committee discharges the Board's responsibilities for Health and Safety. The board also provides support to our people in their roles, and when considering capital development and

business opportunities, ensures that sustainability principles are adhered to.

A focus for the year has been on finalising capital development plans, and securing contractual arrangements with KiwiRail, keeping Port Marlborough on track to deliver sustainable success for Marlborough.



L-R: Colin Crampton, Jennifer Moxon (Chair, Health and Safety Committee), Warren McNabb (Chair, Audit and Risk Committee), Heather Roy, Martin Fletcher, Keith Taylor (Board Chair), Richard Olliver.

Senior Leadership Team Tīma Kaihautū



L-R:

Gavin Beattie
Manager Infrastructure | *Pou Tūāhanga*

Gavin leads the engineering and workshop teams to proactively develop and maintain port and marina infrastructure.

Infrastructure planning goals include long term resilience, innovation to continually improve operational environmental performance, and designing safety and sustainability outcomes into all projects.

Rose Prendeville
Capabilities Manager | *Pou Āheinga*

Rose's team is about making sure Port Marlborough has the right cross-organisational capabilities to achieve its strategic goals now and in the future. This includes forward planning for people, consents and sustainability capabilities.

Anouk Euzeby
Commercial Manager | *Pou Hononga Tauhokohoko*

Anouk oversees the commercial teams. Meeting customer needs in a win-win way is a priority for

Anouk's team, as they focus on commercial relationships as well as the development of new business opportunities around the port. Additionally, the marinas team ensure recreational boating customers enjoy the Marlborough Sounds as a premium boating destination from our world-class marinas.

Rhys Welbourn
Chief Executive Officer | *Tumu Whakahaere*

Rhys leads the Senior Leadership team in the achievement of the company's strategic goals and vision; balancing strategic planning in terms of outcomes on people, planet and prosperity. Rhys supports and enables our people, our customers and our community in their efforts.

Anthony Burgess
Health & Safety Manager | *Pou Hauora me te Haumarū*

Anthony leads the commitment to providing a health and safe working environment for all employees, customers, contractors and visitors to our workplace. In everything we do, we prioritise the Port Marlborough

core value of Hauora – we work together to sustain what keeps us healthy.

Dean Craighead
Chief Financial Officer | *Āpiha Tahua Matua*

Dean's team delivers the company's financial business services, optimising profitability and development opportunities, and making sure the port can continue investment in assets and people to support future growth. Dean supports the move towards integrated reporting across community, environmental and financial outcomes.

Ryan Lock
Port Manager | *Pou Whakahaere*

Ryan's team delivers professional pilotage, towage and land-based services so our port customers can go about their business safely. The Port teams manage maritime safety and security, border and biosecurity in close cooperation with regulators. Ryan is also engaged in making sure the port is prepared to meet the continually growing and changing needs of customers.



Our Strategy

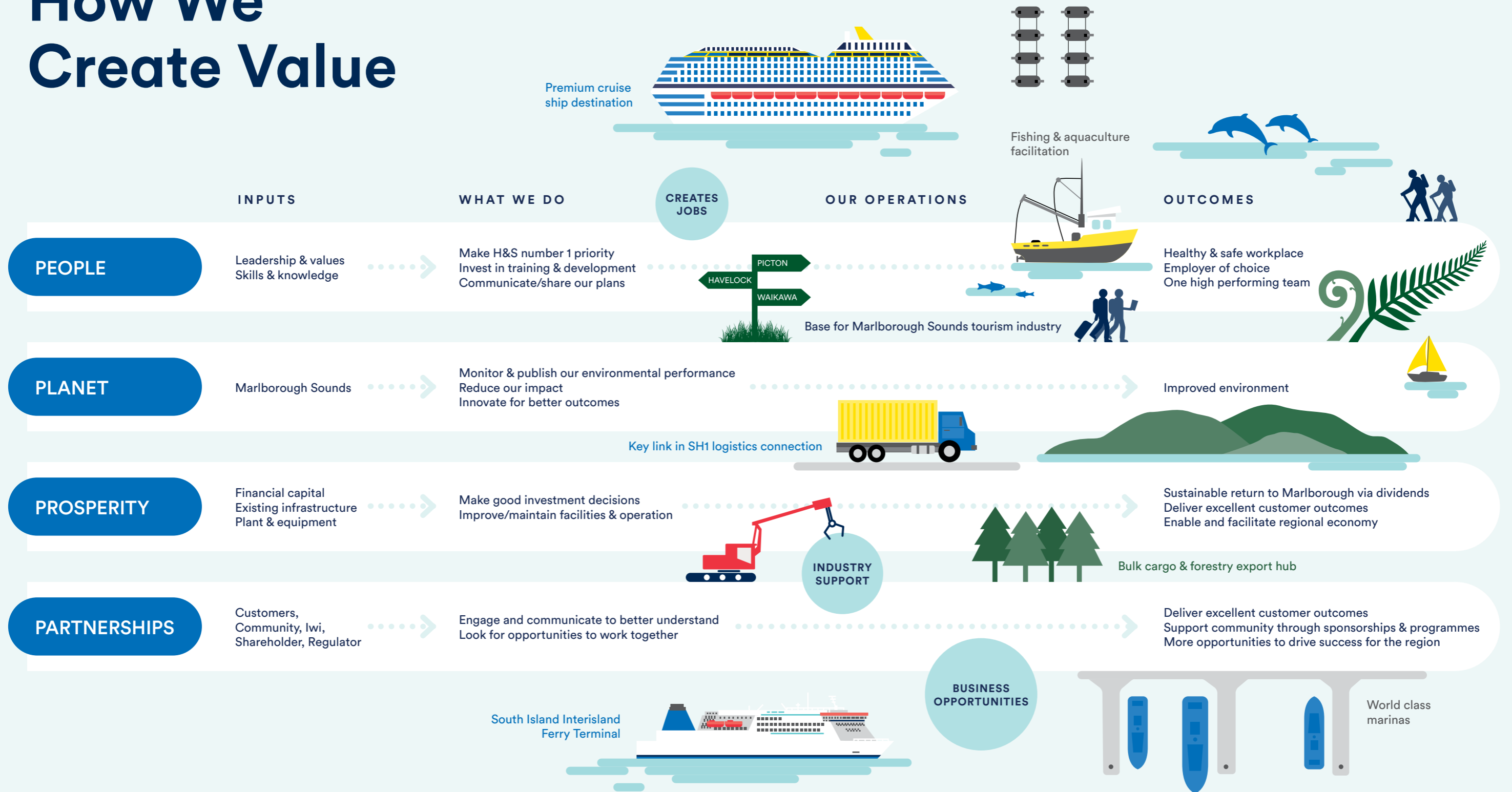
We have worked hard over recent years to redefine our strategy.

At every level of our operations, we asked the questions... What drives us? What impact does our work have on our communities? How should we measure our success?

In these first steps of our sustainability journey, we began the process of evolving from a more traditional infrastructure-focused port business, into a designed and sustainable operation, with a clear purpose. Our financial performance is no longer our sole focus. Instead, we determine our goals and measure our impact, by looking at how our work affects health, safety and wellness outcomes (People), environmental outcomes (Planet), economic and customer outcomes (Prosperity), and social and cultural outcomes (Partnerships).

Ongoing engagement with our customers, operational and corporate teams as well as our community stakeholders provides us with feedback identifying the issues most material to them, and this ongoing materiality engagement informs our strategy right down to the operational level, to ensure we are delivering on our values and continuing to deliver success for Marlborough.

How We Create Value



Our Vision

Port Marlborough's vision is to lead the way as an environmentally restorative port, driving success for Marlborough.

Our Mission

We connect and protect over land and sea, so that our communities, environment and economies thrive.

Our Values

HAUORA
VALUE WELL-BEING

We work together to sustain what keeps us healthy: physically, mentally, socially and culturally.

KAITIAKITANGA
PROTECT THE FUTURE

We consider the environmental, economic, community and cultural impacts of our decisions everywhere we operate.

MAHI TAHI
WORK TOGETHER

We operate as one team, at the heart of our community. We share ideas, understand, collaborate and celebrate.

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.

Sustainability Scorecard

This is the third iteration of our Sustainability Scorecard, with the base year being 2020. For our relatively small Port, the direct consequences of fluctuating operational volumes across the various trades are highlighted in these 2022 results.

Over the medium to longer term, the ongoing identification of material issues and the improved measurement of data will enable more accurate forecasting and target setting – particularly as we move back to more predictable operational activity. Headline goals remain aligned to United Nations Sustainability Development Goals [UN SDGS], and our reporting on specific targets continues to transition to alignment with Global Reporting Initiative [GRI] standards.

Looking forward, our short-term targets for the 2023 year will be the production of a Carbon Zero Plan, and formal stakeholder materiality engagement to further identify and prioritise our sustainability work. Notes to the Sustainability Scorecard are on page 34.

*Scope 1: Emissions owned or controlled by PMNZ; reductions contributed by forestry ownership.
 *Scope 2: Emissions from generation of electricity purchased by PMNZ.

Greenhouse Gas Emissions [GHG]	Waste Management	Water Withdrawal	Economic Value	Energy Efficiency	Employment & Workforce	Occupational Health & Safety
<p>UN SDG 3 UN SDG 12 UN SDG 13 UN SDG 14</p>	<p>UN SDG 3 UN SDG 12</p>	<p>UN SDG 6</p>	<p>UN SDG 8 UN SDG 9</p>	<p>UN SDG 8 UN SDG 13</p>	<p>UN SDG 8</p>	<p>UN SDG 8</p>
<p>Baseline Disclosure 2022 Full Year [Metric tonnes of CO² equivalent]</p> <p>GHG emissions - scope 1* 2021: 250 2022: 441</p> <p>GHG reductions - scope 1* 2021: -1,509 2022: -1,509</p> <p>GHG emissions - scope 2** 2021: 264 2022: 264</p>	<p>Baseline Disclosure 2022 Full Year [Tonnes]</p> <p>Total weight of hazardous waste 2021: 6 2022: 12</p> <p>Total weight of non-hazardous waste to landfill 2021: 640 2022: 813</p> <p>Total weight of recycling 2021: 94 2022: 123</p> <p>Recycling as % of total non-hazardous waste to landfill 2021: 14.7% 2022: 15.1%</p>	<p>Baseline Disclosure 2022 Full Year [Megalitres]</p> <p>Water withdrawals - PMNZ 2021: 37 2022: 24</p> <p>Water withdrawals - industrial customers 2021: 45 2022: 43</p> <p>Water withdrawals - non-chargeable 2021: 32 2022: 26</p>	<p>Baseline Disclosure 2021 Full Year [Million NZ\$]</p> <p>Economic value distributed 2021: 25,233 2022: 27,020</p> <p>Economic value retained 2021: 6,186 2022: 7,290</p>	<p>Baseline Disclosure 2021 Full Year [Gigajoules]</p> <p>Total non-renewable fuel consumption 2021: 5,392 2022: 7,557</p> <p>Total renewable fuel consumption 2021: 7,869 2022: 7,905</p>	<p>Baseline Disclosure 2021 Full Year [%]</p> <p>Male 2021: 70 2022: 72</p> <p>Female 2021: 30 2022: 28</p> <p>Under 29 years 2021: 6 2022: 6</p> <p>30-49 years 2021: 27 2022: 32</p> <p>50-64 years 2021: 56 2022: 50</p> <p>Over 65 years 2021: 11 2022: 12</p>	<p>Baseline Disclosure 2021 Full Year [Number]</p> <p>Near hits or near misses reported 2021: 18 2022: 11</p> <p>LTI (Lost Time Injuries) per 100,000 work hours 2021: 1.6 2022: 0.8</p> <p>MTI (Medical Treatment Injuries) per 100,000 work hours 2021: 0.8 2022: 0</p>
<p>2022 Progress Scope 1 emissions up with operational activity, but 6% below base year 2020</p> <p>2023 Targets T1] Scope 1 emissions do not exceed base year (2020) T2] Scope 1 + 2 emissions reduce 2% year on year</p>	<p>2022 Progress Recycling as % of non-hazardous waste up 8.2% on base year - target (8%) achieved</p> <p>Operational performance recovery meant waste to landfill reduction not achieved</p> <p>2023 Targets T3] Non-hazardous waste to landfill is reduced 4% year on year T4] Recycling as % of non-hazardous waste to landfill increase 2% year on year</p>	<p>2022 Progress Total water withdrawal decreased 18% (target 0%) Non-chargeable water withdrawal decreased 19% [target 10%]</p> <p>2023 Targets T5] Total water withdrawal 110 megalitres T6] Nil increase in non-chargeable water consumption</p>	<p>2022 Progress SCI prosperity targets achieved</p> <p>2023 Target T7] Achieve 2023 SCI prosperity targets</p>	<p>2022 Progress Non renewable fuel use increase directly correlated to shipping demand; down 5.2% on base year - target of -20% by 2025 is challenging</p> <p>2023 Target T8] Total non-renewable fuel consumption is reduced 20% on base year by 30 June 2025</p>	<p>2022 Progress Living Wage accreditation achieved Personalised retirement plans implemented for several staff; progressive implementation of flexible work arrangements</p> <p>2023 Targets T9] Develop two new cadet / apprentice opportunities and recruit by 30 June 2023 T10] Internal talent development and key role succession plans in place by 30 June 2023</p>	<p>2022 Progress LTI ≤ 0.8 - target achieved Bowtie risk assessment of critical risk is ongoing - target partially achieved</p> <p>2023 Targets T10] Preventative action to incident ration 5:1 T11] PMNZ Fatigue Risk Management System is aligned to industry framework</p>

People

Ngā tāngata katoa

We look after the hauora of people in our workplace
We have the right skills to deliver now and into the future
We are one high performing team

HAUORA VALUE WELL-BEING



Health and Safety

We have continued to invest in our people capability in Health and Safety, with an increased focus on worker engagement and representation. Our cross-organisational H&S Representative Team has been busy with HSR NZQA training and increased visible safety leadership across our operations, with behavioural and systems observations feeding back to the team for discussion and improvements.

Our systems continue to mature, with our first Critical Risk Review programme well underway. The bow-tie assessments undertaken for each Critical Risk receive input from all teams and are used to develop standards and life-saver rules, to be rolled out in the following year. The development of new Safe Systems of Work methods this year have been welcomed by workers, to standardise procedures and to reduce and remove risk in operational tasks.

COVID-19 continued to present challenges throughout the year, and to ensure business continuity and the Hauora of our teams and our wider port whānau, we established a COVID-19 PCR Surveillance testing laboratory in January 2022 and employed a dedicated testing technician. All staff are tested three times per week, and the lab's ability to diagnose a positive case before the case is infectious means we can keep workplace transmission to a minimum.

MAHI TAHI WORK TOGETHER



One high-performing team

In late 2021, two key pieces of policy were brought to life, our Just and Fair Culture Policy and Code of Conduct. These laid the foundations for formalising and embedding fair processes and a positive culture of collaboration across the company.

Continuing the spotlight on workplace culture, all teams joined our 'Mahi Taahi – Working Together Better' workshops with organisational culture specialists the Ripples Project throughout 2022. The programme was tailored to Port Marlborough and designed to help build a respectful workplace where our team is safe and well at work, creative and productive.

Rail and Maritime Union

The RMTU represents around half of our staff, most through a Collective Employment Agreement which was renegotiated towards the end of the 2020 year. We acknowledge the RMTU team as a constructive and fair partner, and thank them for their ongoing contribution and support of our people.

We have the right skills to deliver now and into the future

Staff recruitment and retention remain a primary focus. Increasing work flexibility, and providing opportunities for career development, along with competitive remuneration, have supported employee retention throughout 2022. Port Marlborough achieved Living Wage accreditation in 2022 and is committed to maintaining this over the coming years.





Matt Preece & Terry Beech

Originally having joined Port Marlborough’s engineering team as a technician and draughtsman in 2010, Matthew Preece completed his studies while working full time in the Port’s engineering team and holds an NZCE (Civil) as well as further certificates in Contract Management.

This year Matt was promoted to Workshop Manager, and now leads the port’s mechanical, grounds and carpentry tradesmen at our Lagoon Road workshops. Matt moves into the role held by Terry Beech for the past 25 years – which Matt acknowledges is a substantial role to fill as Terry heads into his well-earned retirement.

“Terry will leave some big boots to fill, but I’m ready for the challenge, and I’m supported by a great team here at the workshop and around the port.

It’s really rewarding to get out and about interacting with so many good people – not just our teams, but our port customers as well.”

On his free days, Matt enjoys time in the Sounds with his wife and four children. Matt is kept busy not only with full-time work, but also helping young people in Marlborough through his volunteer work as a Career Navigator mentor with the Graham Dingle Foundation, and he has been a volunteer fireman for the Blenheim brigade for 10 years!

“The Port’s values align with my own, and the company’s commitment to providing a Just and Fair culture really resonates with me. I’m looking forward to leading the workshop team into our new development phase with so many important projects on the horizon.”

- MATT PREECE, WORKSHOP MANAGER

Jimmy Giles & Nathan Jamieson

Jimmy Giles joined Port Marlborough in 2004 through the Gateway Programme at Queen Charlotte College, initially working one day a week and moving into a workshop apprenticeship soon after. Upon completion of his apprenticeship in 2008, Jimmy was appointed to the role of Tradesman Mechanical Engineer, and has been an integral part of the workshop team since, being promoted to Workshop 2IC / Foreman Mechanical earlier this year.

Jimmy says “If you’re a hard worker, that work is rewarded and there are progression paths through the company, no matter where you start!”

Jimmy lives in Waitohi Picton with his wife Dailee and four children and is an active member of the

community, serving on the board of trustees for Waikawa Bay School and as President of Waitohi Rugby Club. Jimmy now oversees the Port’s newest mechanical apprentice Nathan Jamieson (pictured) and chairs the Port Social Club.

“We’ve got a solid team here, and we get to be out next to the water and getting things done, we’re pretty lucky!”

I think Port Marlborough is an awesome place to work. I love Picton and I love that Port Marlborough is as passionate as a company about our community as I am.”

- JIMMY GILES,
MECHANICAL FOREMAN / WORKSHOP 2IC



Planet

Te Ao Tūroa

We demonstrate continuous improvement in our environmental performance.

We are kaitiaki of the areas in which we operate.

We innovate to produce better outcomes

Notes to the Sustainability Scorecard

External influencing factors show through in our Sustainability Scorecard this year, particularly in environmental metrics. The absence of the Cruise industry translated to fewer marine (Tug / Pilotage) assists, however, with record log throughput and weather events, our marine fleet have had increased movements on last year, impacting Port Marlborough’s scope 1 greenhouse gas emissions. Energy consumption metrics show an increase on the previous year due to the increase of shipping activity and trade.

Looking forward, we remain committed to evolving our environmental management practices, and our short-term targets for the 2023 year will be the production of a Carbon Zero Plan, and formal stakeholder materiality engagement to further identify and prioritise our sustainability work.



WATER

Water withdrawal targets for the year were well and truly met with total withdrawal reduced 18% against a zero-increase target, and non-chargeable water use down 19% against a targeted reduction of 10%.

Improvements to water reticulation infrastructure on Lagoon Road early in the year captured significant leaks, while the benefits of extensive leak repairs and improved usage monitoring at Havelock in Q4 FY21 accrued throughout 2022.

Targets for the 2023 year recognise the return of cruise activity, which places a demand on water used within the Port for clean down of Waimahara Wharf after log export, in preparation for the arrival of cruise vessels. Investigation of ways to minimise water use for this activity, and identification of alternative sources (such as salt water, and recycled water) are a priority.

WASTE

Recovery of overall operational volumes increased total waste to the extent that our reduction target was not met. This was compounded by the unexpected third-party waste in excess of 50T being deposited at Elaine Bay over a short period of time. Expansion of recycling facilities within the marinas achieved a 31% increase in recycled tonnage, and overall recycling at 8.2% of non-hazardous waste to landfill met our year-on-year target of 8%.

Management of waste from the log yard remains front of mind, with paving improvements and future installation of a debarker incrementally improving substrate improving the manageability of waste streams.

Internal waste reporting is being further developed to account for waste from capital projects.

GREENHOUSE GAS EMISSIONS

Noting that shipping operational activity was significantly impacted during the prior year (2021) by closed borders and the absence of cruise, total GHG emissions were 19% up year on year, but 6% lower than our Base Year of 2020. Scope 1 emissions increased significantly as a direct result of increased harbour tug utilisation. Revised harbour safety protocols now set strict wind limits for berthing of Cook Strait ferries at Waitohi Picton and beyond these limits, ferries must use tug assistance to berth.

Our primary target is to keep total scope 1+2 GHG emissions to no higher than the 2020 Base Year, and our aspiration is to reduce 2% year on year. The direct impact of tug activity on emissions performance and the increased operational demand through cruise will make the latter target a stretch this year. In the medium term, investment is planned for a more efficient modern tug fleet. Meanwhile, we are working to develop internal targets for the reduction of emissions per unit of operational activity to provide more meaningful performance metrics to incentivise operational decision-making and behaviours.

ENERGY

Overall energy use increased in proportion to operational activity. Renewable energy (electricity) increased use reflects greater overall staffing and provision of facilities and IT equipment.

Non-renewable fuel use increased for the marine fleet in particular, and will be further impacted by the return of cruise. Our target remains a 20% reduction on base year 2020 by end 2025 – this target will be challenging in light of increasing shipping activity, though planned transition to a more efficient marine fleet will certainly assist.



SHAKESPEARE BAY

Planting for the future



Port Marlborough holds a significant tract of land in Shakespeare Bay, which buffers the Port from neighbouring landowners and activities, thus minimising the impact of sensitivities such as noise and light from our 24/7 operations.

The farmland and adjacent flatter areas below Queen Charlotte Drive were rezoned through the Marlborough Environment Plan process. This new Port Zone is flanked by a 1.5ha wetland to the south and a 16.9ha lowland

podocarp forest remnant to the north, both placed under Covenant in 1990 through planning processes for the development of the Shakespeare Bay reclamation and wharf. Half of the plantation forest (primarily Pinus Radiata) planted in 1990 is ready for harvest, with the remainder around 10 years behind in maturity after an arson attack on the forest required replanting of the remainder in 2003.

We are taking the opportunity of the impending harvest to develop a comprehensive harvest, replanting and ongoing land management plan for the overall land area.

To progress planning and options analysis, we are partnering with and have sponsored a fourth-year

Canterbury University School of Forestry honours student, Hannah Munro, who initially joined PMNZ as a Health and Safety intern for the summer. Hannah will base her Honours dissertation on this project, working with our contracted forest managers and others to explore alternative commercial species and approaches for replanting, harvesting techniques that protect environmental and wider outcomes, and a long-term plant and animal pest management plan for the area.

This is an excellent opportunity to demonstrate our strategy in action with a long-term, restorative value-delivery project, supporting educational development in partnership with the forestry sector.

ENVIRONMENTAL INNOVATION

Shakespeare Bay Paving



The “Golden Bay Silos” were an iconic feature in the port landscape on Lagoon Road, and served the port well for a number of years. With Golden Bay Cement ceasing operations in Picton, the port had the challenge of removing the silos to create additional space for cargo handling activities.

The demolition of the silos required specialist teams on-site. The residual cement was relocated to the Shakespeare Bay Log Yard, where port Engineers

worked with pavement designers and Fulton Hogan to utilise the cement in the stabilisation of the gravel pavement prior to further surface upgrading works in the port area at Shakespeare Bay.

The steel from the Silos was also recycled. The concrete foundations and surrounds are being stored, for now, to be crushed into aggregate that will be reused as hard fill at a later time. This exercise of demolition and recovering materials took extensive and careful planning by

our infrastructure, workshops and engineering teams. The practice of recycling materials wherever we can, ultimately helps to work towards our sustainability target of reducing our waste to landfill, and reinforces our commitment to sustainable engineering practices in the port.

Our engineering teams calculated that the recycling of this material has saved 520TCO₂e as part of PMNZ GHG emissions.



Protecting our bird life as part of the iReX Project

We take the responsibility for protecting our unique marine environment very seriously, especially when we are making physical changes around the port area. The iReX project team have embedded environmental protections and controls right from the outset, particularly for our local avian population.

Identification and monitoring work followed, with our engagement of The Kaikōura Ocean Research Institute to undertake a baseline survey of the coastlines from Waikawa Bay right around the Victoria Domain, through the port and marinas to Shakespeare Bay. This was followed by a 12-month monitoring programme with specialised ecologists Wildlife

Management International (WMIL) undertaking regular monthly surveys to monitor the populations and movements of the three key avian species identified. Monitoring and surveying has informed the project’s Avian Management Plan, which will be put into action as the project is delivered in 2023.

“Thanks to the fantastic surveys carried out, we have been able to identify many new kororā nesting sites that we can now monitor. This has been incredibly valuable as without the support of the Port we would not have been able to do these surveys.

Following these surveys, as we been able identify where the kororā are choosing to nest, we can best support them by placing new nesting boxes around their preferred sites and relocating existing unused burrows to better locations that will provide nesting habitat long term.

It has also allowed us to work with the NZ Penguin Initiative and we are looking at ways to develop long term nesting success monitoring based on the findings from these reports.”

- HAZEL ROSS, BIODIVERSITY MANAGER, KAIPUPU WILDLIFE SANCTUARY



Prosperity

Tōnuitanga

We deliver and create long-term value through integrated investments

We deliver excellent customer experience and outcomes

We enable and facilitate regional growth





Statement of Corporate Intent Performance Targets

The targets for financial and operational performance, as detailed in the 2021/2022 Statement of Corporate Intent, are compared with actual results achieved for the period 1 July 2021 to 30 June 2022.

PEOPLE	Target	Result
Preventative Action to Incident Ratio	10:1	2:1
Corrective Action Close out on Time	N/A ¹	N/A
LTI ² per 100,000 work hours	< 1	0.8
Annual Health Checks and Health Insurance available for all permanent staff	80%	100%
Living Wage Accreditation	Achieved	Achieved
PROSPERITY	Target	Result
Net Operating Profit after Tax [NOPAT] excludes non-cash revaluations	\$8.09m	\$8.03m
Earnings Before Interest, Tax, Amortisation [EBITDA] excludes non-cash revaluations	\$15.60m	\$16.25m
Return on shareholder's funds excludes non-cash revaluations	5.2%	4.7%
Equity Ratio	66.1%	71.8%

PLANET	Target	Result
Total Freshwater withdrawal (Megalitres)	≤114	93
General Waste to Landfill (Tonnes)	608T	813
Recycling (Tonnes)	103.4	123
Recycling as % of general waste to landfill	8%	15%
Greenhouse Gas Net Emissions ³ (Tonnes of CO2 equivalent)	-800	-804
PARTNERSHIPS	Target	Result
Invest 1% of EBIT (three-year rolling average) in community sponsorships and programmes	\$110k	\$143k

¹ N/A – New KPI not measured in current year

² LTI – Lost Time injury

³ Greenhouse Gas Emissions = Scopes 1 + 2 emissions

Investing for the future

Prosperity

The year has seen Port Marlborough move into an increased capital development phase. Future forecasts project the investment of a quarter of a billion dollars in new infrastructure, a significant portion of which is for the Waitohi Picton Ferry Precinct Redevelopment see project page 56.

The \$30 million Waikawa North West Marina development has seen ongoing work throughout 2021/22 despite global supply chain challenges, and will come to completion in 2023, see project page 58.

Increased value in Group total assets reflects Port Marlborough's continued investment in productive assets, and the Port is in a good position as we move into delivery of our largest-ever capital development programme.

We were pleased to report a final dividend of \$1.8 million, bringing the total distribution for 2022 to \$3.7 million, with the amount distributed to our Shareholder being \$84.7 million since Port Marlborough's establishment in 1988. With this, we continue to demonstrate our value to the region and our ability to drive success for Marlborough.

How we did this year

GROUP RESULTS	2022	2021
Surplus before non-cash revaluations, tax and subvention payments	\$11.352m	\$10.834m
Valuation adjustments non-cash		
- Property	(\$1.855m)	\$8.755m
- Financial Derivatives	\$1,855m	\$1.096m
Surplus before tax and subvention payment	\$11.352m	\$20.865m
Provision for tax and subvention payment	(\$3.156m)	(\$4.735m)
Profit after income tax	\$8.196m	\$15.950m
After-tax return on average shareholder's funds Excludes non-cash revaluations	4.7%	4.5%
Net asset backing per share	\$13.16	\$12.00
Dividend – interim and proposed final	\$3.682m	\$3.424m



We deliver excellent customer experience and outcomes

When Interislander’s ferry Kaiarahi suffered an unexpected gearbox issue earlier in the year, it needed a place to lay up for repairs. We immediately made plans to see how we could help, and with the absence of cruise vessels and some careful planning by our port and marine teams, we were able to make Waitohi west available.

It eventuated that Kaiarahi needed a longer period of layup, so we worked hard to find workable solutions for all customers. This involved working with fishing companies, setting up new protocols and undertaking multiple risk assessments, our workshop team renovating part of “Number 2 Long Arm” to accommodate the Hoki fleet, bespoke standby rostering of marine team to suit, stakeholder engagements, and making Marina berths available where necessary for fishing vessels.

Over this time, it was a real example of Mahi Tahī as our departments engaged and worked closely together to ensure the berthing and unloading of vessels could happen. H&S outcomes were preserved and the achievement allowed business to continue for all port customers.

“Port Marlborough were great to work with to develop a plan enabling Kaiarahi to be berthed at Waitohi wharf while it was being repaired after a sudden and unexpected gearbox failure. COVID and the time it takes to manufacture specialist parts overseas meant that Kaiarahi needed a safe lay-up berth for an extended period. The Kaiarahi repairs were successful and it was great Port Marlborough was able to assist. Working with us and their other customers to make Waitohi west berth available to Interislander took some real team work, creativity and agile thinking.”

- WALTER RUSHBROOK, EXECUTIVE GENERAL MANAGER INTERISLANDER.

We enable and facilitate regional growth

Our facilities and services support a wide range of operations that are fundamental to Marlborough's economy.

PORT TRADE

Forestry weathered the challenges of fluctuations in freight rates with log exports exceeding expectations at 800,000 JAS compared to 769,800 JAS last year.

Our marine services team has supported this increased activity and has worked with both ferry companies to provide assistance to berthing operations, adding resilience to their operations.

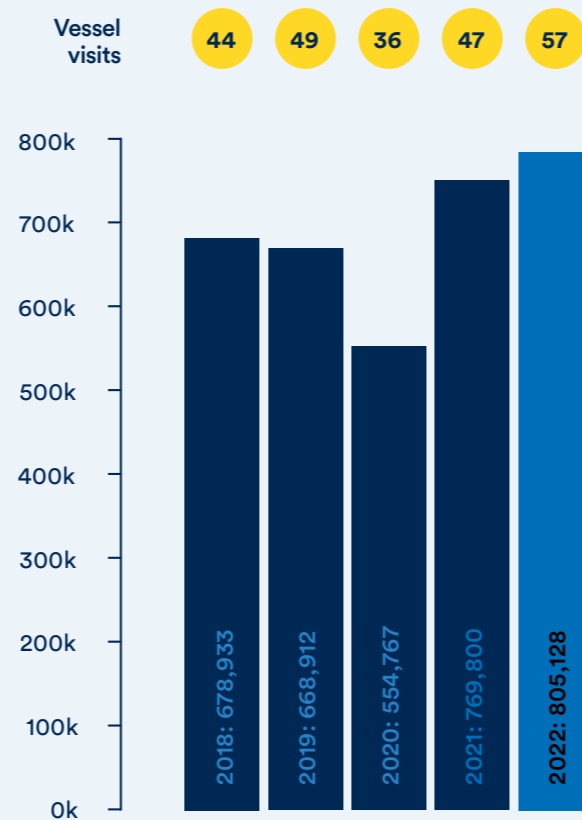
In addition, we continue to experience strong demand at the marinas with occupancy being close to 100% across all products.

The international border restrictions meant we had another year of zero cruise. However, our marinas supported the increase in domestic business, showing the benefits of holding our diverse portfolio.

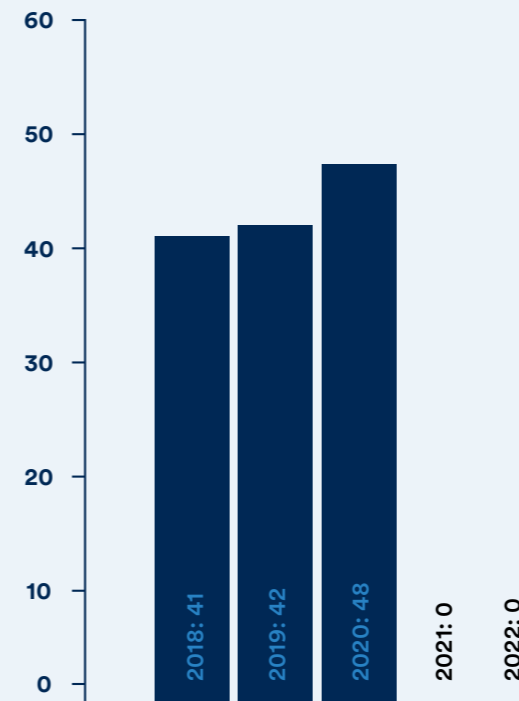
OVERALL

Pleasingly, this increase in trading has been translated into an increased operating surplus of \$11.352m, 5% higher than last year's total of \$10.834m.

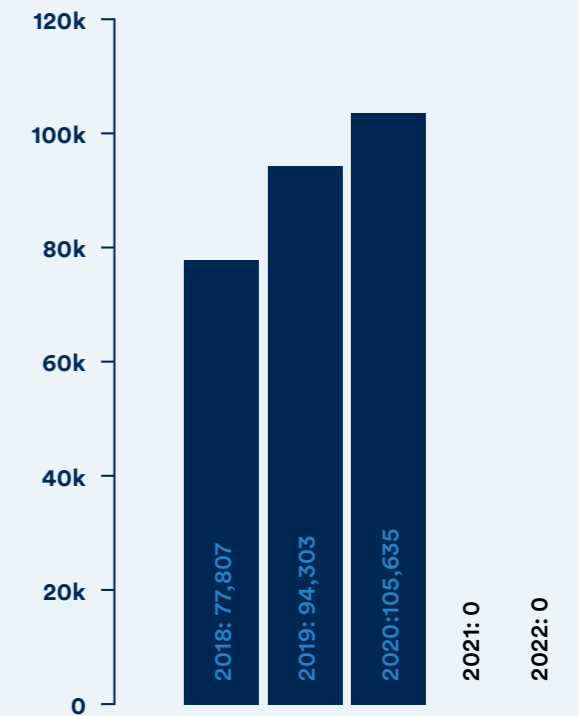
Shakespeare Bay log exports [JAS]



Cruise ship visits to berth



Cruise ship passengers



Partnerships

Taukaea [Tāngata]



We are a trusted community partner
We are a trusted iwi partner
We have strong commercial and regulatory relationships

Our Community

Community Engagement

Senior leaders have had the opportunity through the year to present to local community stakeholder groups including the Picton Regional Forum, Pelorus Promotions, Picton Business Group, Ratepayers' Associations and the Smart and Connected groups in Havelock and Picton.

We work closely with our industry peers in groups such as the Cruise Think Tank (Marlborough), The NZ Cruise Industry Association, Log Industry Forums, Marine Farming Association, Marina Operators Association, and through numerous Port Industry Forums.

The iReX project brought further opportunities for public engagement as we engaged with the community at presentations and open days alongside project partners.

Feedback from these meetings and forums informs our materiality identification processes for strategy setting and work plan priorities.

Community Partnerships

Community partnerships keep us connected with our communities and stakeholders and ensure that as we drive success for Marlborough, this success is shared throughout our communities.

Our sponsorship programme has been reviewed to more fully align with our purpose and values, and we have developed a specific target to invest 1% of EBIT (three-year rolling average) in community sponsorships and programmes. The initiatives supported by Port Marlborough provide consistent community and sustainability benefits for our region. The significant increase for 2022 in educational sponsorships was for the support of the Queen Charlotte College Whare Ako. When opened in 2023, the Whare Ako will provide a modern learning environment for the college's Māori and Te Reo studies and Kapa Haka group.

Sponsorships



Sponsorships : FY22

- > Port Marlborough Pavilion at Endeavour Park
- > Picton Resource Centre
- > Waikawa Marae Matariki Festival
- > Picton Maritime Festival
- > Picton Christmas Parade
- > Havelock Mussel Festival
- > Marlborough Nelson Marine Radio
- > Havelock Mens' Shed
- > Picton Food Bank
- > Coastguard Marlborough
- > Marlborough Sounds Community Vehicle Trust

Education

- > Marlborough Girls' College Academic prizes
- > Marlborough Boys' College Academic prizes
- > Queen Charlotte College Academic prizes
- > Port Marlborough Sounds Discovery Fund
- > Queen Charlotte College Aquaculture Programme
- > Queen Charlotte College Whare Ako
- > Scitec Marlborough Schools' Science Fair

Sport

- > Marlborough Colleges' Sailing Club
- > Waikawa Boating Club Spring Twilight Racing
- > Marina 2 Marina
- > Queen Charlotte Yacht Club
- > Waikawa Boating Club Support Vessel

Environment

- > Picton Environment Centre
- > Kaipupu Sanctuary
- > Picton Dawn Chorus
- > Envirohub Marlborough
- > Cawthron Marlborough Environment Awards
- > Marine Farming Association Environment Award
- > Seaweek Kaupapa Moana



Picton Environment Centre

One of our significant community sponsorships is the provision of premises for the environmental groups Picton Dawn Chorus, Kaipupu Wildlife Sanctuary and Envirohub Marlborough. These three Marlborough charities share the building with Port Marlborough at 14 Auckland Street, Picton, and do great work under the banner of the Picton Environment Centre, working together to achieve amazing conservation and sustainability outcomes throughout the

Marlborough Sounds and wider region. In 2021, PMNZ committed to sponsorship of the Picton Envirohub's "Zero Waste" trailer, providing top-level sponsorship to enable the team to get the project from concept to planning stage. Envirohub's zero waste outcomes and environmental goals are in great alignment with those of Port Marlborough's "Responsible Consumption" strategy, to reduce overall waste to landfill.



Huri whenua for Waitohi Picton ferry precinct redevelopment

Mana whenua Engagement & Partnership

Port Marlborough is committed to respecting the principles of the Treaty of Waitangi. We acknowledge our connections with the Iwi of Te Tau Ihu o Te Waka-a-Māui and strive to grow our understanding of Te Ao Māori. Our relationship with mana whenua Te Ātiawa o Te Waka-a-Māui is especially important. This year we worked with Waikawa Marae on a new programme called ‘Ko Wai Mātou?’ designed by Te Ātiawa o Te Waka-a-Māui and Waikawa Marae specifically for Port Marlborough teams to gain a

deeper understanding of, and appreciation of the historical connection to some of the areas in which we operate.

Through the year we also partnered with Te Ātiawa in co-chairing the design forum for the iReX project, and have extended our Deed of Agreement which sets some agreed project work around our operations for mutual benefit to mana whenua and the port.

On the 2nd July Te Hurihanga o te Whenua was held in Waitohi Picton at the iReX project site. This tikanga was led by Te Ātiawa o te Waka-a-Māui, as mana whenua, and marks the beginning of the works and construction. The Hurihanga o te Whenua is Te Ātiawa custom and offers protection to the mana atua (spiritual), whenua (land), mana tangata (people) of the project.

We look forward to developing our relationship and identifying further opportunities to work together in the coming year.

Working with our regulatory agencies

Port Marlborough’s Marine and Port Operations teams work closely with various regulatory agencies to ensure all port operations are safe and compliant. The Health and Safety team and Board committee also regularly monitor and review Health and Safety statutory and regulatory compliance.

MARITIME NZ

The annual multi-agency security exercise for Port Marlborough was undertaken in March, together with the NZ Police force, US Coastguard and observers from the Cook Islands Port, Harbours and Coastguard. Valuable knowledge and information was gained by all involved in the training exercise.

The Company’s scheduled Maritime Transport Operator Plan for Port Marlborough in August delivered an audit score in the low-risk category and we have appreciated their ongoing support with keeping information flowing throughout the updates to the COVID Maritime Border Order.

WORKSAFE

We continue to work constructively with WorkSafe and MNZ alongside Union partners on important health and safety issues which affect the port industry.

In 2022 we worked closely with and provided input to the Port Health and Safety Leadership Group. Formed following the tragic fatalities at Port Lyttleton and Ports of Auckland in 2022, the group is led by Maritime NZ, and is a tripartite collaboration between industry, unions and regulators. The objective of the group is to develop advice

on actions for the Minister of Transport to reduce harm across the port sector. New regulatory standards as an outcome of this collaborative work are expected in 2023. We have also reaffirmed directly to the Minister our commitment to providing a healthy and safe environment for all people in our workplace.

MPI

Port Marlborough is classed as a Port of First Arrival for seacraft in New Zealand. We work with MPI and the Top of the South Marine Biosecurity Partnership in managing biosecurity risk around our port and marina infrastructure and incoming vessels.

HARBOURMASTER

Port Marlborough’s marina and marine teams work regularly with the Harbourmaster around navigational safety and in the environmental protection of the Picton harbour and wider Marlborough Sounds. It is the responsibility of the Council as the Harbour Authority to maintain a safe and navigable waterway free of oil pollution. Port Marlborough supports these activities by operating Picton Harbour Radio (VHF), and with representation on the Harbourmaster’s Oil Spill Response Team.





Port Marlborough Sounds Discovery Fund



From its foundation in 2018, The Port Marlborough Sounds Discovery Fund has supported thousands of Marlborough School Children to get out and experience the natural environment of the Sounds.

We continue to develop the fund, with the aim of supporting Marlborough schools to get their classes out to experience the many learning opportunities the Sounds has to offer from kaitiakitanga and biodiversity through to harnessing the power of wind in sailing. In 2022 the fund supported over 1000 students through our local schools to participate in Kaipupu Sanctuary's "Turf to Surf" programme and sailing classes at the Queen Charlotte Yacht Club.



Coastguard Marlborough

We increased our support for Coastguard Marlborough with the provision of another central berth at Picton Marina, giving the organisation a solid and central base that is conveniently close to their operations centre and with direct on-water access to the Picton harbour and Marlborough Sounds.

Coastguard Marlborough operate as the marine ambulance, the fire boat, Police boat, rescue boat, tow boat and provide on water education and assistance to those in the sounds and beyond. They are an important 24/7 operation staffed entirely by an enthusiastic, well trained team of volunteers, which is integral to the Marlborough boating community and maritime industry. Port Marlborough was honoured in 2022 to receive naming rights to the new Coastguard Marlborough patrol vessel.

“Coastguard Marlborough is the busiest unit south of Auckland. We do between 50-70 callouts a year. Our area of operation is from the east side of D’Urville Island to the Clarence River including all of the sounds. We run New Zealand’s only marine ambulance service in conjunction with St John doing medivacs in the sounds. This has traditionally been the bulk of our work and as such we built the specialist marine ambulance Bluebridge Rescue. Recent years have seen a significant increase in vessel assists and tows. These jobs, particularly the long tows see us unable to respond to medivacs for many hours. The need for us to be in two places at once has increased significantly in recent years.

Port Marlborough Rescue is a significant addition to our fleet and provides us with a second vessel that can respond to most of our towing and breakdown callouts leaving the marine ambulance free for urgent medical calls. It is also our primary training vessel and can be deployed in conjunction with Bluebridge Rescue on large scale events.

Coastguard Marlborough have a long standing relationship with Te Ātiawa and as such, it was important to us they were involved in the launching and naming of our new vessel. Our Te Reo name which complements the “Port Marlborough Rescue” is ‘Tautiaki o Waitohi’ translating to “Guardian of Waitohi” which is very appropriate.

When seconds count, having the certainty of a secure berth to operate from makes a huge difference. Other units launch from ramps and beaches. Having our vessels secured in all-weather berths, turnkey ready provides us with a significant time saving and the security of knowing we can depart and arrive in any conditions. This alone has saved many lives over the years. As a volunteer organization this is not something we could fund ourselves so we are indebted to Port Marlborough for their commitment to us, and to maritime safety in the Marlborough Sounds.”

- DAVE ST JOHN, VICE PRESIDENT
MARLBOROUGH COASTGUARD



Waitohi Picton Ferry Precinct Redevelopment

<https://pictonferryprecinct.co.nz/>

The Waitohi Picton Ferry Precinct Redevelopment project (iReX) gained further momentum over the year with key commercial milestones in the project for Port Marlborough achieved. The Board approved the capital investment of \$110 million, contingent on approval of funding by the Marlborough District Council, which was confirmed following public consultation in March 2022.

November 2021 saw key commercial terms agreed between project partners KiwiRail and Port Marlborough, enabling further commercial negotiation over the year towards the signing of the Comprehensive Redevelopment Agreement (CRA), lease and licence due for completion in the 2022 calendar year.

The project is now entering the delivery phase with works contractors appointed and enabling works underway around the project area periphery.



Waikawa Marina Development

<https://marlboroughmarinas.co.nz/waikawanorthwest/>

Inclement weather, disruptions from COVID and international supply chain delays have proved a challenge for the completion of the marina construction at Waikawa, however timing is now on-track for completion in early 2023.

At the time of reporting, the eastern breakwater is complete and works have progressed on the northern breakwater, with all piling now complete and headstocks installed.

A number of jetties are now in place and works are nearing completion on the parking platforms and buildings.

When complete, the marina will provide an additional 250 berths in Waikawa ranging from 12 – 30m. Allocation of the first berths will begin in December, to a strong waiting list.

Marlborough Inland Hub



Port Marlborough and CentrePort have joined forces to provide an end-to-end logistics supply chain connecting Marlborough exporters directly to the world. An inland cargo aggregation hub will be established at the Riverlands site near Blenheim, 34km to Picton via State Highway 1.

The Marlborough Inland Hub Ltd. will provide a new, reliable, resilient, and lower carbon freight link between exporters in Marlborough and international markets with freight movement via road/rail to coastal and international shipping.

To be developed over the next 18 months, the hub links to Port Marlborough by State Highway 1 and rail, providing major benefits for Marlborough exporters and importers, and the region's community and economy.



Boundary lines are indicative only

2022 Financial Statements



STATUTORY INFORMATION

Directors' report

The Directors of Port Marlborough New Zealand Limited are pleased to present to the Shareholder their Annual Report and financial statements for the year ended 30 June 2022.

The Directors are responsible for presenting financial statements in accordance with New Zealand law and generally accepted accounting practice, which present fairly in all material aspects the financial position of Port Marlborough New Zealand Limited and its subsidiaries as at 30 June 2022 and the results of the Group's operations and cash flows for the year ended on that date.

Auditors

Anthony Smith for Deloitte Limited, on behalf of the Office of the Auditor General, is the auditor of Port Marlborough New Zealand Limited and its subsidiaries for the year ended 30 June 2022.

Employee remuneration - parent company

The number of employees whose total remuneration received in their capacity as employees was within the specified bands is shown below.

REMUNERATION	NUMBER OF EMPLOYEES	
	2022	2021
\$100,000 - \$110,000	4	2
\$110,000 - \$120,000	2	7
\$120,000 - \$130,000	4	-
\$130,000 - \$140,000	-	1
\$140,000 - \$150,000	1	3
\$150,000 - \$160,000	-	2
\$160,000 - \$170,000	2	-
\$170,000 - \$180,000	1	-
\$180,000 - \$190,000	1	1
\$200,000 - \$210,000	-	1
\$210,000 - \$220,000	1	1
\$220,000 - \$230,000	-	2
\$260,000 - \$270,000	1	-
\$350,000 - \$360,000	-	1
\$390,000 - \$400,000	1	-

INTERESTS REGISTER

Directors' remuneration and benefits

The remuneration paid to non-executive Directors during the year. The figures include all benefits, retiring allowances and Fringe Benefit Tax.

DIRECTOR	2022
K B Taylor (Chairman)	\$67,300
A R Besley	\$16,250
I R Boyd	\$17,800
C J Crampton	\$33,650
W B McNabb	\$36,382
J C Moxon	\$35,312
R W Olliver	\$17,400
H J Roy	\$17,400
M F Fletcher (paid to Marlborough District Council)	\$33,650

Directors' and Officers' liability insurance

The Company has arranged Directors' and Officers' Liability Insurance with QBE Insurance International Limited. This cover insures Directors against liabilities to other parties that may arise from their positions as Directors. The insurance does not cover liabilities arising from criminal actions.

Directors' interests in contracts

The following Directors have declared interests in the identified entities. The declaration serves as notice that the Director may have a commercial interest in or benefit from any transaction between the holding company or Group and the identified entities.

Members' Interests

Keith Taylor

Butlands Management Services Limited, Chair
Resolution Life NOHC Pty Limited, Director
AMP Life, Director
Dwell Housing Trust, Chair

Colin Crampton

Lifelines Wellington, Deputy Chair
University of Canterbury, Advisory Board Member
Wellington Water, Chief Executive

Martin Fletcher

Calmar Cherries Limited, Director/Shareholder
Marlborough District Council, Chief Financial Officer

Warren McNabb

Alpine Energy Limited, Director
Boyce Investments Limited, Shareholder / Director
Energy 3 Limited, Shareholder / Director
Infratec Limited, Director
Infratec Renewables (Rarotonga) Limited, Director
Lancewood Forests Limited, Director
Lulworth Wind Farm Limited, Director
Pistol Vineyard Investments Limited, Director
The Bluffs Vineyard Company Limited, Shareholder / Director
Weld Cone Wind Farm Limited, Director

Jennifer Moxon

Fisher Funds Management Limited, Director
Marlborough Skills Leadership Group, Deputy Chair
NZ Trade & Enterprise – Strategic Advisory Board Member

Richard Olliver

Toi Downs Limited, Director
Ridgeback Trustees Limited, Director
Kenepuru Forests Limited, Director
Lancewood Forests Limited, Director
The Bottling Company Limited, Director
St Andrews Property Group Limited, Director
Good Conscience Limited
The Care Foundation, Trustee
Marlborough Colleges Charitable Foundation, Trustee
Fulton Hogan Limited (and subsidiaries), Shareholder, Director

Heather Roy

Financial Advice New Zealand, Independent Chair
Marlborough Chamber of Commerce, Board Member
New Zealand Remembrance Army Charitable Trust, Chair/Trustee
Security and Reliability Council (Electricity Authority), Independent Chair
TorquePoint Limited, Principal/Director
Utilities Disputes Limited, Independent Chair

Directors' Loans

There were no loans by the Company to Directors.

Use of Company Information

During the year, the Board did not receive any notices from Directors of the Company requesting the use of Company information received in their capacity as Directors, which would not otherwise have been available to them.

Statement of responsibility

The Directors are responsible for ensuring that the financial statements present fairly in all material aspects the financial position of the Group as at 30 June 2022, and its financial performance and cash flows for the year ended on that date.

The Directors consider that the financial statements of the Group have been prepared using appropriate accounting policies consistently applied and supported by reasonable judgments and estimates, and that all relevant financial reporting and accounting standards have been followed.

The Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Group and facilitate compliance of the statements with the Financial Reporting Act 2013.

The Directors consider they have taken adequate steps to safeguard the assets of the Group to prevent and detect fraud and other irregularities.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors is responsible for the corporate governance of the Company. Corporate governance encompasses the direction and control of the business by the Directors and the accountability of the Directors to the Shareholder, MDC Holdings Limited, for the performance of the Company, and compliance by the Company with laws and standards. This summary provides an overview of the Company's main corporate governance policies, practices and processes adopted or followed by the Board.

Role of the Board of Directors

The Board of Directors (the "Board") is appointed by the shareholders to oversee the management of the Company and its subsidiary companies (the "Group"). The Board establishes the Group's objectives, strategies for achieving objectives, and the overall policy framework within which the Group's business is conducted and monitors management's performance. The Board has delegated the day-to-day management of the Group to the Chief Executive.

The Board also ensures that appropriate procedures are in place to provide for effective internal control.

Board operations and membership

The Board comprises seven non-executive Directors: a Chairperson and six Directors. Board members have an appropriate range of proficiencies, experience and skills to ensure that all governance responsibilities are completed to ensure the best possible management of resources. Directors' qualifications and details are set out on page 93 of this report and their interests are listed on page 65. Port Marlborough's constitution sets out policies and procedures on the operation of the Board, including the appointment and removal of Directors.

Board committees

Two Committees of the Board assist the Board to provide leadership and policy in discharging governance responsibilities regarding specific areas of risk. The Health and Safety Committee comprised of all Directors and chaired by Jennifer Moxon, supports delivery against the Board's Charter including strategy and review of the safety risk management framework.

The Audit and Risk Committee comprises three Directors, Warren McNabb (Chair), Martin Fletcher and Richard Olliver. This committee supports the Board in its oversight of the Company's financial reporting processes, the independent auditors, the Company's compliance with legal and regulatory requirements, and overview of wider business risk.

Statement of Corporate Intent

In accordance with section 13 of the Port Companies Act 1988 the Board submits an annual Statement of Corporate Intent (SCI). The SCI sets out the Company's overall objectives, intentions, and financial and performance targets. The SCI is approved by the shareholder, MDC Holdings Limited which is wholly owned by the Marlborough District Council.

Risk management

The Board has overall responsibility for the Group's internal control systems. The Board has established policies and procedures that are designed to provide effective internal control. Annual budgets and longer-term strategic plans are prepared and agreed by the Board. Financial statements and operational reports are prepared on a monthly basis and reviewed by the Board throughout the year to monitor performance against budget targets and objectives.

In addition, the Board reviews risk management strategies, including the segregation of duties, the employment of suitably qualified and experienced staff, and recommendations made by the external auditors.

Directors' approval of financial statements

For the Year Ended 30 June 2022

Approval by Directors

The Directors are pleased to present the Financial Statements of Port Marlborough New Zealand Limited for the year ended 30 June 2022 on pages 69 to 92.

Authorisation for issue

The Board of Directors authorised the issue of these Financial Statements on 28th October 2022.

K B Taylor Chairman

W McNabb Director

For and on behalf of the Board of Directors

Deloitte.

INDEPENDENT AUDITOR'S REPORT

To the Readers of Port Marlborough New Zealand Limited Group's Financial Statements for the Year Ended 30th June 2022

The Auditor-General is the auditor of Port Marlborough New Zealand Limited (the Group). The Auditor-General has appointed me, Anthony Smith, using the staff and resources of Deloitte Limited, to carry out the audit of the financial statements of the Group on his behalf.

Opinion

We have audited the financial statements of the Group on pages 69 to 92, that comprise the consolidated statement of financial position as at 30 June 2022, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

In our opinion, the financial statements of the Group:

- present fairly, in all material respects:
 - its financial position as at 30 June 2022; and
 - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards, Reduced Disclosure Regime.

Our audit was completed on 28 October 2022. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible on behalf of the Group for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible on behalf of the Group for assessing the company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Port Companies Act 1988.

Responsibilities of the Auditor for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue and auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements

We did not evaluate the security and controls over the electronic publication of the financial statements.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial statements of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information in the Annual Report, but does not include the financial statements, and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with, or interests in, the Group.



Anthony Smith
For Deloitte Limited
On behalf of the Auditor-General
Christchurch, New Zealand

28th October 2022

Consolidated Income Statement

For the Financial Year Ended 30 June 2022		Group	
	Notes ¹	2022 \$'000	2021 \$'000
Revenue	3.1	34,310	31,419
Other income	3.1	77	(19)
Investment property revaluation	10	(1,855)	8,755
Operations and maintenance	3.3	(9,862)	(8,531)
Employee benefits expense	23.6	(8,277)	(7,387)
Depreciation, impairment & amortisation expense	3.2	(3,810)	(3,683)
Finance (costs) gain	3.2	769	131
Subvention payments		(204)	(1,057)
Profit before income tax		11,148	19,628
Income tax expense	4.1	(2,952)	(3,678)
Profit/(loss) after income tax for the period		8,196	15,950

Consolidated Statement of Comprehensive Income

For the Financial Year Ended 30 June 2022		Group	
	Notes	2022 \$'000	2021 \$'000
Profit for the year		8,196	15,950
Other Comprehensive income, net of tax			
Items that will never be classified to profit or loss:			
(Loss)/gain on revaluation of property, plant and equipment	9	13,339	-
Income tax relating to revaluation of property, plant and equipment	4.3	(1,977)	-
Total comprehensive income for the year net of tax		19,558	15,950
Comprehensive income attributable to equity holders of the parent		19,558	15,950

Consolidated Statement of Changes in Equity

For the Financial Year Ended 30 June 2022		Group	
	Notes	2022 \$'000	2021 \$'000
Equity at beginning of the year		163,062	150,754
Total Comprehensive income for the year, net of tax		19,558	15,950
Dividends	18	(3,832)	(3,642)
Balance at end of the year		178,788	163,062

¹ Notes to the Financial Statements are included on pages 72 to 92

Consolidated Statement of Financial Position

As at 30 June 2022	Notes ¹	Group	
		2022 \$'000	2021 \$'000
CURRENT ASSETS			
Cash and cash equivalents	22.2	5,522	6,000
Trade and other receivables	5	3,100	2,809
Inventories	6	393	306
Current tax receivable	4.2	-	402
Total current assets		9,015	9,517
NON-CURRENT ASSETS			
Property, plant and equipment	9	115,321	101,478
Investment property	10	117,172	105,646
Investments	8	6,750	-
Trade and other receivables	5	76	40
Other Non-current assets	14.2	174	-
Other intangible assets	11	363	307
Total non-current assets		239,856	207,471
Total assets		248,871	216,988
CURRENT LIABILITIES			
Trade and other payables	12	6,660	4,042
Current tax liabilities	4.2	565	-
Total current liabilities		7,225	4,042
NON-CURRENT LIABILITIES			
Borrowings from MDC Holdings Limited	13	43,675	31,000
Deferred tax liabilities	4.3	18,901	16,945
Other non-current liabilities	14	282	1,939
Total non-current liabilities		62,858	49,884
Total liabilities		70,083	53,926
Net Assets		178,788	163,062
EQUITY			
Capital and other equity instruments	15	13,588	13,588
Revaluation reserve	16	69,344	57,982
Retained earnings	17	95,856	91,492
Total Equity		178,788	163,062

¹ Notes to the Financial Statements are included on pages 72 to 92



K B Taylor Chairman

For and on behalf of the Board of Directors



W McNabb Director

Consolidated Cash Flow Statement

As at 30 June 2022	Notes ¹	Group	
		2022 \$'000	2021 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		34,219	32,544
Interest received		27	5
Payments to suppliers and employees		(19,041)	(15,471)
Interest and other costs of finance paid		(976)	(946)
Subvention Payment		(1,058)	(861)
Income tax paid (net of refunds)	4.2	(2,006)	(2,369)
Net cash provided by/(used in) operating activities	22.1	11,165	12,902
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		192	27
Payment for property, plant and equipment		(2,782)	(1,356)
Payment for investment property		(17,721)	(6,371)
Payment for intangible assets		(175)	(33)
Net cash provided by/(used in) investing activities		(20,486)	(7,733)
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown of borrowings		12,675	2,000
Dividends paid		(3,832)	(3,642)
Net cash provided by / (used in) financing activities		8,843	(1,642)
Net (decrease) / increase in cash and cash equivalents		(478)	3,527
Cash and cash equivalents at the beginning of the financial year		6,000	2,473
Cash and cash equivalents at the end of the financial year	22.2	5,522	6,000

¹ Notes to the Financial Statements are included on pages 72 to 92

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2022

1. Company information

The Consolidated Financial Statements comprise the activities of Port Marlborough New Zealand Limited (PMNZ) and the other entities in which the Company has a controlling interest. The Consolidated Financial Statements presented are for the Group as at and for the year ended 30 June 2022.

The Group consists of:

- Port Marlborough New Zealand Limited
- Waikawa Marina Trustee Limited - subsidiary
- PMNZ Marina Holdings Limited - subsidiary
- Marlborough Inland Hub Limited - Joint Venture

The Group is a profit-oriented company incorporated in New Zealand. Its principal products and services are the provision of port and marina facilities at the northeast corner of the South Island of New Zealand. The Company is a reporting entity for the purposes of the Financial Reporting Act 2013, and its financial statements comply with that Act and the Companies Act 1993. The Company is a port company for the purposes of the Port Companies Act 1988 and its financial statements also comply with that Act.

The parent entity is MDC Holdings Limited, which is a 100% owned subsidiary company of Marlborough District Council.

2. Summary of significant accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of the Financial Statement for the year ended 30 June 2022, and the comparative information presented in these Financial Statements for the year ended 30 June 2021.

2.1. Statement of compliance

The Financial Statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with the New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS") - Tier 2, and other applicable financial reporting standards as appropriate for profit-oriented entities that apply the reduced disclosure regime (RDR). The Group qualifies for NZ IFRS (RDR) as it does not have public accountability and is not a large, for profit public sector entity. The Group has elected to apply NZ IFRS (RDR) and has applied disclosure concessions with the exception of the cash flow reconciliation under FRS 44/NZ IAS 7.

2.2. Basis of preparation

The presentation currency is New Zealand Dollars (\$). All financial information has been rounded to the nearest thousand, unless otherwise stated. The Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Cash Flow Statement and Consolidated Statement of Changes in Equity are stated exclusive of GST. All items in the balance sheet are stated exclusive of GST with the exception of trade receivables and trade payables, which include GST.

The consolidated Financial Statements have been prepared on the basis of historical cost, except for certain non-current assets and derivative financial instruments that are measured at revalued amounts or fair values at the end of each reporting period as disclosed in the notes to the consolidated Financial Statements. Historical cost is generally based on the fair values of the consideration given in exchange for assets.

Fair value measure

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurements are categorised into a three level hierarchy that reflects the significance of the inputs used in making the measurements.

The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

2.3. Accounting estimates and judgements

The preparation of Financial Statements in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Significant judgements, estimates and assumptions made by management in the preparation of these Financial Statements are outlined below:

- Asset revaluation (notes 9 and 10)
- Financial instruments (note 14)

2.4. Impairment

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the greater of market value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount.

For non-revalued assets, impairment losses are recognised as an expense immediately. For revalued assets, other than investment property, the impairment loss is treated as a revaluation decrease to the extent it reverses previous accumulated revaluation increments for that asset class.

When an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, subject to the restriction that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase to the extent that any impairment losses on the same asset had been previously charged to equity. An impairment of goodwill is not subsequently reversed.

2.5. Ferry Terminal Redevelopment

Planning for major redevelopment of the Waitohi Picton Ferry Precinct to accommodate KiwiRail's new Cook Strait fleet, due to arrive from 2025, has

progressed over the period. Resource consents for the project were achieved in April 2021, having been processed as a listed project through the COVID-19 Recovery (Fast-track Consenting) Act.

Development plans and contract negotiations are at an advanced stage and we anticipate construction commencing in the first half of the next financial year.

In conjunction with this year's revaluation of Property Plant and Equipment we have taken into account the impact the redevelopment will have on the remaining economic life of those assets affected by the redevelopment

2.6. COVID-19

The Port is an essential service provider and continued operations throughout the heightened alert levels of the COVID-19 response. With the exception of cruise ship activity, Group revenues have not been adversely impacted by COVID-19 disruptions.

The recent announcement to fully open NZ borders has paved the way for a long-awaited return of cruise to the region, after a two-and-a-half-year hiatus. Port Marlborough has been working with the cruise industry and regional partners behind the scenes to bring cruise back to Marlborough with a focus on sustainability. Details of cruise ship arrivals for the upcoming 2022/23 season are in the shipping schedules, on Port Marlborough's website.

2.7. Adoption of New Revised Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2022 reporting period of the Group. These standards are not expected to have a material impact on the current or future reporting periods, nor on foreseeable future transactions.

2.8. Accounting policies other

Other accounting policies that are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

3. Profit from operations

Revenue recognition policies

Rendering of services

Revenue from rendering of services consists of revenue arising from cruise vessels, log storage, log wharfage, pilotage/towage and berthage. Revenue is measured based on the transaction price specified in the contract with a customer. Group recognises revenue when the performance obligations are satisfied following the transfer of the promised services to customers.

- **Cruise vessels** – Group provides a service of port access for cruise vessels. Revenue on such services is recognised upon the departure of the vessel as this is deemed to be the point at which the performance obligation is satisfied.
- **Log storage** – Group provides a service of log storage. Revenue on such services is recognised over the time period of storage.
- **Log wharfage** – Revenue on log wharfage is recognised upon the date the vessel sails as this is deemed to be the point at which the performance obligation is satisfied.
- **Pilotage/towage** – Revenue on pilotage/towage is recognised upon the transfer of the promised service to customers as this is deemed to be the point at which the performance obligation is satisfied.
- **Berthage** – Revenue on berthage is recognised over the time period of the vessel's stay in the berth.

Rental income

The Group's policy for recognition of revenue from operating leases is described in note 20.2.

3.1 Revenue

For the Financial Year Ended 30 June 2022

	Notes	Group	
		2022 \$'000	2021 \$'000
Revenue from continuing operations			
Revenue from the rendering of services		13,228	11,170
Lease rental investment property (includes marinas)		10,440	10,061
Lease rental other property (includes ferry operations)		10,615	10,183
Interest revenue: Bank deposits/IRD use of money		27	5
		34,310	31,419
Revenue from the rendering of services			
Pilotage and towage		3,162	2,151
Log ships and storage		6,427	5,899
Marina services		1,643	1,656
Port and marine farm services		1,996	1,464
		13,228	11,170
Timing of revenue recognition			
At a point in time		9,773	8,509
Over time		3,455	2,661
		13,228	11,170
Other Income			
Other (expense) / revenue		77	(19)
		77	(19)

3.2 Expenses

Profit before income tax has been arrived at after charging the following expenses

	Notes	Group	
		2022 \$'000	2021 \$'000
Interest costs			
Interest on borrowings and swaps		1,062	943
Interest expense on lease liabilities		24	22
(Gain)/loss on derivative financial instruments		(1,855)	(1,096)
Total finance costs		(769)	(131)
Depreciation, impairment & amortisation			
Depreciation of non-current assets	9	3,554	3,458
Impairment	9	137	92
Amortisation of non-current assets	11	119	133
		3,810	3,683

3.3 Operations and Maintenance

	Notes	Group	
		2022 \$'000	2021 \$'000
Other expenditure disclosures			
Audit Fees		80	69
Donations and Sponsorship		150	86
Employer contribution to superannuation		332	295
Operating lease rental properties		21	21
Expenses of investment properties generating income		4,000	3,934
Loss/(gain) on disposal of property, plant & equipment		(70)	25

4. Taxation

Income tax policies

Income tax expense comprises current and deferred tax and is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Current and deferred tax are recognised in the Consolidated Income Statement, except when it relates to transactions recognised in other comprehensive income or items charged or credited directly to equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly into equity respectively.

4.1 Reconciliation of income tax

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the Financial Statements as follows:

	Notes	Group	
		2022 \$'000	2021 \$'000
Profit before income tax expense		11,148	19,628
Tax at current rate 28%		3,121	5,496
Plus/(less) tax adjustments:			
Prior Year Tax Adjustment		(13)	-
Non-deductible expenses		30	4
Non-taxable income		(39)	(1,061)
Group loss available for offset		(147)	(761)
Income tax expense on the Income Statement, comprising		2,952	3,678
Current tax expense		2,973	1,902
Deferred tax expense/(credit)		(21)	1,776
		2,952	3,678

4.2 Current tax asset / (liability)

	Notes	Group	
		2022 \$'000	2021 \$'000
Balance at beginning of the year		402	(65)
Current tax expense		(2,973)	(1,902)
Income tax paid (net of refunds)		2,006	2,369
Balance at end of the year		(565)	402

Current tax policies

Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable). Tax assets and liabilities are offset when the Company has a legally enforceable right to set off the recognised amounts and intends to settle on a net basis.

4.3 Deferred tax liability

The deferred tax liability balance reported in the Consolidated Statement of Financial Position arises from the following temporary differences:

	Derivative Financial Instruments \$'000	Property, plant and equipment \$'000	Investment property \$'000	Intangible assets \$'000	Provisions \$'000	Totals \$'000
Balance at 30 June 2020	(778)	14,126	1,954	109	(242)	15,169
Recognised in:						
Profit or loss	307	(445)	1,923	(23)	14	1,776
Balance at 30 June 2021	(471)	13,681	3,877	86	(228)	16,945
Recognised in:						
Profit or loss	519	(471)	(20)	(25)	(24)	(21)
Other comprehensive income	-	1,977	-	-	-	1,977
Balance at 30 June 2022	48	15,187	3,857	61	(252)	18,901

Deferred tax policies

- Recognised on temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes
- Generally recognised for all taxable temporary differences, however, not recognised for the initial recognition of goodwill
- Recognised to the extent that taxable profits will be available for when the temporary differences are reversed and utilised
- Calculated at the tax rates that are expected to apply to the period when the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to set off the recognised amounts and intends to settle on a net basis. With the exception of buildings, Port Marlborough does not intend to sell any investment property and does not have a history of doing so. On this basis deferred tax has been allocated against the underlying asset classes.

4.4 Imputation credit account balances

	Group	
	2022 \$'000	2021 \$'000
Available directly and indirectly to shareholders of the Parent Company, through the Parent Company	16,488	16,390

5. Trade and other receivables

	Group	
	2022 \$'000	2021 \$'000
Current	1,791	1,584
Past due 1-30 days	632	575
Past due 31-60 days	28	37
Past due greater than 60 days	438	258
	2,889	2,454
Loss allowance	(50)	(50)
Trade receivables	2,839	2,404
Other receivables	146	114
Rent concession provision	40	63
Prepayments	75	228
Total trade and other receivables	3,100	2,809
Rent concession provision		
Total provision	116	103
Less current provision	(40)	(63)
Non-current rent concession provision	76	40

Trade and other receivables policies

Trade receivables are measured on initial recognition at fair value. The Group has measured the loss allowance for trade receivables at an amount equal to lifetime ECL (expected credit losses). The expected credit losses on trade receivables are estimated using a provision matrix, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as forecast direction of conditions at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period. The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

Allowances are recognised in the Consolidated Income Statement.

6. Inventories

	Group	
	2022 \$'000	2021 \$'000
Goods held for maintenance: at cost	393	306

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method.

Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Provision has been made for obsolescence where applicable. Inventories are held for maintenance purposes only.

7. Subsidiaries and Investments

The Company has the following subsidiaries:

	Country of incorporation	Nature of business	2022	2021
Waikawa Marina Trustee Limited	New Zealand	Trustee	100%	100%
PMNZ Marina Holdings Limited	New Zealand	Non Trading	100%	100%

Port Marlborough New Zealand Limited is the head entity within the consolidated group. Port Marlborough New Zealand is 100% owned by MDC Holdings Limited, which in turn is 100% owned by Marlborough District Council, the ultimate parent entity. From a financial perspective, both the level of investment (\$200) and trading activity of subsidiaries is negligible.

8. Joint Venture

Marlborough Inland Hub Limited, represents a joint partnership between Port Marlborough and Centreport. The Company owns a 32-hectare site at Riverlands, Blenheim. The initiative will provide an inland cargo hub, enabling freight movement via road and rail to coastal and international shipping.

Recognition and Measurement policies

A joint venture is an arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results, assets and liabilities of joint venturers are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in a joint venture is initially recognised in the consolidated Balance Sheet at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture.

An investment is accounted for using the equity method from the date on which the investee becomes a joint venture.

When necessary, the entire carrying amount of the investment is tested for impairment in accordance with NZ IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (the higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised in accordance with NZ IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a Group entity transacts with a joint venture of the Group, profit and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interest in the joint venture that are not related to the Group.

	Country of incorporation	2022	2021
Marlborough Inland Hub Limited	New Zealand	50%	-

9. Property, plant and equipment

GROUP	Freehold land at fair value	Freehold improvements at fair value less depreciation	Buildings at fair value less depreciation	Wharf infrastructure at fair value less depreciation	Plant, equipment, furniture and vehicles at cost less depreciation	Work in progress at cost	Totals
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross carrying amount							
Balance at 30 June 2020	19,865	19,314	10,586	51,329	9,853	1,087	112,034
Additions	-	-	-	-	-	2,016	2,016
Disposals	-	-	(52)	-	(146)	-	(198)
Transfers from capital WIP	-	10	1,454	187	1,000	(2,651)	-
Balance at 30 June 2021	19,865	19,324	11,988	51,516	10,707	452	113,852
Additions	-	-	-	-	-	4,057	4,057
Disposals	-	-	-	(474)	(203)	-	(677)
Transfers from capital WIP	-	20	204	52	824	(1,100)	-
Revaluation Accum Depn Write Back	-	(1,676)	(1,610)	(4,747)	-	-	(8,033)
Revaluation movement to Reserve	6,279	8,073	(2,501)	1,488	-	-	13,339
Reclassification	-	2	(33)	-	31	-	-
Transfer from investment properties	220	-	40	-	-	-	260
Balance at 30 June 2022	26,364	25,743	8,088	47,835	11,359	3,409	122,798

GROUP	Freehold land at fair value	Freehold improvements at fair value less depreciation	Buildings at fair value less depreciation	Wharf infrastructure at fair value less depreciation	Plant, equipment, furniture and vehicles at cost less depreciation	Work in progress at cost	Totals
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Accumulated depreciation / amortisation and impairment							
Balance at 30 June 2020	-	542	471	1,916	6,041	-	8,970
Disposals	-	-	(2)	-	(144)	-	(146)
Depreciation expense	-	566	557	1,599	736	-	3,458
Impairment loss	-	-	92	-	-	-	92
Balance at 30 June 2021	-	1,108	1,118	3,515	6,633	-	12,374
Disposals	-	-	-	(358)	(197)	-	(555)
Depreciation expense	-	568	585	1,590	811	-	3,554
Revaluation Accum Depn Write back	-	(1,676)	(1,610)	(4,747)	-	-	(8,033)
Impairment loss	-	-	137	-	-	-	137
Balance at 30 June 2022	-	-	230	-	7,247	-	7,477
Net book value							
Balance at 30 June 2021	19,865	18,216	10,870	48,001	4,074	452	101,478
Balance at 30 June 2022	26,364	25,743	7,858	47,835	4,112	3,409	115,321

9.1 Port Marlborough New Zealand Limited property, plant and equipment policies

- Freehold land
- Buildings
- Improvements
- Wharves infrastructure
- Plant, equipment, furniture and vehicles
- Work in progress

Freehold land and buildings are initially stated at cost, and subsequently revalued to fair value by an independent valuer and by reference to the asset's highest and best use, less any subsequent accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at balance date.

Additions between valuations are recorded at cost. Cost represents the value of the consideration given to acquire the assets and the value of other directly attributable costs that have been incurred in bringing the assets to the location and condition necessary for their intended service.

Revaluation increments are credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in profit or loss, in which case the increase is credited to the Income Statement to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation is charged as an expense in profit or loss to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset. On disposal, the attributable revaluation surplus remaining in the revaluation reserve, net of any related deferred taxes, is transferred directly to Retained Earnings.

Improvements – properties for production, rental or administrative purposes, or for purposes not yet determined – are carried at fair value.

Wharves infrastructures are recorded at valuation established using depreciated replacement cost, plus additions at cost less accumulated depreciation and impairment losses (if any).

All other items of property, plant and equipment are stated at cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses (if any).

Depreciation commences when the asset is ready for use and is charged to the Consolidated Income Statement on all Property, Plant and Equipment other than land and work in progress, over their estimated useful lives using the straight-line method. The useful lives and estimated residual values are reviewed at each balance date and amended if necessary.

Depreciation on revalued assets is charged to the Consolidated Income Statement. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Consolidated Income Statement.

The following estimated useful lives of major classes of assets are used in the calculation of depreciation rates:

Buildings	30-100 years
Improvements	20-50 years
Wharves infrastructure	10-50 years
Plant, equipment, furniture and vehicles	2-20 years

9.1.1 Valuation basis

An independent valuation of PMNZ land, buildings, improvements and wharf infrastructure is performed on a three-yearly basis. The latest review is in this current balance date, 30 June 2022. The valuation was performed by Crighton Anderson Property & Infrastructure Limited t/a Colliers International, independent registered valuers and associates of the NZ Institute of Valuers, with engineering input from WSP. The valuers have recent experience in the location and category of the items being valued. The fair values of the assets represent the estimated price for which an asset could be sold on the date of valuation in an orderly transaction between market participants.

Valuations have been updated for subsequent additions at cost, less any subsequent depreciation or impairment losses. Any revaluation surplus net of deferred income taxes is credited to other comprehensive income and is shown in Reserves (refer note 16).

At each reporting date, the valuation reports are provided to the CFO for review. The review focuses on checking material movements and ensuring all additions and disposals are captured.

The valuation reports are also reviewed by the Audit and Risk sub-committee of the Board. A summary report on valuation movements is provided to the Board and full copies of the valuer's reports are available to Directors.

9.1.2 Fair value model

Assets have been categorised as specialised or non-specialised:

Specialised - In general terms these assets are:

- Only useful to particular uses or users,
- Rarely, if ever, sold on the open market, except as part of a total business, and
- Generally specialised structures located in particular geographical locations for business reasons.

Wharf infrastructures and improvements (hardstand, roads, services etc) generally fall into this category. For these assets fair value has been based on optimised depreciated replacement cost (ODRC) due to the limited market based evidence as the item is rarely sold, except as part of a continuing business.

Non-specialised - Assets in this category comprise land and buildings, one or more of the following valuation methodologies has been adopted for each asset:

- Comparable sales approach
- Optimised Depreciated Replacement Cost Value (ODRC)
- Investment Value – Rental Capitalisation
- Investment Value – Discounted Cash Flow

9.1.3 Cost model

The carrying amount of PMNZL land, buildings, improvements and wharf infrastructure had they been recognised under the cost model is as follows:

Notes	Group	
	2022 \$'000	2021 \$'000
Freehold land	5,706	5,706
Buildings	5,601	5,649
Improvements	6,336	6,741
Wharf infrastructure	16,045	16,671

10. Investment property

Notes	Group	
	2022 \$'000	2021 \$'000
Balance at beginning of financial year	105,646	91,353
Additions	13,641	5,538
Transfer to Property Plant & Equipment	(260)	-
Net gain/(loss) from fair value adjustments	(1,855)	8,755
Balance at end of financial year	117,172	105,646

10.1 Investment property policies

Investment property is property held primarily to earn rentals and/or for capital appreciation, and includes PMNZ's marinas, reclamation land and their supporting facilities located in Marlborough.

Where PMNZ lease investment property, at commencement of the lease the right of use asset is measured at cost and is comprised of:

- The initial measure of the corresponding lease liability
- Any lease payments made at or before the commencement date, less any lease incentives received
- Any initial direct costs

They are subsequently measured at fair value when the asset meets the definition of investment property.

Investment property is stated at its fair value at balance date. An external, independent valuation firm, having an appropriate recognised professional qualification and recent experience in the location and category of property being valued, values the portfolio every year. The fair values are based on market values, being the estimated price for which a property could be sold on the date of valuation in an orderly transaction between market participants.

Gains or losses arising from changes in the fair value of investment property are included in the Consolidated Income Statement for the period in which they arise.

10.2 Valuation basis

Investment properties were valued at 30 June 2022 by Crighton Anderson Property & Infrastructure Limited t/a Colliers International, independent registered valuers and associates of the NZ Institute of Valuers.

The Valuers have recent experience in the location and category of the item being valued. The fair value of the assets represents the estimated price for which an asset could be sold on the date of valuation in an orderly transaction between market participants.

The Valuers included the following commentary in their valuation report:

“Market Risk: Global and local monetary policy has been targeted at stimulating economies through Covid-19 lockdowns with interest rates reduced to historic low levels over the past couple of years. Ongoing global supply chain issues resulting from more than two years of Covid-19 disruption along with the Russian invasion of Ukraine have led to significant inflationary pressures in most major countries including New Zealand.

The Reserve Bank of New Zealand (RBNZ) was one of the first, this cycle, to increase interest rates in late 2021 and most other major central banks have now followed including the largest single increase in the US since 1994 being announced in June 2022. The RBNZ has indicated ongoing interest rate increases as inflation here and offshore refuses to abate.

There is now much commentary on the increased likelihood of recessionary conditions with global share markets having turned over the last few months and now being officially in ‘bear’ status after more than two years of a ‘bull’ market.

For the local commercial property market, to date there is limited new evidence to support the current change in sentiment, however investor demand has cooled with the cost of debt and economic outlook both major factors being noted by potential buyers. This in our opinion is having, and will continue to have, a negative impact on yields although it is difficult to quantify at the date of this report.

As at the valuation date, we consider it appropriate to attach less weight to previous market evidence for comparison purposes, to form opinions of value.

In light of these prevailing marketing conditions, we recommend that the valuation of all property be kept under frequent review as valuation advice is likely to become outdated significantly quicker than is normally the case.

As per the accepted definition, the market value is concluded “as at the valuation date” and is based on events and evidence up to that date. It reflects the sentiment at that point in time and the value on that day.

At each reporting date, the valuation reports are provided to the CFO for review. The review focuses on checking material movements and ensuring all additions and disposals are captured.

The valuation reports are also reviewed by the Audit and Risk sub-committee of the Board. A summary report on valuation movements is provided to the Board and full copies of the valuer’s reports are available to Directors.

10.3 Fair value measurement of group investment properties

Investment property assets are located in Picton, Waikawa Bay and Havelock. The assets comprise a mix of rural, residential, port-related commercial and industrial and the marinas in each of the three locations. Total land area per certificates of title is 84.8672 hectares.

In completing valuations of investment property assets, one or more of the following valuation methodologies has been considered or adopted for each asset:

- Comparable Sales approach
- Optimised Depreciated Replacement Cost value (ODRC)
- Investment value – Rental capitalisation
- Investment value – Discounted cashflow

The Marinas comprise the bulk of investment properties. Discounted cashflow valuations were completed for the three marinas using the following rates:

Property	Group	
	2022 \$'000	2021 \$'000
Picton Marina	6.35%	6.35%
Waikawa Marina	6.50%	6.50%
Havelock Marina	7.25%	7.90%

Variations in the discount rate adopted reflect investment strength of each of the respective marinas. In the case of rental capitalisation for commercial property, rates adopted ranged between 6.40% and 8.25% (2021: 5.54% and 9.5%).

11. Other intangible assets

	Group	
	2022 \$'000	2021 \$'000
Software gross carrying amount		
Balance at 30 June, 2021	1,107	1,074
Additions	175	33
Disposals	-	-
Balance at 30 June, 2022	1,282	1,107
Software accumulated amortisation and impairment		
Balance at 30 June, 2021	800	667
Amortisation(i)	119	133
Disposals	-	-
Balance at 30 June, 2022	919	800
Software Net book value at 30 June, 2022	363	307

(i) Amortisation expense is included in the line item 'depreciation, impairment and amortisation expense' in the Consolidated Income Statement

Intangible assets policies

Software is a finite life intangible and is recorded at cost less accumulated amortisation and impairment losses. Amortisation is charged on a straight line basis over estimated useful life up to 10 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

12. Trade and other payables

	Group	
	2022 \$'000	2021 \$'000
Trade Creditors	1,148	2,038
Creditors - Property, plant and equipment	1,646	148
Creditors - Investment Property	2,691	-
Employee expenses	835	749
Related parties		
- Subvention Payments	204	1,057
- Interest	136	50
	6,660	4,042

Trade and other payables policies

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method.

Employee expenses

Accrual is made for benefits owing to employees in respect of wages and salaries, annual leave, and long service leave.

13. Borrowings

Borrowings from MDC Holdings (parent) secured - at amortised cost	Group	
	2022 \$'000	2021 \$'000
Classified as:		
Current	-	-
Non-current	43,675	31,000
	43,675	31,000

Loan maturities

Funds have been raised under a loan facility held by MDC Holdings Limited (parent). MDC Holdings have signalled their intention to meet the Company's long term funding requirements through their Statement of Corporate Intent.

Interest and security

Term loans incurred an interest expense of \$1,061,994 (2021: \$941,281). Interest rates ranged between 0.94% and 5.21% (2021: 0.47% and 5.21%). A Negative Pledge Deed has been entered into with MDC Holdings Limited. Borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing, and subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated taking into account any issue costs and any discount or premium on drawdown.

14. Other financial instruments

14.1 Lease Liability

Lease liability	Group	
	2022 \$'000	2021 \$'000
Classified as:		
Current	-	-
Non-current	(282)	(258)
	(282)	(258)

Lease liabilities policy

Port Marlborough assesses whether a contract is or contains a lease, at inception of the contract. Port Marlborough recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, Port Marlborough recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments.

Port Marlborough's operating lease contracts contain market review clauses in the event that Port Marlborough exercises its option to renew. Port Marlborough does not have an option to purchase the leased asset at the expiry of the lease period.

14.2 Derivative financial instruments

Interest rate swap contracts

Under interest rate swap contracts, the consolidated entity agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on debt held. The fair value of interest rate swaps are based on market values of equivalent instruments at the reporting date and are disclosed below.

Interest rate swap asset / (liability) at fair value	Group	
	2022 \$'000	2021 \$'000
Classified as:		
Current	-	-
Non-current	174	(1,681)
	174	(1,681)

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at reporting date.

Fixed term remaining	Notional amount \$ '000	Fair value \$ '000	Interest rate
1 July 2021 - 31 March 2024	7,000	(136)	5.21%
1 July 2021 - 29 June 2024	5,000	27	3.77%
1 July 2021 - 23 February 2025	5,000	39	3.73%
28 March 2024 – 15 November 2029	5,000	244	2.99%
Balance as at 30 June 2022	22,000	174	
Balance as at 30 June 2021	17,000	(1,681)	

Fixed rate hedging percentages (maturity profile)	Minimum	Maximum
0 to 2 years	50%	100%
2 years to 5 years	25%	80%
5 years to 10 years	0%	60%

Derivatives policies

The Group enters into derivatives financial instruments (interest rate swaps) to manage interest rate risk. These swaps:

- Are initially recognised at fair value on the date the contract is entered into and are subsequently re-measured to their fair value. The fair value of the interest rate swaps are determined using inputs supplied by third parties based on quoted prices in active markets for identical assets/liabilities. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves taking into account the effect of credit risk (CVA/DVA).
- Do not qualify for hedge accounting
- Have the changes to the fair value recognised in the Consolidated Income Statement (refer Note 3.2)
- Are not used for speculative purposes

15. Capital and other equity instruments

Classified as:	Group	
	2022 \$'000	2021 \$'000
13,587,650 fully paid ordinary shares (2021: 13,587,650)	13,588	13,588

All shares are of the same class, carry one vote per share and carry the right to dividends.

Equity instruments policies

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

16. Asset revaluation reserve

	Notes	Group	
		2022 \$'000	2021 \$'000
Balance at the beginning of financial year		57,982	58,262
Revaluation increments/(decrements)	9	13,339	-
Deferred Tax	4.3	(1,977)	-
Transfer to retained earnings	17	-	(280)
Balance at end of financial year		69,344	57,982

The asset revaluation reserve arises on the revaluation of wharves and jetty facilities, operational land and buildings (excluding investment property). Where a revalued wharf, jetty facility, land or building is sold etc., that portion of the asset revaluation reserve which relates to that asset is transferred directly to retained earnings.

17. Retained earnings

	Notes	Group	
		2022 \$'000	2021 \$'000
Balance at the beginning of financial year		91,492	78,904
Profit attributable to members of the parent entity		8,196	15,950
Dividends paid	18	(3,832)	(3,642)
Transfer from revaluation reserve	16	-	280
Balance at end of financial year		95,856	91,492

18. Dividends

	2022	2022	2021	2021
	Cents per share	Total \$'000	Cents per share	Total \$'000
Recognised amounts				
Fully paid ordinary shares	0.28	3,832	0.27	3,642

In addition, the above cash distributions carried maximum imputation credits. Dividends paid are classified as distributions of profit consistent with the Consolidated Statement of Financial Position classification of related equity instruments.

19. Commitments for expenditure

	Group	
	2022 \$'000	2021 \$'000
Property Plant and Equipment	1,948	482
Investment property	6,455	18,057

20. Leases

20.1 Maturity analysis (operating leases as lessee)

	Group	
	2022 \$'000	2021 \$'000
Year 1	10	-
Year 2	31	10
Year 3	31	31
Year 4	31	31
Year 5	31	31
Year 6 onwards	536	569
	670	672

20.2 Maturity analysis (operating leases as lessor)

	Group	
	2022 \$'000	2021 \$'000
Year 1	9,958	10,070
Year 2	9,582	9,509
Year 3	5,594	9,196
Year 4	3,425	5,396
Year 5	3,231	3,361
Year 6 onwards	7,203	9,504
	38,993	47,036

Leasing arrangements and policies

Operating leases as lessor relate to rental property owned by the consolidated entity with lease terms of up to 30 years, with provision for renewal. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at expiry of the lease period. Rentals income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

21. Contingent assets and liabilities

2022 Group and Parent contingent assets

There are no contingent assets (2021: Nil)

2022 Group and Parent contingent liabilities

In the normal course of business, the Group is subject to potential loss contingencies arising from such matters as guarantees and contractual obligations by government and private parties. In the judgement of Directors, no losses in respect of such matters are expected to be material to the Group's financial position.

22. Statement of cash flows

Statement of cash flows policies

Operating activities

Operating activities include cash received from all income sources of the Company and Group and record the cash payments made for the supply of goods and services.

Investing activities

Investing activities are those activities relating to the acquisition and disposal of non-current assets.

Financing activities

Financing activities comprise activities that change the equity and debt capital structure of the Company and Group.

22.1 Reconciliation of profit for the period to net cash flows from operating activities

	Notes	Group	
		2022 \$'000	2021 \$'000
Profit after tax for the period		8,196	15,950
Loss/(gain) on sale or disposal of non-current assets		(70)	25
Loss/(gain) on revaluation of investment property	10	1,855	(8,755)
Gain/(loss) on revaluation of derivative instruments	3.2	(1,855)	(1,096)
Depreciation, impairment and amortisation of non-current assets	3.2	3,810	3,683
Increase/(decrease) in deferred tax balances	4.3	(21)	1,776
Increase/(decrease) in non-current rent concession		(36)	17
Lease interest on lease liabilities	14	24	22
Changes in net assets:			
(Increase)/decrease in assets:			
Current receivables		(291)	2,734
Less investment activities included in receivables		178	(1,630)
Current inventories		(87)	18
Increase/(decrease) in liabilities:			
Current payables		2,618	(1,178)
Less investment activities included in payables		(4,123)	1,803
Current tax		967	(467)
Net cash from operating activities		11,165	12,902

22.2 Cash and cash equivalents

Cash and cash equivalents at the end of the financial year as shown in the Consolidated Cash Flow Statements can be reconciled to the related items in the Consolidated Statement of Financial Position as follows:

	Group	
	2022 \$'000	2021 \$'000
Cash and cash equivalents	5,522	6,000

Included in this balance are \$388,594 (2021: \$61,489) of funds held on trust for contractors retention purposes.

Cash and cash equivalents policies

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

22.3 Cash balances not available for use

Cash balances not available for use nil (2021: nil).

23. Related party disclosures

23.1. Parent entities

The Parent entity in the consolidated entity is Port Marlborough New Zealand Limited, which is 100% owned by MDC Holdings Limited which is in turn 100% owned by the ultimate Parent entity, Marlborough District Council. In the normal course of business the Group incurs expenses on an arm's length basis from its ultimate controlling Shareholder Marlborough District Council, and other Companies comprising the MDC Holdings Group.

Transactions involving Parent entities

During the year transactions between Port Marlborough New Zealand Limited and its Parent entities included:

	Group	
	2022 \$'000	2021 \$'000
<i>MDC Holdings Limited</i>		
Loan finance costs *	(1,062)	(942)
Loan finance drawdown	12,675	2,000
Subvention payments **	(204)	(213)
Derivative gain/(losses)	1,855	1,096
Dividends paid	(3,831)	(3,642)
Other Services	(1)	(1)
<i>Marlborough District Council</i>		
Services Provided	70	101
Harbour and navigational levies	(430)	(494)
Rates and other services	(695)	(952)
Subvention payments	(868)	(648)
<i>Marlborough Airport Limited</i>		
Other Services	1	2

*Port Marlborough New Zealand Limited has an arrangement with MDC Holdings Limited whereby the parent enters into interest rate hedging arrangements and obtains borrowings on behalf of Port Marlborough New Zealand Limited. All financing obtained by the parent is on loaned to Port Marlborough New Zealand Limited on a matched funding basis.

** Port Marlborough New Zealand Limited has a tax loss share arrangement with MDC Holdings Limited and Marlborough District Council in exchange for subvention payments. The transactions are cost-neutral for Port Marlborough New Zealand Limited.

23.2 Year end

At year-end the following outstanding balances with parent entities were recorded as an asset / (liability):

	Group	
	2022 \$'000	2021 \$'000
<i>MDC Holdings Limited</i>		
Loan advance	(43,675)	(31,000)
Derivative	174	(1,681)
Interest payable	(136)	(50)
Subvention payment	(204)	(189)
<i>Marlborough District Council</i>		
Subvention payment	-	(868)
Receivables/Revenue Accrual	5	-

23.3 Subsidiaries

Details of ordinary shares held in subsidiaries are disclosed in Note 7 to the Financial Statements. Intra-group related party transactions and outstanding balances are eliminated in the preparation of consolidated financial statements of the group. During the current and previous financial year Port Marlborough New Zealand Limited provided accounting and administration services to its subsidiaries for no consideration (2021: Nil).

23.4 Guarantees provided or received

Nil (2021:Nil)

23.5 Directors

Mr KB Taylor was a Director of:

- Southern Cross Medical Care Society, (ceased 31 December 2021) who provided the company employee health insurance for the year totalling \$89,986 (2021: \$84,672).

Mr RW Olliver is a Director/Shareholder of:

- Fulton Hogan Limited who undertook construction work for the year totalling \$1,520,823. As at 30 June \$450,273 was owing to Fulton Hogan Limited.

23.6 Key management personnel compensation

Included in the employee benefit expenses is compensation of the Directors and Executives, being the key management personnel of the entity, as set out below:

	Group	
	2022 \$'000	2021 \$'000
Employee Benefits	1,494	1,397
Directors Fees	276	264

23.7 Marina facilities

A number of related parties, including Directors and employees of Port Marlborough New Zealand Limited utilise the Company's marina facilities. All transactions are at standard commercial rates.

24. Events after the reporting period

At the time of preparation of these Financial Statements there were no post balance date events requiring disclosure.

(2021: In the prior year some targeted assistance was provided for commercial tenants as a consequence of the Government moving to Covid Alert Level 4. There was no material impact on the business.)

COMPANY DIRECTORY

BOARD OF DIRECTORS

Keith B Taylor	BSc, BCA, FIA, CFIInstD, ONZM	Chair
Colin Crampton	BE Civil (Hons), FEngNZ, Dip BusAdmin	
Martin F Fletcher	CA, MInstD	
Warren McNabb	BCom, LLB(Hons), MBA	
Jennifer Moxon	BA, MInstD	
Richard W Olliver	LLB, BCom	
Hon Heather Roy	Dip Phyt, MInstD	

EXECUTIVE

Rhys Welbourn	MBA, BA (Hons), PG Dip. GIS, Dip Eng (Civil), MInstD	Chief Executive
Gavin Beattie	BE (Hons), CMEngNZ	
Anthony Burgess	Dip Eng (Civil)	
Dean Craighead	BCom, CA	
Anouk Euzeby	MBA, BA (Hons), IUT (eqv Dip)	
Ryan Lock	BCom (IBus)	
Rose Prendeville	B.Tech (I.E), Dip.PM	

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AUDITOR:

Anthony Smith for Deloitte Limited, on behalf of the Auditor General

LEGAL ADVISOR:

Bell Gully

BANKER:

Bank of New Zealand

