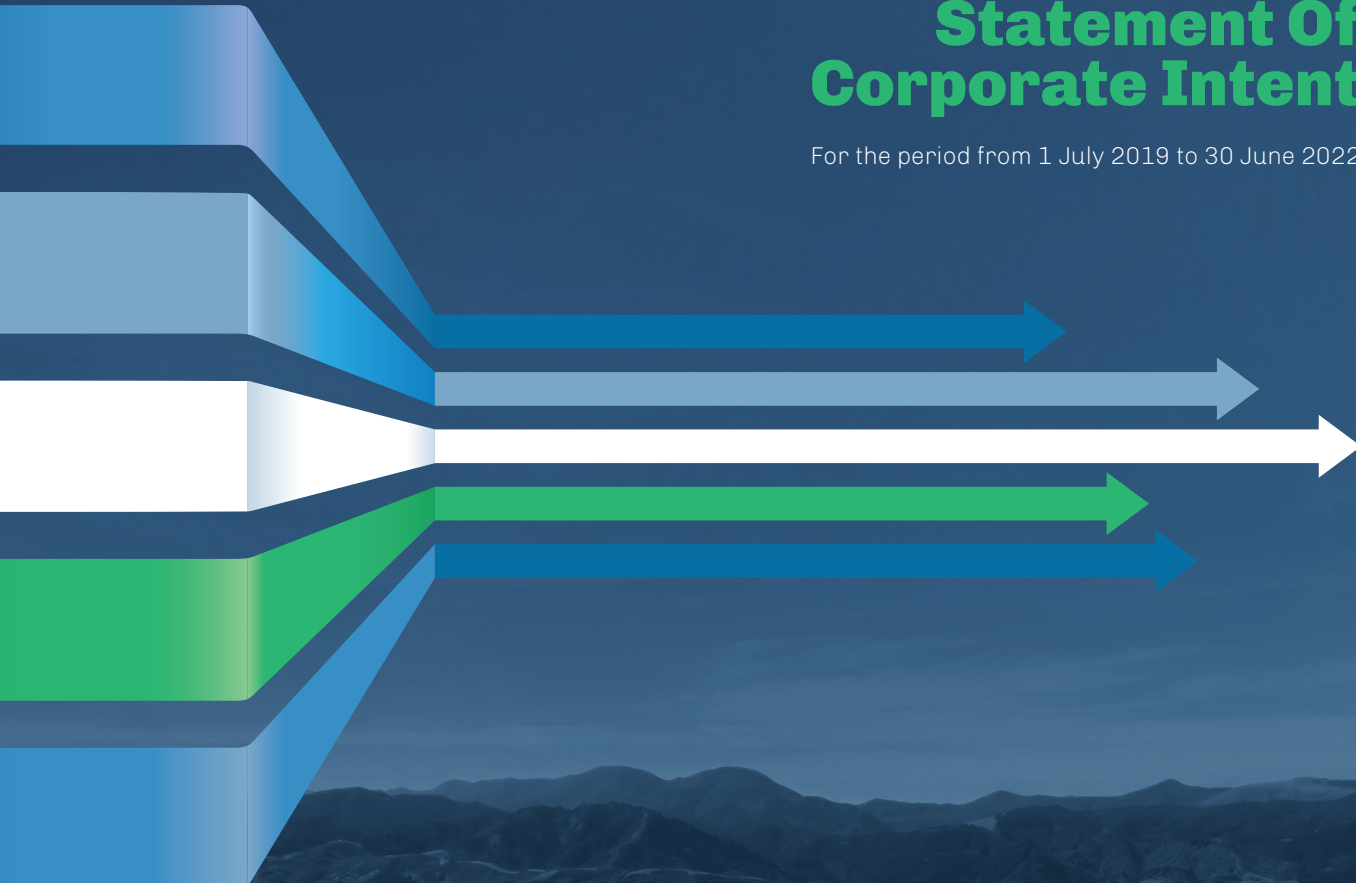


**PORT  NELSON**

# **Statement Of Corporate Intent**

For the period from 1 July 2019 to 30 June 2022



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# About this report

This Statement of Corporate Intent (SCI) is submitted by the Board of Directors of Port Nelson Limited in accordance with the terms under Section 9 of the Port Companies Act 1988.

It sets out the Board's overall intention and objectives for Port Nelson Limited for the year commencing 1 July 2019 and the following two financial years.

Throughout the SCI Port Nelson Limited is referred to as "PNL" or "the Company."

Port Nelson Limited is a subsidiary of Nelson City Council (referred to as "NCC" or "the shareholder") and Tasman District Council (referred to as "TDC" or "the shareholder").





# Chairman and Chief Executive Overview

We are pleased to present Port Nelson's 2019/2020 Statement of Corporate Intent (SCI) outlining our three-year strategy for meeting the obligations in our strategic purpose and intent.

In recent years PNL has made a significant and sustained investment in its capability and assets, continuing the momentum and focus on strategic growth and resilience for the future.

This SCI signals a continuation of that investment, supported by a forecast of sustained financial performance. Furthermore, it indicates our intention to maintain focus on building resilience into critical infrastructure, specifically wharves, prudently investing in new technologies for efficiencies, improving port optimisation and responding to a tight labour market.

## Capability and Assets

Looking ahead, 2019/2020 will see the further investment of \$29 million to future-proof the Port and in doing so facilitate regional growth. The investment will fund a much needed redevelopment of Main Wharf North, improve the approach and access to the port and lift earthquake resilience.

These upgrades, along with the recent arrival of a new tug, *Huria Matenga II*, are essential to ensure PNL meets the demand of larger vessels calling at the port.

## Collaborating to Add Value

PNL's QuayConnect Patterson Logistics Centre was announced as one of just six finalists in the Lloyd's List Asia Pacific Awards new port infrastructure category for the benefits the facility has brought to the region, diversification in port development, as well as in sustainability.

This SCI points to a continuation of developing PNL's landside capability and our determination to maintain our focus on collaboration by actively working with our customers and partners.

## Social Licence to Operate

PNL is aware of its obligations to the community and the environment in which it operates. During the period of this SCI, PNL will continue its focus on improving sustainability outcomes. These improvements will be achieved, in part, by implementing a sustainability reporting framework, including environmental governance and carbon emission targets.

## Community Involvement

PNL is proud of our involvement with the broader community, and we continue to support several key sponsorship initiatives around the region. These include St Johns, Nelson Regional Development Agency, Big Brothers Big Sisters, the Sealord Marine Rescue Centre, Light Nelson, the Mission to Seafarers and Nelson Junior Cricket, among others.

We hope you enjoy reading a snapshot of our story.

**More information is available on our website, [portnelson.co.nz](http://portnelson.co.nz)**



In recent years PNL has made a significant and sustained investment in its capability and assets, continuing the momentum and focus on strategic growth and resilience for the future.





# 1. Operating Environment

## 1.1. OUR PURPOSE

Located in the Nelson Tasman region, PNL is owned equally by Nelson City Council and Tasman District Council to facilitate regional prosperity. We will achieve this by bringing together the best people, technologies and alliances to deliver innovative cargo solutions and outstanding port services to ensure our customers, our business and the Nelson, Tasman and Marlborough regions thrive.

This SCI overviews how, over the next three years, PNL will deploy its people, assets and utilise its alliances with stakeholders to contribute to the following six objectives:

**People** – To build and support high performing teams putting safety first.

**Infrastructure** – Adopting an approach to asset investment that meets the ongoing needs and growth of customers.

**Customers** – An organisation that contributes value to our customers through partnership and innovation.

**Performance** – A sustainable business delivering increasing value to our shareholders

**Community** – A sense of great pride in the role we play in our community

**Environmental** – A leader in sustainable environmental management in the New Zealand Port industry

## 1.2. NATURE AND SCOPE OF ACTIVITIES

Port Nelson provides core port services and managed property portfolio services including;

- a. Marine services which include pilotage and towage services and navigation aids for the arrival, berth and departure of vessels to the port
- b. Berths to accommodate vessels at the port
- c. Wharves, plant and other services to facilitate the discharge and loading of vessels
- d. Container terminal handling services which include receipt, delivery, transit, storage and shipment of a wide range of import and export cargos
- e. Cargo logistics including warehousing and storage of goods
- f. Vessel slipping services
- g. The development, leasing and management of land and buildings not required for port operating purposes
- h. Other port-related activities required to manage and operate an efficient and competitive port

## 1.3. ENSURING RELEVANCE

Over the last three years, the number of containers handled at PNL has grown by over 25%, the amount of vessel visits has risen by 8%, and the size of the ships calling has increased. It's therefore essential the infrastructure at PNL grows too for it to remain relevant.

- **Redevelopment of Main Wharf North**

This redevelopment is expected to commence in November 2019 and take twelve months to complete allowing utilisation of the full length of Main Wharf.



## 1. OPERATING ENVIRONMENT

- **Improved port navigation**

In keeping with having the ability to accommodate bigger vessels, plans are underway to create an ideal approach and access to the port. The proposed work is to complete capital dredging, likely in three new areas, just outside the existing dredged footprint. More information can be found on our website.

- **Replacement Cranes**

PNL is planning to replace its three existing cranes with new cranes at various times as the new infrastructure comes on-stream. The purchase of new cranes will enable the larger vessels to be worked with increased efficiency. Further, ever-increasing maintenance costs for the existing cranes will be defrayed.

### 1.4. RESILIENCE PLANNING

In 2018 PNL commenced its Resilience Improvement Project. The project has two main objectives;

- To provide a clear picture of PNL's vulnerabilities to a significant natural hazard event and potential impacts on the business; and
- To develop plans for improving the resilience of the organisation.

Work completed to date has identified several priorities including;

- Ensuring High Hazard Facilities risks to Port Nelson operations are understood and managed; and
- Specific land and bund stabilisation requirements; and
- Liquefaction and lateral spreading across the port and mitigating factors; and
- Key focus areas for business contingency planning.

The redevelopment of Main Wharf North, including surrounding ground improvements, will lift the earthquake resilience of critical infrastructure.

### 1.5. SUSTAINABILITY

PNL's Environmental Policy states, *PNL will undertake present and future activities in an environmentally sustainable manner, while complying with applicable legislative requirements and protecting the environment. We will strive for continual improvement in our environmental performance and the prevention of pollution in all our business undertakings.*

As mentioned earlier, a sustainability reporting framework, including environmental governance and carbon emission targets, will be developed and implemented.

Other sustainability initiatives include;

- Continuing to replace plant and vehicles with hybrid and electric alternatives.
- Upgrading electrical infrastructure to more energy efficient options.
- Increasing water capture capacity.
- Replacing existing yard lighting with LED lighting.

Last year PNL introduced an Enterprise Carbon Accounting Software System. This technology has enabled us to gain a better understanding of our emissions and to make changes for improvement.

## 1. OPERATING ENVIRONMENT

### 1.6. HEALTH AND SAFETY

PNL continues to have a major focus on Health, Safety and Wellbeing. In a recent independent Health and Safety audit, the external auditor commented that the culture of health and safety and operation improvement was strongly evident. Key findings included a recommendation that the Health & Safety Management System is updated to comply with ISO 45001. This review has commenced.

PNL's Health and Safety Strategy has identified key focus areas to be:

- Demonstrating highly visible leadership
- Focus on critical risks
- Reducing at-risk behaviours
- Engagement and participation
- Port PCBU consultation, cooperation and coordination

PNL is represented on the Steering Group for the New Zealand Business Leaders Health and Safety Forum. This group is made up of eighteen business leaders from across New Zealand, representing a wide array of industries and sectors, providing valuable insight for PNL's business.

### 1.7. FINANCIAL PERFORMANCE

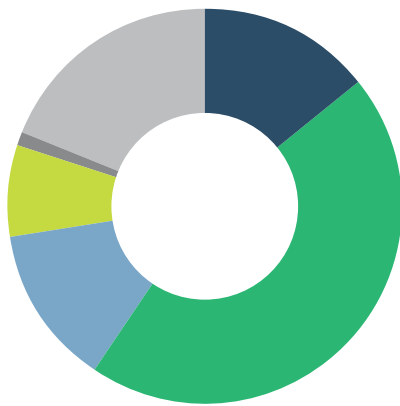
<b>1.7.1. Operations</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Cargo throughput (cargo tonnes)	3.7m	3.8m	4.0m
Container throughput (TEUs – twenty-foot equivalent units)	122,300	125,000	129,000
Shipping tonnes (GRT – gross registered tonnes)	10.33	10.58	10.61
Vessel visits	794	801	803

<b>1.7.2. Financial</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Revenue	\$73m	\$76m	\$76m
Earnings before interest, tax, depreciation and amortisation	\$28m	\$31m	\$31m
Net profit after taxation	\$11m	\$12m	\$12m
Total assets	\$302m	\$314m	\$309m
Term debt	\$79m	\$89m	\$78m
Total equity	\$194m	\$200m	\$206m
Net debt to equity	40.6%	44.2%	38.1%
Return on equity	5.7%	6.1%	5.8%
Dividend declared	\$5.5m	\$6m	\$6m
Net assets per share	7.65	7.88	8.11
Earnings per share	0.43	0.47	0.46

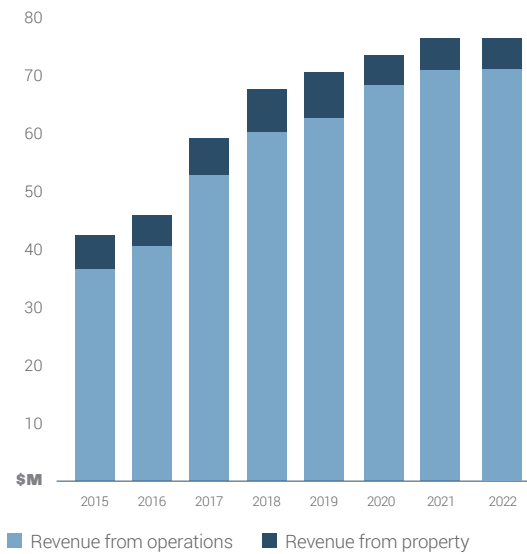


## 1. OPERATING ENVIRONMENT

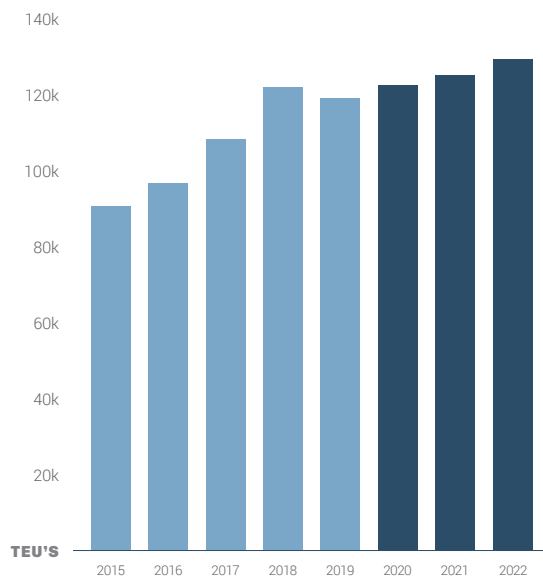
### FINANCIAL YEAR 2020 REVENUE



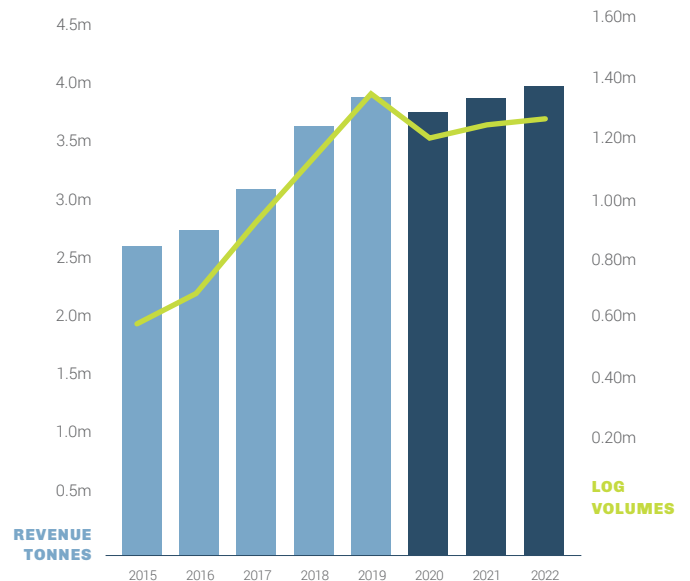
### REVENUE BREAKDOWN



### CONTAINER THROUGHPUT



### REVENUE TONNES AND LOG VOLUMES





Looking ahead, 2019/2020 will see the further investment of \$29 million to future-proof the Port and in doing so facilitate regional growth.



## 2. Performance Targets and Other Measures

Objectives	Performance Measure	2020	2021	2022
<b>PEOPLE</b>	Lost time injury frequency rate	< 1.5	< 1.5	< 1.5
<b>ECONOMIC PERFORMANCE</b>	Earnings before interest, tax, depreciation and amortisation	\$28m	\$31m	\$31m
	Return on capital employed	5.5%	5.7%	5.7%
	Shareholders' funds to total assets	60%	60%	60%
	Net debt to equity	<45%	<45%	<45%
	Dividends declared	\$5.5m	\$6m	\$6m
<b>ENVIRONMENT AND COMMUNITY</b>	Incidents leading to pollution of harbour *	Nil	Nil	Nil
	Compliance with all resource consent conditions	100%	100%	100%
	Compliance with NZ Maritime safety standards **	100%	100%	100%
	Compliance with noise variation	100%	100%	100%
	Maintain ISO14001 certification	100%	100%	100%
<b>CUSTOMER</b>	Cargo throughput (RT – revenue tonnes)	3.7m	3.8m	4.0m
	Ships visits	794	801	803
	Shipping tonnes (GRT – gross registered tonnes)	8.2m	8.2m	8.2m

\* This measure relates to port operational area only (excludes port lease areas)

\*\* For Port Nelson New Zealand Maritime Safety Standards include

- Dredged channels compliant with charts
- Navigation aids
- Pilotage



## OUR PURPOSE:

Facilitate regional prosperity





## **3. Governance**

### **3.1. CORPORATE CODE OF GOVERNANCE**

The Board of Port Nelson operates within an agreed Corporate Code of Governance that is reviewed annually by the Board.

### **3.2. COMPANY**

The principal objective of the Company is to operate as a successful business.

### **3.3. BOARD**

The Board is appointed by the Shareholders. The Board is responsible for the governance, strategic direction and the monitoring of the business of the Company to achieve its objective in accordance with PNL's Corporate Code of Governance Practice.

### **3.4. BOARD COMMITTEES**

The Board uses committees to allow areas requiring detailed consideration to be dealt with separately by Directors with specialist knowledge and experience thereby enhancing the effectiveness of the Board. The Board has constituted two standing Committees being the Finance and Risk Committee and the Remuneration and Appointments Committee and may constitute ad hoc committees to deal with specific issues.

### **3.5. CHAIRPERSON**

The Board elects a Chairperson and may elect a deputy Chairperson or alternate. The Chairperson is to be responsible for the efficient functioning of the Board.

### **3.6. CHIEF EXECUTIVE**

The Board appoints a CEO. The CEO is responsible for leading and managing the Company in accordance with the directions of the Board. The CEO may further delegate to other levels for day to day operational decisions of the Company in accordance with delegated authorities as approved by the Board.

### 3. GOVERNANCE

#### 3.7. HEALTH AND SAFETY

Health and Safety governance is a priority for the Board. The Board will take a leading role in health and safety by reviewing and approving the safety management plan and understanding the effectiveness of the Company systems and performance.

The Board supports the “Good Governance Practice Guidelines for Managing Health and Safety Risks” produced by the Institute of Directors and the Ministry of Business, Innovation and Employment.

Port Nelson takes an active role in the Business Leaders’ Health and Safety Forum and a lead role in health and safety amongst the region’s businesses.

#### 3.8. DIVIDENDS AND DISTRIBUTION

The PNL Board will use its best endeavours to accommodate the Shareholders desire for dividend growth within the constraints imposed by the Directors’ obligations to act in accordance with their statutory duties.

The Shareholders desire to receive dividends representing not less than 50% of net profit after tax. Similarly the PNL Board expectation is that not more than 75% of net profit after tax shall be distributed to the shareholders. Special dividends are not covered by this policy.

Proposed dividend distributions are expected to be \$5.5m for the year ended June 2020 and \$6m and \$6m for each of the following two years.





**OUR INTENT:** We bring together the best people, technologies and alliances to deliver innovate cargo solutions and outstanding port services to ensure our customers, our business and the Nelson, Tasman and Marlborough regions thrive.





## 4. Stakeholders

### 4.1. INFORMATION TO BE PROVIDED TO THE SHAREHOLDER

#### 4.1.1. Annual Statement of Corporate Intent (SCI)

The Company will not later than one month after the commencement of each financial year, provide the Shareholder with an SCI as required by the Port Companies Act together with any other information it considers appropriate.

#### 4.1.2. Half Yearly Report

Within 2 months after the end of the first half of each financial year the Company will deliver to the Shareholders and the Minister of Transport its Half Yearly Report prepared in accordance with the NZ IFRS and the Financial Reporting Act 1993, including the unaudited consolidated financial statements and performance commentary, together with such other information as the Board consider appropriate. The report will include:

- Performance Commentary
- Statement of Comprehensive Income
- Balance Sheet
- Statement of Cash Flows
- Performance against the SCI Performance Targets and Other Measures

#### 4.1.3. Annual Report

Within 3 months after the end of each financial year, and no less than 10 working days from the date on which the shareholders meeting is to be held, the Company will deliver to the Shareholders and the Minister of Transport its Annual Report prepared in accordance with the reporting requirements of the NZ IFRS and the Financial Reporting Act 1993 and will include the audited annual consolidated financial statements and performance commentary, together with such other information as the Board considers appropriate.

The report will include:

- Performance Commentary
- Statement of Comprehensive Income
- Balance Sheet
- Cash Flow Statement
- Statement of Changes in Equity
- Notes to the Financial Statements
- Performance against the SCI performance targets and other measures
- Auditor's Report



## **4. STAKEHOLDERS**

### **4.1.4. Quarterly Reporting**

Within 6 weeks after the end of the September and March quarters of each financial year, the Company will deliver to the Shareholders a quarterly report on the preceding quarter. The Company's quarterly report to Shareholders shall include a performance commentary, together with such other information as the Board consider appropriate.

Financial results for the December and June quarters will be incorporated in the Half Year Reports and Annual Reports to be delivered to Shareholders in accordance with the timetables of those stated above.

Any reports provided to the Shareholders may be released at their discretion.

### **4.1.5. General Disclosure**

The Company will provide information to the Shareholders on an ongoing but confidential basis to ensure that the Shareholders are informed promptly of significant events which relate to the Company and which may affect the Shareholders.

Any reports, including the Company's Quarterly and Half Year reports provided to the Shareholders, may be released to the public at their discretion.

### **4.1.6. Communication of Information**

The Company's primary line of communication, for all formal reports and ad hoc business matters, is direct to the Shareholders or their nominated representatives.

## **4.2. PROCEDURE FOR ACQUISITION OF SHARES**

The Company's ability to subscribe for, purchase or otherwise acquire shares in any company or other organisation is governed by the provisions in the Company's Constitution and the Companies Act 1993. Any major share investment (other than operational investment) which is inconsistent with the five year strategic plan will be subject to Shareholder approval.

## **4.3. COMPENSATORY ACTIVITIES**

The Company will seek compensation for all non-commercial activities performed by it on behalf of local authorities.

## **4.4. VALUE OF SHAREHOLDER'S INVESTMENT**

The Directors assessment of the value of the Shareholders investment in the Company is \$190m. The value is the prospective value of Total Shareholders' Funds as at June 30, 2019.

A reassessment of the value of the Shareholders investment in the Company will be undertaken as may be required from time to time by the shareholders or directors.

## 5. Financial Statements Summary

### 5.1. STATEMENT OF COMPREHENSIVE INCOME

For the three year period July 2019 to June 2022	2020	2021	2022
	\$000	\$000	\$000
<b>Revenue</b>			
Port operations	67,530	70,460	70,330
Property	5,450	5,450	5,450
<b>Total revenue</b>	<b>72,980</b>	<b>75,910</b>	<b>75,780</b>
<b>EXPENSES</b>			
Employee benefit expenses	21,140	21,140	21,220
Other operational and property expenses	24,230	23,670	23,140
<b>Earnings before interest, tax, depreciation and amortisation</b>	<b>27,610</b>	<b>31,100</b>	<b>31,420</b>
Depreciation and amortisation	8,690	10,060	10,780
<b>Earnings before interest and tax</b>	<b>18,920</b>	<b>21,040</b>	<b>20,640</b>
Net financing costs	3,830	4,440	4,280
<b>Net profit before income tax</b>	<b>15,090</b>	<b>16,600</b>	<b>16,360</b>
Income tax	4,230	4,660	4,590
<b>Net profit after income tax</b>	<b>10,860</b>	<b>11,940</b>	<b>11,770</b>

## 5. FINANCIAL STATEMENTS SUMMARY

### 5.2. BALANCE SHEET

For the three year period July 2019 to June 2022

	2020	2021	2022
	\$000	\$000	\$000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	10	10	10
Trade and other receivables	10,580	11,740	10,960
Inventories	570	570	570
Prepayments and accruals	230	230	230
<b>Total current assets</b>	<b>11,390</b>	<b>12,550</b>	<b>11,770</b>
<b>LESS CURRENT LIABILITIES</b>			
Trade and other payables	7,940	4,090	3,130
Employee benefit entitlements	1,890	1,910	1,920
Tax payable	2,960	3,060	3,020
Dividend payable	2,500	3,000	3,000
Noise mitigation	30	30	30
<b>Total current liabilities</b>	<b>15,320</b>	<b>12,090</b>	<b>11,100</b>
<b>Working capital</b>	<b>(3,930)</b>	<b>460</b>	<b>670</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	266,750	278,230	273,960
Intangible assets	1,310	1,070	820
Investment properties	22,400	22,310	22,220
Derivatives	—	—	—
<b>Total Non-Current Assets</b>	<b>290,460</b>	<b>301,610</b>	<b>297,000</b>
<b>LESS NON-CURRENT LIABILITIES</b>			
Employee benefit entitlements	250	250	250
Deferred tax liability	10,340	10,340	10,340
Term loan	78,950	88,580	78,430
Derivatives	2,240	2,240	2,240
Noise mitigation	420	380	350
<b>Total non-current liabilities</b>	<b>92,200</b>	<b>101,790</b>	<b>91,610</b>
<b>Net assets</b>	<b>194,330</b>	<b>200,280</b>	<b>206,060</b>
<b>SHAREHOLDERS' FUNDS</b>			
Issued capital	6,050	6,050	6,050
Retained earnings	73,610	79,560	85,340
Asset revaluation reserve	116,350	116,350	116,350
Hedging reserve	(1,680)	(1,680)	(1,680)
<b>Total shareholders' funds</b>	<b>194,330</b>	<b>200,280</b>	<b>206,060</b>



## 5. FINANCIAL STATEMENTS SUMMARY

### 5.3. STATEMENT OF CASH FLOWS

For the three year period July 2019 to June 2022	2020	2021	2022
	\$000	\$000	\$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash was provided from:			
Receipts from customers	66,970	69,440	71,010
Rent received	5,450	5,450	5,450
Interest received	10	10	10
	<b>72,430</b>	<b>74,900</b>	<b>76,470</b>
Cash was applied to:			
Payments to suppliers and employees	45,200	45,890	45,040
Interest paid	3,780	4,410	4,330
Taxes paid	3,860	4,950	4,970
Net GST paid	310	560	70
	<b>52,530</b>	<b>55,810</b>	<b>54,410</b>
<b>Net operating cash inflows</b>	<b>19,900</b>	<b>19,090</b>	<b>22,060</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Cash was provided from:			
Sale of property, plant and equipment	350	1,430	–
	<b>350</b>	<b>1,430</b>	<b>–</b>
Cash was applied to:			
Purchase of property, plant and equipment	28,320	24,530	5,790
Purchase of intangibles	1250	130	110
	<b>29,570</b>	<b>24,660</b>	<b>5,900</b>
<b>Net investing cash inflows/(outflows)</b>	<b>(29,220)</b>	<b>(23,230)</b>	<b>(5,900)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash was provided from:			
Loans borrowed	18,390	14,460	4,100
	<b>18,390</b>	<b>14,460</b>	<b>4,100</b>
Cash was applied to:			
Loans repaid	3,570	4,820	14,260
Dividend paid	5,500	5,500	6,000
	<b>9,070</b>	<b>10,320</b>	<b>20,260</b>
<b>Net investing cash inflows/(outflows)</b>	<b>9,320</b>	<b>4,140</b>	<b>(16,160)</b>
<b>Net increase/(decrease) in cash held</b>	<b>–</b>	<b>–</b>	<b>–</b>
Cash and cash equivalents at 1 July	10	10	10
<b>Cash at 30 June</b>	<b>10</b>	<b>10</b>	<b>10</b>

## 5. FINANCIAL STATEMENTS SUMMARY

### 5.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Reporting Entity

Port Nelson Limited is a for-profit company incorporated under the Companies Act 1993 and created pursuant to the Port Companies Act 1988.

Port Nelson operates in one industry and one geographical segment providing and managing port facilities, marine services, cargo handling operations, warehousing and distribution as well as investment properties at the port of Nelson and within the wider Marlborough region.

#### Basis of Preparation

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). They comply with New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and other applicable reporting standards as appropriate for profit-orientated entities.

#### Notes to the Financial Statements

Information that is considered material and relevant to the users of the financial statements is included within the notes to the financial statements. The assessment of materiality and relevance includes qualitative as well as quantitative factors, including the size and nature of the balance and if the balance is important in understanding Port Nelson's current or future performance.

#### Standards and Interpretations Issued and Not Yet Adopted

Port Nelson has applied all new and revised accounting standards and interpretations that are effective in the year. This did not result in a material impact on the financial statements.

There are several other new and amended accounting standards and interpretations not yet effective that will be adopted by Port Nelson when they become mandatory. Those relevant to Port Nelson include NZ IFRS 16 Accounting for Leases. The financial statement impact of the adoption of these standards has not yet been analysed.

#### Foreign Currency

Transactions in foreign currencies are converted at the New Zealand rate of exchange ruling at the date of the transaction. Capital items are converted at the exchange rate ruling at balance date or the forward exchange contract rate where derivatives have been used to hedge the exposure.

#### Critical Judgements

In preparing these financial statements, Port Nelson has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results and are continually being evaluated based on historical experience and other factors, including expectations or future events that are expected to be reasonable under the circumstances. There are no estimates and assumptions in the view of the Directors that have a risk of causing a significant adjustment to the carrying amounts of assets and liabilities within the next financial year.

## 5. FINANCIAL STATEMENTS SUMMARY

### Measurement System

Those accounting principles considered appropriate for the measurement and reporting of results and financial position under the historical cost method, modified by the revaluation of land, buildings, wharves and investment property have been followed.

### Specific Accounting Policies

The accounting policies adopted in the preparation of financial statements which have a significant effect on the result and the financial position disclosed are set out below:

#### (a) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to Port Nelson and that revenue can be reliably measured based on the following:

- Cargo and Marine revenue – the departure of the vessel.
- Stevedoring – partial completion of the vessel at balance date.
- Property lease revenue – on an accrual basis at balance date. Rentals are payable in advance.
- Interest revenue – on a time proportion basis using the effective interest method.

#### (b) Provisions

Provisions are recognised when a present obligation exists as a result of a past event, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

#### (c) Property, Plant and Equipment and Depreciation

Property, Plant and Equipment, except land, buildings, wharves and offshore capable floating plant are stated at valuation taken over from the Nelson Harbour Board on 1 October 1988 and subsequent additions at cost. Depreciation is written off depreciable assets on a straight line basis over the estimated economic lives of the assets, ranging as follows:

Asset Class	Years	Asset Class	Years
Wharves, Quays and Berths	20 – 72	Software	5
Vessels (inshore)	20	Buildings	2 – 100
Vessels (offshore capable)	20	Cranes	15-20
Forklifts	15 – 25	Tractors and Vehicles	10
Sundry Plant and Equipment	5 – 20	Navigation and Pilot Equipment	3 – 40
Office Equipment	5 – 15	Hard Standing	50
Infrastructural Assets	50 – 80	Building Fit-Out	10



## 5. FINANCIAL STATEMENTS SUMMARY

Capital dredging is not amortised. The cost of maintaining the dredged depth is expensed. Land is valued at least every three years. Land is included at the valuation as at 30 June 2017. As at 30 June, 2018 Port Nelson engaged TelferYoung, an independent valuer, to complete a fair value assessment. No revaluation was required. Land owned and leased to third parties is valued at the market value of the lessor's interests. Non-leased land is recorded at market value.

Additions between valuations are recorded at cost. The land valuation was completed by Ian McKeage, Registered Valuer, FNZIV, FPINZ of TelferYoung. Buildings are valued at least every five years. Buildings are stated at fair value. Fair value was determined as at 30 June 2017 using a market-based approach (where evidence can be reliably analysed) or income based approach (where evidence cannot be reliably analysed), validated by a depreciated replacement cost valuation. Additions between valuations are recorded at cost.

The buildings' valuation was completed by Ian McKeage, Registered Valuer, FNZIV, FPINZ of TelferYoung. Wharves are valued at least every five years. Wharves are stated at fair value. Fair value was determined as at 30 June 2017 using an income-based approach (where evidence cannot be reliably analysed). This fair value has been validated by a depreciated replacement cost approach which was prepared by Port Nelson's engineering staff and reviewed by Ian McKeage, Registered Valuer, FNZIV, FPINZ of TelferYoung. Additions between valuations are recorded at cost.

Infrastructural assets include stormwater, sewerage and water reticulation located underground. The asset classes that are subject to revaluation are assessed at each balance date to ensure that the values are not materially different from fair value. Where the carrying value is materially different from the fair value a revaluation is undertaken. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses are included in the Statement of Comprehensive Income. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to retained earnings. The cost incurred after the initial acquisition is capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to Port Nelson and the cost of the item can be reliably measured.

### **(d) Investment Properties**

Investment Property, which is property held to earn rentals and capital appreciation, is measured at its fair value at the reporting date. Gains or losses from changes in the fair value of investment property are included in the profit or loss in the period in which they arise. Investment Properties are not depreciated.

### **(e) Properties Intended for Resale**

At each reporting date, Port Nelson reviews the carrying amount of any Properties Intended for Sale 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 to determine the extent of the impairment loss (if any). Properties Intended for Sale are not depreciated. Properties are actively marketed, and there is a probable sale within one year.

### **(f) Cash and Cash Equivalents**

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are disclosed separately in current liabilities in the note disclosure.

## 5. FINANCIAL STATEMENTS SUMMARY

### **(g) Trade and Other Receivables**

Trade and Other Receivables are valued at fair value and subsequently measured at amortised cost using the effective interest method less any provision for impairment. A provision for the impairment of receivables is established when there is objective evidence that all amounts due will not be able to be collected as per the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the effective interest method.

### **(h) Inventories**

Inventory is valued at the lower of cost using the weighted average method and net realizable value. Full provision has been made for obsolescence where applicable. Inventory is held for internal maintenance and construction work only.

### **(i) Intangible Assets**

Intangible assets are limited to computer software. On acquisition, they are capitalised at a cost which equates to fair value. Computer software has a finite life. Amortisation is to be charged to the Statement of Comprehensive Income based on the finite life of the asset. Software is amortised on a straight line basis over five years. Intangible assets will be tested for impairment where an indicator of impairment exists, and useful lives will be assessed on an annual basis.

### **(j) Impairment of Assets**

At each reporting date, Port Nelson reviews the carrying amount 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 to determine the extent of the impairment loss (if any). Where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. For revalued assets, the impairment loss is recognised against the revaluation reserve for that asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the Statement of Comprehensive Income. For assets not carried at a revalued amount, the impairment loss is recognised in the Statement of Comprehensive Income. The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for that class of asset was previously recognised in the Statement of Comprehensive Income, a reversal of the impairment loss is also recognised in the Statement of Comprehensive Income. For assets not carried at a revalued amount, the total impairment loss is recognised in the Statement of Comprehensive Income.

### **(k) Goods and Service Taxation**

All items in the financial statements are exclusive of goods and services tax (GST) except receivables and payables, which are stated with the GST included. Where GST is not recoverable as an input tax, then it is recognised as part of the related asset or expense. The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the Balance Sheet. The net GST paid to or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the Statement of Cash Flows. Commitments and contingencies are disclosed exclusive of GST.

## 5. FINANCIAL STATEMENTS SUMMARY

### **(l) Income Taxation**

The income tax expense for the period is the tax payable on the current period's taxable income based on the income tax rate and adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements and for unused tax losses (if any). Deferred tax assets and liabilities are recognised for temporary differences at the rate expected to apply when the assets are recovered, or liabilities are settled. The tax rate is applied to the cumulative amounts of deductible and temporary taxable differences to measure the deferred tax asset or liability. Deferred tax assets are recognised for temporary deductible differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax is charged or credited to the Statement of Comprehensive Income, except where it relates to items charged or credited directly to equity, in which case the tax is dealt with in other comprehensive income.

### **(m) Borrowings**

Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are measured at amortised cost using the effective interest method where this differs from face value.

### **(n) Derivative Financial Instruments**

Port Nelson uses derivative financial instruments such as interest rate swaps to hedge against interest rate fluctuations. Port Nelson does not hold or issue derivative financial instruments for trading purposes. Such derivative financial instruments are stated at fair value. The fair value of interest rate swaps is determined by reference to market values. The effective portion of changes in the fair value of the derivative financial instruments that are designated and qualify as cash flow hedges are deferred in equity. If a hedging instrument is sold, terminated, revoked or no longer meets the criteria for hedge accounting, the cumulative gain or loss that remains recognised directly in equity from the period when the hedge was effective will be recognised in the Statement of Comprehensive Income.

### **(o) Financing Costs**

Finance costs are recognised as an expense when incurred. Financing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that take a substantial period to get ready for their intended use, are added to the cost of those assets until such time as the assets are substantially ready for their intended use.

### **(p) Employee Entitlements**

Provision is made in respect of Port Nelson's liability for annual leave, long service leave and retirement gratuities. Annual leave and long service leave have been calculated on an actual entitlement basis at current rates of pay and retirement gratuities calculated at current rates of pay assuming the payment will be made upon retirement.

### **(q) Leases**

Leases of plant and equipment are classified as operating leases. Operating lease payments are charged as an expense in the period in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

### **(r) Dividends**

Provision is made for the amount of any dividend declared on or before the end of the financial year but not distributed at balance date.



# Strategic Drivers

## People

An engaged and highly capable team putting safety first

## Economic performance

A successful business delivering sustained shareholder value

## Asset investment

An approach to asset investment that ensures business relevance

## Community involvement

A sense of pride from our community involvement

## Customer experience

An organisation that delivers innovative value to its customers

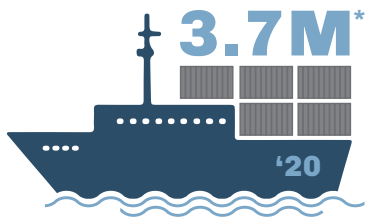
## Environmental responsibility

A leader in sustainable environmental management within the port sector

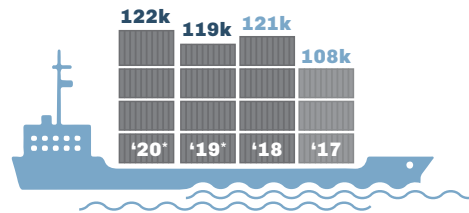


## Key stats

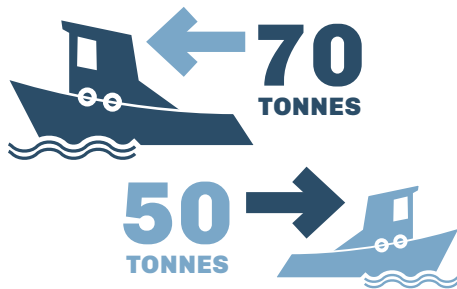
### CARGO THROUGHPUT TONNES



### CONTAINER THROUGHPUT TEUs



### TWO TUGS



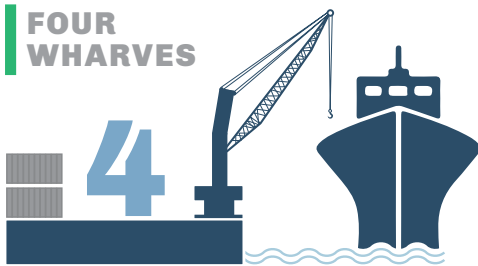
### MAXIMUM DRAFT



### BERTH POCKETS

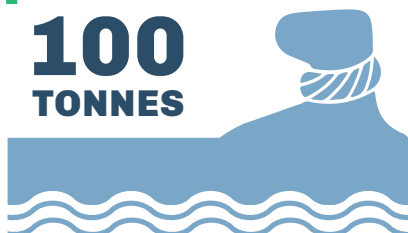


### FOUR WHARVES

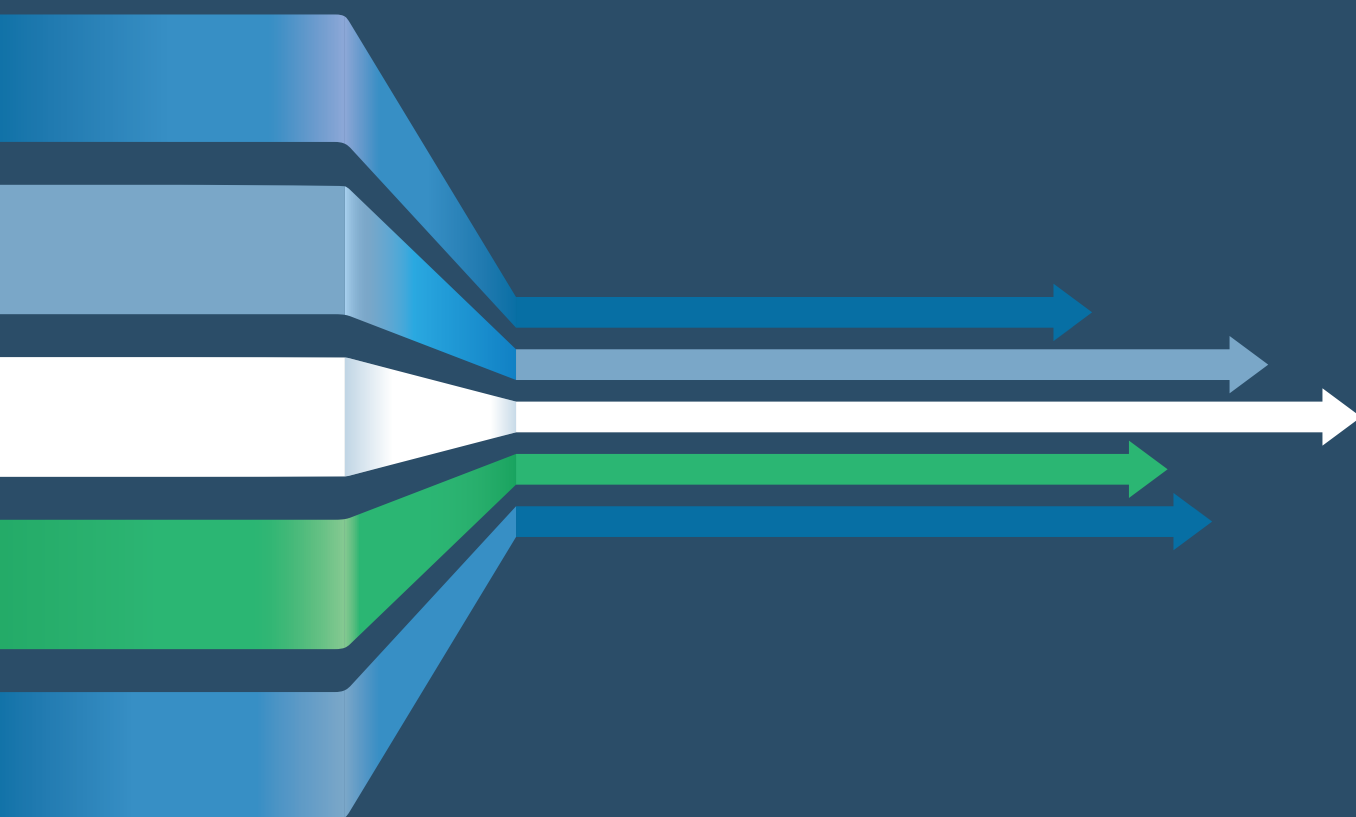


### BOLLARD CAPACITY

100  
TONNES



**\$73M**  
2020 REVENUE\*



*The Region's Gateway to the World*

**PORT  NELSON**

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