

# Statement of Corporate Intent

For the period from 1 July 2022 to 30 June 2025



This Statement of Corporate Intent sets out the key activities Port Nelson will undertake for the next three years.



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# Our Context





## → Purpose, Stakeholders, and Goals

Our Purpose:

# To facilitate regional prosperity

## *Kia āhei ki te kōkiri whakamua ki te taumata ā-rohe*

Our Stakeholders and Goals:



Provide leading port logistics operations and drive supply chain innovation

Reduce our environmental impacts and push towards a sustainable future

Build and keep safe a high-performing team

Support the improvement of wellbeing in our community

Deliver strong and sustained returns to our shareholders



## → Strategic Context

Port Nelson is enabled under the Port Companies Act 1988. The Act requires that: “The principal objective of every port company shall be to operate as a successful business.”

While Port Nelson is committed to delivering favourable economic outcomes, it also believes that broader perspectives result in a successful business. The Port defines “success” under five stakeholders: Customers, Environment, People, Community, and Shareholders.

The main exports from the Te Taihū region include world-class products such as wine, pip fruit, seafood, and forestry products. The bulky nature of these products and the logistics constraints for the region in terms of rail and effective alternative international Port options underline the critical importance of Port Nelson to the region.

Research by consultancy firm Berl, identified that approximately 30% of employment and 25% of GDP in Te Taihū rely on Port Nelson’s existence, effectiveness and efficiency.

**To continue to meet the needs of our region, the Port pursues four strategies for our decision-making and growth:**

### PORT EXCELLENCE

Port Nelson seeks to continually demonstrate excellence across all areas of its core Port business, including operational efficiency, customer relations, health and safety, team engagement, minimisation of environmental impacts, community engagement, and profitability. Excellence in these areas requires a rigorous approach to continuous improvement, team empowerment, and effective use of technology.

### SUSTAIN COMMUNITY SUPPORT FOR OUR LICENCE TO OPERATE

Port Nelson recognises that our community has increasing environmental, social, and governance expectations. These include the need for the Port to reduce carbon emissions, authentically engage with iwi and Māori, and be open and transparent in all its dealings.

### GROWTH IN ALIGNED LOGISTICS BUSINESSES

Port Nelson will continue identifying opportunities to support exporters and importers by creating logistic path efficiencies. These business opportunities will be pursued where they are profitable, leverage core business skills, and provide financial diversification. QuayConnect is an example of such a strategy.

### OPTIMISED PROPERTY PORTFOLIO

The Port’s property portfolio has three key purposes. Firstly, to enable the Port’s infrastructure to respond to future import and export requirements of Te Taihū; secondly, to support a cluster of businesses who need proximity to the Port; and thirdly, to support consistency of dividends to our council shareholders and counter the volatility of primary product exports.



In the 2023 financial year, the Port will develop a long-term strategic plan to expand on these broad strategies.

In addition, an Infrastructure and Property Masterplan will be completed, informing the Port and Shareholders of the likely future demands and requirements for its infrastructure.

One of the dominant influences for Port Nelson's business over the last few years and at least the medium term is the challenge of matching cost increases with increased revenue and cost reduction initiatives.

#### Drivers of cost increases include:

- The increasing cost of labour and reducing flexibility.
- Current volatility of shipping schedules.
- The increasing need for improvement and of compliance requirements related to health and safety, environment, social, and governance factors.
- General cost increases in what is currently an inflationary climate.
- The need to address ageing infrastructure and plant where replacement costs have escalated.

#### The challenge of increasing revenue to match the cost pressure is constrained by a number of factors, including:

- The impacts of weather on the region's primary product exports.
- The competitive environment for Ports.
- The nature of the Port's multi-year contracts with international shipping lines and freight forwarders.
- Awareness of the competitive environment in which Te Taiuhu exporters operate.

# → Our Business and 2022 Performance



Port Nelson is the primary maritime gateway for Te Taihū - a vital hub for economic activity and a key stakeholder in our region's continued growth and prosperity.

# Scope of Services

A broad range of activities are involved in the operation of the Port, these are provided through the following business units:



## Marine

Marine services include—pilotage, towage, navigation aids, and the berthing, and departure of vessels. The Port operates three tugs and maintains a dredged channel to allow vessels up to 265m in length to access the Port.



## Container Operations

Manages the exchange of containers, the terminal offers cargo handling services including the unloading, temporary storage, and loading of many forms of cargo including containers, logs, cars, fertiliser, cement, methanol, and fuel.



## Stevedoring

Operating in Nelson and Picton, Stevedoring handles the container exchange of major liner services in the Port as well as log loading solutions.



## QuayPack

QuayPack offers integrated transport and third-party logistics (3PL) storage solutions to customers utilising New Zealand's largest on-port storage facility and dedicated and scheduled trucking services.



## QuayConnect

The logistics division of Port Nelson, QuayConnect efficiently connects products to market with supply chain solutions and transparent technology, minimising our collective impact on the environment and reducing costs.



## Slipway Services

This facility supports one of New Zealand's strongest marine engineering clusters and currently provides services for vessels up to 2,400t.



## Workshop & Maintenance

The team supports Port operations with onsite repairs, maintenance and management of the Port's plant and equipment.



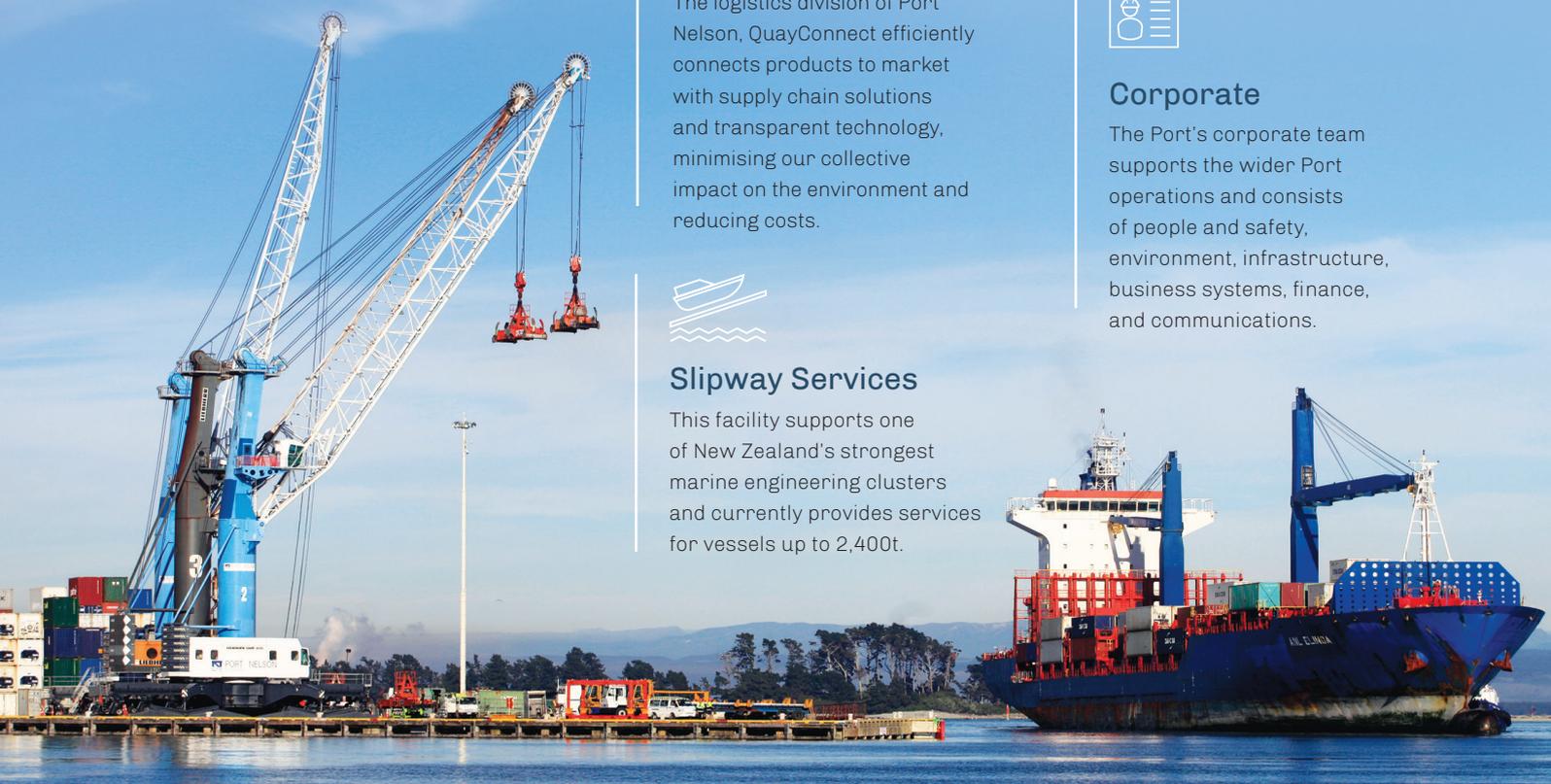
## Property

The Port has over 235,000m<sup>2</sup> of commercial land that it develops and leases to support the fishing, marine services, and other export-related industries.



## Corporate

The Port's corporate team supports the wider Port operations and consists of people and safety, environment, infrastructure, business systems, finance, and communications.







### Revenue analysis

From a revenue growth perspective, Port Nelson is linked to the region's primary produce results. In this regard, it benefits from strong harvests and suffers from poor harvests (eg hail storms and frosts). The lack of rail services limits the ability to grow cargo imports and exports.

However, Port Nelson is the only fully international Port within Te Taihū. The graph on the right shows recent historic revenue and forecasts for the next three years. The volatility reflects a number of one-off events. These include the impact of COVID in 2020, 2021, and 2022; weather impacts on harvest in 2021; the Nelson fire in 2019, (which saw an increase in log exports); and the uplift in cargo following the Kaikoura earthquake. Our QuayConnect business continues to grow and contribute to increased revenue but at lower EBIT margins than Port operations.

### Underlying Revenue



### 2022 Performance

Log exporters had a difficult year, with softening prices in China seeing a reduction in exports – down 5% on budget. The high price of shipping continues to reduce margins for exporters.

Apple exports were lower than expected, with many exporters holding back some of the bumper harvests in cool stores due to shortages of containers. A higher number of conventional reefer vessels than normal provided good mitigation against the uncertainty in the availability of containers.

Wine exports were surprisingly strong given the poor harvest in 2021. This was largely due to the transfer of wine from bulk to bottled exports.

Processed timber and MDF exports were steady. However, high international demand for these products saw a missed opportunity as shipping capacity did not support the cargo available.

As the year finishes, we are seeing some improvement in vessel scheduling. Nelson is fortunate to have all four major container shipping lines committing additional capacity for 2023. In addition, the Port should benefit from cargo movements from parties who received financial support for coastal shipping initiatives from the Government.



Tō tātou taiao

## Our Environment

The activities of a Port, by their nature, make a negative impact on the environment.

Fuel is consumed directly by tugs, cranes, material handling equipment, and port users: trucks and ships. This creates carbon emissions. In addition, the Port's activities create negative physical emissions from noise, dust, stormwater runoff, and the potential for spillage. Port Nelson is mindful of this negative consequence and is working to reduce its impact.



### Environmental Strategies

The Port has four broad strategies in the environment area, as shown below:

### Sustainability

Port Nelson sees sustainability as a broad challenge across our stakeholders and goals.

From an environmental perspective, the two dimensions we consider are the impact of climate change on the operations and existence of the Port, and the contribution of the Port to global warming and damage to the physical environment. The four environmental strategies address the latter dimension discussed earlier.

Work has commenced on understanding the impact of climate change on Port operations and its business. A resilience review commenced in 2020 and forms the basis of capital investments. The risk of sea level rise and storm events has been scoped and work is continuing on assessing mitigation actions.

#### 1. Minimise physical impacts on the environment:

The Port will pursue actions to reduce the impact of noise, dust, stormwater, and uncontrolled substance release to the coastal marine area.

#### 2. Reduce greenhouse gas emissions:

The Port is a member of the Climate Leaders Coalition and is committed to reducing its Scope 1, 2, and 3 emissions to support an increase of no more than 1.5 degrees in global temperatures.

#### 3. Support leadership of environmental management in Te Taihū:

Through its environmental management systems, approach to procurement, waste management, and sponsorship, the Port will seek to provide a positive reference point to the community.

#### 4. Ensure the Port Team are environmental champions:

By supporting our people with education and awareness, we will increase reporting of environmental events and activate more minds in the pursuit of impact reduction.



### 2022 Performance

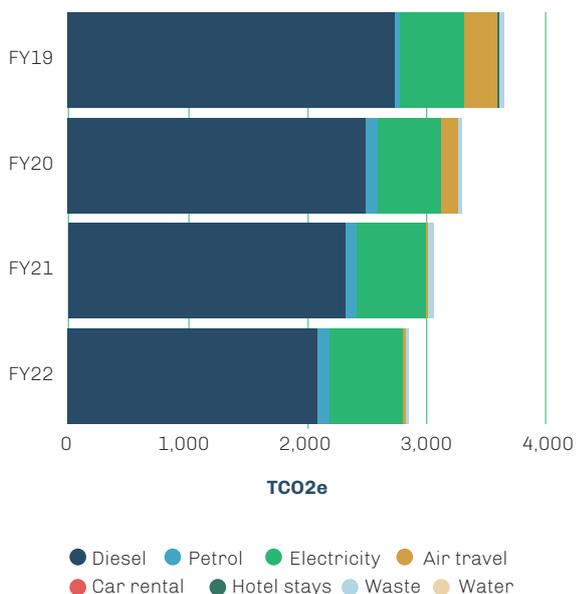
Reduction in Scope 1 and 2 emissions were 15% down cumulatively on our baseline year, FY2019, and 87% down for Scope 3 emissions (originated by PNL).

While this is a positive result, it reflects more on the impacts of Covid on shipping patterns (fewer vessels but more intensive work periods) and travel restrictions rather than initiatives launched by Port Nelson. Whilst we have replaced some vehicles and plant with more carbon efficient items, we look forward to initiating more proactive strategies in 2023FY.

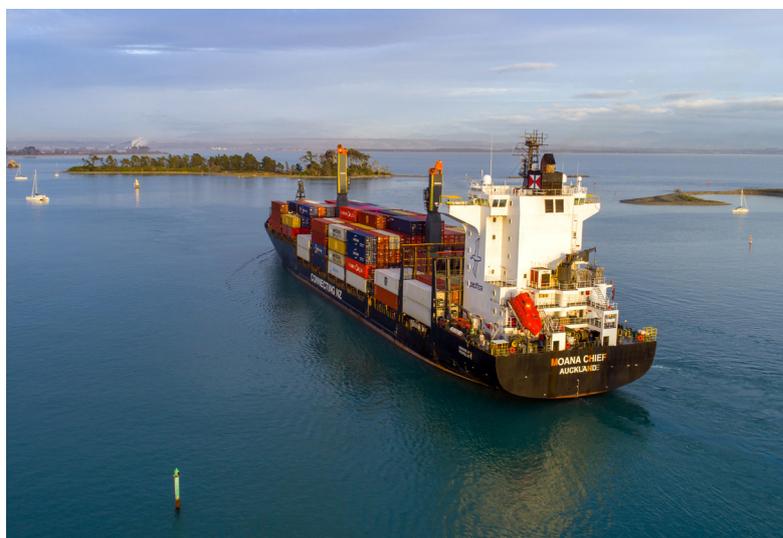
A strengthened environmental team allowed a deeper assessment of contamination issues and risk. While there were no significant inorganic spills to the harbour, we continue to have stormwater with organic debris coming off the log wharf and entering the harbour, which is unsightly. We have a project underway to further address this matter in 2023.

Noise emissions remain an area of focus for the Port. During the year, we had no 'significant noise events', a credit to our Stevedore team. There was also a review of noise contours which saw a minor increase in residences covered by high noise contours. Our focus is now on driving down the next level of noise events. The recent move of shipping lines to bring in larger vessels has seen the arrival of a vessel with noisier generators and equipment. This is currently being addressed with the shipping companies.

### Total carbon



The Port's environment management system was audited against ISO 14001 and received positive comments for the improvements made on previous years and the direction the company was taking.





Ō tātou whānau

## Our People

Port Nelson is a 24/7 business. This working pattern is primarily driven by the tidal nature of the Port and the intermittent movements of international vessels.

Approximately 300 people are employed in the Port team. A number are casual workers, making the full-time equivalent (FTE) count approximately 230.

Health and safety is an area of critical focus for the Port. With large machines, work over water, stacked cargo, multiple traffic flows, and work in confined spaces, the risks in the work environment are real.

The Port is proud of the focus and commitment of the entire team to safety however, there is an ongoing drive for improvements. Key health and safety metrics are provided in the performance target table. The table below reflects the progress in reducing Lost Time Incidents at the Port.

### Lost Time Injury Frequency Rate



## COVID 19 Impact

Just under half of the Port team fell under the Government's Border Order requiring mandatory vaccinations and testing. The Port's risk assessment determined that making vaccines mandatory for all staff was not required, provided a mandatory testing structure using PCR's was established. Remote working with flexibility was also established where feasible.

Like most businesses the duration of COVID has impacted our people's mental health and wellbeing. Providing support in this area remains a priority for the Port moving forward.

## Health and Safety Governance

Every position at Port Nelson has a responsibility for health and safety. Port Nelson's Board is engaged in setting policies and direction and approving the systems and improvement initiatives.

A structured network of work group meetings ensures engagement, continued focus, and access to data and training. The Port's programme of annually reviewing its critical risks is a fundamental part of its' safety management approach. External audits are used to challenge current operations. The Port is currently aligning its systems to ISO 45001.

## 2022 Performance

While COVID impacted our teams' resourcing, the defensive approaches adopted by the Port, which included a regular PCR testing format rather than full mandating of vaccines, have served the team well.

The lengthy time spent in smaller work cells was again successful as a COVID strategy, however it did have a negative impact on the culture of the business in supporting 'silo thinking'. This remains an issue to address in the new year.

Two fatalities rocked the New Zealand port sector in 2021/2022. Port Nelson had no injuries of a lasting nature during the year. Health and safety statistics are improved on 2021 and the safety culture remains positive. We were pleased to introduce a broad leadership approach to safety this year through our Rūnanga (gathering of all parties with Health and Safety responsibility). We have completed a review of all critical risks this year.

Our people have again shown a high level of ownership and professionalism in their roles. The disrupted shipping schedule and COVID environment have required continued changes to work patterns. However, the team has been resilient through these demands.





*Tō tātou hapori*

## Our Community

The Port seeks to provide a transparent, open front to the community. This is shown through an upgrade to our website and increased communications to the community and our shareholders.

Sustaining a high level of communication with the community, particularly around potential areas of nuisance and public interest, remains a key focus.

The Port is aware that while it operates to facilitate growth for the region, it also operates within the Nelson city community; continually earning its social licence to operate is a priority for the Port.

The Port has an active sponsorship programme that is primarily directed to activities and the protection of the land/sea interface as well as supporting the community's wellbeing. A list of entities supported by our sponsorship programme is provided on the right.

Relationships with iwi have long been important to the Port, however in recent years, we have sought to deepen those relationships and have been fortunate to have the support of a Kaumātua and Cultural Advisor to guide our engagements.

### Supporting

- Haulashore Island Trapping Project
- Cawthron Institute
- Tasman Rugby Union
- Nelson Fisherman's Association
- Sealord Marine Rescue
- Nelson Bays Youth Racing
- Talisman Naval Cadets
- Going Bananas
- Marlborough Wine Show
- Top of South Forestry awards
- Chamber of Commerce (Port Nelson Export Hub)

### *In Kind Support:*

- Big Brothers Big Sisters
- Nelson Arts Festival
- Mission to Seafarers

### Relationships

Relationships with shareholding local authorities are both formal – through an agreed reporting structure and informal – through direct contact at Mayor, CEO and Officer level.

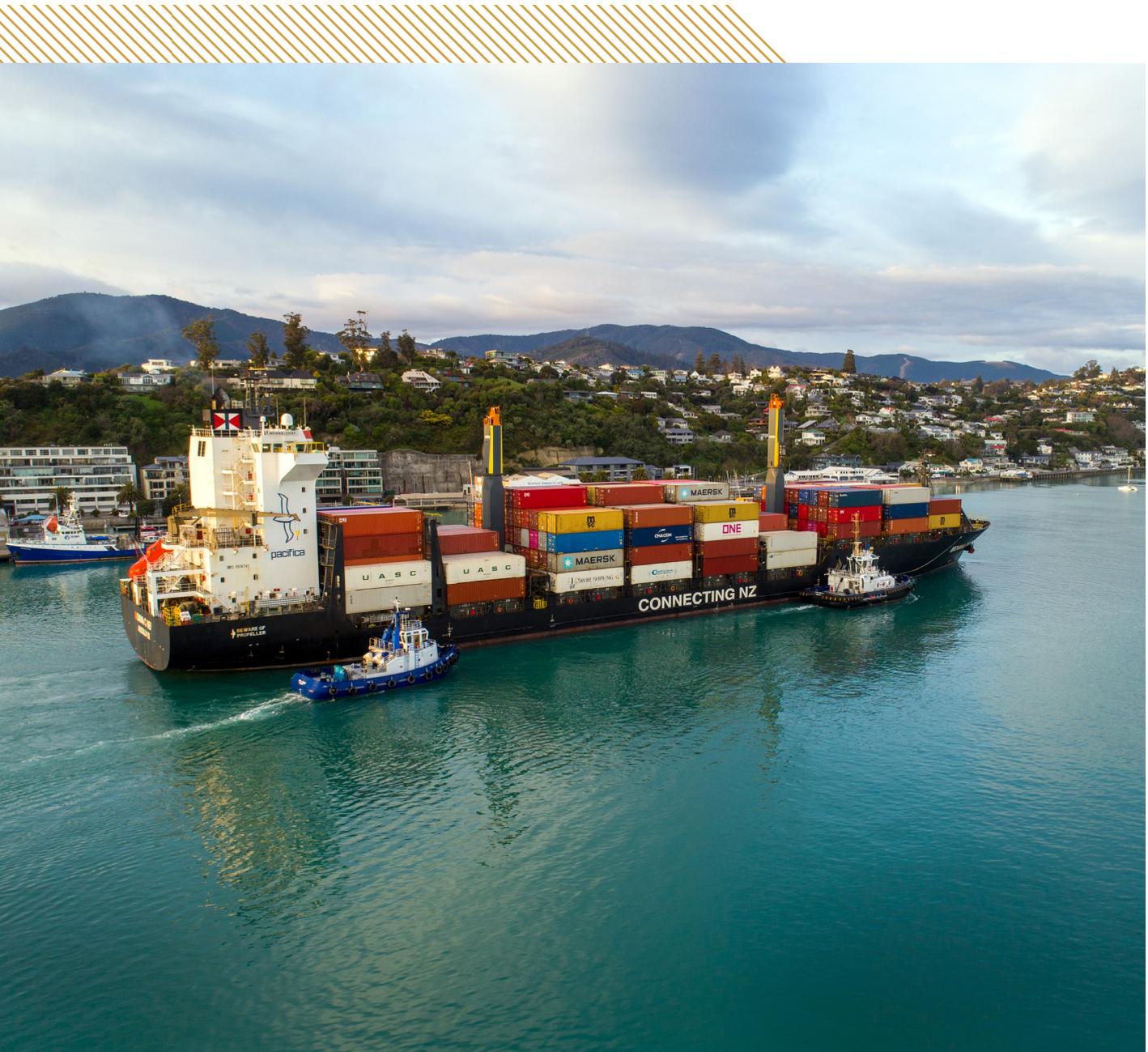
The Port appreciates that councillors provide a strong connection to the community and welcome direct contact related to issues that may arise. Port team members are active in many groups and associations within the community, and we seek to build relationships with all parties as part of our purpose "to facilitate regional prosperity". With the support of a Cultural Advisor and the development of a Te ao Māori plan, the Port seeks to strengthen relationship with iwi and Māori.

## 2022 Performance

The engagement of a Cultural Advisor will enable the Port to gain a deeper understanding of Te ao Māori, continue to build positive partnerships with iwi and progress Te ao Māori initiatives.

Our sponsorship budget was fully spent. We also approved an exciting new sponsorship for a Cawthron research project into the regeneration of seagrass in the estuary areas of Nelson/Tasman. This project is another step forward in exploring 'Blue Carbon' as a carbon capture option.

Two major capital projects, valued at approximately \$100m, were progressed during the year: the Science & Technology Precinct and the Slipway Redevelopment. Both have significant community benefits.





Ō tātou kaiwhaipānga

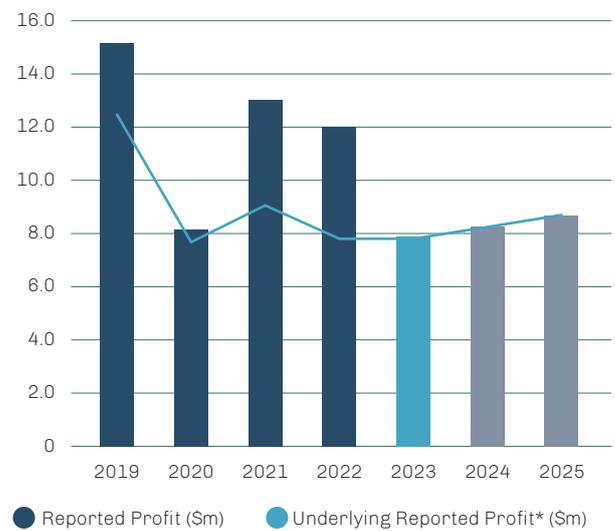
## Our Shareholders

Profitability over the last few years largely reflects the impact of COVID, the volatility of cargo movements, and an increasing cost structure.

The cost increases largely come from four main areas: (i) the increasing ambitions and expectations related to health and safety, environment, community, and insurance; (ii) the sustained needs to repair and replace ageing port infrastructure; (iii) the expectations of our workers for better quality work patterns, and increased salary expectations in today's environment; (iv) and, disrupted and unplanned shipping schedules. A key offset to increasing costs has been the growth of property values. Our commercial properties have added good value in this regard, conversely however, the economic profitability of Port operations have been burdened by the increased land and building values. This is visible in the reducing profit to asset value ratio. The graph to the side shows Net profit after Tax for the last five years.

Communicating with Shareholders remains a key focus area, with the Port wishing to have a transparent and 'no surprises' relationship.

### Net Profit After Tax



\*Underlying profit excludes revaluation of investment properties.

### COVID 19 Economic Impact

As an essential service, the Port had minimal revenue reduction during lockdowns, with the exception of forestry cargo in 2020FY. However, the wider shipping disruption, which saw reduced ship visits and issues with the supply of containers, negatively impacted revenue. On the cost side, the expense of COVID protocols (testing, additional leave, PPE, and alteration to buildings to create space) also had a negative impact on profit. Looking forward, shipping disruptions will likely extend for much of the 2023 financial year but with a reducing impact.

### Risk Management

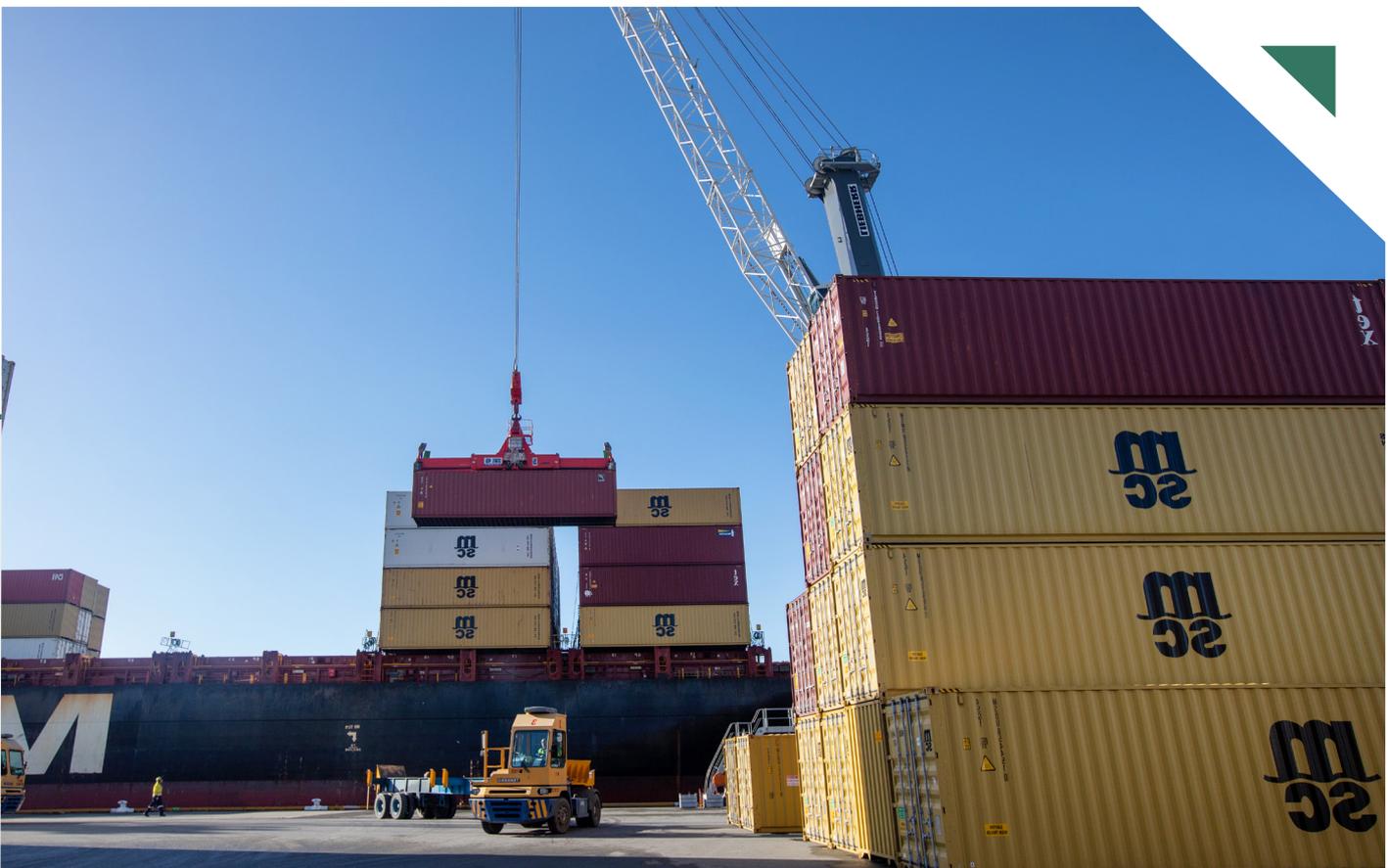
The Port undertakes port-wide risk reviews quarterly. These are reported to and discussed with Port Nelson's Board. In addition, 'deep dive' reviews are undertaken at board meetings into higher-risk areas. Risk analysis also takes place on all significant projects. Health and Safety risk assessments are more frequent with 'Job Safety Analysis' and 'Take 5 Reviews', a regular part of our work pattern. An independent review of our risk culture is currently being undertaken.

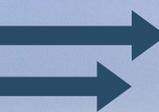


## 2022 Performance

Underlying NPAT was \$7.9m, \$0.7m, below budget. This negative variance was from reduced revenue from log storage, stevedoring, container movements, and storage in our warehouses, partially offset by QuayConnect's (4PL) revenue. In addition, we faced increased costs due to higher payroll (arising from volatile working schedules), increased fuel costs, and COVID mitigations. As forecast, Port Nelson has made a full-year dividend

payment to shareholders of \$4.3m. Capital expenditure was \$12.6m. Key investments were: completion of Main Wharf North, including ground strengthening behind the wharf; completion of the logyard project; wharf pile repairs; repairs to an investment property (105 Akersten St); purchase of a residential house under noise provisions; and commencement of major projects: Slipway Development and Science & Technology Precinct.





# Our 2023-25 Plan



The following plan is the board's overall intention and objectives for Port Nelson Limited for the year commencing 1 July 2022 and the following two financial years.

## 2023-25 Objectives (30 June 2025)

### Our Customers *Ō tātou kiritaki*

#### Stronger customer engagement:

> 90% positive survey rating

#### Improved customer service metrics:

- Vessels moved as planned: 98%
- Container Crane rates (annual average): > 23 moves / hr
- Container Truck waiting times: < 14 mins

#### QuayConnect Growth:

- Marlborough Inland Port operational
- Revenue greater than \$25m

### Our Environment *Tō tātou taiao*

#### Reduced carbon emissions:

Compliance with environmental plan (2023FY) reduction targets

#### Reduced uncontrolled discharges:

No breaches to KPIs covering noise, stormwater, dust, and spillage

#### Demonstrable regional leadership:

Champion a regionally significant sustainability project

#### Engaged port team:

80% of Team basic trained and 10% trained as environmental champions

**ISO 14001 accreditation:** retained with no non-conformances

### Our People *Ō tātou whānau*

#### Increased team engagement:

10% improvement on 2023FY survey

#### Progressive and improved safety culture:

10% improvement on 2023FY survey

#### Improved Safety Performance:

- LTIFR < 1.0
- LTI's > than 5 days off <=1
- High risk incidents <=1

#### Conformity to ISO45001:

H&S Management system audit ready

#### Emergency Response readiness:

Port-wide emergency drill completed

### Our Community *Tō tātou hapori*

#### Recognised by iwi as engaged:

Te ao Māori plan agreed and actions current

#### Active supporter of community prosperity and wellbeing:

Sustained sponsorship > 1.2% NPAT (ex one-offs)

#### Slipway redeveloped:

Redevelopment complete and achieves increased visitation

### Our Shareholders *Ō tātou kaiwhaipānga*

#### A fair commercial return on assets and services:

- ROA >4.0%
- EBIT/Revenue >30%

#### Dividends >50% NPAT

#### Key capital investments:

return WACC & safety improvements

#### Long Term Strategic Plan and Infrastructure/Property Masterplan:

Completed and actions current

#### Science & Technology Precinct:

Building 1 built and tenanted and second tenant committed

# → 2023 Plan



Port Nelson's 2023 theme is "Connection/Whanaungatanga."

Connection between people, teams, companies, industries, and communities is always important, however recent years have put even more pressure on links between these parties. A look at the challenges facing Port Nelson in 2023 highlights the importance of 'Connection' as a key mitigation factor.

COVID has separated our teams and customers. Its impacts on logistics have created tensions with exporters, importers, transport providers, suppliers, ports, freight forwarders, and shipping lines. Communities are under financial and wellbeing pressure and growing suspicious of the motivation of corporates and government.

For Port Nelson, the areas of 'Connection/Whanaungatanga' that we are working on include:

## OUR CUSTOMERS

The uncertainty of current logistic paths and new economic environments can only be navigated through connecting and sharing information and objectives. Increased emphasis on customer engagement is a key focus for the Port this year.

## OUR ENVIRONMENT

The Port continues to strengthen its connection to its environment. The Port's focus for the year will be on pushing forward with its four environmental strategies, with particular focus on feasibility studies to scope the optimal path forward. The sponsorship of a research project into the regeneration of seagrass in the estuary areas of Nelson/Tasman with Cawthron, and of the Haulashore Island trapping project helping to restore and improve biodiversity on the island will help to strengthen the Port's connection to Te Taihū's wider environment.

## OUR PEOPLE

The challenges of 2023 and beyond are best addressed by improved connection, which strengthens transparency and trust. Connection will also allow us to strengthen our culture, particularly the Port's critical value, RESPECT.

## OUR COMMUNITY

The community has expectations of its larger companies, particularly those owned by councils. Our focus will be on transparent engagement and genuinely connecting on focus areas such as carbon reduction, impacts on the physical environment, equality, iwi and Māori engagement, and support for the community's wellbeing.

## OUR SHAREHOLDERS

In a year that will see local government elections, there is a heightened need for the Port to connect with Council Shareholders to ensure effective information sharing, understanding, and to deliver the budgeted dividend.

## 2023 Objectives

### Our Customers *Ō tātou kiritaki*

- Effective operational dashboards established
- Marlborough Inland Port on programme
- Completed technology improvement projects: QuayPack/Container Operations integration; Pelorus
- QuayConnect revenue growth (>\$1.5m)

### Our Environment *Tō tātou taiao*

- 3-5 year action plans approved for environmental 4 core strategies
- Year 1 action plans for carbon reduction delivered
- Uncontrolled breaches below KPI targets
- Environment awareness training of team commences

### Our People *Ō tātou whānau*

- Engagement and safety culture survey completed and actioned
- People team service delivery model established
- Safety KPIs achieved
- SafePlus audit completed and action plan developed
- Disaster recovery drills completed

### Our Community *Tō tātou hapori*

- Te ao Māori plan developed and supported by iwi
- Slipway Project construction commenced
- Effective sponsorship spend

### Our Shareholders *Ō tātou kaiwhaipānga*

- Net Profit After Tax budget exceeded
- Completed Long term Strategic Plan; Infrastructure/Property Masterplan and Economic Improvement Plan (> 4% ROA)
- Science & Technology Precinct: Building 1 detailed design approved
- Simplification and resilience of core business platforms



## → Strategic Initiatives

### Our Customers:

#### Marlborough Inland Port:

While development of the Inland Port rests with third parties, supporting these parties to remain focused on delivery and the required quality is key for Port Nelson. The strategic location provides efficiency benefits to customers and the environment.

#### Effective operational dashboards established and implemented:

There is a good collection of data at the Port, however this can be better distilled down to dashboards that directly inform our performance and can be benchmarked. This project develops dashboards that will become our teams' regular go-to reference.

#### Commercialise Pelorus:

Extending and improving the capability of our Pelorus software platform enables QuayConnect to grow without increasing headcount.

### Container operations and QuayPack data integration:

Data exchange between QuayPack and Container operations is currently manual and can create errors. This project will also set up the basis to integrate a number of other processes within QuayPack and Container operations.

### Our Environment:

#### Approved Action Plans for the Four Environmental Strategies:

Four strategies were approved for progressing our environmental goals. This year's focus is on providing further detail on those strategies. In addition, the year is seen as a foundation year with a number of feasibility reports looking at issues such as alternative fuel use and the capacity to increase the power feed to the Port.

#### Pathway to zero carbon for QuayConnect's Marlborough loop:

Our QuayConnect partners, WineWorks and CEL, share with us an urgent interest in developing an integrated strategy to deliver a carbon efficient logistics service.



## Our People:

### SafePlus review and actions:

This audit replaces the previous external health and safety audit and aligns Port Nelson with other ports (and a recommendation from the Minister of Transport). The audit will take place in February 2023 and will allow us to challenge our current approach to health and safety and drive future improvement initiatives. The safety culture survey planned for the end of 2022 (calendar year) will further inform the audit outcomes.

### Team engagement survey:

It has been many years since Port Nelson had a full engagement survey, although the stevedore and marine teams participated in a safety culture survey in 2021. This survey will provide a baseline to feel the pulse on our culture and safety culture. The results will feed into our strategy on how we attract and retain our people and inform our wellbeing strategy.

### Service Delivery Model:

The People and Safety team has been under increased workload pressures for a number of years. A move to a 'Service Delivery Model', where basic service requirements are met by systems or generalist support, will enable the team to work more efficiently.

## Our Community:

### Develop and agree Iwi Engagement & Te Ao Māori Plan:

This initiative provides for developing with iwi a framework for ongoing relationship building and a Te ao Māori plan.

### Slipway Redevelopment Project commenced:

With the project's approval and funding, this year's initiative is to complete the design, procure the

equipment and commence construction. In addition, the activation of a marine services cluster will be progressed.

## OUR SHAREHOLDERS:

### Long Term Strategic Plan completed:

Completing a long-term strategic plan, including refreshing our Vision, with strong Port Team engagement.

### Establish Economic Performance Improvement Plan:

Develop a plan to lift ROA to 4% and profitability (Earnings before interest and taxes (EBIT)/Revenue) to 30%.

### Infrastructure and Property Masterplan completed:

Develop a plan for optimal infrastructure, asset, and property portfolio requirements for Port Nelson in 2050. This is to include a phased development programme. Broad engagement across the wider team is an essential requirement of the project.

### Science & Technology Precinct:

For Stage 1, obtain tenant commitment, complete design, and commence contractor procurement. The development of a short list of additional tenants will be completed.

### Asset Management:

Continue to build on the data capture foundation and complete the development of the full Asset Management Plan.

### Data architecture review and simplification:

Focus on interfaces between operational systems to move to an updated general ledger system and reduce transactional costs.



## Performance Targets (2022-23FY)



**Provide leading port logistics operations and drive supply chain innovation**

	2019/20 ACTUAL	2020/21 ACTUAL	2021/22 ACTUAL	2022/23 TARGET
Revenue tonnes (000)	3,287	3,248	3,156	3,308
TEU (000)	116	103	103	114
Vessel visits	760	781	767	781
Revenue growth QuayConnect (\$m)	NA	4.6	2.4	1.5
Customer engagement survey	Not Done	Not Done	80%	Not Planned
Crane rates (moves/hr)	NA		19	>20
Improved Cont. truck waiting time (mins)	16.8	15.6	14.9	<15



**Reduce our environmental impacts and push towards a sustainable future**

	2019/20 ACTUAL	2020/21 ACTUAL	2021/22 ACTUAL	2022/23 TARGET
Scope 1 & 2 reductions from 2019 (cumulative)	6%	10%	15%	15%
Scope 3 reduction: from 2019 (PNL originated)	49%	79%	87%	80%
Port's significant noise event & events >85dbH (at monitor)	4 & New metric	0 & New metric	0 & 6	0 & 5
Dust events external complaint	New metric	0	0	0
Monitoring of stormwater discharges completed	New metric	NA	2	4
Port substance Spills >10L reach harbour	New metric	2	0	0
Team environmental awareness training complete	New metric	New metric	New metric	50%



### Our People

Ō tātou  
whānau

**Build and keep safe  
a high-performing team**

	2019/20 ACTUAL	2020/21 ACTUAL	2021/22 ACTUAL	2022/23 TARGET
High risk events	2	3	0	<= 2
Injuries > 5 days off work	9	4	3	<= 2
LTIFR	3.58	2.4	1.12	<= 1.3
Critical risk reviews	NA	44	50	44
Visible safety leadership events	312	339	166	400

### Our Community

Tō tātou  
hāpori

**Support the improvement of  
wellbeing in our community**

	2019/20 ACTUAL	2020/21 ACTUAL	2021/22 ACTUAL	2022/23 TARGET
Utilisation of slipway - (Calwell)	NA	94% or 345 days	85% or 312 days	85% or 310 days
Sponsorship % of (NPAT)	1.5%	0.8%	1.12%	>1.2%
Effective iwi engagement events	New metric	3	3	4
Dividend \$ (% NPAT) ex. prop. reval.)	4.8m (66%)	4.5m (50%)	4.3m (52%)	4.0 (51%)

### Our Shareholders

Ō tātou  
kaiwhaipānga

**Deliver strong and sustained  
returns to our shareholders**

	2019/20 ACTUAL	2020/21 ACTUAL	2021/22 ACTUAL	2022/23 TARGET
Revenue	\$66.7m	\$73.5m	\$76.8m	
Underlying* revenue	\$66.4m	\$69.6m	\$72.7m	\$76m
EBIT	\$12.9m	\$19.3	\$18.3m	
Underlying EBIT	\$12.6m	\$15.4m	\$14.1m	\$14m
NPAT	\$8.2m	\$13.0m	\$12m	
Underlying NPAT	\$7.9m	\$9.1m	\$7.9m	\$7.8m
Return on assets	2.6%	3.6%	3.3%	
Underlying return on assets	2.7%	2.5%	2.2%	2.0%
Return on equity	3.7%	5.1%	4.7%	
Underlying return on equity	3.9%	3.5%	3.1%	2.9%
Gearing (debt/equity)	21.9%	22.3%	22.0%	21.9%

\*Underlying financial performance excludes recognition of investment property revaluation



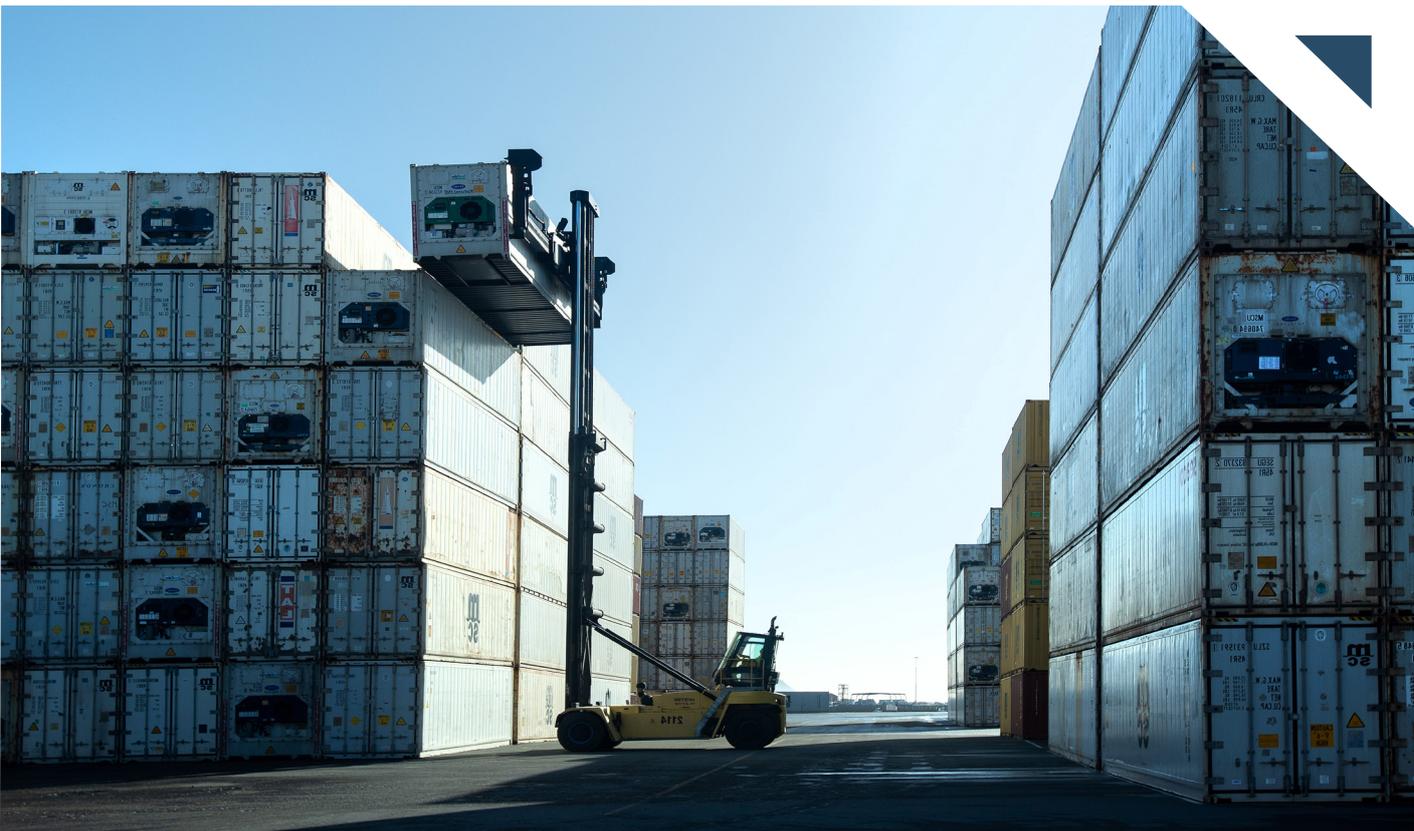
# Financials and Governance



# Statement of Comprehensive Income

For the three year period July 2022 to June 2025

	(\$000)	2023	2024	2025
		\$000	\$000	\$000
<b>Revenue</b>				
Port Operations		70,450	71,870	74,210
Property		6,370	6,310	6,990
<b>TOTAL REVENUE</b>		<b>76,820</b>	<b>78,180</b>	<b>81,200</b>
<b>Expenses</b>				
Employee Benefit Expenses		23,470	23,530	24,080
Other Operational and Property Expenses		29,350	28,120	28,980
<b>Earnings before Interest, Tax, Depreciation and Amortisation</b>		<b>24,000</b>	<b>26,530</b>	<b>28,140</b>
Depreciation and Amortisation		10,190	11,170	11,210
<b>Earnings before Interest and Tax</b>		<b>13,810</b>	<b>15,360</b>	<b>16,930</b>
Net Financing Costs		2,960	4,120	4,990
<b>NET PROFIT BEFORE INCOME TAX</b>		<b>10,850</b>	<b>11,240</b>	<b>11,940</b>
Income Tax		3,040	3,080	3,270
<b>NET PROFIT AFTER INCOME TAX</b>		<b>7,810</b>	<b>8,160</b>	<b>8,670</b>



# Balance Sheet

For the three year period July 2022 to June 2025

	(\$000)	2023	2024	2025
		\$000	\$000	\$000
<b>Current assets</b>				
Cash and Cash Equivalents		150	140	150
Trade and Other Receivables		11,100	11,870	12,330
Inventories		570	570	570
Prepayments and Accruals		350	350	350
<b>TOTAL CURRENT ASSETS</b>		<b>12,170</b>	<b>12,930</b>	<b>13,400</b>
<b>Less current liabilities</b>				
Trade and Other Payables		6,820	7,290	4,400
Employee Benefit Entitlements		2,080	1,640	1,480
Tax Payable		1,840	1,810	1,850
Dividend Payable		2,500	2,500	2,700
Noise Mitigation		30	30	30
<b>TOTAL CURRENT LIABILITIES</b>		<b>13,270</b>	<b>13,270</b>	<b>10,460</b>
<b>WORKING CAPITAL</b>		<b>(1,100)</b>	<b>(340)</b>	<b>2,940</b>
<b>Non-current assets</b>				
Property, Plant and Equipment		340,430	379,430	386,850
Intangible Assets		1,210	1,040	860
Investment Properties		29,410	29,410	29,410
Investment in Associates		5,330	26,060	36,510
Derivatives		1,120	1,120	1,120
<b>TOTAL NON-CURRENT ASSETS</b>		<b>377,500</b>	<b>437,060</b>	<b>454,750</b>
<b>Less non-current liabilities</b>				
Employee Benefit Entitlements		260	260	260
Deferred Tax Liability		18,390	18,390	18,390
Term Loan		78,140	112,170	118,680
Derivatives		690	690	690
Noise Mitigation		790	750	720
Right of Use Assets		450	300	150
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>98,720</b>	<b>132,560</b>	<b>138,890</b>
<b>NET ASSETS</b>		<b>277,680</b>	<b>304,160</b>	<b>318,800</b>
<b>Shareholders' funds</b>				
Issued Capital		6,050	6,050	6,050
Retained Earnings		90,570	94,480	98,670
Asset Revaluation Reserve		174,280	174,280	174,280
Hedging Reserve		40	40	40
Investment in Associates		6,740	29,310	39,760
<b>TOTAL SHAREHOLDERS' FUNDS</b>		<b>277,680</b>	<b>304,160</b>	<b>318,800</b>

# Cash Flow Statement

For the three year period July 2022 to June 2025

	(\$000)	2023	2024	2025
		\$000	\$000	\$000
<b>Cash flows from operating activities</b>				
Cash was provided from:				
Receipts from customers		69,920	71,210	73,810
Rent received		7,070	7,020	7,710
		<b>76,990</b>	<b>78,230</b>	<b>81,520</b>
Cash was applied to:				
Payments to suppliers and employees		51,020	50,360	53,080
Interest paid		2,890	4,000	4,970
Taxes paid		3,170	4,460	4,520
Net GST paid		(330)	30	400
		<b>56,750</b>	<b>58,850</b>	<b>62,970</b>
<b>Net operating cash inflows</b>		<b>20,240</b>	<b>19,380</b>	<b>18,550</b>
<b>Cash flows from investing activities</b>				
Cash was provided from:				
Sale of property, plant and equipment		0	500	0
		<b>0</b>	<b>500</b>	<b>0</b>
Cash was applied to:				
Purchase of property, plant and equipment		14,090	49,600	20,940
Purchase of intangibles		730	310	110
		<b>14,820</b>	<b>49,910</b>	<b>21,050</b>
<b>Net investing cash inflows/(outflows)</b>		<b>(14,820)</b>	<b>(49,410)</b>	<b>(21,050)</b>
<b>Cash flows from financing activities</b>				
Cash was provided from:				
Loans borrowed		10,320	34,210	12,360
		<b>10,320</b>	<b>34,210</b>	<b>12,360</b>
Cash was applied to:				
Loans repaid		11,390	190	5,850
Dividend paid		4,300	4,000	4,000
		<b>15,690</b>	<b>4,190</b>	<b>9,850</b>
<b>Net investing cash inflows/(outflows)</b>		<b>(5,370)</b>	<b>30,020</b>	<b>2,510</b>
<b>Net increase/(decrease) in cash held</b>		<b>50</b>	<b>(10)</b>	<b>10</b>
Cash and cash equivalents at 1 July		100	150	140
<b>CASH AT 30 JUNE</b>		<b>150</b>	<b>140</b>	<b>150</b>



## → Accounting Policies

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

The accounting policies for Port Nelson are consistent with the legal requirements of the Companies Act 1993, the Financial Reporting Act 1993 and 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 appropriate for profit-orientated entities.

Port Nelson's accounting policies are detailed in the most recent annual financial statements, which can be found using the following link:

<https://www.portnelson.co.nz/news-room/publications/>



## Governance

Port Nelson recognises the importance of strong corporate governance to its ability to create value for its stakeholders. Accordingly, Port Nelson has a comprehensive set of governance structures and practices to promote best practice, high ethical standards and sound decision making in all areas of Governance activity.

### Company

The company's principal objective is to operate as a successful business as defined by section 5 of the Port Companies Act 1988.

### Corporate Code of Governance

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

### Board

The Shareholders appoint the Board. The Board is responsible for the governance, strategic direction and monitoring of the company's business to achieve its objective in accordance with Port Nelson's Corporate Code of Governance and Board Charter.

### 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. Accordingly, the Board has constituted two standing committees: the Finance and Risk Committee and the Remuneration and Appointments Committee. In addition, it may form ad hoc committees to deal with specific issues.

### 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.

### 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.



### 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.

### Dividends and Distribution

The Port Nelson 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 Port Nelson Board expectation is that not more than 75% of net profit after tax shall be distributed to the shareholders. This policy does not cover special dividends.

Proposed dividend distributions are expected to be \$4m for the year ended June 2023, \$4m for 2024 and \$4.2m for 2025.



# Stakeholders

The Port has adopted the principle of transparency when it comes to reporting to its key stakeholders.

Over the period covered by this Statement of Corporate Intent, the Port will evolve an integrated reporting framework.

## Annual Statement of Corporate Intent

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 and any other information it considers appropriate. The SCI will be finalised within three months of the commencement of the new financial year.

## Half Yearly Report

Within two 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

## Annual Report

Within three months after the end of each financial year, and no less than ten 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

## Quarterly Reporting

Within six weeks after the end of each financial year's September and March quarters, 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.

## 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 related 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.

## Communication of Information

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

## 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 Company's Constitution and the Companies Act 1993. Any major share investment (other than operational investment) inconsistent with the five-year strategic plan will be subject to Shareholder approval.

## Compensatory Activities

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

## Value of Shareholder's Investment

The Directors assessment of the value of the Shareholders investment in the company is \$277.7m. The value is the prospective value of Total Shareholders' Funds as at June 30, 2023.



**PORT  NELSON**

Port Nelson  
Nelson 7010, New Zealand