

# AGENDA

**Ordinary meeting of the**

**Joint Shareholders Committee**

**Tuesday 14 November 2017  
Commencing at 1.30pm  
Council Chamber  
Civic House  
110 Trafalgar Street, Nelson**

Membership: Her Worship the Mayor of Nelson Rachel Reese (Chairperson), Nelson City Councillors Ian Barker, Mel Courtney, Paul Matheson, Gaile Noonan, and Tim Skinner, His Worship the Mayor of Tasman Richard Kempthorne, Tasman District Councillors Tim King, Stuart Bryant, Pete Canton, David Ogilvie and Trevor Tuffnell

Guidelines for councillors attending the meeting, who are not members of the Committee, as set out in Standing Order 12.1:

- All councillors, whether or not they are members of the Committee, may attend Committee meetings
- At the discretion of the Chair, councillors who are not Committee members may speak, or ask questions about a matter.
- Only Committee members may vote on any matter before the Committee

It is good practice for both Committee members and non-Committee members to declare any interests in items on the agenda. They should withdraw from the room for discussion and voting on any of these items.

**1. Apologies**

1.1 An apology has been received from Councillor King

**2. Confirmation of Order of Business**

**3. Interests**

3.1 Updates to the Interests Register

3.2 Identify any conflicts of interest in the agenda

**4. Public Forum**

**5. Confirmation of Minutes**

5.1 22 August 2017

**6 - 11**

Document number M2837

Recommendation

***That the Joint Shareholders Committee***

***Confirms the minutes of the meeting of the Joint Shareholders Committee, held on 22 August 2017, as a true and correct record.***

**6. Port Nelson Limited Final Statement of Corporate Intent 2017/20**

**12 - 42**

Document number R6985

Recommendation

***Receives the report Port Nelson Limited Final Statement of Corporate Intent 2017/20 (R6985); and***

***Notes the delivery of the Port Nelson Ltd Statement of Corporate Intent 2017/20 (A1845342) as required under the Port Companies Act 1988; and***

**Confirms that the Port Nelson Ltd Statement of Corporate Intent 2017/20 meets shareholder expectations.**

**PUBLIC EXCLUDED BUSINESS**

Recommendation

***That the Joint Shareholders Committee***

**Excludes the public from the following parts of the proceedings of this meeting.**

***The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:***

Item	General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Particular interests protected (where applicable)
1	<b>Joint Shareholders Committee Meeting - Public Excluded Minutes - 22 August 2017</b>	Section 48(1)(a)  The public conduct of this matter would be likely to result in disclosure of information for which good reason exists under section 7.	The withholding of the information is necessary: <ul style="list-style-type: none"> <li>• Section 7(2)(a) To protect the privacy of natural persons, including that of a deceased person</li> <li>• Section 7(2)(h) To enable the local authority to carry out, without prejudice or disadvantage, commercial activities.</li> <li>• Section 7(2)(i) To enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).</li> </ul>

<b>Item</b>	<b>General subject of each matter to be considered</b>	<b>Reason for passing this resolution in relation to each matter</b>	<b>Particular interests protected (where applicable)</b>
<b>2</b>	<b>Establishment of a Nelson Provincial Museum Working Group</b>	Section 48(1)(a)  The public conduct of this matter would be likely to result in disclosure of information for which good reason exists under section 7	The withholding of the information is necessary: <ul style="list-style-type: none"> <li>• Section 7(2)(b)(ii) To protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information</li> </ul>

## **7. Re-admittance of the public**

Recommendation

***That the Joint Shareholders Committee***

***Re-admits the public to the meeting.***

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## Minutes of a meeting of the Joint Shareholders Committee

**Held in the Council Chamber, Civic House, 110 Trafalgar Street,  
Nelson**

**On Tuesday 22 August 2017, commencing at 1.33pm**

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Present: His Worship the Mayor of Tasman R Kempthorne  
(Chairperson), Tasman District Councillors S Bryant and T  
Tuffnell, Her Worship the Mayor of Nelson (R Reese), Nelson  
City Councillors P Matheson, I Barker, M Courtney, G Noonan,  
and T Skinner

In Attendance: Tasman District Council: Councillor D McNamara, Chief  
Executive (L McKenzie), and Corporate Services Manager (M  
Drummond)

Nelson City Council: Councillor S Walker, Acting Chief  
Executive (D Hammond), Group Manager Community Services  
(C Ward), Group Manager Corporate Services (N Harrison),  
and Governance Adviser (E-J Ruthven)

Apologies: Tasman District Councillors P Canton, T King, and D Ogilvie

### 1. Apologies

Resolved JSC/2017/011

***That the Committee***

***Receives and accepts the apologies from  
Councillors Canton, King and Ogilvie.***

Tuffnell/Matheson

Carried

### 2. Confirmation of Order of Business

It was noted that items on the public excluded agenda would be taken in  
a different order than they appeared on the agenda.

It was further noted that the covering page of the agenda should be  
corrected to reflect that Mayor Kempthorne would chair the meeting, and  
there was no deputy chairpersons for the committee.

### 3. Interests

There were no updates to the Interests Register, and no interests with items on the agenda were declared.

### 4. Public Forum

There was no public forum.

### 5. Confirmation of Minutes

#### 5.1 11 April 2017

Document number M2493, agenda pages 7 - 12 refer.

A correction was noted to the list of those present at the meeting, to remove the reference to Chairperson after Mayor Kempthorne, and to remove the reference to Deputy Chairperson after Councillor Matheson.

Resolved JSC/2017/012

***That the Committee***

***Confirms the amended minutes of the meeting of the Committee, held on 11 April 2017, as a true and correct record.***

Her Worship the Mayor/Bryant

Carried

### 6. Adoption of Final Statement of Intent and Trustee Remuneration: Tasman Bays Heritage Trust

Document number R8057, agenda pages 13 - 40 refer.

Nelson City Council Group Manager Community Services, Chris Ward, presented the report and answered questions.

Resolved JSC/2017/013

***That the Committee***

***Receives the report Adoption of Final Statement of Intent and Trustee Remuneration: Tasman Bays Heritage Trust (R8057) and its attachment (A1724081); and***

***Approves the draft Statement of Intent (A1724081) of the Tasman Bays Heritage Trust as the Final Statement of Intent for the 2017/18 year; and***

***Confirms that the Trustees' remuneration pool for the Tasman Bays Heritage Trust be increased by 1.3% (being the annual Consumer Price Index change to December 2016) to a maximum of \$63,210 for the 2017/18 financial year.***

Barker/Courtney

Carried

## **7. Exclusion of the Public**

It was noted that representatives of Nelson Airport and Port Nelson would be in attendance for items on the public excluded agenda and, accordingly, the following resolution was required to be passed:

Resolved JSC/2017/014

***That the Committee***

***Confirms, in accordance with section 48(5) of the Local Government Official Information and Meetings Act 1987, that:***

- ***Phil Lough, Martin Byrne and Daryl Wehner remain after the public has been excluded, for Item 4 of the Public Excluded agenda (Port Nelson Limited draft Statement of Corporate Intent 2017/20), as they have knowledge that will assist the Council; and***
- ***Paul Steere, Rob Evans and Simon Orr remain after the public has been excluded, for Item 6 of the Public Excluded agenda (Nelson Airport Limited - Statement of Intent 2017/18), as they have knowledge that will assist the Council; and***

***Notes, in accordance with section 48(6) of the Local Government Official Information and Meetings Act 1987, the knowledge that***

- ***Phil Lough, Martin Byrne and Daryl Wehner possess relates to the Port Nelson draft Statement of Corporate Intent 2017/20; and***
- ***Paul Steere, Rob Evans and Simon Orr possess relates to the Nelson Airport Limited Statement of Intent 2017/18.***

Her Worship Mayor Reese/His Worship Mayor Kempthorne

Carried



Resolved JSC/2017/015

***That the Committee***

***Excludes the public from the following parts of the proceedings of this meeting.***

***The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:***

Her Worship Mayor Reese/His Worship Mayor Kempthorne Carried

Item	General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Particular interests protected (where applicable)
1	<b>Joint Shareholders Committee Meeting - Public Excluded Minutes - 11 April 2017</b>	Section 48(1)(a)  The public conduct of this matter would be likely to result in disclosure of information for which good reason exists under section 7.	The withholding of the information is necessary: <ul style="list-style-type: none"> <li>• Section 7(2)(h) To enable the local authority to carry out, without prejudice or disadvantage, commercial activities.</li> <li>• Section 7(2)(i) To enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).</li> </ul>
2	<b>Port Nelson Limited draft Statement of Corporate Intent 2017/20</b>	Section 48(1)(a)  The public conduct of this matter would be likely to result in disclosure of information for which good reason exists under section 7	The withholding of the information is necessary: <ul style="list-style-type: none"> <li>• Section 7(2)(i) To enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)</li> </ul>
3	<b>Port Nelson Limited Directors reappointments</b>	Section 48(1)(a)	The withholding of the information is necessary: <ul style="list-style-type: none"> <li>• Section 7(2)(a)</li> </ul>

Joint Shareholders Committee Minutes - 22 August 2017

Item	General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Particular interests protected (where applicable)
		The public conduct of this matter would be likely to result in disclosure of information for which good reason exists under section 7	To protect the privacy of natural persons, including that of a deceased person
4	<b>Nelson Airport Limited - Statement of Intent 2017/18</b>	Section 48(1)(a)  The public conduct of this matter would be likely to result in disclosure of information for which good reason exists under section 7	The withholding of the information is necessary: <ul style="list-style-type: none"> <li>• Section 7(2)(h) To enable the local authority to carry out, without prejudice or disadvantage, commercial activities</li> </ul>
5	<b>Nelson Airport Limited Director reappointments</b>	Section 48(1)(a)  The public conduct of this matter would be likely to result in disclosure of information for which good reason exists under section 7	The withholding of the information is necessary: <ul style="list-style-type: none"> <li>• Section 7(2)(a) To protect the privacy of natural persons, including that of a deceased person</li> </ul>
6	<b>Directors remuneration 2017 - Port Nelson Ltd and Nelson Airport Ltd</b>	Section 48(1)(a)  The public conduct of this matter would be likely to result in disclosure of information for which good reason exists under section 7	The withholding of the information is necessary: <ul style="list-style-type: none"> <li>• Section 7(2)(i) To enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)</li> </ul>

The meeting went into public excluded session at 1.47pm and resumed in public session at 3.28pm.

## 8. Re-admittance of the Public

Resolved JSC/2017/016

***That the Committee***

***Re-admits the public to the meeting.***

There being no further business the meeting ended at 3.28pm.

Confirmed as a correct record of proceedings:

\_\_\_\_\_ Chairperson \_\_\_\_\_ Date

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## **Port Nelson Limited Final Statement of Corporate Intent 2017/20**

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### **1. Purpose of Report**

- 1.1 To receive the Port Nelson Limited final Statement of Corporate Intent 2017/20.

### **2. Recommendation**

It is recommended that the Committee

***Receives the report Port Nelson Limited Final Statement of Corporate Intent 2017/20 (R6985); and***

***Notes the delivery of the Port Nelson Ltd Statement of Corporate Intent 2017/20 (A1845342) as required under the Port Companies Act 1988; and***

***Confirms that the Port Nelson Ltd Statement of Corporate Intent 2017/20 meets shareholder expectations.***

### **3. Background**

- 3.1 Under the Port Companies Act, Port Nelson Limited is required to complete a Statement of Corporate Intent (SCI) on an annual basis no later than 1 August each year. This requirement has been met. Shareholders have until 1 September to consider the SCI and provide comments to the company. After considering those comments the company has until 1 October to deliver the final SCI to the Shareholders.
- 3.2 The timeline is different to other council controlled organisations which are covered by the Local Government Act. The minimum contents of the SCI, as required by the Port Companies Act, are a subset of those required under the Local Government Act.

- 3.3 In order to assist the Company, the councils jointly issue a Letter of Expectation which sets out the councils' expectations in regard to the content and performance measures in the Company's SCI.
- 3.4 The draft SCI was considered at the 22 August 2017 Joint Shareholders Committee meeting and the following resolution was passed:

*Notes the delivery of the Port Nelson Limited draft Statement of Corporate Intent 2017/20 as required under the Port Companies Act 1988; and*

*Provides the following feedback to the Port Nelson Limited Board on the draft Statement of Corporate Intent 2017/20:*

*The councils would like to see a consolidated view of risk management in the final Statement of Corporate Intent.*

- 3.5 The final SCI is included as Attachment 1.

#### **4. Discussion**

- 4.1 The Board have included an additional section on Risk Management on page 10 of the final SCI. This outlines the company's approach to risk management and the key risk areas.
- 4.2 While brief, officers believe that the addition of this section addresses the concerns raised by the committee. Given the timeframe (already over 4 months through the financial year being considered), it would be preferable to work with the Port to ensure the reporting is expanded through the 2018/21 Statement of Corporate Intent.

#### **5. Options**

- 5.1 Accept the final Statement of Corporate Intent 2017/20 as presented.
- 5.2 Decline to accept the final Statement of Corporate Intent 2017/20. If the Committee does not agree to the SCI then shareholders would have to use the provisions of Section 11 (2) of the Port Companies Act 1988 to require the SCI to be modified. This approach is not recommended.

#### **6. Conclusion**

- 6.1 The Port Nelson Limited Statement of Corporate Intent has been received.

Nikki Harrison  
**Group Manager Corporate Services**

#### **Attachments**

Attachment 1: A1845342 - Port Nelson Ltd - Final Statement of Corporate Intent 2017/20 [↓](#)

## **Important considerations for decision making**

### **1. Fit with Purpose of Local Government**

The preparation and delivery of a Statement of Corporate Intent is a requirement under Section 8-10 of the Port Companies Act 1988.

### **2. Consistency with Community Outcomes and Council Policy**

The recommendation supports the Community Outcome that "our infrastructure is efficient, cost-effective and meets current and future needs".

### **3. Risk**

There is relatively low risk to Council of accepting the final Statement of Corporate Intent as it does not propose any substantial change to previous Statements of Corporate Intent.

### **4. Financial impact**

The projected dividend payout to the shareholders is higher than the 2016/19 Statement of Corporate Intent estimate.

### **5. Degree of significance and level of engagement**

This matter is of low significance. Therefore no engagement has been undertaken.

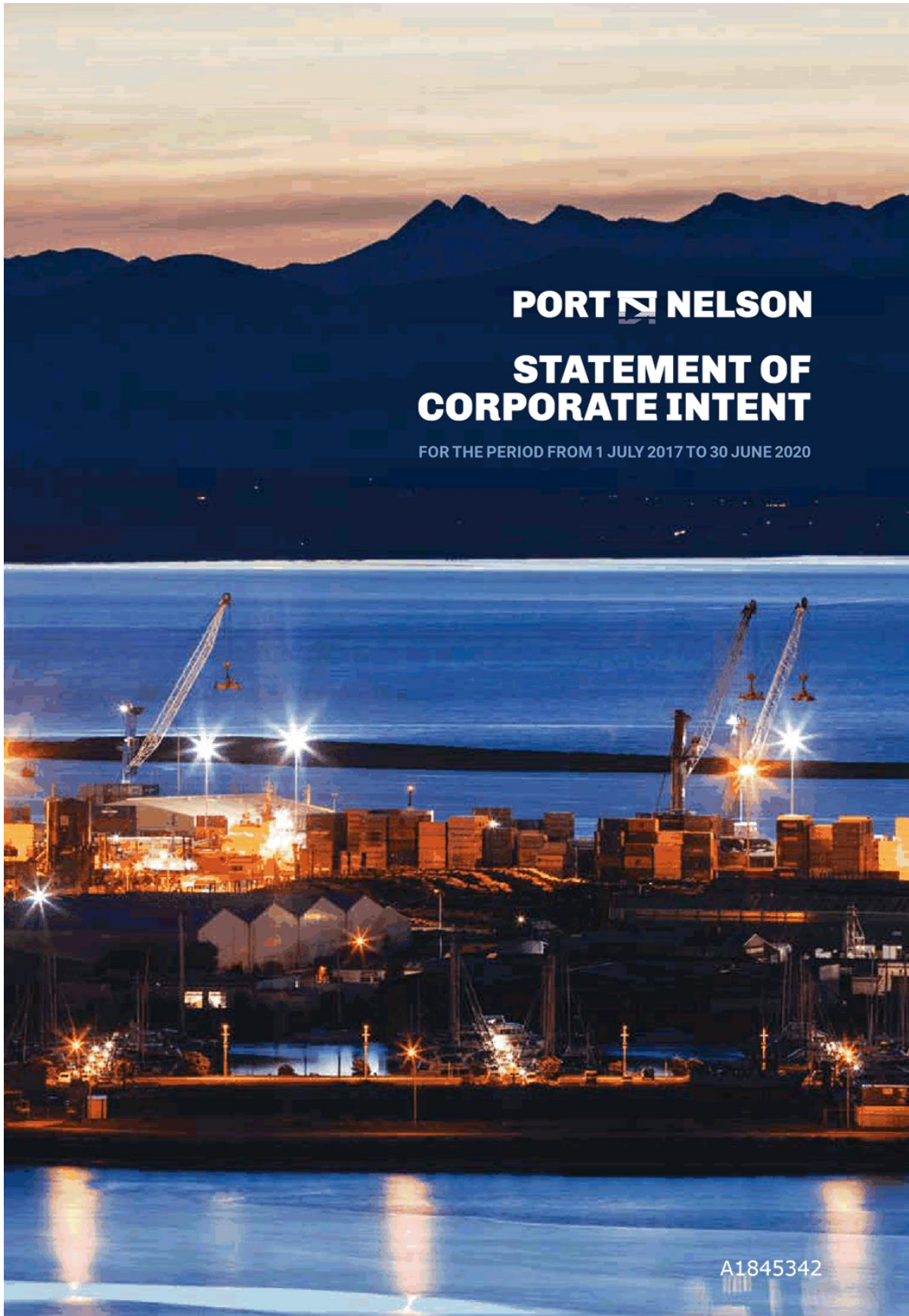
### **6. Inclusion of Māori in the decision making process**

Māori have not been consulted in preparing this report.

### **7. Delegations**

The Joint Shareholders Committee has the responsibility for considering and deciding on all matters relating to jointly owned Council Controlled Organisations and Council Controlled Trading Organisations, including statements of intent, statements of corporate intent, half yearly reports, the appointment of directors and setting of directors' fees.

Item 6: Port Nelson Limited Final Statement of Corporate Intent 2017/20:  
Attachment 1



## Item 6: Port Nelson Limited Final Statement of Corporate Intent 2017/20: Attachment 1

*The Region's Gateway to the World*

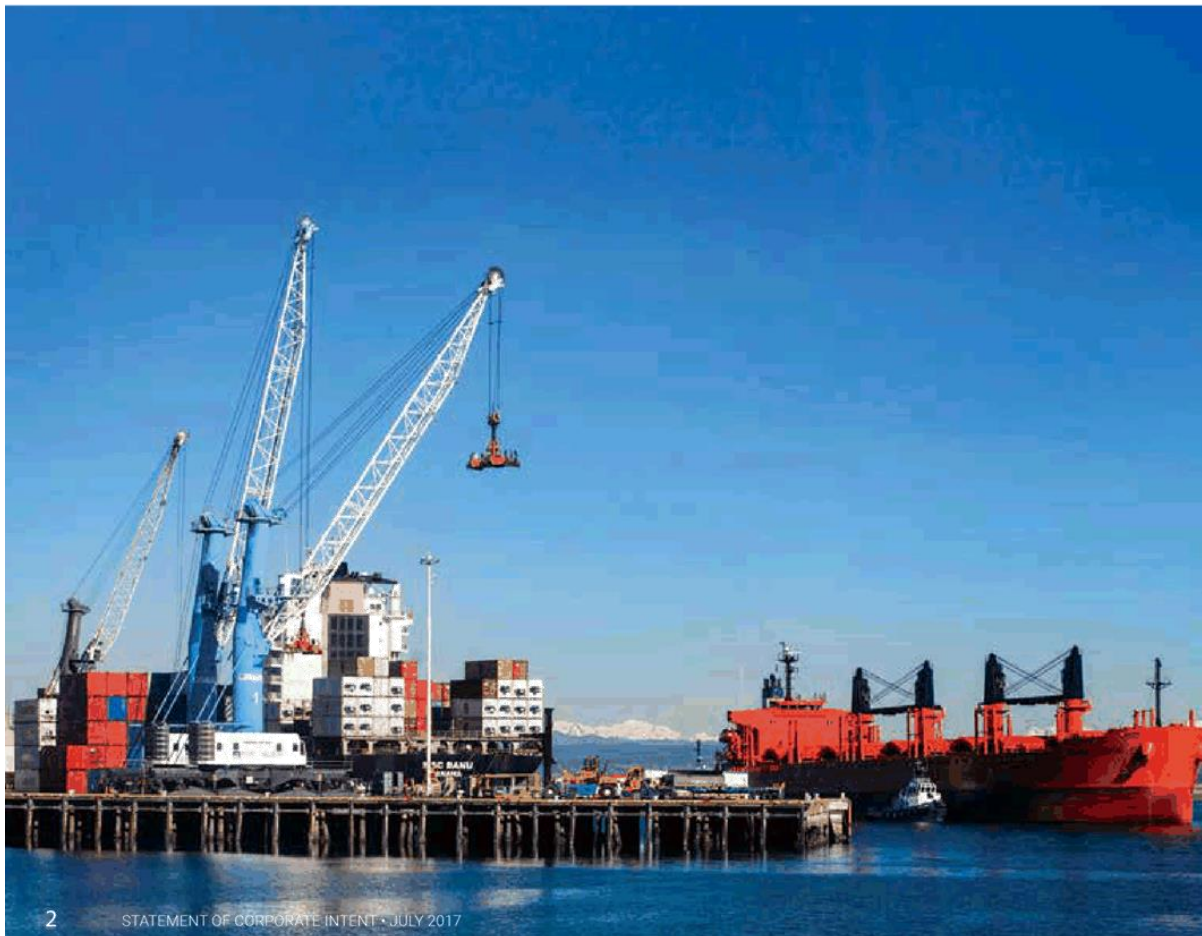
# PORT NELSON

Located in the Nelson-Tasman region, Port Nelson is owned by the community for the purpose of facilitating regional prosperity.

We celebrate our strong commitment to performance that has seen our business consistently deliver value to our shareholders, employees, customers and the community in which we operate.

As we look towards the future we continue to focus on the core values that form the foundation of our success; accountability, safety, passion, integrity, respect, excellence

It is our steadfast commitment to these values that ensures we provide a satisfactory return to our shareholders, look after our employees and ensure they have a safe environment in which to work, provide excellent services to our customers, care for the environment and make a contribution to the community in which we operate.





Item 6: Port Nelson Limited Final Statement of Corporate Intent 2017/20:  
Attachment 1



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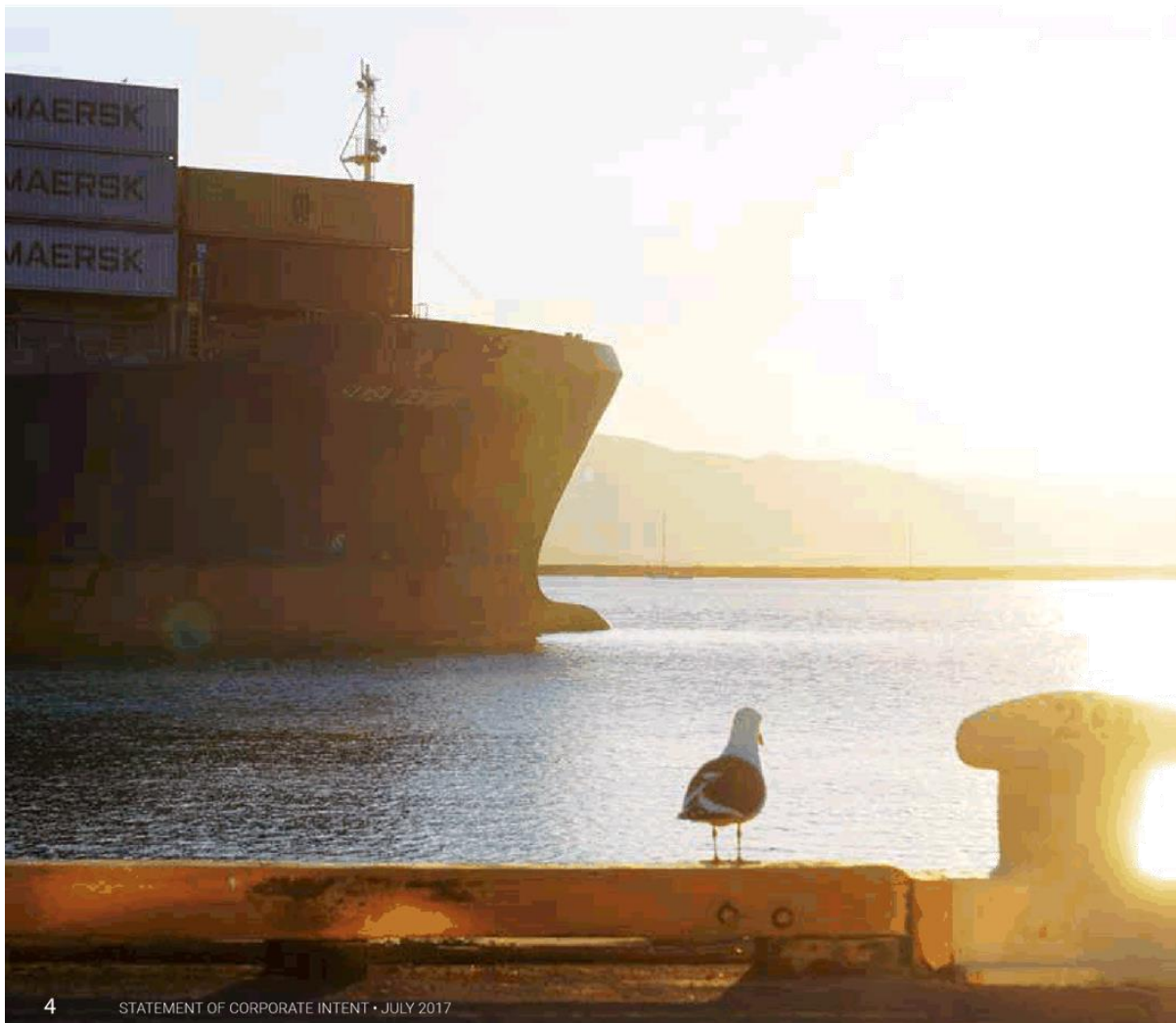
## ABOUT THIS REPORT

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 2017 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").



# Item 6: Port Nelson Limited Final Statement of Corporate Intent 2017/20: Attachment 1

## WELCOME

We are pleased to present our Statement of Corporate Intent for the year commencing 1 July 2017 and the following two financial years.

Incorporated in 1988, Port Nelson has served as the top of the South Island's gateway to the world for over 175 years.

Our purpose is to facilitate regional prosperity.

During 2016 the Company revisited its strategic intent and goals in context of its desired future state.

Our strategic intent is that we will bring 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 / Marlborough region thrive.

The port is a critical asset for the Nelson / Marlborough region and remains a strategic call for major international and domestic carriers due to the seasonal fruit exports, year-round forestry and seafood movements and ever growing wine volumes.

To cater for increased cargo projections from the Nelson and Marlborough regions, the port has continued to make significant investment in long-term infrastructure. Commitments for this planned investment in infrastructure are now largely complete. Our focus is now on optimising the performance of these investments.

With an ever-changing shipping and port industry landscape, Port Nelson will continue to advance long term strategic partnerships with its customers by providing supply-chain innovation and technologies.

In this regard, examples of recent initiatives have been the creation and implementation of Port Nelson's award-winning 3PL warehousing and distribution service, QuayConnect, and the construction of 22,600m<sup>2</sup> of modern on-port storage.

We continue to actively promote a positive and safe working environment for our staff, customers and port users. On the back of our PNL safety brand launched last year, We love a loud mouth, a key health and safety message is, if you see or experience anything of concern, shout it to the rooftops – so we can continue to protect the whole Port Nelson team.

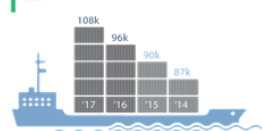
More information is available on our website [www.portnelson.co.nz](http://www.portnelson.co.nz)



### CARGO THROUGHPUT



### CONTAINER THROUGHPUT



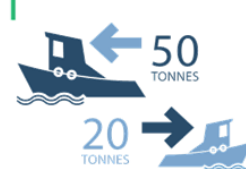
### MAXIMUM DRAFT



### BERTH POCKETS



### TWO TUGS



### FOUR WHARVES



### BOLLARD CAPACITY



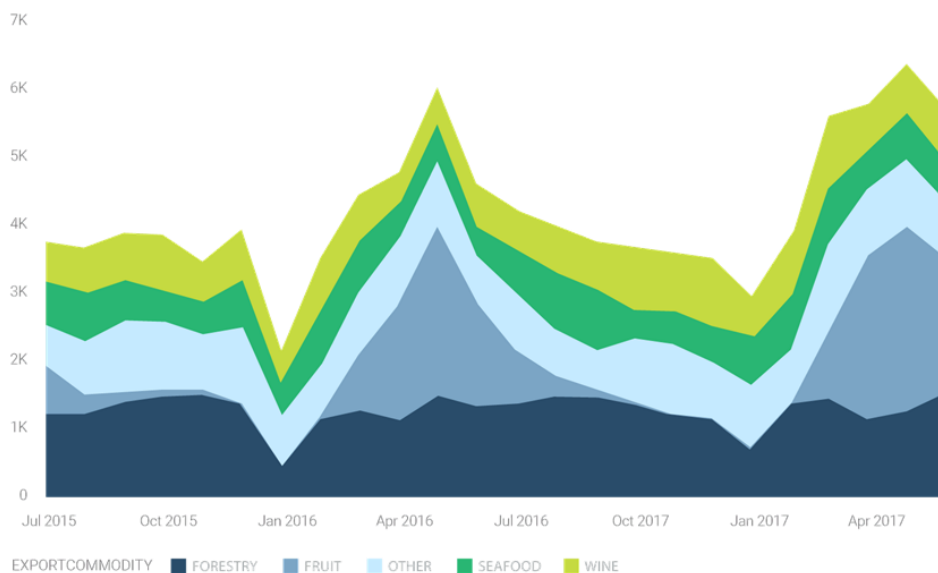


# PERFORMANCE

## Overview

In addition to property leases and associated port services, the Company generates revenue from the core of the top of the South's four export-based commodity clusters: horticulture, forestry, seafood, and pastoral farming.

SEASONALITY IN EXPORT VOLUME BY COMMODITY PREVIOUS 2 YEARS



Almost 80% of New Zealand's wine is grown and exported from the top of New Zealand's South Island, with Port Nelson being the primary port of export for the industry.

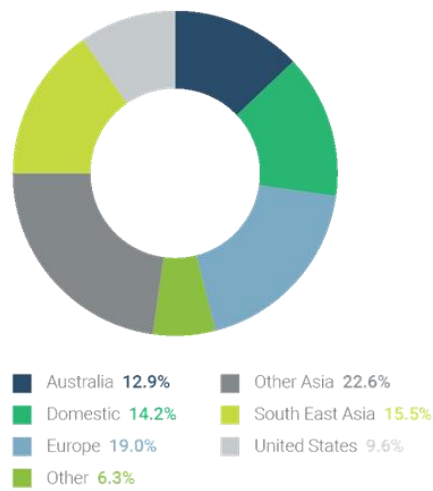
Nelson Tasman is the second largest pipfruit exporting region in New Zealand. All pipfruit exports are now sent in refrigerated shipping containers as conventional options are no longer viable for the industry.

Port Nelson is the largest seafood port in the Southern Hemisphere. Leading New Zealand fishing companies, Sealord and Talley's are physically located at Port Nelson, resulting in a close commercial relationship between the port and the industry.

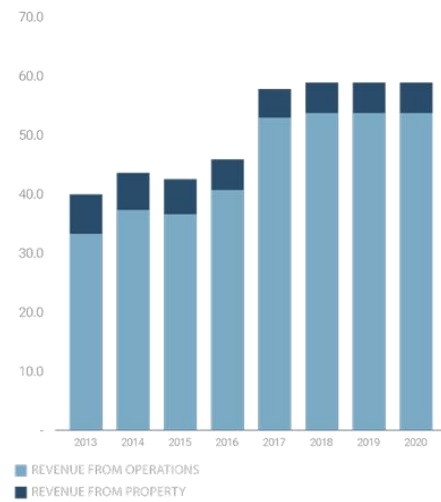
Forestry is Port Nelson's largest export commodity predominantly underpinned by a significant log export profile. Nelson is unique in that it plays host to New Zealand's largest MDF and LVL producer and exporter, as well as a raft of other processed forestry businesses that use the port's services.

# Item 6: Port Nelson Limited Final Statement of Corporate Intent 2017/20: Attachment 1

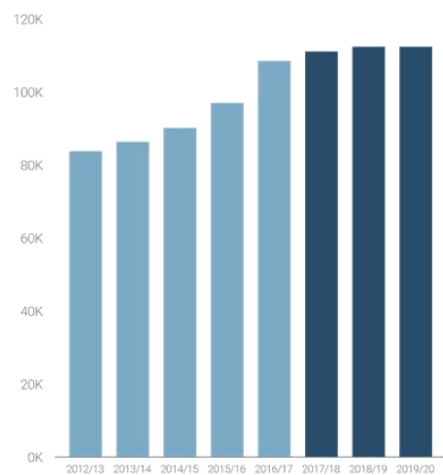
CONTAINER THROUGHPUT BY EXPORT REGION 2016/17



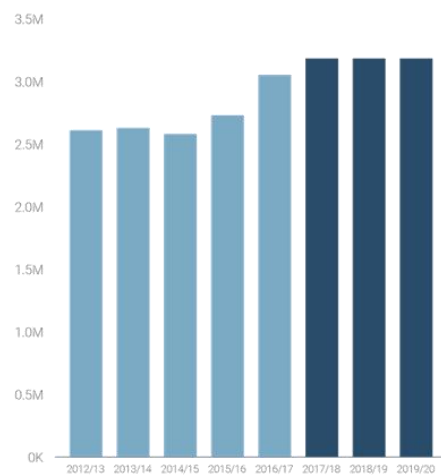
REVENUE BREAKDOWN



CONTAINER THROUGHPUT



CARGO THROUGHPUT (CARGO TONNES)



Item 6: Port Nelson Limited Final Statement of Corporate Intent 2017/20:  
Attachment 1

Operations	2018	2019	2020
Cargo throughput (cargo tonnes)	3.2m	3.2m	3.2m
Container throughput (TEUs – twenty-foot equivalent units)	110,520	112,070	112,070
Shipping tonnes (GRT - gross registered tonnes)	10.5m	9.7m	9.7m
Vessel visits	795	750	750

Financial	2018	2019	2020
Revenue	\$58.4m	\$58.5m	\$58.3m
Earnings before interest and taxation	\$16.7m	\$19.0m	\$16.8m
Net profit after taxation	\$10.3m	\$11.7m	\$10.1m
Total assets	\$262.4m	\$275.0m	\$275.0m
Term debt	\$62.9m	\$67.7m	\$63.2m
Total equity	\$175.9m	\$181.5m	\$186.2
Net debt to equity	35.8%	37.3%	34.0%
Return on equity	5.9%	6.6%	5.5%
Dividend declared	\$5.5m	\$6.1m	\$5.5m
Net assets per share	\$6.9	\$7.1	\$7.3
Earnings per share	\$0.4	\$0.5	\$0.4



## Item 6: Port Nelson Limited Final Statement of Corporate Intent 2017/20: Attachment 1

### Performance targets and other measures

PILLAR	PERFORMANCE MEASURE	2018	2019	2020
<b>PEOPLE</b>	Lost time injury frequency rate	< 1.5	< 1.5	< 1.5
<b>CUSTOMERS</b>	Cargo throughput (cargo tonnes)	3.2m	3.2m	3.2m
	Vessel visits	795	750	750
	Shipping tonnes (gross registered tonnes)	10.5m	9.7m	9.7m
<b>PERFORMANCE</b>	Shareholder funds to total assets*	65%	65%	65%
	Net debt to equity ratio	< 45%	< 45%	< 45%
	Dividends declared	\$5.5m	\$6.1m	\$5.5m
	Return on equity	5.9%	6.6%	5.5%
	Return on funds employed	7.3%	7.8%	6.7%
	Revenue	\$58.4m	\$58.5m	\$58.3m
	Capital expenditure	\$19.3m	\$18.3m	\$6.2m
<b>ENVIRONMENT AND COMMUNITY</b>	Incidents leading to pollution of harbour by Port Nelson	Nil	Nil	Nil
	Compliance with all resource consent conditions	100%	100%	100%
	Compliance with NZ maritime safety standards in respect of;	100%	100%	100%
	- Dredged channels compliant with charts			
	- Navigation aids			
	- Pilotage			
	Compliance with Noise Variation	100%	100%	100%
	Maintain ISO14001 certification	100%	100%	100%

\*Shareholder funds comprises the issued and paid up capital together with retained earnings, the asset revaluation reserve and other reserves.  
Total assets represent all assets of the company determined in accordance with the accounting policies as set out in this Statement of Corporate Intent.

## CAPITAL

Growth and new opportunities has necessitated the proactive investment in long-term infrastructure. Port Nelson is nearing completion of a significant capital expenditure programme to accommodate increasing cargo volumes across the wharves, more vessel calls and high demand for the port's various services. The new infrastructure includes both land and water-based assets that will ensure a high level service offering is maintained now and, importantly, in the future.

## Risk Management

Risk management is an important element in our business operations and essential for the realisation of our strategic objectives.

Port Nelson's risk management approach encompasses careful assessment of the risks that Port Nelson runs and specification of mitigating measures and describes how we ensure the effectiveness of these measures.

Risk assessments and the status of risk control and mitigating measures are reviewed periodically by the senior management team. The main risks and measures are discussed by the Finance and Risk Committee of the Board.

Key risk areas include;

- Health and Safety critical risks
- Environmental
- Natural disasters and hazards
- Commercial

## Asset Management

PNL's asset management plan is geared around continuously improving asset utilisation and ensuring its infrastructure meets the longer term needs and growth of its customers.

As cargo volumes grow optimising our port layout becomes critical. Investigations into the most efficient operating model to handle projected growth in container volumes and larger vessels is ongoing.

## Health and Safety

We strive to provide a culture of zero harm. A Broad Brush Risk Assessment (BBRA) has been in place since September 2015. At the time the BBRA highlighted critical risk areas as well as instigating some key operational changes. To ensure we continue to focus our attention on reducing risk in our critical areas a review has been completed of all the BBRA's risks where there is the potential for a Single Fatality or Multiple fatality.



## Environmental

### ISO 14001

In 2007 we became the first port in New Zealand to receive accreditation against this internationally recognised standard for continuous improvement in environmental management. Regular audits keep us on track to meet our objectives for managing the most significant environmental aspects of our operation.





## Item 6: Port Nelson Limited Final Statement of Corporate Intent 2017/20: Attachment 1

### Quayconnect



QuayConnect, Port Nelson's logistics model has revolutionised freight across the top of the South. Port Nelson developed QuayConnect, its new warehouse and distribution model, through strategic alliances with industry partners and significant investment in portside infrastructure and up-to-the-minute vehicles. Independent certification company Enviro-Mark Solutions has validated that in the 381 days since its launch in February 2016, QuayConnect more than halved truck journeys between the port and major wine bottler Wineworks in Marlborough with a corresponding reduction in fuel consumption and carbon emissions.

### Calwell Basin Remediation

In conjunction with the Nelson City Council and the Ministry for the Environment work will soon commence on the Calwell Basin remediation project. It is expected that the project will be completed in 2018.

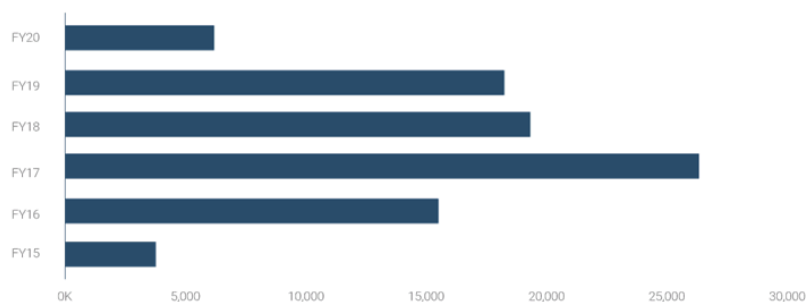
## Dividends and distribution

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.

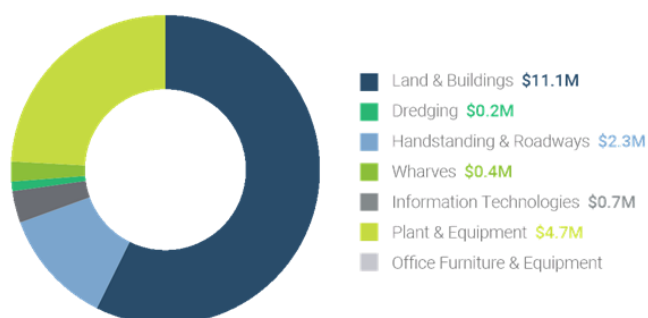
The Shareholders desire to receive dividends representing not less than 50% of net profit after tax. Similarly the PNL Board expectation is that not more than 75% of net profit after tax shall be distributed to the shareholders. Special dividends are not covered by this policy.

Proposed dividend distributions are expected to be \$5.5m for the year ended June 2018 and \$6.1m and \$5.5m for each of the following two years.

### CAPITAL EXPENDITURE



### FY18 CAPITAL EXPENDITURE



# CORPORATE

## Purpose

To facilitate regional prosperity

## Strategic Intention

We bring 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 / Marlborough region thrive.

## Objectives

The Company's purpose of facilitating regional prosperity is underpinned by six pillars; people, infrastructure, customers, performance, community and environment.

<b>People</b>	To build and support high performing teams putting safety first
<b>Infrastructure</b>	An approach to asset investment that meets the ongoing needs and growth of customers
<b>Customers</b>	An organisation that delivers real value to our customers through partnership and innovation
<b>Performance</b>	A sustainable business delivering increasing value to our shareholders
<b>Community</b>	A sense of great pride in the role we play in our community
<b>Environment</b>	A leader in sustainable environmental management in the New Zealand Port industry

## 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

## Item 6: Port Nelson Limited Final Statement of Corporate Intent 2017/20: Attachment 1

### **Governance principles**

#### **Corporate Code of Governance**

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

#### **Company**

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

#### **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.

#### **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 & Risk Committee and the Remuneration and Appointments Committee and may constitute ad hoc committees to deal with a 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.

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.



## STAKEHOLDERS

### Information to be provided to the Shareholder

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

The Company will not later than 1 month after the commencement of each financial year provide the Shareholders with an SCI as required by the Port Companies Act together with any other information it considers appropriate.

#### 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:

- (a) Performance Commentary
- (b) Statement of Comprehensive Income
- (c) Balance Sheet
- (d) Statement of Cash Flows
- (e) Performance against the SCI Performance Targets and Other Measures

#### 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 consider appropriate.

## Item 6: Port Nelson Limited Final Statement of Corporate Intent 2017/20: Attachment 1

The report will include:

- (a) Performance Commentary,
- (b) Statement of Comprehensive Income
- (c) Balance Sheet,
- (d) Cash Flow Statement,
- (e) Statement of Changes in Equity,
- (f) Notes to the Financial Statements,
- (g) Performance against the SCI performance targets and other measures,
- (h) Auditor's Report

### **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.

### **General Disclosure**

The Company will provide information to the Shareholders on an ongoing but confidential basis so as to ensure that the Shareholders are informed in a timely manner 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.

### **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.

## Item 6: Port Nelson Limited Final Statement of Corporate Intent 2017/20: Attachment 1

### **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 5 year strategic plan will be subject to Shareholder approval.

### **Compensatory Activities**

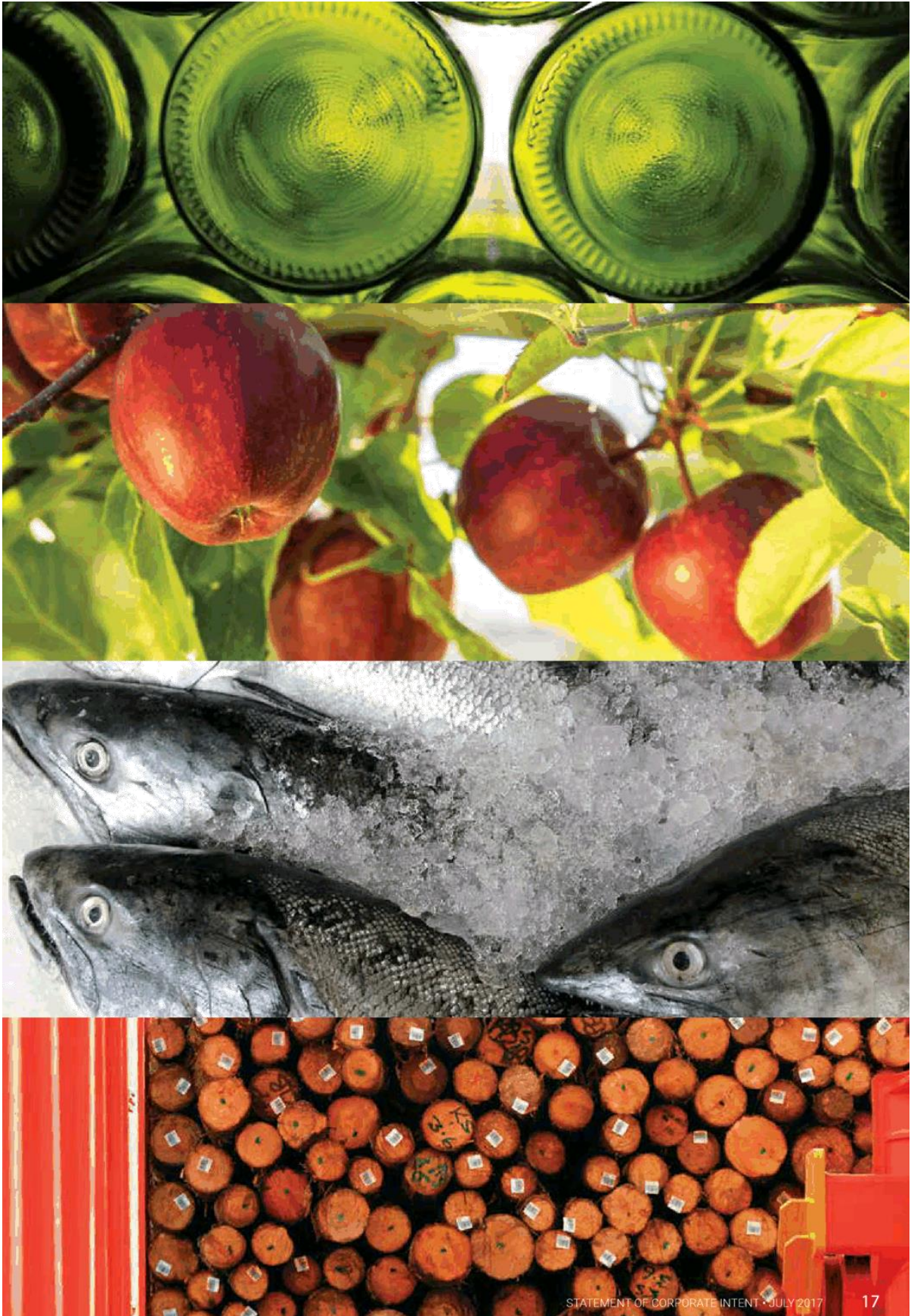
The Company will seek compensation for all non-commercial activities performed by it on behalf of local authorities.

### **Value of Shareholder's Investment**

The Directors assessment of the value of the Shareholders investment in the Company is \$150.6m. The value is the prospective value of Total Shareholders' Funds at the conclusion of the six months ended December 31, 2016.

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.

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## SUMMARY FINANCIAL STATEMENTS

### Statement Of Comprehensive Income

For the three year period July 2017 to June 2020	2018	2019	2020
	\$000	\$000	\$000
<b>REVENUE</b>			
Port Operations	53,306	53,354	53,166
Property	5,137	5,112	5,103
<b>TOTAL REVENUE</b>	<b>58,443</b>	<b>58,466</b>	<b>58,269</b>
<b>EXPENSES</b>			
Employee Benefit Expenses	17,914	17,859	17,851
Other Operational and Property Expenses	17,853	16,667	16,759
Earnings before Interest, Tax, Depreciation and Amortisation	22,676	23,940	23,659
Depreciation and Amortisation	5,939	4,959	6,846
Earnings before Interest and Tax	16,737	18,981	16,813
Net Financing Costs	2,500	2,640	2,721
<b>NET PROFIT BEFORE INCOME TAX</b>	<b>14,237</b>	<b>16,341</b>	<b>14,092</b>
Income Tax	3,992	4,581	3,951
<b>NET PROFIT AFTER INCOME TAX</b>	<b>10,245</b>	<b>11,760</b>	<b>10,141</b>



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**Balance Sheet**

For the three year period July 2017 to June 2020	2018	2019	2020
	\$000	\$000	\$000
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	12	6	4
Trade and Other Receivables	7,179	7,148	7,178
Inventories	503	503	503
Prepayments and Accruals	332	332	332
<b>Total Current Assets</b>	<b>8,026</b>	<b>7,989</b>	<b>8,017</b>
<b>LESS CURRENT LIABILITIES</b>			
Trade and Other Payables	3,667	4,951	4,548
Employee Benefit Entitlements	2,344	2,960	3,571
Tax Payable	2,712	2,892	2,677
Dividend Payable	4,000	4,100	4,000
Noise Mitigation	34	34	34
<b>Total Current Liabilities</b>	<b>12,757</b>	<b>14,937</b>	<b>14,830</b>
<b>WORKING CAPITAL</b>	<b>(4,731)</b>	<b>(6,948)</b>	<b>(6,813)</b>
<b>NON-CURRENT ASSETS</b>			
Property, Plant and Equipment	237,932	250,476	250,484
Intangible Assets	544	619	598
Investment Properties	15,745	15,767	15,789
Derivatives	100	100	100
<b>Total Non-Current Assets</b>	<b>254,321</b>	<b>266,962</b>	<b>266,971</b>
<b>LESS NON-CURRENT LIABILITIES</b>			
Employee Benefit Entitlements	223	223	223
Deferred Tax Liability	8,109	8,109	8,109
Term Loan	62,897	67,692	63,227
Derivatives	2,004	2,007	2,010
Noise Mitigation	508	474	440
<b>Total Non-Current Liabilities</b>	<b>73,741</b>	<b>78,505</b>	<b>74,009</b>
<b>NET ASSETS</b>	<b>175,849</b>	<b>181,509</b>	<b>186,149</b>
<b>SHAREHOLDERS' FUNDS</b>			
Issued Capital	6,046	6,046	6,046
Retained Earnings	58,510	64,170	68,810
Asset Revaluation Reserve	112,752	112,752	112,752
Hedging Reserve	(1,459)	(1,459)	(1,459)
<b>TOTAL SHAREHOLDERS' FUNDS</b>	<b>175,849</b>	<b>181,509</b>	<b>186,149</b>

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**Statement Of Cash Flows**

For the three year period July 2017 to June 2020	2018	2019	2020
	\$000	\$000	\$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash was provided from:			
Receipts from customers	53,088	53,382	53,140
Rent received	5,137	5,112	5,103
Interest received	10	10	10
	58,235	58,504	58,253
Cash was applied to:			
Payments to suppliers and employees	37,675	32,580	33,572
Interest paid	2,473	2,628	2,747
Taxes paid	3,737	5,121	4,871
Net gst paid	31	108	109
	43,916	40,221	41,299
<b>NET OPERATING CASH INFLOWS</b>	<b>14,319</b>	<b>18,283</b>	<b>16,954</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Cash was provided from:			
Sale of property, plant and equipment	15	505	0
	<b>15</b>	<b>505</b>	<b>0</b>
Cash was applied to:			
Purchase of property, plant and equipment	19,026	17,360	6,662
Purchase of intangibles	486	229	229
	<b>19,512</b>	<b>17,589</b>	<b>6,891</b>
<b>NET INVESTING CASH INFLOWS/(OUTFLOWS)</b>	<b>(19,497)</b>	<b>(17,084)</b>	<b>(6,891)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash was provided from:			
Loans borrowed	16,517	9,645	5,845
	<b>16,517</b>	<b>9,645</b>	<b>5,845</b>
Cash was applied to:			
Loans repaid	6,270	4,850	10,310
Dividend paid	6,000	6,000	5,600
	<b>12,270</b>	<b>10,850</b>	<b>15,910</b>
<b>NET INVESTING CASH INFLOWS/(OUTFLOWS)</b>	<b>4,247</b>	<b>(1,205)</b>	<b>(10,065)</b>
<b>Net increase/(decrease) in cash held</b>	<b>(931)</b>	<b>(6)</b>	<b>(2)</b>
Cash and cash equivalents at 1 July	943	12	6
<b>CASH AT 30 JUNE</b>	<b>12</b>	<b>6</b>	<b>4</b>

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## **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 a number of 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 9 Financial Instruments and NZ IFRS 15 Revenue. 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.

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### 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:

- (a) Cargo and Marine revenue – departure of the vessel.
- (b) Stevedoring – partial completion of the vessel at balance date.
- (c) Property lease revenue – on an accrual basis at balance date. Rentals are payable in advance.
- (d) 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 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

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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 2013. As at 30 June 2014 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 2013 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 2013 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 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. Cost incurred subsequent to initial acquisition are 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/or 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 in order to determine the extent of the impairment loss (if any). Properties Intended for Sale are not depreciated. Properties are actively marketed and there is probable sale within one year.

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### **(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.

### **(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 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 in order 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.

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

All items in the financial statements are exclusive of goods and services tax (GST) with the exception of 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.

### **(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 taxable temporary differences to measure the deferred tax asset or liability. Deferred tax assets are recognised for deductible temporary 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.



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### **(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 of time to get ready for their intended use, are added to the cost of those assets until such a time as the assets are substantially ready for their intended use.

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

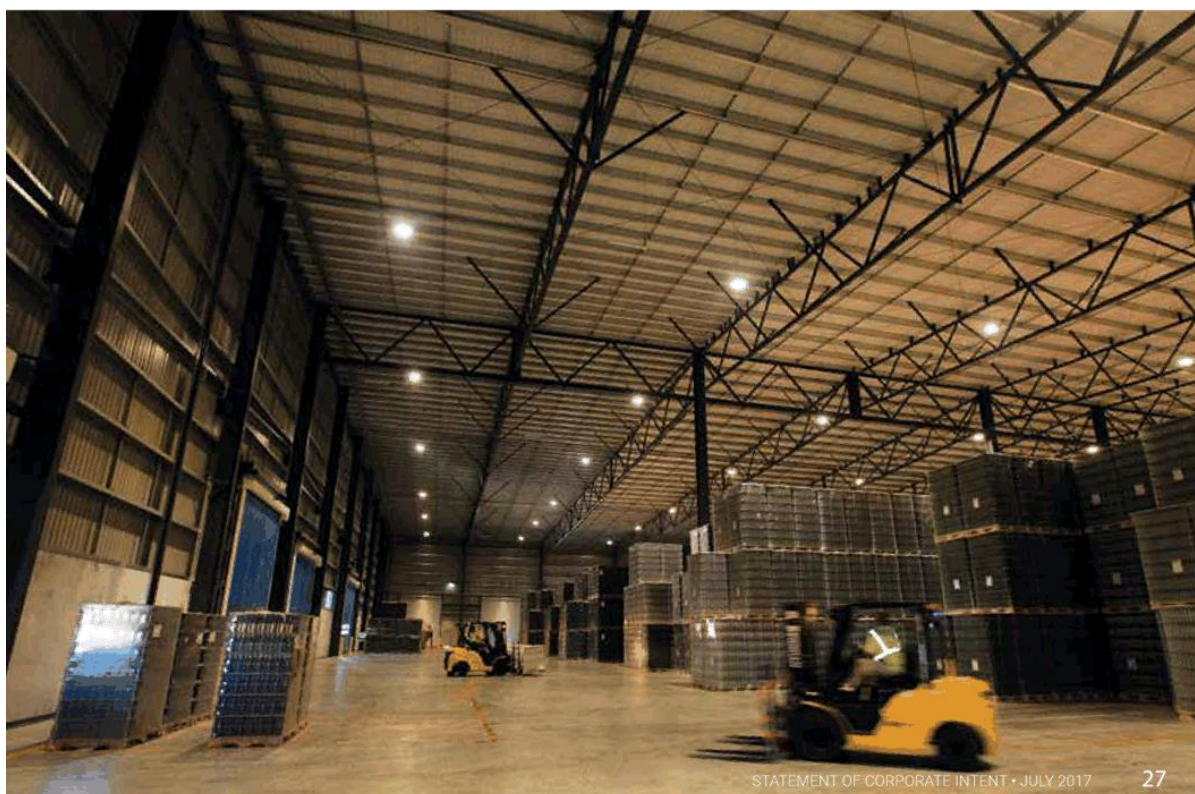
Provision is made in respect of Port Nelson's liability for annual leave, long service leave and retirement gratuities. Annual leave and long service leave have been calculated on an actual entitlement basis at current rates of pay and retirement gratuities calculated at current rates of pay assuming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

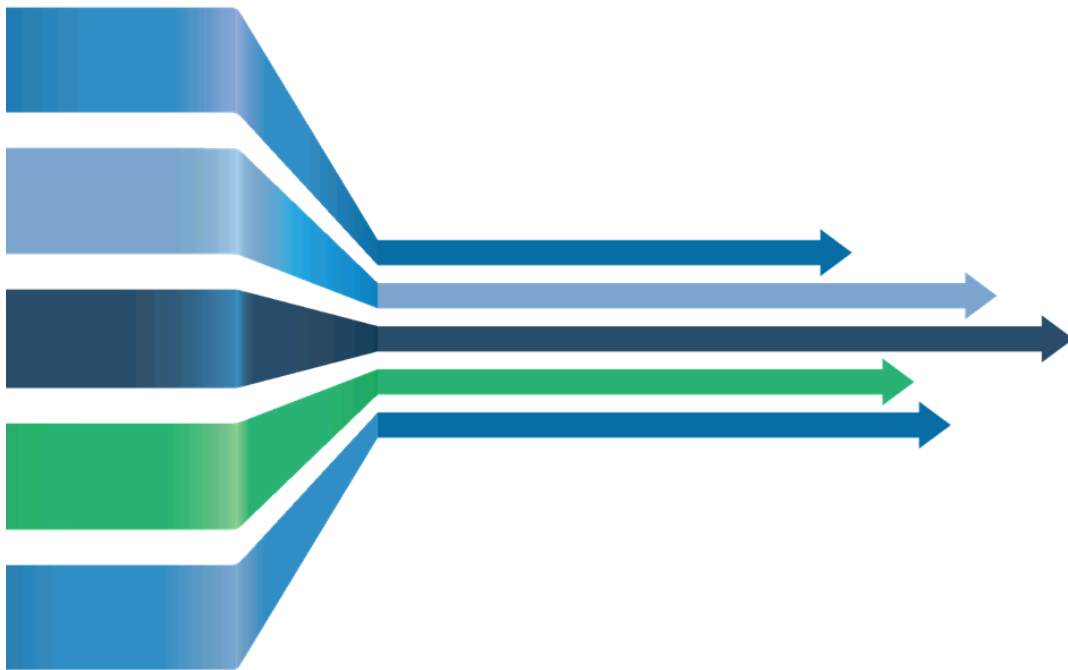
### **(q) Leases**

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.





*The Region's Gateway to the World*

**PORT  NELSON**

[www.portnelson.co.nz](http://www.portnelson.co.nz) / [www.quayconnect.co.nz](http://www.quayconnect.co.nz)