

AR:2021

Hold the Course

Te Ara Whāwhā



Port Marlborough



Welcome to Port Marlborough's review of 2021

– a year for flexibility and responsiveness – also a year to hold fast to our strategy, to look for opportunities not barriers, and most of all for resilient and supportive relationships with our customers and our community.

PORT MARLBOROUGH ANNUAL REPORT 2021

**Kia whakamahia
te mahi e Tātou**

The work is done by us all

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In our wake

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Our current position

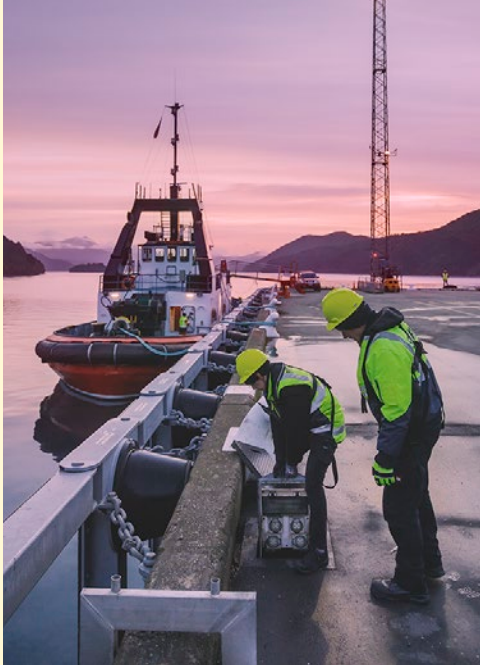
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Highlights

Strong activity in core operational sectors delivered record performance despite the void in international tourism and cruise.



3,131,129

Ferries: Lane metres freight
[rail and commercial vehicles]



1,009,014

Passengers through port
[ferry and cruise ship passengers]



769,800

JAS logs exported

Revenue

\$31.4M

2020 30.2 million



3,233

Vessel visits over
500GRT



1,566

Vessels accommodated
at marinas



72

FTE staff
employed



0

Cruise ships
to berth

Dividend

\$3.4M

2020 \$3.5 million

Port Marlborough operates Marlborough's regional port and marinas and plays an important role in driving success for Marlborough.

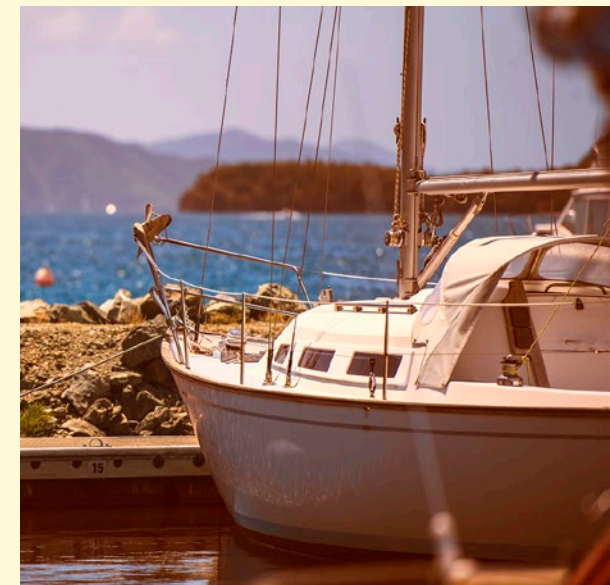
The port and its people support prosperity across a diverse range of Marlborough's signature industries comprising fishing, marine farming, domestic and international tourism including cruise, Cook Strait ferry operations, forestry export, and recreational boating.

>> Port Marlborough's ferry infrastructure operates 24/7, providing a resilient and reliable connector through the backbone of the country's road and rail, passenger and freight linkages.

>> The port operates New Zealand's deepest export shipping berth at Waimahara Wharf in Shakespeare Bay, and a multipurpose berth at Waitohi Wharf in Picton Harbour.

>> Port Marlborough is the largest New Zealand marina operator outside of Auckland and has three marinas at Picton, Waikawa and Havelock providing more than 1050 berths and accommodation for a further 500 vessels in boat sheds and storage compounds.





At Waitohi Picton

- Cook Strait freight and passenger ferry berths and terminals
- Berths for cruise ships up to 362 metres LOA
- Wharf facilities servicing aquaculture, commercial fishing and tourism operators
- Export shipping berth [draft 15.3 metres] and adjacent quayside storage facility in Shakespeare Bay servicing log export, project cargos and general cargos
- Extensive land holdings supporting integrated port activities
- Picton Marina, including berths for super-yachts and other vessels to 35 metres plus

At Waikawa

- Waikawa Marina, including land-based boat storage and launching facilities
- Waikawa Travelift haulout and hardstand facility [capacity >50 vessels]
- Waikawa Marine Centre, a cluster of marine service industry and hospitality businesses associated with the Marina

At Motuweka Havelock

- Berth, wharf and land-side facilities to service marine farming, tourism, forestry and barging operators in Pelorus Sound
- Havelock Marina, providing berths for recreational vessels, land-side storage and boat launching facilities
- An eight hectare reclamation accommodating a range of maintenance, marine related and value-added industries

Marlborough Sounds

- Wharf and port landing facilities in Elaine Bay and Te Whanganui Port Underwood to support marine farming operators.

Ownership

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

OUR VISION

Leading the way as an environmentally restorative port, driving success for Marlborough

HAUORA VALUE WELL-BEING

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

KAITIAKITANGA PROTECT THE FUTURE

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

MAHI TAHI WORK TOGETHER

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

PONO ACT WITH INTEGRITY

We keep our promises and do what we say we will do.

KAIRANGATIRA DELIVER EXCELLENCE

We deliver excellent customer service and excellent commercial results.

Te Pūrongo ā Te Kaiwhakahaere Matua

Chair/CEO Report

Port Marlborough has again achieved strong operational performance alongside significant capital investment, supporting long-term balanced value delivery for Marlborough.

Overview

Port Marlborough is a values led organisation, committed to driving success for Marlborough across the perspectives of people, planet and prosperity through partnerships.

The strength of our diversified business portfolio and agility to respond to changing customer circumstances underpinned a successful – if somewhat challenging – year for Port Marlborough.

With New Zealand's borders closed from late summer 2020, cruise and international tourism was prohibited throughout the year. Although anticipated, this strongly impaired commercial outcomes for many small businesses in particular.

In welcome relief, very strong domestic tourism over summer supported Marlborough operators and service providers (albeit bringing different spending patterns, product preferences and a shorter season). Cook Strait ferries carried record numbers of private vehicles as New Zealanders ventured between the

“ Our work to understand and shape our environmental foot print continues...”

islands, exploring their own back yard in the absence international travel options.

Unprecedented activity through Marlborough Sounds Marinas translated to ongoing high demand for berth rental, boding well for the North West Waikawa Marina currently under construction.

Total commercial freight across Cook Strait recovered strongly to reach record levels reflecting continuing economic buoyancy.

The strong market for New Zealand export logs continued as alternative source countries struggled with impacts of the pandemic. Export customers overcame the challenges of securing vessels to ship close to 770,000 JAS through Shakespeare Bay in another record year.

Our work to understand and shape our environmental footprint continues, this year delivering our first comparative Sustainability Scorecard against the base metrics shared in our report last year.

Community partnerships integral to our strategy of delivering for People, Planet and Prosperity bring tangible benefits that matter, over time. Highlights this year included ongoing support to Port Marlborough Pavilion at Endeavour Park, the Marina2Marina family run, and the Cawthron Marlborough Environment Awards.

Capital investment planning for the Waitohi Picton Ferry Precinct Redevelopment achieved milestones with resource consents for the project granted, and KiwiRail's order placement for two new ships endorsing the need for redevelopment at Picton.

Financial performance

The Group achieved revenue of \$31.4m [2020: \$30.2m].

Trading performance at \$10.8m million [measured by pre-tax profit adjusted for non-cash revaluations and subvention payments] was marginally up on the previous year [2020: \$10.7m], with strong log exports and marina performance counterbalancing the loss of cruise trade.

Value of Group total assets at \$217.0m [2020: \$203.2m] reflects continued investment in productive assets, and revaluation gain of \$8.8m due to lowering of capitalisation rates which is reflective of lower investor yield expectations.

The Group's equity ratio at 75.1% is consistent with the prior year and places the Company in a good

position to take on additional capital projects.

Directors propose a final dividend of \$1.9 million, bringing total distribution for 2021 to \$3.4 million. Total dividends of \$26.8 million have been distributed to our Shareholder over the last ten years, and \$80.9 million since Port Marlborough's establishment in 1988.

Governance

Directors Peter Drummond and Matt Kerr concluded their terms at the December 2020 AGM. We thank them for their professional, committed service to Port Marlborough.

Colin Crampton and Warren McNabb were appointed to the Board. Mr Crampton has a background in infrastructure and utilities and is Chief Executive of Wellington Water. Mr McNabb is a professional Director with wide financial and governance experience.

Health and Safety

Our primary commitment to Hauora has been further strengthened with promotion of the Health and Safety Manager role to the Senior Leadership Team, and addition of an experienced Health and Safety Advisor.

Of course, as with the rest of the world, our focus has also been on maintaining the currency of our COVID-19 Response Plan and its implementation as Alert Levels have changed, and the COVID-19 Public Health Response Orders for testing, vaccination and border management have evolved.

The Board has been impressed with the response from staff to the threat of COVID-19 through the Port and appreciates their dedication to implementing the controls that protect the community. Of note is that close to 100% of staff and many family members are fully vaccinated.

Operational Performance

Number of ship visits



Total ship visits

2021 **3,233** 2020: 3,126
2019: 3,364

Ferries	Cruise ships	Other*
2019: 3,159	2019: 42	2019: 163
2020: 2,963	2020: 48	2020: 115
2021: 3,114	2021: 0	2021: 119
		*[Over 500 GRT]

Non-ferry cargoes



Total cargo [Tonnes]

2021 **829,876** 2020: 617,997
2019: 795,406

Logs*	Fish [Tonnes]	Other [Tonnes]
2019: 697,828	2019: 15,002	2019: 82,576
2020: 555,182	2020: 15,290	2020: 47,525
2021: 770,363	2021: 12,106	2021: 47,407

*[Export & domestic, JAS'000]

Marina facilities – berth occupancy %



Total average occupancy

2021 **97%** 2020: 94%
2019: 94%

Havelock [368]	Waikawa [480]	Picton [206]
2019: 86%	2019: 96%	2019: 101%
2020: 88%	2020: 97%	2020: 100%
2021: 95%	2021: 98%	2021: 101%

Implementation of our Health and Safety strategic plan aims to achieve a 'proactive' level of safety maturity. A wide range of initiatives were delivered across leadership, employee engagement, systems development, reporting, and compliance and audit through the year.

Our people

The flexibility and commitment of our team has been outstanding as we've navigated a very busy and fast-moving business environment.

As well as growth in business-as-usual activities, staff have worked with the ongoing overlay of pandemic response and the very significant project work associated with the Waitohi Picton Ferry Precinct Redevelopment. The practical support of the team for each other, and their commitment to deliver for our customers and community, is wholly evident.

Looking ahead

Construction of the North West Waikawa Marina is set for completion during 2022. Delivering 250 new berths, this investment will increase the critical mass of boating infrastructure in the region with substantial recreational and economic benefits.

Commercial arrangements, detailed design and procurement for the Waitohi Picton Ferry Redevelopment will progress with first physical works from 2022.



As vaccination rates increase in New Zealand and around the world, we watch with interest to understand future changes to the international economy, management of national borders, international tourism, and cruise.

The economic impacts of the pandemic are widespread across many industries and we will remain supportive as a good partner to all of our customers.

**“ ... we have
... a clear
strategy and
a commitment
to deliver on
it - together. ”**

Final word

To conclude, we recognise and thank each of our staff for their team work and care for each other, for our customers and for our community.

We would also like to thank all of our many customers, contractors and wider users for their ongoing support.

We have a strong base, a clear strategy, and a commitment to deliver on it – together.

Keith Taylor
Chair

Rhys Welbourn
Chief Executive

**Forward planning
in times of uncertainty...
balanced governance
has been the key in
a rapidly changing
environment.**

The Board's approval of the 2021 budget in the immediate aftermath of New Zealand's first pandemic lockdown, when local and global impacts were far from clear, enabled staff to respond to the immediate and emerging needs of our customers and our people throughout the year.

In tandem the Board maintained strategic focus on long term, productive infrastructure investment. Construction of the new 250 berth North West Waikawa Marina forged ahead despite supply chain challenges.

Directors are working closely with staff and the Shareholder to establish commercial agreements enabling the Waitohi Picton Ferry Terminal Precinct Redevelopment in response to new, larger Interislander ferries.

The Board Audit and Risk Committee under Chairmanship of Warren McNabb refreshed its annual work plan to focus on risk and policy management, supporting existing governance of audit, valuation and tax.

The Board Health and Safety Committee chaired by Ian Boyd maintained a focus on the Port's COVID-19 response, critical risk management, and review of high potential events.

Warren McNabb

Andrew Besley

Colin Crampton

Jennifer Moxon

Ian Boyd

Martin Fletcher

Keith Taylor ONZM
Chair



Dean Craighead
Chief Financial Officer

Financial planning
& management
Risk & profitability
Information technology

Rose Prendeville
Capabilities Manager

People and culture
Environment
& sustainability

Troy Tane
Port Manager

Lead port & marine
services, operations
and compliance

Gavin Beattie
Infrastructure Manager

Safety & resilience
Integrated asset base;
optimised whole of life
management

Anouk Euzeby
Commercial Manager

Grow commercial
value for all
Lead marina services
& operations

Rhys Welbourn
Chief Executive

Clear vision
& purpose
Enable our people
Deliver for our
communities

Anthony Burgess
Health & Safety Manager

Health and Safety
Management Systems
Pandemic response lead



Understanding and evolving our footprint

At Port Marlborough we're strongly driven to deliver genuine and balanced benefits for people, the planet and prosperity reflected by specific measures, goals and targets that are meaningful for our team, our customers and our communities.

We've aligned our headline goals with the widely recognised United Nations Sustainability Development Goals [UN SDGs]. Our specific targets and methods for measuring performance follow the Global Reporting Initiative [GRI] standards.

In 2020 we measured baseline sustainability metrics across seven specific areas and set some targets for improvement in our first ever 'Sustainability Scorecard'. This year, we're able to report comparative performance, and set some new goals as shown on the following page.

This year, external influences [closed international borders and the absence of cruise and strong domestic tourism over summer] delivered unexpected outcomes. Overall, though, we've made some real progress in target areas.

Port Marlborough's Green House Gas [GHG] emissions are strongly impacted by fuel use of the Marine Fleet – harbour tugs and our pilot vessel. The total absence of the cruise industry throughout the year significantly reduced use of the fleet, and so cut our Scope 1 GHG emissions by nearly 50% as well as our use of non-renewable fuel. As a result, our Energy Efficiency evidenced that we sourced a greater share of our energy used from renewable supplies.

There were also wins in Waste Management with a near doubling of recycling quantities thanks to extension and improvement of facilities at all three marinas; and redirection of all dirty bark from the log yard to composting.

Overall total Water Withdrawal decreased 9%. Significant and incremental improvements in all areas included upgrade and extension of water metering and improved leak detection at Havelock, decreased in-port water use, and conversion of plumbing fixtures to reduce water demand. These improvements were offset by a significant water

leak at Westshore but bode well for continued reductions in the coming year.

Our Workforce composition is becoming incrementally more gender and age balanced, with women increasingly represented more widely across the teams and levels of organisational responsibility.

We're determined to chase hard on sustainability improvements that we can achieve in large and small ways, everywhere that we have an impact. We look forward measuring and reporting our progress.

<https://sdgs.un.org/goals>

<https://www.globalreporting.com>

Our Sustainability Scorecard

*Scope 1: Emissions owned or controlled by PMNZ; reductions contributed by forestry ownership.

*Scope 2: Emissions from generation of electricity purchased by PMNZ.

Greenhouse Gas Emissions [GHG]



Baseline Disclosure

2021 Full Year

[Metric tonnes of CO₂ equivalent]

GHG emissions - scope 1*

2020: 467 2021: 250

GHG reductions - scope 1*

2020: -1,509 2021: -1,509

GHG emissions - scope 2**

2020: 248 2021: 264

2021 Target met

Scope 1 GHG emissions did not increase

2022 Targets

T1] Scope 1 GHG emissions do not increase during FY21/22

T2] Scope 1, 2 and 3 GHG emissions are reduced by 25% on Base by 30 June 2025

Waste Management



Baseline Disclosure

2021 Full Year

[Tonnes]

Total weight of hazardous waste
2020: 38 2021: 6

Total weight of non-hazardous waste - landfill
2020: 740 2021: 640

Total weight of recycling
2020: 51 2021: 94

Total weight of composting dirty bark
2020: 406 2021: 765

2021 Targets met

100% of dirty bark was composted

Total composting increased 84% [target 100% partially met]

2022 Targets

T3] Non-hazardous waste to landfill is reduced 5% by 30 June 2022

T4] Recycling proportionate to total waste to landfill increase 8% by 30 June 2022

Water Withdrawal



Baseline Disclosure

2021 Full Year

[Megalitres]

Water withdrawals - PMNZ
2020: 53 2021: 37

Water withdrawals - industrial customers
2020: 45 2021: 45

Water withdrawals - non-chargeable
2020: 27 2021: 32

2021 Targets met

Total water withdrawal decreased 9%

Non-chargeable water consumption increased 18% [target was -5%]

2022 Targets

T5] Total water withdrawal nil increase to 30 June. 2022

T6] Total non-chargeable water consumption decrease 10% by 30 June 2022

Economic Value



Baseline Disclosure

2020 Full Year

[Million NZ\$]

Direct economic value generated
2020: 7,250 2021: 7,487

2021 Target met

SCI economic delivery targets achieved

2022 Targets

T7] Achieve SCI economic delivery targets

Energy Efficiency



Baseline Disclosure

2020 Full Year

[Gigajoules]

Total non-renewable fuel consumption
2020: 7,973 2021: 5,392

Total renewable fuel consumption
2020: 7,679 2021: 7,869

2021 Target met

Non renewable fuel consumption decreased; on track for 2025 target

2022 Target

T8] Total non-renewable fuel consumption is reduced 20% on base year by 30 June 2025

Employment & Workforce



Baseline Disclosure

2020 Full Year

[%]

Male
2020: 72 2021: 70

Female
2020: 28 2021: 30

Under 29 years
2020: 6 2021: 6

30-49 years
2020: 28 2021: 27

50-64 years
2020: 52 2021: 56

Over 65 years
2020: 12 2021: 11

2021 Target met

Gender diversity focus through internal and external recruitment

2022 Targets

T9] Develop plan for flexible work including flexible transition to retirement by 30 June 2022.

T10] Living Wage Accreditation achieved

Occupational Health & Safety



Baseline Disclosure

2020 Full Year

[Number]

Near hits reported
2020: 18 2021: 18

LTI per 100,000 work hours
2020: 0.8 2021: 1.6

MTI per 100,000 work hours
2020: 0.0 2021: 0.8

2021 Target met

Health and Safety Management System is aligned with NZS45001

2022 Targets

T1] LTI per 100,000 work hours = <0.8

T12] Bowtie risk assessment applied to all PMNZ critical risks by 30 June 2021

Ngā tāngata katoa

People

Port Marlborough connects strongly with the physical and social health and well-being of our people and our community.



Health, safety and wellness

We hold our responsibility for the health, safety and wellness of our team, port and marina users and our visitors above all else, and strive every day to prevent harm.

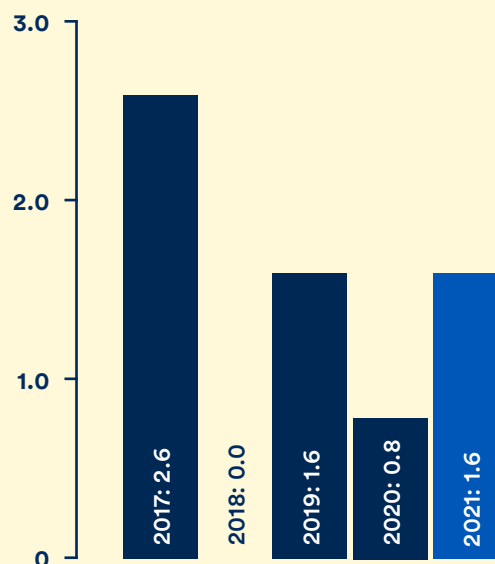
While ongoing management of our COVID-19 response has been important in protecting people across our business, delivery of Port Marlborough's three year strategic Health and Safety Improvement Plan has continued in parallel.

Improvements during the year included policy level review to mandate and enable organisational issues response, and process improvements. Employee engagement continued to take centre stage as the Health and Safety Team consolidated employee representation, and its interface with the Leadership Team strengthened. Engagement with port and marina users continued through specific User Forums, set to gain further momentum in the coming year.

Our Health and safety Management System achieved full compliance with the standard NZS45001, Occupational Health and Safety Management Systems; and we addressed training and competency systems recording. SIMS incident management training was undertaken for all senior staff and an emergency response / crisis management gap analysis was undertaken to inform improvement work in the coming year.

“... our partnerships keep us connected with our communities and their evolving priorities...”

Lost time injuries [LTI] per 100,000 hours worked



Rail and Maritime Union

The RMTU represents around half of our staff, most through a Collective Employment Agreement which was renegotiated for a two year term in June 2021. We acknowledge the RMTU team as a constructive and fair partner and thank them for their ongoing contribution and support of our people.

We've appreciated the RMTU's support and partnership in working through a review of our application of the Holiday's Act 2003. Businesses across the country have struggled to correctly implement this legislation, whose provisions don't fit easily with modern work patterns or operations that routinely work outside of 'normal business hours'.

As expected, the review identified issues for correction and those matters have been agreed, rectified and remediated. We look forward to the outcomes of the Government's upcoming review of holidays legislation to more appropriately serve the modern needs of business.

Iwi partnerships

Port Marlborough is committed to respecting the Treaty of Waitangi. We appreciate our connections with the Iwi of Te Tau Ihu o Te Waka-a-Māui and strive to grow our understanding of Te Ao Maori.

Our relationship with the people of Te Ātiawa o Te Waka-a-Māui is especially important to us. We have valued our work with Te Ātiawa on a number

of projects during the year and we look forward to continuing our path together.

We're working closely together to ensure that the values of Te Ātiawa are strongly reflected in our two major capital developments, sited in areas of highest relevance within Te Ātiawa's rohe at Waikawa, and at Waitohi Picton.

Community partnerships

Our many partnerships with community, educational and environmental groups continued. These partnerships keep us connected with our communities and their evolving priorities.

It's a privilege to confirm Port Marlborough's sponsorship of the Whare Ako initiative at Queen Charlotte College. The Whare Ako centre will provide Te Reo Maori me ōna tikanga in a purpose-built place of belonging for māori students and their whanau, and will support the learning of all students. Resource consents have been issued and construction of the Whare Ako will begin in December this year.

We appreciate our ongoing involvement with the Picton Regional Forum, Pelorus Promotions, Picton Business Group, the Waikawa Ratepayers' Association and the Smart and Connected groups in Havelock and Picton.

He waka eke noa.
We're all in this together.



Murray Burgess

Foreman Mechanical; Workshop 2IC

Calm under pressure, staunch but with humour - and endlessly fair, Murray Burgess brings out the best in people. He is one of life's natural leaders.

Murray will retire in October this year, concluding 25 years of outstanding service to our team, our customers, and the Rail and Maritime Transport Union as a former branch president.

An important role of Murray's Mechanical Team is on-call response for breakdowns and incidents. Their experience and hallmark commitment to getting the job done safely, quickly, in all weathers and at all hours is much respected across the Port.

"It's been a fantastic time working at Port Marlborough, I've enjoyed coming to work every day. There are exciting times ahead and I wish the Port and all who work here the very best for the future."



Marlborough Nelson Marine Radio MNMR

Marlborough Nelson Marine Radio is an institution across the Sounds waterways, this volunteer team legendary for their enduring service to the boating community.

Based in a small room at the Interislander ferry terminal, redevelopment meant MNMR needed a new home.

What better than a new operating base, in the heart of the Waikawa Marine Centre complete with storage and meeting areas?



We jumped at the chance to partner with MNMR with this practical support, 'mahi tahi', collaborating at the heart of our seafaring community.

“...It's all about Safety at Sea... our volunteer Radio Operators continue to provide uninterrupted monitoring of channels right across the top of the South Island every single day of the year, thanks to the generosity of our partners.”

Stephanie Atwell, MNMR President

Te Ao Tūroa

Planet

We're on a journey to improve environmental outcomes across Port Marlborough's operations, developments and land holdings, striving to achieve net restoration over time.

We continue to build an intentional programme of work founded on existing environmental controls and monitoring programmes, consistent with environmental standards, community aspirations and evolving best practice – with a focus on broader partnerships to achieve wider goals.

Comparative measures

The comparative measures and environmental sustainability goals detailed in our 2021 Sustainability Scorecard set the focus for action in the coming year. While a number of headline metrics were strongly affected by step-changes in trade composition, more detailed measurement and analysis has shown gaps where more comprehensive data is needed, along with priorities for action.

Examples are continuing improvements to water consumption monitoring, furthering the work done at Havelock last year; and increased general environmental monitoring and data collection around the Port and Marinas.

Biosecurity

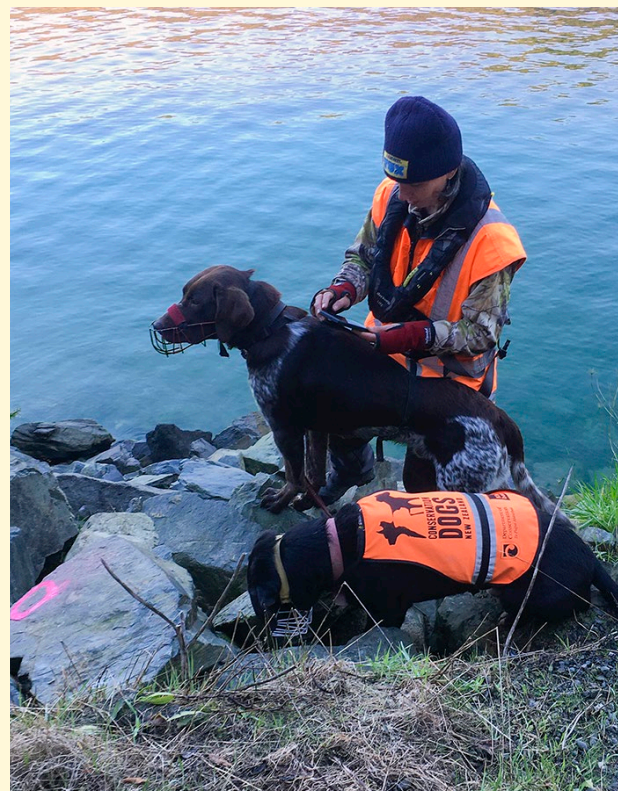
Port Marlborough continues to work closely with Marlborough District Council, NIWA and the Top of the South Biosecurity Partnership, Ministry of Primary Industries and other agencies to optimise biosecurity outcomes for the Port, Marinas and wider environment.

Scheduled physical checks were completed in the port and marina areas in our ongoing collaboration programme to protect against marine pests.

Predator management continues within the Port and marinas as part of our ongoing land management, in association with Picton Dawn Chorus and Kaipupu Wildlife Sanctuary.

Waitohi Picton Air Quality Group

The Waitohi Picton Air Quality Group was established in 2019 in response to community concerns around air quality monitoring and management. With the assistance of NIWA, Council undertook a year-long



monitoring programme to establish baseline air quality indicators and highlight matters for action. Port Marlborough looks forward to partnering with Council and the community to identify, advocate for and action opportunities for air quality improvement within our spheres of control and influence.

Delivering projects in sensitive environments

In preparation for delivery of the North West Waikawa Marina and the Waitohi Picton Ferry Precinct Redevelopment, we've undertaken significant marine mammal monitoring to better understand activity patterns of dolphins and whales in the project areas.

Underwater noise is a particular risk to the delicate sonar mechanism of marine mammals, so management of marine piling work that generates concussive noise is especially important. Marine mammal observers are in place throughout the work to ensure that the area is clear of mammals before work starts, and work is halted when mammals come into the area. With breakwater piling for the North West Waikawa Marina nearing completion, to date there have been a total of fourteen marine mammal sightings in the area, ranging from NZ fur seals to dolphins to orca.

Picton supports a wide range of bird life. In preparation for the ferry precinct redevelopment, a comprehensive year-long bird monitoring programme for the project area and surrounds commenced during the year.

While all species are monitored, those of particular interest are Caspian tern, torea tai (variable oyster catcher), and kororā (little blue penguin). Monthly surveys are undertaken using penguin dogs to ensure all potential burrows and nesting sites are identified.

Over time, approved techniques will assist relocation of kororā nest sites from the immediate project area. Picton Community Mens' Shed and Waikawa School have provided new penguin boxes to provide alternative nesting habitat.

Partnering for the environment

Port Marlborough's partnerships with the Picton Environment Centre, Kaipupu Sanctuary and Picton Dawn Chorus continue through a range of activities including provision of the Environment Centre premises, shared by the three groups. We've also continued our relationship with Picton School kaitiaki group, working together on plantings at the school.

Our sponsorship of the Marine section of the Cawthron Marlborough Environment Awards remains a highlight. Presented every two years, the awards recognise excellence in environmental innovation across a variety of industry and community sectors. The 2021 Marine Category winner was the Marine Farming Association, who joined forces with universities and other agencies in their research project to restore the wild mussel beds of Te Hoiere Pelorus Sound. The project was an inspiring example of marine restoration, mussel farmer engagement, and education and a very deserved winner.



Seaweed Kaupapa Moana

Kaupapa Moana – Seaweed – is New Zealand's national week for celebrating the sea. Seaweed promotes sustainability and education around marine biodiversity and ocean health, and in March each year we work to bring Seaweed to our community.

This year our partners were Cawthron Institute, Envirohub Marlborough and Waikawa Dive Centre, and together we connected with our local primary schools.

Waikawa Dive Centre teamed up for a snorkelling adventure at Waitohi Picton Foreshore. Kate Day from our Waikawa Marina team lead a treasure hunt

that explored the local native intertidal species and their natural habitats.

Cawthron Institute joined us at Shakespeare Bay estuary to explore the recovering Significant Marine Area within the Port Zone. The site is abundant with estuarine life and Cawthron ecologists were on hand to guide experiment and enquiry, with specially prepared workbooks for the children about the local marine life.

Tōnuitanga

Prosperity



In a year which began with much uncertainty amidst the early stages of the international COVID-19 pandemic, Port operations surpassed expectations.

Port trade

The complete absence of cruise activity from our business portfolio and from the Marlborough summer season could not have been foreseen a couple of years ago. While initially hopeful that at least some form of domestic or trans-Tasman cruise season might emerge later in the summer, the realities of the pandemic became clear and as a business and within the community we re-set our expectations for at least the time-being.

Fortunately, international market conditions for logs provided good opportunities for New Zealand foresters and log exporters, and the rebound of log cut and export strength immediately following last year's lockdown continued in earnest throughout

the year. Total exports at 769,800 JAS surpassed the previous record (2017) by more than 80,000 JAS (12%), with strong market conditions set to continue.

Cook Strait ferry commercial freight volumes also achieved record throughput, recovering 12% on the prior year and up 6% on previous record (2015) reflecting a strong domestic economy.

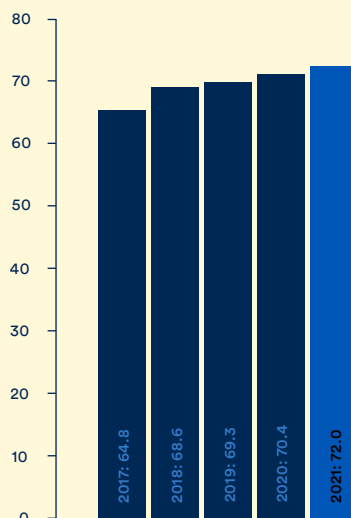
Closed international borders impacting international tourism constrained ferry passenger volumes, which were flat on the prior year and around 10% down on pre-COVID levels. In contrast, domestic tourism supported passenger vehicle transit across Cook Strait to volumes 19% up on prior year and 5% up on pre-COVID levels.

Port Marlborough continued to work with the two Cook Strait ferry operators and the Harbourmaster to ensure safe management of the harbour particularly during high wind events. Agreed management approaches include wind limits for various berthing manoeuvres and triggers for tug assistance to enable safe berthing of vessels.

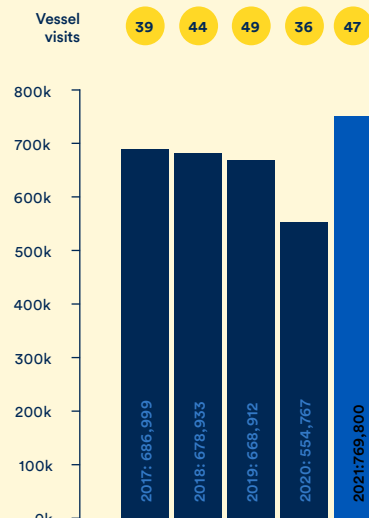
Domestic log cut remained low following closure of Blenheim's Timberlink mill at the end of 2020, combined with the dominance of export log cut.

Other trades through the Port including fishing and barged cargoes through Havelock and Picton were consistent year on year.

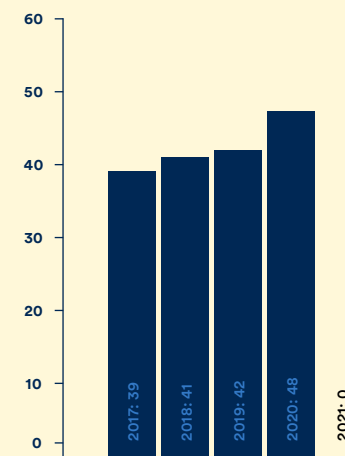
Staff employed [FTE]



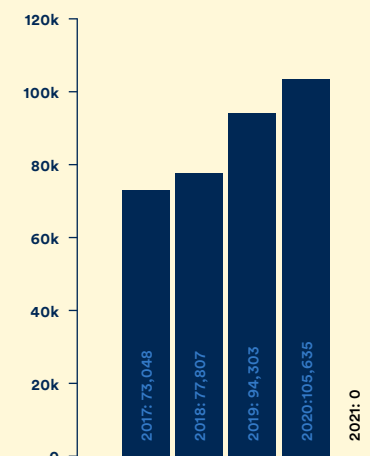
Shakespeare Bay log exports [JAS]



Cruise ship visits to berth



Cruise ship passengers



Marine farming

Classification as an 'essential business' enabled marine farming operations to continue through the COVID-19 lockdowns and ensured that production capacity was maintained, however it's been a challenging year for New Zealand's aquaculture exports.

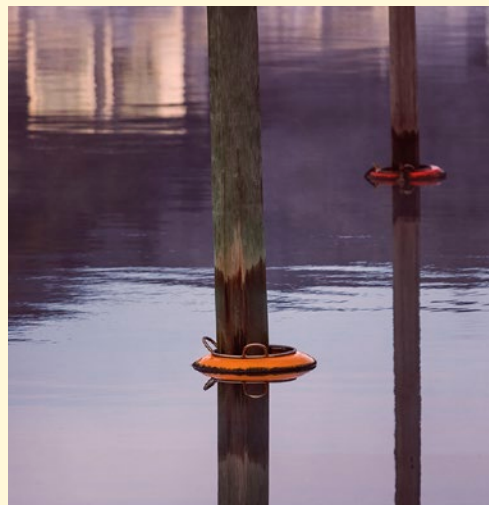
The pandemic effectively switched off the food service sector in many key markets, leading to falling demand and softening of prices for most product formats. The industry reports a 'hurry up and wait' approach as key markets start to emerge from pandemic restrictions. At the time of writing, there are signs of international consumer confidence returning and slow upward trend of export prices, although distribution constraints challenge delivery of products to market.

Port Marlborough has continued to work with the marine farming industry in support of long term infrastructure requirements, combined with safe and sustainable working environments.

Marlborough Sounds marinas

The inclination of New Zealanders to holiday at home and take the time connect with their special places has undoubtedly supported increase in demand for marina services this year.

For the first time since new berths were developed in Havelock more than ten years ago, occupancy has exceeded 90% and topped 95% at financial year end.



Charlotte Colson

Assistant Property Manager

Charlotte joined us in 2020 during COVID Alert Level 2, in the newly established role of Assistant Property Manager. Moving from Auckland, she's relished having the Marlborough Sounds at her back door and enjoys the many outdoor activities on offer, including sailing with her family from their Waikawa Marina berth.

A background in HR, recruitment, training and development together with supply chain logistics and a Bachelor of Commerce degree has stood Charlotte in good stead for the varied responsibilities of her new role in our Commercial Team.

"It's been hugely rewarding for me professionally and personally to establish good relationships with our commercial tenants... taking the time to talk with them, to understand how their businesses operate, is so important."

Release of new berths from the North West Waikawa Marina development is eagerly awaited by the many people who have registered their interest, and by those seeking casual berthage in the Marlborough Sounds.

Activity at the Waikawa Marine Centre has again been strong. A clearly expressed preference by customers for early season services from the haulout and hardstand has led to a change in hours, with the Travelift and hardstand operation making an earlier move to summer hours, from 1 September 2021.

Planning and development

Port Marlborough's involvement in the multi-year process to rewrite Marlborough District Council's

Marlborough Environment Plan continues, with informal and formal mediation of appeals ongoing. Port Marlborough's objective throughout this process is to protect the Company's ability to operate and to undertake future development in a sustainable way, for balanced regional benefit across measures of community outcomes, environment, and economic health.

Demand for smaller capital developments has been negligible through the period as many businesses have deferred further investment until economic prospects are more certain.

Opportunities exist for further value add to forest products. We're working with customers to scope introduction of a debarking plant to Shakespeare

Bay, improving biosecurity management and export efficiency; and also the potential export of woodchips through Picton. Both projects would deliver net environmental and economic gains with further value-add to commodity exports.

Planning for redevelopment of the Waitohi Picton Ferry Terminal Precinct continues, and is reported in more detail elsewhere in this report.

Statement of Corporate Intent performance targets

The targets for financial and operational performance, as detailed in the 2020/21 Statement of Corporate Intent, are compared with actual results achieved for the period 1 July 2020 to 30 June 2021.

Financial performance	Target	Result
Net Operating Profit after Tax [NOPAT]	\$6.40m	\$7.04m
Earnings Before Interest, Tax, Depreciation, Amortisation [EBITDA] – excludes non cash revaluations	\$13.38m	\$15.48m
Return on shareholder's funds [excluding non-cash revaluations]	4.1%	4.5%
Equity ratio	65.6%	75.1%
Operating performance		
Ferry freight movement [% volume movement to prior year]	2.4%	13.3%
Export log volumes	600,000 JAS	769,800 JAS
Cruise ship visits	12	-
Marina berth occupancy	92.0%	94.4%
Marina boatshed occupancy	95.5%	99.6%

How we did this year

Group results	2021	2020
Surplus before non-cash revaluations, tax and subvention payment	\$10.834m	\$10.700m
Valuation adjustments non-cash		
– Property	\$8.755m	[\$6.867m]
– Financial derivatives	\$1.096m	[\$0.310m]
Surplus before tax and subvention payment	\$20,685m	\$3.523m
Provision for tax and subvention payment	[\$4.735m]	[\$0.290m]
Profit after income tax	\$15.950m	\$3.233m
After tax return on average shareholder's funds [excludes non-cash revaluations]	4.5%	4.7%
Net asset backing per share	\$12.00	\$11.08
Dividend – interim and proposed final	\$3.424m	\$3.506m

Waikawa Marina Development



Construction of the new Waikawa North West Marina is on track for completion in 2022 with first berths expected in service in the first half of the year.

International supply chain disruptions delaying steel shipments out of China lead to some anxious moments as we prepared for breakwater construction late in 2020, but first deliveries in November enabled the contractor to establish on site mid-February. All steel for the project is now on site with breakwater piling nearing completion.

The breakwater system is an innovative design of steel piles topped with concrete headstocks supporting

suspended concrete panels to provide the necessary protection to the internal marina basin. Once the breakwater is in place, jetty piles will be driven prior to jetties being placed progressively.

At the time of writing the first of the concrete headstocks have been delivered to site, and pre-casting of breakwater panels will begin later in the month. The breakwater will then begin to take shape, protecting the marina basin and enabling jetty construction to commence.

When complete the Marina will provide 250 additional berths at Waikawa, ranging from 12-30 metres.

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



Planning for redevelopment of the Waitohi Picton Ferry Terminal Precinct gained pace during the 2021 year with two significant milestones reached.

The suite of resource consent applications required for the redevelopment were granted on 6 May 2021 by an expert consenting

panel convened under the COVID-19 Recovery (Fast-track Consenting) Act 2020. Consents include comprehensive and robust conditions to ensure the redevelopment delivers good community and environmental outcomes.

In June 2021, KiwiRail signed a contract with a Korean ship yard for delivery of

two new Interislander ferries to enter service from 2025, firmly cementing the need for terminal redevelopments on both sides of Cook Strait and confirming specifications for the ships.

In parallel with these milestones KiwiRail and Waka Kotahi NZTA assessed the wider traffic network to identify potential

pinch points and develop sustainable transport solutions.

Now that ship details are confirmed, more detailed berth and terminal design is progressing, along with commercial and procurement negotiations to support the project. Construction is planned from 2022

Waitohi Picton Ferry Precinct Redevelopment



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



Port Marlborough