



## **NOTICE OF MEETING**

### **Joint Shareholders Committee**

**Date: Friday 18 May 2012**

**Time: 1.30 pm**

**Venue: Tasman Council Chamber  
189 Queen Street  
Richmond**



## **AGENDA**

**1 OPENING, WELCOME**

**2 APOLOGIES AND LEAVE OF ABSENCE**

**Recommendation**

**THAT apologies be accepted.**

**3 DECLARATIONS OF INTEREST**

**4 CONFIRMATION OF MINUTES**

**THAT the minutes of the Joint Shareholders Committee meeting held on Friday, 30 March 2012, be confirmed as a true and correct record of the meeting.**

**5 PRESENTATIONS**

Nil

**6 REPORTS**

6.1 Port Nelson Ltd - Statement of Intent ..... 5



## 6 REPORTS

### 6.1 PORT NELSON LTD - STATEMENT OF INTENT

Decision Required

**Report To:** Joint Shareholders Committee  
**Meeting Date:** 18 May 2012  
**Report Author:** Andrew Johnson, Acting Chief Executive, Nelson City Council  
**File Reference:**

### REPORT SUMMARY

#### EXECUTIVE SUMMARY

To consider Port Nelson Ltd's Statement of Intent.

#### RECOMMENDATION/S

That the draft resolution be confirmed.

#### DRAFT RESOLUTION

**THAT the Joint Shareholders Committee receives the Port Nelson Ltd – Statement of Corporate Intent report and recommends to both Nelson City Council and Tasman District Council that the Port Nelson Ltd Statement of Corporate Intent 2011/2012 be approved for signing.**

**6.1 PORT NELSON LTD - STATEMENT OF INTENT**

**Decision Required**

<b>Report To:</b>	Joint Shareholders Committee
<b>Meeting Date:</b>	18 May 2012
<b>Report Author:</b>	Richard Johnson, Acting Chief Executive, Nelson City Council
<b>File Reference:</b>	

**1 PURPOSE**

- 1.1 To reconsider the Statement of Corporate Intent for Port Nelson Ltd 2011/2012 (Attachment 1) and provide a recommendation to both Nelson City Council and Tasman District Council.

**2 BACKGROUND**

- 2.1 A Statement of Corporate Intent is received from Port Nelson Ltd on an annual basis.
- 2.2 The Port Nelson Ltd SCI was received by this committee July 2011 and the committee recommended to both Councils

*THAT the Joint Shareholders Committee receives the Port Nelson Ltd – Statement of Corporate Intent report and recommends to both Nelson City Council and Tasman District Council that the Port Nelson Ltd Statement of Corporate Intent 2011/2012 be approved for signing.*

- 2.3 Tasman District Council resolved to sign the Statement of Corporate Intent however Nelson City Council did not. Nelson City Council instead resolved the following:

*THAT Port Nelson Limited are asked to respond formally to the Cameron and Partners specifically dealing with the poor Return on Investment in the short, medium and long term;*

*AND THAT the final report to Nelson City Council is also formally presented to the Joint Shareholders Committee and Tasman District Council by Port Nelson Limited.*

- 2.4 The process to resolve conflicting resolutions of the Councils is to return the matter to the Joint Shareholders Committee for further discussion.

**3 DISCUSSION**

- 3.1 In accordance with the request from Nelson City Council, Port Nelson Limited presented their response to the Cameron and Partners report to the Joint Shareholders Committee.
- 3.2 As the Statement of Corporate Intent for Port Nelson Limited is for the 2011/2012 year and there are only a few short months of that financial year remaining; in addition to which the Councils have already received a half yearly report on the basis of a draft Statement of Corporate Intent, any further delay in signing the Statement of Corporate Intent serves no purpose.
- 3.3 Now that this condition has been met, the Joint Shareholders Committee can now recommend to both Councils that the Statement of Corporate Intent for Port Nelson Limited is approved for signing.

**4 RECOMMENDATION/S**

That the draft resolution be confirmed.

**5 DRAFT RESOLUTION**

**THAT the Joint Shareholders Committee receives the Port Nelson Ltd – Statement of Corporate Intent report and recommends to both Nelson City Council and Tasman District Council that the Port Nelson Ltd Statement of Corporate Intent 2011/2012 be approved for signing.**

**Appendices**

1. Port Nelson SCI

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27 June 2011

Mr M Staite  
 Corporate Services Manager  
 Tasman District Council  
 Private Bag 4  
 Richmond 7050



Dear Murray

**RE: Port Nelson draft 2011/2012 Statement of Corporate Intent**

Please find enclosed a copy of the draft 2011/2012 Statement of Corporate Intent (“SCI”). The SCI has been reviewed by the Port Nelson Board of Directors.

Every effort is made to keep changes to a minimum. In this regard most changes are a function of updating future Performance Measurements as required by the Port Companies Act.

This year however, due to the economic outlook and the uncertainty created by the fallout from the earthquakes in Christchurch the Port Nelson board are reviewing the appropriateness of the Objective 3 - debt equity ratio. The ratio is being reviewed internally thus the draft is presented without Objective 3 being confirmed. As soon as this exercise has been completed then the Objective 3 ratio will be either confirmed or updated and the Joint Shareholders advised.

*Date* - Updated for 2011/2012.

*Performance Targets* - Changed as per 2011/2012 budget.

*Financial Targets* - Changed as per 2011/2012 budget.

*Capital Expenditure* - Changed as per 2011/2012 budget.

*Ratio of Shareholders Funds to Total Assets* – This has been updated reflecting the current three year forecast.

*Dividend Policy* – The forecast dividend payments have been updated reflecting the current three year forecast.

*Director's Estimate of Company Value* – This is based on the 1 July 2010 audited figure and will be updated post the 2011 audit.

It is important to advise the shareholders at this time that due to shipping changes, softening of the log market and a greater than expected increase in insurance premiums post the budget being approved, the activity and financial performance targets may well be not attainable for the following year.

Yours sincerely

**PORT NELSON LIMITED**

A handwritten signature in blue ink, appearing to read 'A O Patterson', written over a faint, illegible stamp or watermark.

A O Patterson  
**CHAIRMAN**

Item 6.1

Attachment 1

**STATEMENT OF CORPORATE INTENT 2011/2012**

**MISSION STATEMENT**

To operate the Company as a successful business providing cost efficient, effective and competitive services and facilities for port users and shippers.

To provide for the present and future needs of the Company in ways that are sensitive to people, use resources wisely and are in harmony with the environment of an export port.

**OBJECTIVES**

- 1 To operate as a successful business.
- 2 To be a good employer.
- 3 To work within a debt equity ratio not exceeding 66.67% (40/60)
- 4 To aim to grow the business through stimulation of throughput, added value services and related business activities, so leading to increased revenue.
- 5 To achieve a commercially acceptable rate of return on shareholders funds in accordance with meeting the objectives herein.
- 6 To ensure that Port development takes place which meets the needs of the region.
- 7 To ensure that high environmental standards are maintained.
- 8 To strive for continuous improvement in everything that we do.

**Comment [PP1]:** Undertaking an internal review of appropriateness.

**Performance and other Measurements**

Performance shall be judged against the following measures:

Performance description	10/11 Forecast (10/11 Budget)	Measure 11/12
1 Lost Time Injury ("LTI") frequency rate.	2.5 (1.5)	Less than the previous year
2 Debt/equity ratio compared with measure.	23/77 (29.4%) (23/77 (29.3%))	40/60 (66.67%) Not to exceed measure
3 Dividends paid compared with the target.	\$4.2 million (\$4.2 million)	\$4.2 million
4 a) Return on average funds employed.	7.7% (6.1%)	6.7% (2010/2011 budget)
b) Return on average shareholders funds.	5.5% (4.3%)	5.1% (2010/2011 budget)

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10 June 2011	Parke Pittar	Chief Commercial Officer

5 Sustainability and environmental measures Note: This measure relates to port operational area only (excludes port lease areas).	Incidents leading to pollution of harbour Full compliance Compliance with all resource consent conditions Full compliance	Incidents leading to pollution of harbour Target - nil Compliance with all resource consent conditions Target -full compliance
6 Navigation and safety – Compliance with New Zealand Maritime Safety requirements in respect of; o Dredged channels compliant with charts o Navigation aids o Pilotage	Full compliance Full compliance	Full compliance
<b>Monitoring and Reporting</b>	<b>10/11 Forecast</b>	<b>Measure 11/12</b>
Breaches of noise level guidelines will be disclosed, however new noise level standards are in the process of being set. Breaches will be reported against the new guidelines.  Resource useage will be reported against previous years for disclosure purposes only.  Note: External and internal environmental incidents will be disclosed, however are not part of the performance targets.	Awaiting ratification of new noise variation.  Resource useage e.g – water, electricity, fuel	Breaches of noise level guidelines  Resource useage e.g – water, electricity, fuel
<b>Activity Measure</b>	<b>10/11 Forecast (10/11 Budget)</b>	<b>Measure 11/12</b>
a) Annual cargo tonnes compared with target.	2.63 (2.66) million tonnes	2.79 million tonnes
b) Annual ships visits and gross tonnes of shipping compared with target.	808 (808) visits 7.9 m (7.9) Gross tonnes	864 visits 8.2 m Gross tonnes
c) Total revenue compared with target	\$37.4 m (\$36.0m)	\$39.5 m
d) Capital expenditure for the year approved by the Directors compared with target.	\$10.5 m (\$3.7m)	\$3.6 m

**Financial Targets**

The Measure for Financial Performance (measure 4) is based on the following year budget and does not allow for asset revaluation increases. The Benchmark returns that Port Nelson is aiming for are:

- a) Return on average funds employed. 9.0%
- b) Return on average shareholders funds. 6.0%

Note: The Benchmark returns are based on the portfolio of assets currently employed by Port Nelson and an optimal capital structure. The Target Measure for the next SCL year is based on budget and thus reflects the business risks that Port Nelson faces on a yearly basis.

$$LTI \text{ frequency rate} = \frac{\text{Lost time injuries}}{\text{Hours worked in period}} \times 100,000$$

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10 June 2011	Parke Pittar	Chief Commercial Officer

Return on average funds employed = Earnings Before Interest and Tax/average shareholder equity +  
 net interest bearing debt  
 Return on average shareholder funds = Net Profit After Tax / average shareholder funds

**Nature & Scope of Existing Activities;**

- ◆ The provision of all services, navigation aids, access and plant required for the safe arrival, berth, and departure of vessels at Port Nelson.
- ◆ The provision of berths to accommodate vessels at the port.
- ◆ The provision of wharves and plant to facilitate the discharge and loading of vessels.
- ◆ The provision of all services required by a vessel while it is in port.
- ◆ The provision of all services required for cargo while it is in the company's care.
- ◆ The marshalling and stevedoring of cargo.
- ◆ The maintenance and repair of all company assets.
- ◆ The leasing of land and buildings not required for port operating purposes.
- ◆ The warehousing and storage of goods.
- ◆ Cargo logistic services.
- ◆ Strategic Investments in order to insulate the business from economic shocks and to assist in attaining earnings growth. Shareholders to be consulted prior to committing to any such investments.
- ◆ Any other activity required to comprehensively manage and operate a safe, efficient, and competitive port.

**Ratio of Shareholders Funds to Total Assets**

Shareholders funds are defined as paid up capital, plus retained earnings and reserves. Net Debt is defined as term and short term debt less any cash in bank. Total assets are defined as the sum of current assets and non current assets. The ratios for the next three years are expected to be;

	Shareholders Funds/Total Assets	Net Debt/Equity
2012	70.5%	23.9%
2013	74.4%	21.3%
2014	77.1%	17.4%

Port Nelson Limited		QM-POL-017
10 June 2011	Parke Pillar	Chief Commercial Officer

**General Accounting Policies**

- a) Those accounting principles considered appropriate by the NZ Institute of Accountants for the measurement and reporting of results and financial position under the historical cost method, modified by the revaluation of land shall be followed.
- b) The going concern concept shall be adopted.
- c) Accrual accounting shall be used to match income and expenses.

**Particular Accounting Policies**

Specific Accounting policies will be detailed in the financial statements.

**Dividend Policy**

- (a) The dividend payable to shareholders will be determined:
  - (1) Taking account of the shareholders expectation that not less than 50% and the Port Nelson Board expectation that not more than 75% of net profit after tax shall be distributed to the shareholders. Special dividends are not covered by this policy.
  - (2) In accordance with rolling three years projections provided annually as to likely profits and capital reserves taking into account and based on the Company's forward financial plan.  
Estimates are:
 

2012	\$4.2 million
2013	\$4.3 million
2014	\$4.3 million

- (b) In determining the dividend projections regard shall be had to the desired debt equity ratio.

**Information to be provided**

The following information will be made available:

- 1. Half-yearly report covering abbreviated Profit and Loss Statement and abbreviated Balance Sheet, performance indicators, commentary on activities, Cash Flow Statement, and other such information as the Directors consider necessary to enable an informed assessment of the Company's performance during the period being reported.
- 2. Any other information that would normally be available to a controlling private shareholder, thereby enabling the shareholder to assess the value of his investment in the Company.
- 3. Any other matters that the shareholders and the directorate agree shall be disclosed as appropriate.

Port Nelson Limited		QM-POL-017
10 June 2011	Parke Pittar	Chief Commercial Officer

**Procedure to be followed with purchase of shares in other company or organisation**

The procedure to be followed before subscription for, or purchase of, or other acquisition of shares in any Company or organisation, shall be by resolution of the Directors, excepting that any significant diversification or addition to existing activities will be referred to the shareholders for approval.

**Director's Estimate of Company Value**

The director's estimate that the opening balance of shareholder's funds in the annual accounts will represent the value of the company. The directors will advise the shareholders on an annual basis if they believe the value to differ materially from this state. The opening balance of shareholders funds at 1 July 2010 is \$133,935,000.

Dated this .....day of ..... 2011

Signed by Port Nelson Limited

Chairman .....

Director .....

Signed by the Nelson City Council

Mayor .....

Chief Executive .....

Signed by the Tasman District Council

Mayor .....

Chief Executive .....

Port Nelson Limited		QM-POI-017
10 June 2011	Parke Pittar	Chief Commercial Officer