



PORT TARANAKI LIMITED

STATEMENT OF CORPORATE INTENT

For the period from 1 July 2018 to 30 June 2021

Introduction

This statement is presented by the Directors of Port Taranaki Limited ("Port Taranaki", "Company" or "Port") in accordance with the requirements of Section 9 of the Port Companies Act 1988 and sets out the intentions and expectations of the Company and its subsidiaries and joint ventures (if any) for the period 1 July 2018 to 30 June 2021.

The purpose of this Statement of Corporate Intent is to:

- State publicly the activities and intentions of Port Taranaki and the objectives to which those activities will contribute; and
- Provide a basis for the accountability of Port Taranaki's Board of Directors to the Shareholder for the performance of the Company.

Nature and Scope of Activities

The Company will operate port and marine related commercial activities including, but not limited to, the provision of vessel and cargo/logistics handling services, offshore support and property and storage services. All activities will be undertaken with full regard to health, safety, and protection of the environment.

In achieving its strategic objectives the nature and scope of activities undertaken by the Company will be influenced by, and be responsive to, the competitive environment. The Shareholder will be informed and consulted on any proposal for significant diversion from existing activities or expansion into new business areas.

Mission and Vision

The Company's mission is to provide world class logistics for its customers in pursuit of the vision to make a real difference to the Taranaki economy.

Port Taranaki will deliver on its vision by:

- Proactively delivering customer satisfaction;
- Optimising the use of its assets and capability base;
- Delivering excellence in its service offering; and

- Continuing to invest in people and systems to achieve resilient performance and ensure everyone returns safely home every day.

Success is measured by:

- Improving the satisfaction rating from our customers via formal and informal feedback;
- Maximising the opportunity for trade and growing Port Taranaki's hinterland;
- Exceeding targeted return on capital employed; and
- Achieving a learning culture where all workers are proactively engaged in healthy, safe and productive work.

Objectives

- The principal objective of the Company is to operate as a successful business. This will be achieved by the delivery of performance targets and measures, including a satisfactory dividend return.
- The Company will provide customers, contractors and other service providers with a safe, effective, efficient and competitive port operation.
- The Company will seek to reduce risk and continuously improve safety in the working environment.
- For its Shareholder, the Company will manage its financial assets and liabilities prudently and in a manner which will provide an appropriate return on the Shareholder's investment, whilst ensuring the provision of long term marine and port infrastructural assets for the region.
- The Company will be environmentally responsible.

Performance Monitoring

1. Trade Volumes

The Company will pursue strategies that maximise the opportunity for trade through the Port and grows the Port's hinterland. Over the next three financial years the Company aims to expand its hinterland and achieve a trade volume of five (5) million freight tonnes of which one (1) million freight tonnes will be non-bulk liquids trade.

2. Financial

The Company will provide an assessment of its financial performance against a number of measures based on the book value of its assets including:

- Profitability and growth;
- Return on assets and capital employed; and
- Gearing levels and capability to service that debt.

The key financial targets of the Company are as presented in the table below:

	Year Ending 30 June		
	2019	2020	2021
EBITDA on Average Total Assets	> 11.0%	> 11.5%	> 11.5%
Return (NPAT) on Average Total Assets	> 4.3%	> 4.4%	> 4.5%
Return (NPAT) on Average Shareholder's Funds	> 6.0%	> 6.3%	> 6.4%
Shareholder Equity Ratio (Shareholder Equity / Total Assets)	> 65%	> 65%	> 65%
Interest Coverage Ratio	> 5x	> 5x	> 5x

3. Health and Safety

Health And Safety at Port Taranaki continues to evolve from a focus on prevention of failure towards achievement of resilient performance which recognises failure will occur so systems must allow for safe failure. This means increased investment in people and systems to enable the mastery of four abilities (anticipate, respond, monitor and learn), and seeking new ways to integrate health and safety and understanding of risk within the business as a whole.

The key goal over the next three years remains focused on improving the effectiveness of the Company's health and safety system (HSMS) and implementing the concept of resilient performance.

4. Environment

Port Taranaki's harbour, beach and surrounds are a valued habitat for many users and have a strong cultural significance. We recognise that as a business we must operate in the environment with care and responsibility and our vision is "to ensure the sustainability of the environment in which Port Taranaki operates". The Port will achieve this vision by:

- Creating a culture where each person involved in our business will report any environmental concerns they may have regarding Port activities.
- Educating our workers and Port users about the benefit Port activities have on sustaining the environment.
- Ensuring that resources to support environmental management are provided.
- Systematically managing environmental risks and opportunities.
- Ensuring that a high standard of waste minimisation and management is maintained.
- Achieving or exceeding the compliance requirements of applicable environmental legislation.
- Setting and measuring annual targets to improve the Port's environmental performance.
- Engaging with our community stakeholders and providing opportunities for environmental education.

- Giving environment considerations appropriate and careful attention in current and future development plans.
- Maintaining ongoing communications with everyone involved in our business about our environmental expectations and progress towards our vision.

In addition, the Port has in place plans and procedures to ensure the impact of our business on the environment is minimised so far as is reasonably practicable within the confines of operating a successful business.

Port Taranaki's environmental targets are:

	Year Ending 30 June		
	2019	2020	2021
Incidents of Harbour Pollution	Nil	Nil	Nil
Compliance with all Resource Consents	Yes	Yes	Yes

DISTRIBUTION OF PROFITS TO SHAREHOLDER

In accordance with its Capital Management Policy, the Company targets an annual dividend pay-out ratio, on a long-run basis, of between 65% and 100% of NPAT. Actual dividend payments will be subject to an annual review by the Directors, and will, at the time, take into consideration:

- Maintenance of the Company's Interest Cover ratio at a minimum of five times EBITDA.
- Debt: Debt + Equity ratio not to exceed 35%.
- The free cash flow forecast (including capex requirements for maintenance replacement and growth) relating to the current three year business plan.
- The solvency requirements of the Companies Act 1993.
- The debt buffer limit required under the Company's Treasury Policy.

The Company forecasts that it will pay an annual dividend greater than or equal to \$8 million for each of the next three financial years.

	Year Ending 30 June		
	2019	2020	2021
Dividends \$m	≥ 8.00	≥ 8.00	≥ 8.00

ACCOUNTING POLICIES

Policy application will be made consistent with and conform to:

- The legal requirements of the Companies Act 1993;
- Generally accepted accounting principles (NZ GAAP);
- Financial Reporting Act 2013;

- New Zealand equivalents to the International Financial Reporting Standards (NZIFRS); and
- Other applicable regulatory and statutory requirements.

The latest published annual report including the Statement of Accounting Policies is available on the Company's website www.porttaranaki.co.nz.

SHAREHOLDER INFORMATION

The Company will provide the Shareholder with information (within two months of the relevant reporting period) that is normally provided to a controlling private Shareholder, and as required under the Port Companies Act 1988 as set out below.

- Quarterly report on activities and results including health and safety performance.
- Half-yearly report including such information as the Directors consider necessary to enable an informed assessment to be made of the Company's performance in the reporting period.
- Annual Report containing audited financial statements for the year.
- Budget and Business Plan financial information for the first of the three-year period covered under the Statement of Corporate Intent.
- Details of any significant new developments which have not been covered in the budget or Statement of Corporate Intent for the year.
- Any information which would normally be available to a Shareholder, thereby enabling the Shareholder to assess the value of its investment in the Company.
- Significant departure from the anticipated performance of the Company including industrial or other activities that may affect the operations or reputation of the Company.
- Details of any new developments which would involve a significant move away from the current activities of the business.

In addition, the Company will provide to the Shareholder, within one month of commencement of each financial year, its Draft Statement of Corporate Intent for that year with the expectation that it will be completed before the end of the first quarter of the financial year.

PROCEDURES FOR MAJOR TRANSACTIONS AND OTHER ACQUISITIONS AND DISPOSALS

The Company will only invest in the shares of another business when the shares acquired are considered likely to bring added value or will further enhance the objectives of the Company.

The Company will not enter into major transactions as defined in Section 129(2) of the Companies Act 1993 without the consent of the Shareholder.

The Company will not enter into any transaction of the nature of a major transaction where a) the acquisition is of assets equivalent in value to 20% or more of the assets of the Company before the acquisition, or b) the disposition is of assets equivalent in value to 20% or more of the assets of the Company, without giving written notice to the Shareholder of its intention and consulting with it.

The Company will ensure at all times that:

- Control of the affairs of every subsidiary of the Company is exercised by a majority of the Directors of that subsidiary; and
- A majority of the Directors of every subsidiary of the Company are persons who are also Directors or Executives of the Company, or who have been approved by the Shareholder for appointment as Directors of the subsidiary.

PROCEDURES FOR ISSUE OF SHARES

In accordance with paragraph eight of the Company's constitution, the Company will not issue any shares unless the Shareholder has resolved by ordinary resolution to approve the issue.

Consent of the Shareholder must be granted prior to the Company entering into any transaction(s) that may have immediate or future potential to alter the current ownership structure of the Company.

ACTIVITIES FOR WHICH COMPENSATION IS SOUGHT

The Company, if requested by the Shareholder, will construct and maintain recreational facilities, for which the Company expects to be remunerated.

ESTIMATE OF COMMERCIAL VALUE OF THE SHAREHOLDER'S INVESTMENT

The Directors' assessment of the value of the Shareholder's investment in the Company is the valuation of the worth of the net tangible assets at 30 June 2018 as shown in the audited financial statements as at that date. The market value of the Company may differ to that value.

A reassessment of the value of the Shareholder's investment in the Company will be undertaken as may be required from time to time by the Shareholder or Directors. In reassessing the value of the Company, following a specific request to do so, the Company is likely to determine the commercial value of the Company through a discounted cash flow approach.