



2021 Port Otago Annual Report

# On our way



# Welcome to Port Otago's annual report on our plans for the future, *On our way*



Last year, we embarked on **Integrated Reporting** for the first time, with our annual report entitled *Reflecting on the future*. We engaged with our stakeholders on what the priorities were and reflected ourselves on what needed to change. We then set about developing plans for the future, our *Strategy for a better business* (pages 24-27).

Working with our stakeholders to deal with the challenges thrown at us all over the past year, not least the ongoing disruption to shipping, has been our focus. At Port Otago we are *on our way*, and that is our major achievement together.

This report takes you - our stakeholders - through our plans for the future.

**“Port Otago’s 2020 annual report demonstrated genuine use of feedback from customers and other stakeholders.”**

**Phil De La Mare**  
CEO  
Ernslaw One

## Integrated Reporting

This annual report is Port Otago’s second Integrated Report, driven by the Board and Leadership Team, and fuelled by widespread stakeholder support. We are proud of two things in particular in this report, sharing our *Strategy for a better business* with you, and providing more data on our performance. We undertook our second materiality process this year, engaging with key stakeholders after what had been a challenging year for everyone. After Covid-19’s disruption to the entire supply chain, it was important to hear directly from our stakeholders on the priorities – and delve deeper into their views. It also provided an opportunity for feedback on last year’s materiality process and ask if stakeholders felt their views had been represented in *Reflecting on the future*, our first Integrated Report. Through this stakeholder engagement, we identified 12 material issues that form the basis of this report and our *Strategy for a better business*. Please see pages 20-23 for more about the materiality process and the results.

We continue to use the International Integrated Reporting Council’s (IIRC) Integrated Reporting <IR> Framework as our basis, alongside learning from other organisations who are leading the way in IR.

## Six capitals

The IIRC’s six capitals have been adopted as a structure for the port’s *Strategy for a better business* and this report. Terminology that is meaningful for the port and its stakeholders has been used to ensure longevity in this approach and measure progress year on year. The six capitals are:

1. Human Capital:  
**Our team**
2. Social and Relationship Capital:  
**Our wider team**
3. Natural Capital:  
**Our harbour taoka and beyond**
4. Intellectual Capital:  
**Our know-how and skills**
5. Manufactured Capital:  
**Our assets**
6. Financial Capital:  
**Our financial value**

## Transparency

This report is about sharing our plans and we encourage our stakeholders to hold us to account.

Francisca Griffin, Chair of the West Harbour Community Board, highlighted the progress we need to make: “The port needs to keep moving forward gradually, embracing what needs to be done. It will be good for people, planet and business.”

But we are not there yet. We are just starting out. Transparency remains critical and we have tried again in this year’s report to be open and honest about where the port falls short and the work that remains to be done. Our stakeholders have again generously agreed to let us share some of their thoughts as quotes throughout this report. What they have to say is not always easy for us to hear, and that is the point. The port wants to improve.

**Our relationships are getting stronger, through better engagement, taking on our stakeholders’ ideas and being transparent in what we do. Long may this continue.**

### Feedback

Feedback on this report is welcome. Email [info@portotago.co.nz](mailto:info@portotago.co.nz)



**Integrated Reporting** has been championed by the International Integrated Reporting Council (IIRC) through its Integrated Reporting <IR> Framework. This approach to reporting tells an organisation’s value creation story over time. It helps readers to understand how the organisation’s strategy, governance, performance and prospects have led to the creation, preservation or erosion of value over the short, medium and long term. Value is measured in more than just dollars. Instead, six capitals are used to communicate resources used and value created, namely human, social and relationship, natural, intellectual, manufactured and financial capital.

[www.integratedreporting.org/resource/international-ir-framework/](http://www.integratedreporting.org/resource/international-ir-framework/)



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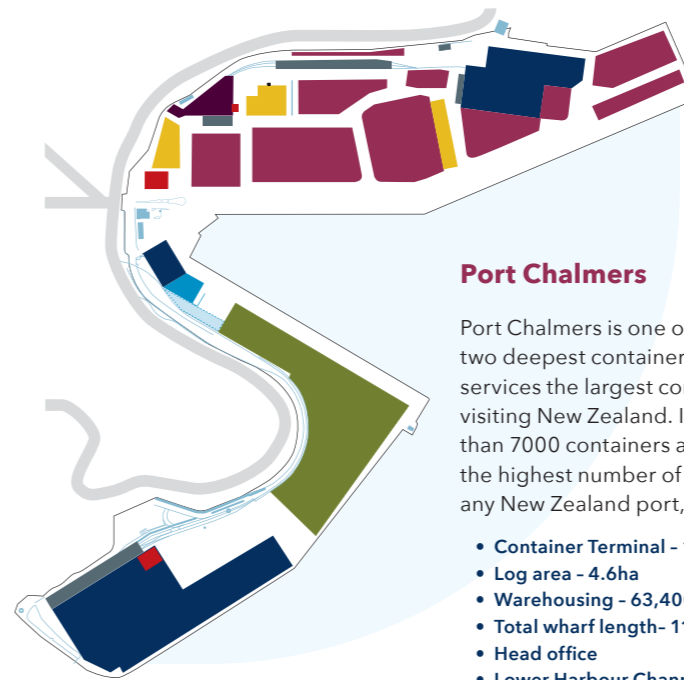
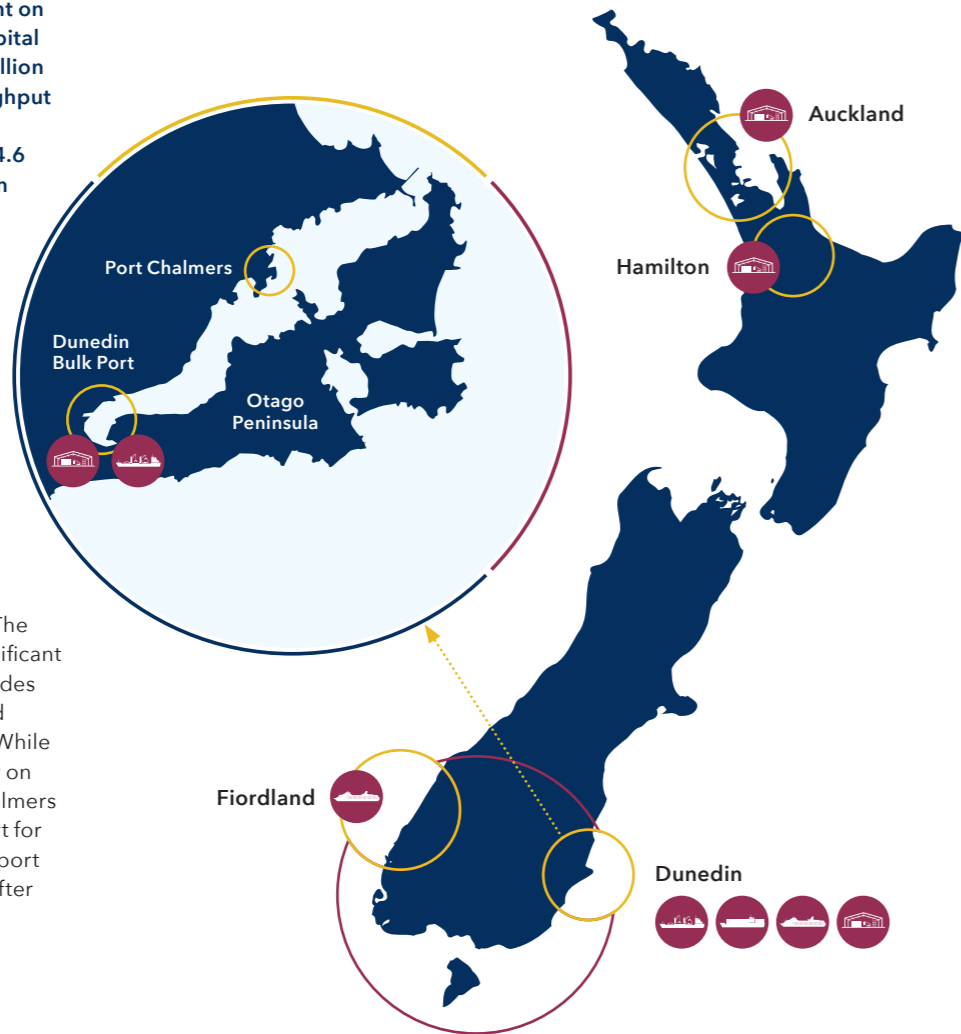


# About Port Otago

Port Otago is 100% owned by the Otago Regional Council (ORC). In line with the company's *Statement of corporate intent* (6 October 2020), Port Otago's principal objective is "to operate as a successful and sustainable business that delivers value to our shareholders in the form of both financial and non-financial returns on investment".

Port Otago employs about 300 people and paid \$32.2 million in wages and salaries during 2020/21. Just over \$46 million was spent on materials and services and capital projects. The company's \$5 billion shipping-related cargo throughput value (i.e. excludes Chalmers Properties) was made up of \$4.6 billion exports and \$0.4 billion imports, reflecting the export nature of our country and region.

Port Otago is located on the Otago Harbour of the South Island of New Zealand and is the primary export port for the lower South Island. We benefit from a deep natural harbour, a strategic location for vessel rotation to and from deep-sea destinations and a large primary export cargo region. The business also comprises a significant property business, which includes developments in Auckland and Hamilton, as well as Dunedin. While our cruise business is currently on hold due to Covid-19, Port Chalmers is the primary South Island port for cruise ships and generally the port of call immediately before or after visiting Fiordland.

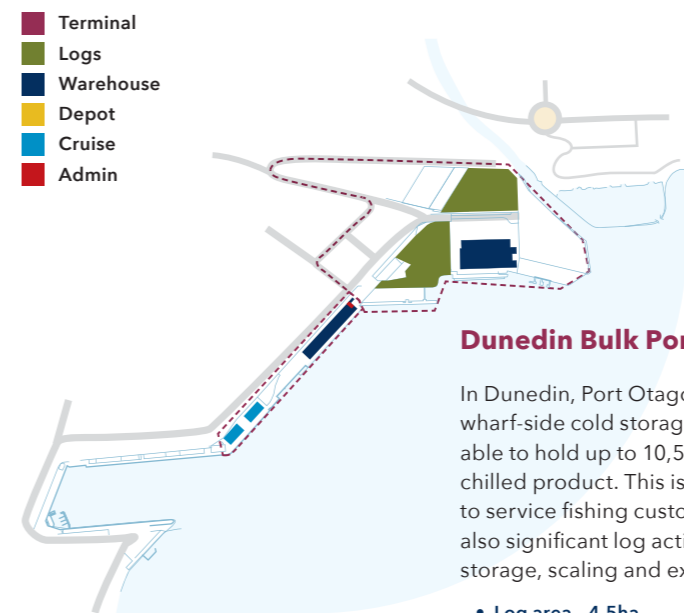


## Port Chalmers

Port Chalmers is one of New Zealand's two deepest container ports and services the largest container ships visiting New Zealand. It can store more than 7000 containers and has one of the highest number of reefer\* points of any New Zealand port, with 1650.

- Container Terminal - 17.7ha
- Log area - 4.6ha
- Warehousing - 63,400m<sup>2</sup>
- Total wharf length- 1143m
- Head office
- Lower Harbour Channel depth - 14m (consented to 15m)

\*Reefer: refrigerated shipping container



## Dunedin Bulk Port

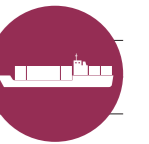
In Dunedin, Port Otago has two wharf-side cold storage facilities, able to hold up to 10,500 tonnes of chilled product. This is used primarily to service fishing customers. There is also significant log activity, including storage, scaling and export.

- Log area - 4.5ha
- Cool storage - 21,000m<sup>2</sup>
- Warehousing - 8500m<sup>2</sup>
- T/U wharf - 766m
- Upper Harbour Channel depth - 8.5m

## Business components

### Container business

- Exports/imports
- Transships
- Depot activity
- Warehousing



### Property business

- Leasehold
- Investment property
- Property development
- New ORC head office



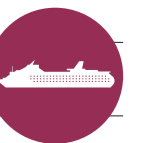
### Bulk business

- Logs
- Oil
- Fish
- Cement
- LPG
- Fertiliser



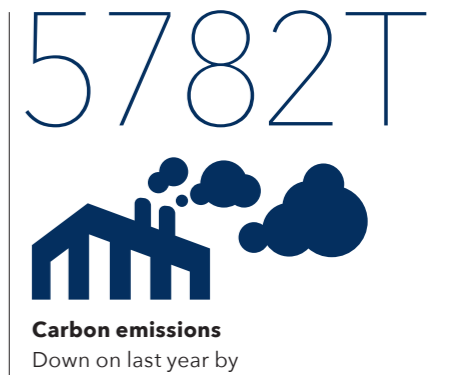
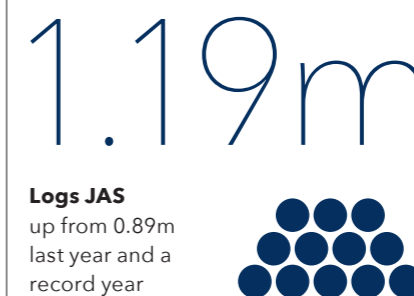
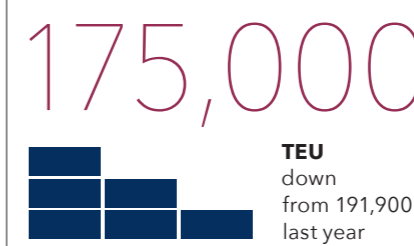
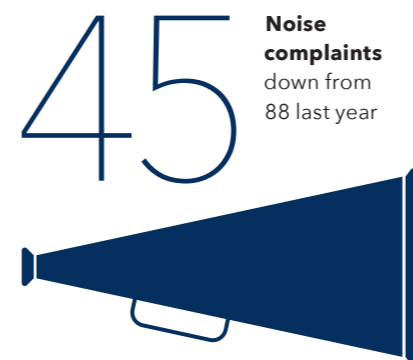
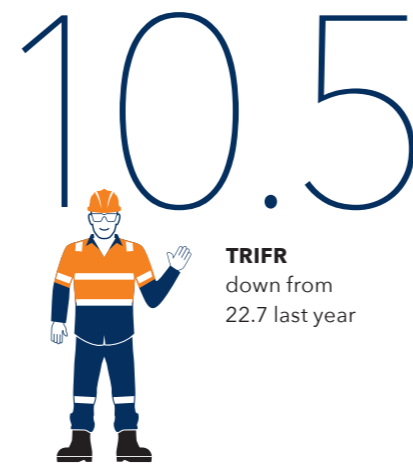
### Cruise business \*

- Port Chalmers
- Dunedin
- Fiordland



\* Currently on hold

# Our highs and lows



## Full year review from the Chair and Chief Executive



Above: Kevin Winders, Chief Executive, and Paul Rea, Chair

### Highlights and challenges

**How our team responded to challenges**

**Record NPAT of \$95 million**

**Underlying profit reflects diversity of earnings**

**Improved safety performance**

**100 per cent occupancy rate**

**Understanding and reducing our carbon footprint**

**Loss of cruise business**

**Impact of congestion on our customers**

### Our second Integrated Report

On pages 24-27, we present our *Strategy for a better business*. This strategy is the main driver for the title of this report, *On our way*, because we certainly are *on our way*. Last year, we shared some “work ons” with you, being open and honest about our shortfalls. This year, you will see that we have made progress on some, but not all of them. While we made less progress than we had hoped on some initiatives, we showed more innovation in the way we dealt with the challenges thrown at us.

There is also growing evidence of our integrated thinking becoming embedded in the business. Our non-financial material issues are now being considered in discussions at Board and Leadership Team level. More specifically, carbon is becoming a feature in our investment decisions.

Good news from the past year:

- We kept everyone safe and kept Covid-19 out.
- Our bulk business experienced a record year.
- The property business had its best ever result.
- We worked hard to be agile for our customers.
- We are immensely proud of how our team responded to the season’s many challenges. They showed genuine commitment to keeping our region’s cargo moving.
- We are *on our way*.

And the bad news:

- The container business encountered significant congestion challenges and our container customers had a difficult year.
- Shipping volatility meant that schedules changed at the last minute. Vessel omissions resulted in congestion in our container yards and constraints for our customers.
- Our team had to prioritise resources to keep everything moving. This meant putting some plans on hold, or not progressing them as far as we had hoped.

**Reflecting on the year**

Our customers told us that day-to-day communication has improved. But they also said we could be more proactive and future-oriented, working in partnership on long-term plans for mutual growth.

The reduced choice of shipping lines calling at Port Chalmers is a concern and we want to attract new shipping lines, as well as new customers.

Our safety performance continues to improve, but Zero Harm remains our target.

Our workplace culture has improved but remains a work in progress, as we strive to become a modern and diverse team.

Container customers were worried about getting product to their customers on time; we need to partner with them on storage solutions.

Our stakeholders rightly expect us to have a strategy and take action on climate change. Our baseline carbon footprint data is on pages 74-75. We are making progress but that is largely due to reduced vessel arrivals.

Efforts to reduce our CO<sub>2</sub> emissions begin with (a) identifying the highest-yielding initiatives and (b) pursuing those initiatives via strategic equipment replacements and operational changes. We also need to better understand how we can adapt our infrastructure assets to mitigate the future impacts of climate change.

**Group financial results**

The Port Otago Group achieved a record tax paid profit of \$94.5 million for the year ended 30 June 2021, up 87 per cent on last year's \$50.5 million profit. The result was driven by an unrealised revaluation increase of \$82 million across our entire property portfolio and reflects increasing property values, particularly in the industrial category within Auckland and Hamilton. While the headline NPAT is a record, as a business we focus on the internal measure of "underlying profit" which removes non-cash revaluation movements related to our property portfolio.

Our underlying profit was \$21 million for the year ended 30 June 2021, compared to \$25 million the previous year - a drop of 13 per cent. Revenue from marine and cargo services was down 16 per cent, following the suspension of cruise vessel visits. No cruise ships visited, compared to 112 in the previous year. The loss of this business and the uncertain economic outlook in mid 2020 prompted the company to initiate a restructuring programme to reduce our cost base. Improvements in systems, redundancies and early retirements delivered significant savings. This cost-out programme is now complete and has partially bridged the revenue gap created by Covid-19.

**Our team**

The loss of the cruise business, disruption in shipping patterns, Covid-19 protocols, testing and vaccinations - these all challenged our team during the past year. We have again needed to work at Levels 4/3/2 to keep our region's exports and imports flowing.

We must acknowledge the great work of our frontline staff, who kept cargo moving while ensuring our border remained safe from Covid-19. This involved undertaking regular surveillance testing and adapting to new ways of working.

The past 12 months were not "business as usual". Alongside the unsettling cost-out programme, the team also dealt with shipping volatility and container yard congestion. In this challenging environment, leaders at all levels of the company stepped up and delivered for our stakeholders.

We reluctantly farewelled Kate Walton (Head of People), after four years leading change in our business. Leigh Carter has joined us and will continue our work on building a safe and more agile team. Acknowledging the increasing risk around cyber security, Rachel Pullar was appointed Head of Digital - a new role. Rachel is focused on upgrading our systems to deliver efficiency gains, improving customer communications and, importantly, reducing risk. Both Leigh and Rachel bring a wealth of experience and talent to our team, along with fresh perspectives and ideas from other industries. We look forward to their contributions.

**Keeping our people safe**

Our Safety Rūnaka - the team of safety representatives, line managers, leaders and directors - plays a key role in connecting our team, questioning our priorities and ensuring we understand how work is done (rather than how it appears to be done on paper). As a result, we continue to make good progress managing our critical risks, completing the 23 bowties and auditing the 1588 physical controls in place. The \$1 million investment in physical controls is part of our move from a soft control environment to engineered controls that are more effective at eliminating risk.

Our lag indicators improved from a TRIFR of 20 per million hours last year, to 10.5 this year. A 50 per cent reduction is a great outcome, but Zero Harm remains our goal.

**Being a good neighbour**

In December 2020, Port Otago signed a long-term partnership with the Port Chalmers Maritime Museum. Port Otago assumed responsibility and ownership of the museum building and will pick up associated costs for the next 35 years. The Port Chalmers Historical Society manages the museum and it will remain the building's sole occupant.

The Te Rauone Beach renourishment project has been talked about and debated for more than a decade, championed by the Te Rauone Beach Coast Care Committee and Te Rūnaka o Ōtākou. We have been working with the community over the past three years to obtain support for a solution in the form of three breakwater groynes and, just on Christmas 2020, resource consent was granted for the Beca-engineered design. The \$3 million project was tendered and SouthRoads commenced construction in August 2021. We are on track to complete the groynes early in 2022.

The year's highlight was undoubtedly celebrating the naming of the Warren Lewis Fishing Jetty with Warren, his whanau and our wider community. Warren lobbied hard over many years to ensure public access to our beautiful harbour. Consequently, the community now enjoys a fabulous jetty and amenities. It's something we are all very proud of.





**Continued investment in Dunedin Bulk Port**

The expanded Dunedin Bulk Port delivered this year, enabling our log customers to increase volumes and keep supply chains moving to take advantage of positive market conditions. As part of our long-term strategy, we have acquired 58 Sturdee Street – a 1.75 hectare site adjacent to Dunedin Bulk Port – to accommodate future growth. Investment in coming years will enable higher levels of bulk cargoes through Dunedin Bulk Port and ultimately take logging trucks off State Highway 88, remove carbon from the supply chain and enhance the environment for our West Harbour community. We still have plenty of work to do and some log customers remain concerned about the move from Port Chalmers to Dunedin Bulk Port. We will liaise closely with those customers to find the best long-term solution for our wider team.

**Understanding our carbon footprint**

We are making progress understanding our carbon footprint and building capability and knowledge, so decarbonisation becomes part of our everyday decision making. Achieving Toitū Carbonreduce certification was a big step, giving us confidence that we are on the right track. Our footprint reduced by 705 tonnes (11 per cent) this year, but is a function of lower activity, due to fewer vessel calls (mainly cruise) and less capital dredging (i.e. reduced diesel use). However, we were also proactive and rolled out carbon reduction projects, including replacing our light vehicle fleet with electric vehicles and introducing LED lighting across the port.

**Property business**

In 2020, Chalmers Property completed construction of two large warehouses at 21A and 21B Oak Road, Wiri. Consistent with our strategic objectives to partner with long-term A-grade tenants, we successfully secured Auckland Council for 21A and, just after balance date, Visy Logistics Limited for 21B. This sees our Group’s investment properties 100 per cent tenanted.

Demand for industrial premises in Hamilton remains strong and, as a result, we have ceased selling land in Te Rapa Gateway, so we have land available for future design/build/lease opportunities. Already, we have attracted new, quality tenants for design/build/lease opportunities at Te Rapa Gateway – including IAG, Steel & Tube and NZ Windows – and \$22 million will be invested over the next 12 months.

We were pleased to acquire the ex-Warehouse building in Dunedin for \$10.2 million. Port Otago will repurpose the site to house our shareholder, the Otago Regional Council. The site is well known to most Dunedinites, is centrally located and has a great footprint for a new office base build. We expect the redevelopment to take 18 months. In the meantime, Harvey Norman is leasing the vacant property for six months, while we complete office design plans and obtain consent.

**Looking ahead**

We expect container flows and shipping to be disrupted for much of the year ahead. We will work alongside our customers and shipping partners to plan and invest, with the goal of underpinning supply chains.

Bulk cargo volumes are expected to continue growing, off the back of favourable in-market conditions and additional landside infrastructure at Dunedin Bulk Port.

The tourism sector and Port Otago continue to be heavily impacted by Covid-19 and the Government’s cautious approach to managing border controls. We do not anticipate cruise ships returning to New Zealand during the 2022 summer, but are working with industry so we are well prepared for the safe return of cruise in the future.

Our strong balance sheet, combined with the diversity of earnings of the Group, underpins the sustainable returns to our shareholder and the ratepayers of Otago. A final dividend of \$1 million will be paid in October 2021, bringing the total dividend for the year to \$10.1 million.

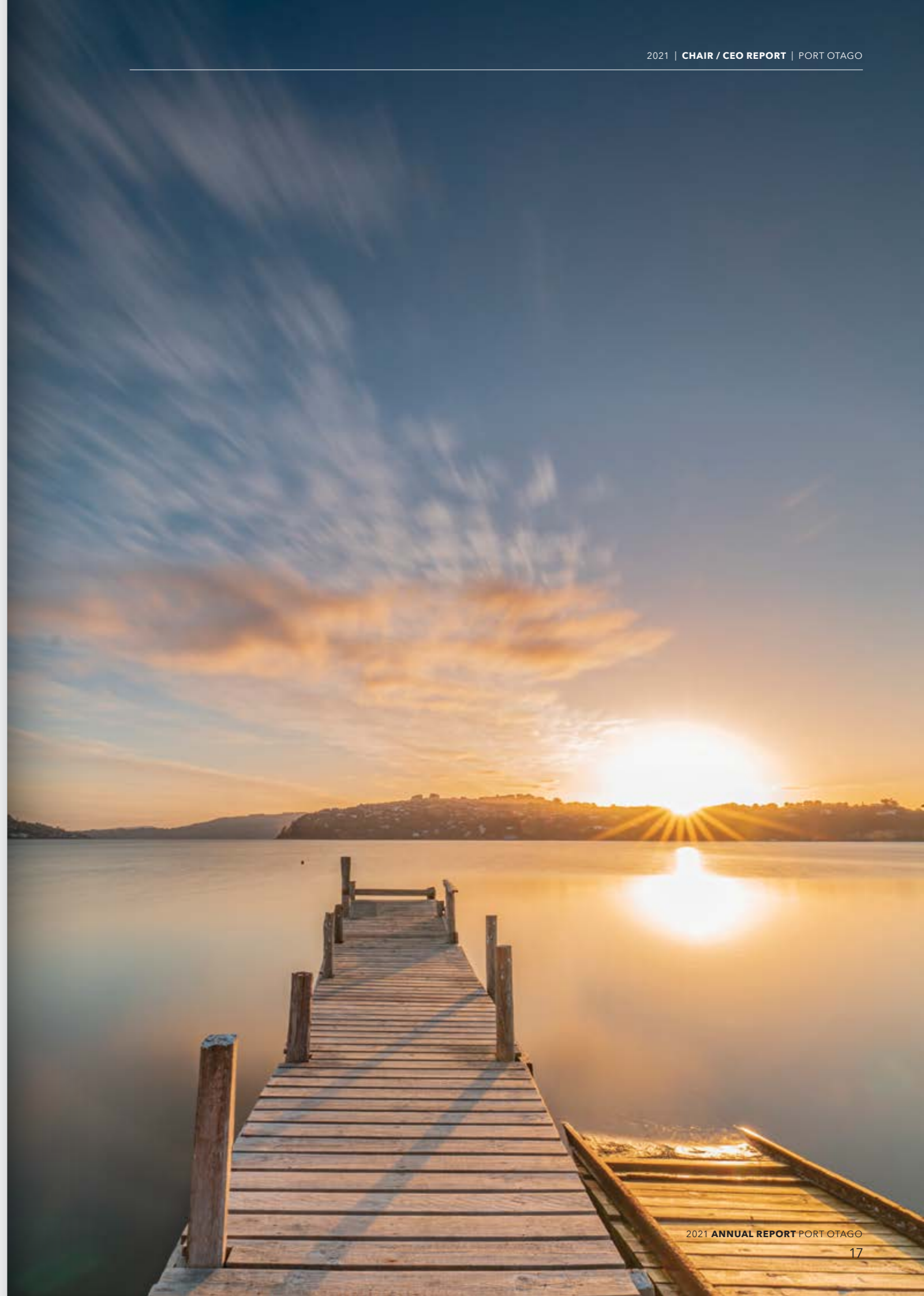
We look forward with confidence to the year ahead, knowing that our leaner, more agile team will deliver solutions for our customers and partners to underpin growth in our region.



**Paul Rea**  
Chair



**Kevin Winders**  
Chief Executive



# Our value chain: The port's business model to create value

## Inputs

### Our team

- A team of approximately 300 local people in the Otago region
- Trained in safety and other skills for their roles
- Undertaking safety risk assessments and inspections

### Our wider team

- Customer relationships
- Partnerships with shipping lines, landside operators and suppliers
- Community and iwi engagement

### Our harbour taoka and beyond

- Use of air, land and water in all weather conditions
- Consumption of energy and other resources
- Listening to community and iwi concerns about changes to our harbour taoka

### Our know-how and skills

- Great people with experience
- New recruits with emerging skills
- Upskilling through training, including digital
- Investment in secure technology

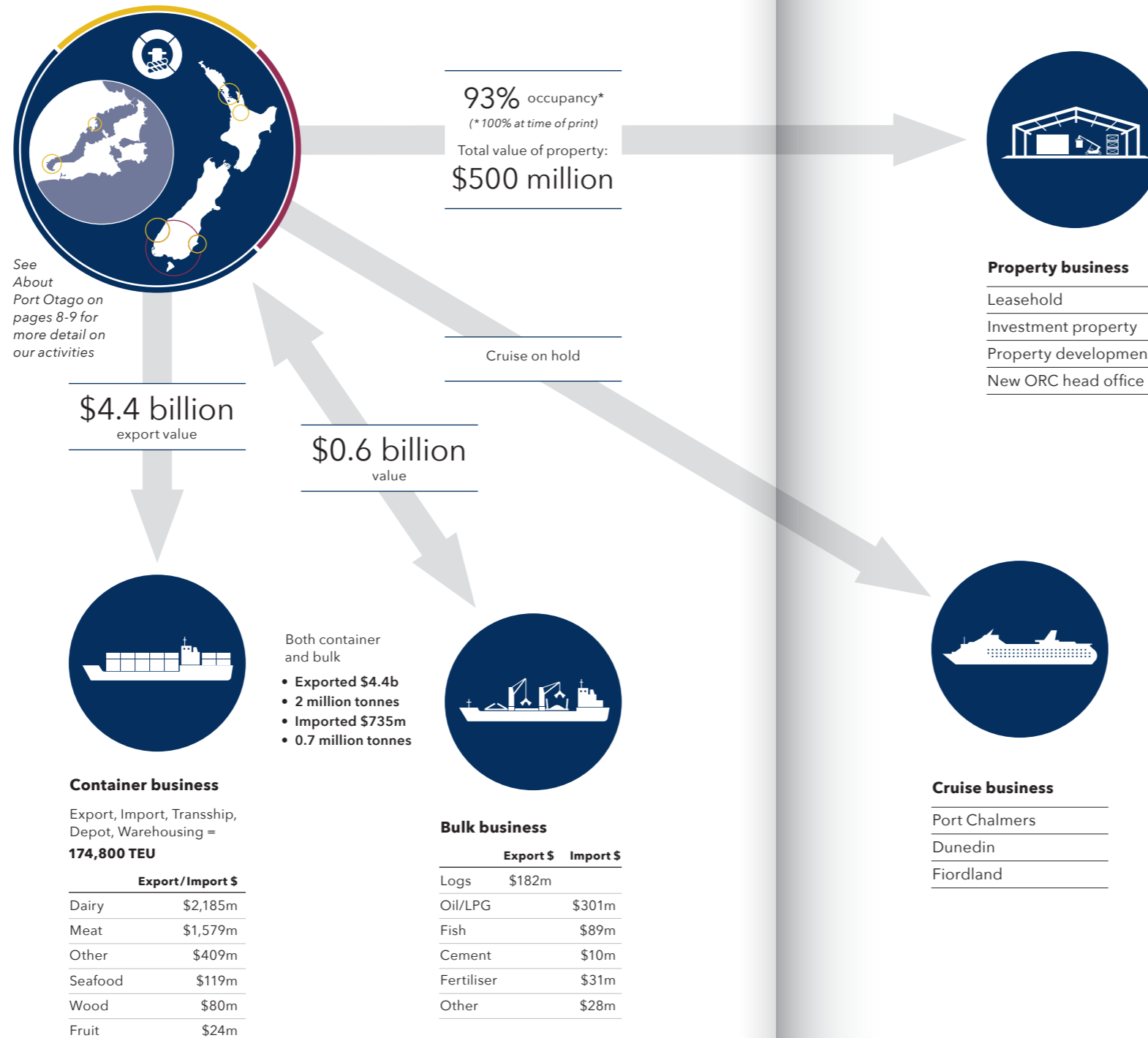
### Our assets

- Assets owned and productivity optimised
- Land owned and space utilised efficiently
- Investment in long-term infrastructure for a sustainable future

### Our financial value

- Diverse and balanced portfolio to optimise returns and build resilience
- Long-term agreements with customers, partners and suppliers for a sustainable future

## Activities and Outputs



## Outcomes

### Our team

- A safety culture where our people look out for each other in a high-risk environment so that everyone goes home safely.
- Employees who are proud to work for the port, some staying with us for their entire careers.

### Our wider team

- A good neighbour to our community and iwi, respecting what is important to them for our social licence to operate.
- A strong central link in the value chain, connecting our customers, partners and suppliers from the lower South Island to the world, for mutual growth.

### Our harbour taoka and beyond

- A light touch to preserve or enhance our beautiful harbour, taking care with dredging.
- Understanding what has changed and what we need to improve by listening to our community and iwi.
- Reducing our contribution to climate change and understanding and adapting to potential future climate change impacts on our assets.

### Our know-how and skills

- A considered approach to the future, learning from the past and what others do.
- A talented workforce with an ability to learn and a wealth of knowledge.
- Improved productivity and resilience by embracing new, agile and efficient ways.
- Effective processes to protect the port from cyber attacks and respond rapidly.

### Our assets

- Continued investment in infrastructure to support our customers' and partners' future needs, facilitating our mutual growth to the benefit of the local, regional and national economy.
- Dynamic response to shipping volatility with storage and digital solutions.

### Our financial value

- Consistent sustainable dividends for our shareholder to support regional economic development and benefit our community.
- A sustainable future built on solid investment in infrastructure and long-term customer, partner and supplier relationships.

## Work ons

### Our team

- Workplace culture ✔
- Wellness strategy -

### Our wider team

- Customer relationships ✔

### Our harbour taoka and beyond

- Noise ✔
- Climate change targets -
- Climate change adaptation NEW

### Our know-how and skills

- Digitisation -
- Cyber security NEW

### Our assets

- Efficient supply chains -
- Responding to shipping volatility NEW

### Our financial value

- Balancing our business ✘
- Efficiency -
- Understanding our contribution to the regional economy NEW

# Our priorities

Port Otago undertook its second materiality process this year, engaging with key stakeholders after a challenging year for everyone. After Covid-19 disrupted the supply chain from end to end, it was particularly important to hear directly from our stakeholders on (a) their current views and (b) their feedback on last year’s materiality process and report.

## The materiality process

The materiality process, undertaken independently by Materiality Counts, looked at the environmental, social and economic issues facing Port Otago now and into the future. Stakeholders and the business were asked to:

- Rate the importance of these issues to the value that Port Otago creates,
- Rate our performance in managing the issues, and
- Select their top three priorities and explain why.

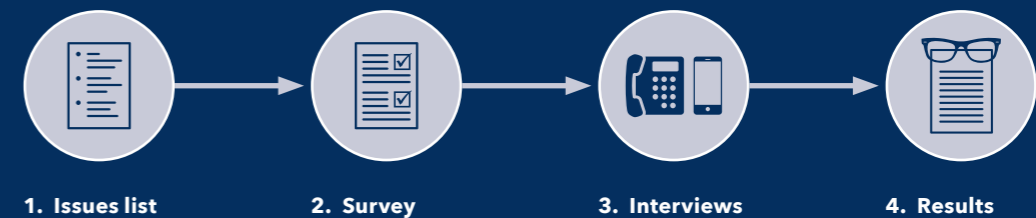
In this way, both stakeholder concern and business impact were taken into account.

As integrated thinking matures at Port Otago, we are becoming more aware globally of our place in the “bigger picture”. We therefore asked our stakeholders this year which of the United Nations Sustainable Development Goals (UN SDGs) we could make the most significant contribution to, by asking them to select their top five. These selections feed into our *Strategy for a better business* (pages 24-27).

The same four-step process employed in 2020 was used again to identify the most important issues to our key stakeholders and the port, in terms of the value we create. We encourage you to refer back to our 2020 Annual Report for full details of this process. It included creating an issues list (up from 17 to 20), sending out a materiality survey to stakeholders (up by nine, now 22 external and 20 internal stakeholders), interviewing stakeholders one-on-one (all 22 external stakeholders were interviewed along with nine internal stakeholders, up by eight overall compared to last year) and sharing the materiality results with the Board and Leadership Team.

This year’s issues list included three new issues, taking the list to a total of 20. These were climate change resilience (focused on planning for climate change adaptation), shipping volatility in the supply chain (a huge ongoing issue for the sector) and the property business (fundamental to the port’s financial sustainability). A number of existing issues were also refreshed to reflect changes over the past year. Relationships throughout our supply chain, previously “partner, customer and supplier relationships”,

now encompasses peers and government, critical relationships over the past year. Health of our wider team, previously “public health and safety”, now extends to everyone using the port, given the extent of Covid-19 risk and response. Workplace culture and wellbeing, previously “workplace culture”, now encompasses wellbeing, which we increasingly understand is closely related to culture. Climate change response, previously “climate change”, has been split into two issues. This issue focuses on our strategy to understand, measure and reduce carbon emissions. Noise, previously “nuisance”, now focuses specifically on noise to reflect what stakeholders told us in 2020. Wharf capacity and infrastructure, previously “wharf capacity”, now includes infrastructure to reflect what stakeholders told us in 2020 (i.e. this issue is about infrastructure, as well as wharf space).



2021 Materiality Matrix



# The material issues

Our top 12 material issues are presented in order of priority below. This report and our *Strategy for a better business* focus on these issues. Our strategy is dynamic. It was built based on our top 10 material issues from 2020 and there has been some movement, which is explained below and reflected in the Capitals chapters (pages 44-107):

- **Effective leadership moved up from 4th in 2020 to 2nd in 2021, reflecting how critical leadership has been in such a challenging year and how important it remains.**
- **Workplace culture and wellbeing increased from 9th in 2020 to 6th in 2021, building on progress made and the work that lies ahead.**
- **Cyber security became a top 10 priority, moving up from 11th in 2020 to 9th in 2021, fuelled by the high-profile cyber attacks in New Zealand and further afield, and the ever present threat.**
- **Shipping volatility comes straight in at 10th, given how significant this issue continues to be.**
- **Wharf capacity and infrastructure is down from 8th in 2020 to 11th in 2021. However, it features strongly in stakeholders' top three selections and therefore remains a priority. Wharf space for containers presents ongoing challenges with increasingly unpredictable shipping schedules.**
- **Climate change response, while down from 14th in 2020 to 16th in 2021 also features strongly in stakeholders' top three selections. Hence it also remains a priority.**

**NB:** Although the port started with 20 issues and has prioritised 12, we will not stop working on the other eight issues, it simply allows us to focus on what matters most.

## Workforce safety

#1

Continuing our culture where workforce safety is the number one priority and our team looks out for each other so that everyone goes home safely.

## Effective leadership

#2

Transparent, accountable, accessible and visible leadership (Board and Leadership Team) with the right mix of skills to focus on sustainability through our *Strategy for a better business*.

## Relationships throughout our supply chain

#3

Building strong collaborative relationships throughout our supply chain, with our customers, partners, suppliers, peers and government to better understand them. Treating them all equitably, communicating effectively, measuring progress and planning for a future with resilient and sustainable growth.

## Health of our wider team

#4

Demonstrating agility to play our part in preventing and responding to public health issues, such as Covid-19. Acting quickly and effectively with others, to protect our workers, partners, customers, suppliers and the public. Communicating regularly on what is happening, providing leadership and resetting for the future.

## Financial returns

#5

Generating financial returns and balance sheet strength through business resilience in the face of the economic downturn from Covid-19 impacts. Producing revenue from a diversified portfolio of bulk and containers, while rebuilding cruise and managing our cost base, to facilitate consistent shareholder dividends, investment in future growth and contribution to the local, regional and national economy.

## Workplace culture and wellbeing

#6

Building a workplace over time that listens to every member of our team, by prioritising mental wellbeing, valuing our diversity and everyone's contribution, true teamwork, accessible leadership, open and honest communication and great facilities.

## Innovation

#7

Improving efficiency in our supply chain through automation and digitisation, embracing new and agile ways to work with our partners, customers, suppliers and peers.

## Growth

#8

Maintaining a commercial model for growth through investment in infrastructure for the future, enhancing cost efficiency and planning for increasing costs.

## Cyber security

#9

Maintaining and enhancing IT systems that protect cyber security and data privacy, while guarding against an attack.

## Shipping volatility in our supply chain

#10

Shipping volatility in our supply chain due to Covid-19 and other impacts, causing congestion, disruption to shipping volumes, container shortages and significant impacts on container pricing. Working closely with our peers and shipping partners to reduce pressure on the supply chain and with our customers to find solutions to container shortages.

## Wharf capacity and infrastructure

#11

Increasing storage capacity, relocating storage, developing wharf replacement options, and improving infrastructure, plant and equipment to meet future customer needs equitably and service larger ships efficiently.

## Climate change response

#12

Understanding our carbon footprint, measuring and reporting progress. Identifying how to reduce our carbon emissions, both directly and with customers, such as supply chain digitisation. Playing our part in achieving New Zealand's goal of net zero carbon emissions by 2050.

## Strategy for a better business

Last year, we took you through our approach to developing a strategy and committed to sharing it with you this year. It started with stakeholder engagement to identify our material issues and integrated thinking about how the port creates value. Over the past year, we have developed goals to address our material issues and create value. These goals are structured around the six capitals and what we call our “strategy blocks”. Using terminology and processes familiar to our team gives us a greater chance of embedding the strategy into our day-to-day with clarity.

Throughout this report, you will read stories about our initiatives to support the goals, as well as metrics we have identified to measure progress. Over the coming year, we commit to developing targets towards the goals using the metrics already identified, which we will share with you next year.

Here is our *Strategy for a better business...*

# Strategy for a better business

## Our team

### GOALS:

- Develop a culture where workforce safety is the number one priority and our team looks out for each other so that everyone goes home safely.
- Build a workplace where the wellness of our team is supported through teamwork, accessible leadership, and open and honest communication.

## Our wider team

### GOALS:

- Be a great neighbour by respecting what is important to our community and iwi and enhancing our social licence to operate.
- Build stronger relationships with our customers, partners and suppliers to better understand them, measure progress and plan for the future.

## Our harbour taoka and beyond

### GOALS:

- Understand our carbon footprint, measure and report progress.
- Identify how to reduce our carbon emissions, both directly and with our customers, such as harnessing renewable energy.
- Play our part in achieving New Zealand's goal of net zero carbon emissions by 2050.
- Understand and adapt to potential future climate change impacts on our assets.
- Preserve our beautiful harbour and its biodiversity by listening to our community and iwi, taking care and monitoring these precious taoka closely.
- Reduce our noise.

### MATERIAL ISSUES:

- Workforce safety
- Workplace culture and wellbeing
- Effective leadership
- Innovation

### SDGs



### MATERIAL ISSUES:

- Relationships throughout our supply chain
- Health of the wider team

### SDGs



### MATERIAL ISSUE:

- Climate change response

### SDGs



## Our know-how and skills

### GOALS:

- Improve our efficiency through automation and digitisation, such as systems for berth management, property management and supply chain connectivity.
- Work with our supply chain partners to embrace new and agile ways of working landside.
- Explore aligned business diversification to provide a sustainable future for the port.
- Develop a strong platform to train and develop our team.
- Establish effective processes to protect the port from cyber attacks and respond rapidly.

### MATERIAL ISSUES:

- Innovation
- Cyber security

### SDG



## Our assets

### GOALS:

- Grow the container business by investments into additional storage and depot capability.
- Grow the bulk business by increasing storage capacity, enhancing shipping flexibility with Victoria Channel improvements, relocating storage where it makes sense, developing wharf replacement options and working with customers on fit-for-purpose infrastructure to meet future needs.
- Rebuild the cruise business by engaging with the cruise industry, investing in Pilot accommodation, maintaining capability and having safe landside practices ready to go.
- Continue to build a sustainable property portfolio as a fundamental part of the port's financial sustainability.
- Respond dynamically to shipping volatility with storage and digital solutions.

### MATERIAL ISSUES:

- Wharf capacity and infrastructure
- Shipping volatility in our supply chain
- Growth
- Innovation

### SDGs



## Our financial value

### GOALS:

- Provide consistent shareholder dividends with a portfolio that optimises returns, builds resilience and facilitates investment in the future.

### MATERIAL ISSUES:

- Financial returns
- Growth

### SDG

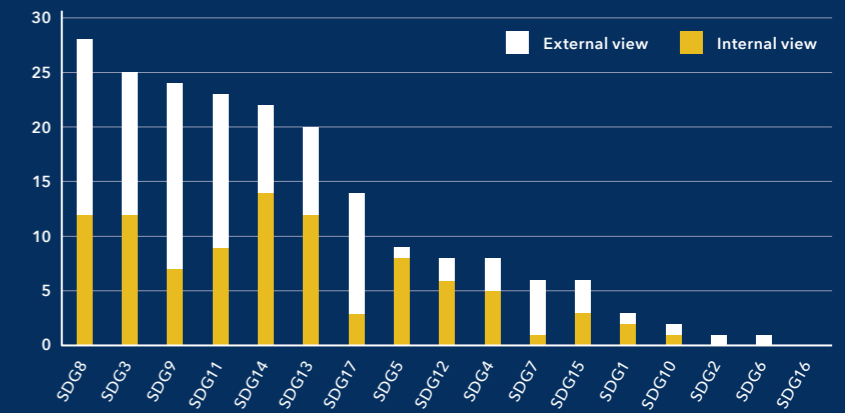


### KEY

SDG1 Poverty	SDG7 Clean energy	SDG13 Climate action
SDG2 Hunger	SDG8 Decent work	SDG14 Life below water
SDG3 Health	SDG9 Innovation	SDG15 Life on land
SDG4 Education	SDG10 Inequality	SDG16 Peace
SDG5 Gender equality	SDG11 Sustainable cities	SDG17 Partnerships
SDG6 Clean water	SDG12 Responsible consumption	

## Material Sustainable Development Goals (SDGs)

This year, we asked stakeholders about the SDGs as part of the materiality survey. We wanted to know which goals the port could best contribute to. Our top six material SDGs are SDG8 Decent work and economic growth, SDG3 Good health and wellbeing, SDG9 Industry, innovation and infrastructure, SDG11 Sustainable cities and communities, SDG14 Life below water and SDG13 Climate action.



# How we engage our stakeholders

*We are more connected to our stakeholders than ever before.* Over recent years, we have become more aware of the importance of stakeholder engagement and how critical it is to our relationships that we understand what matters most to each stakeholder group. We have reviewed how we engage, the quality and timeliness of our communications and their effectiveness. The materiality process has enhanced the depth of our stakeholder relationships over the past two years, as we have taken the time to invite views on what the port should prioritise and why. We also asked how well they thought we were managing our most important issues. The challenging experience of working through Covid-19 has resulted in stronger relationships. We now have more regular face-to-face and verbal conversations with customers, partners, suppliers, community and iwi.

OUR PLANS FOR 2021/22:

## Stakeholder Advisory Panel

The Stakeholder Advisory Panel will be established to encourage regular, open feedback from key stakeholders, including community and iwi, customers, partners, suppliers, regulators and our shareholder.

The long-term goal is that the individual members will provide input to our strategy, initiatives and performance. They will meet face-to-face quarterly, and we will draw on their feedback throughout the year.

In a deliberate move, the panel will be made up of a younger demographic. This provides a welcome perspective to complement our Board/Leadership Team, which has an average age of 55. We are also taking the opportunity to include individuals who will broaden and challenge our cultural and social views. In this way, today's Board and Leadership Team are exposed to and reminded of younger people's views on issues that are becoming increasingly relevant. These include climate change, environmental impacts, employment flexibility, diversity and inclusion, and our social licence to operate.

## How we engage our stakeholders

Stakeholder	How we engage	Top 3 issues	Insights from 2021 materiality process
<b>Our team</b>	<ul style="list-style-type: none"> <li>Materiality interviews and surveys</li> <li>The Bridge (internal weekly e-letter)</li> <li>People Team, Leadership Team, Rūnaka and training interactions</li> </ul>	<ul style="list-style-type: none"> <li>Workforce safety</li> <li>Workplace culture and wellbeing</li> <li>Innovation</li> </ul>	<p>"Teams need to be part of building the culture. It needs to be relevant to their day-to-day, using a language that works for them."</p> <p><b>Sue Horo</b> People Team, Port Otago</p> <p>"Safety performance has steadily improved in recent years but we know we must do better, until injuries are eliminated completely."</p> <p><b>Tom Campbell</b> Board member, Port Otago</p>
<b>Community</b>	<ul style="list-style-type: none"> <li>West Harbour Community Board</li> <li>Port Noise Liaison Committee</li> <li>Port Otago Facebook page</li> <li>Materiality interviews and surveys</li> <li>PortO stakeholder newsletter</li> </ul>	<ul style="list-style-type: none"> <li>Community and iwi engagement</li> <li>Relationships throughout our supply chain</li> <li>Workplace culture and wellbeing</li> </ul>	<p>"We need to stop thinking about 'getting back to normal' because normal wasn't working."</p> <p>"Funding hoops can be never-ending for community groups and those hoop-free contributions made by the port are awesome."</p> <p><b>Francisca Griffin</b> Chair, West Harbour Community Board</p>
<b>Iwi</b>	<ul style="list-style-type: none"> <li>Mana Whenua Group</li> <li>Te Rūnaka o Ōtākou</li> </ul>	<ul style="list-style-type: none"> <li>Climate change response</li> <li>Health of the wider team</li> <li>Financial returns</li> </ul>	<p>"Environmental sustainability is central to the port being a good custodian of the harbour and its environs, underpinned by a financially sound operation."</p> <p>"The port is a major potential entry point for the virus, presenting a major risk. So much comes in and out of the harbour, including people from overseas, they don't just arrive on flights. I have been impressed with how the port's Leadership Team has escalated the importance of responding to the pandemic."</p> <p>"The port's biggest contribution to climate change was the hundred or so cruise ships that used to come in each year, using inefficient technology."</p> <p><b>Edward Ellison</b> Upoko, Te Rūnaka o Ōtākou</p>
<b>Customers</b>	<ul style="list-style-type: none"> <li>Site and in-market visits</li> <li>Materiality interviews and surveys</li> <li>Face-to-face and online meetings</li> <li>PortO stakeholder newsletter</li> </ul>	<ul style="list-style-type: none"> <li>Wharf capacity and infrastructure</li> <li>Relationships throughout our supply chain</li> <li>Shipping volatility in our supply chain</li> </ul>	<p>"Customers were heavily affected by vessel schedule integrity over the past year, with ships turning up late or not at all."</p> <p>"We got into a good rhythm at the back end of the season, working collaboratively with the port on intermediate buffer container storage in Dunedin and vessel-specific collaboration. We are looking forward to building on that."</p> <p><b>Brendan Miller</b> GM Supply Chain, Fonterra</p>



## How we engage our stakeholders

Stakeholder	How we engage	Top 3 issues	Insights from 2021 materiality process
<p><b>Partners</b></p>	<ul style="list-style-type: none"> <li>• Site visits</li> <li>• Real-time trucking info</li> <li>• Materiality interviews</li> <li>• Face-to-face and online meetings</li> <li>• PortO stakeholder newsletter</li> </ul>	<ul style="list-style-type: none"> <li>- Workforce safety</li> <li>- Effective leadership</li> <li>- Wharf capacity and infrastructure</li> </ul>	<p>“Now there is a tight Leadership Team with a strong culture, the next level will follow.”</p> <p><b>Peter Dynes</b> Managing Director, Dynes Transport</p> <p>“As shipping arrivals become increasingly unpredictable, the port has a fundamental role to play in ensuring capacity to operate efficiently and to help exporters find flexible storage solutions when there are big gaps between vessels. It is inefficient for customers to do this individually.”</p> <p><b>David Ross</b> CEO, Kotahi</p>
<p><b>Suppliers</b></p>	<ul style="list-style-type: none"> <li>• Site visits</li> <li>• Materiality interviews and surveys</li> <li>• PortO stakeholder newsletter</li> </ul>	<ul style="list-style-type: none"> <li>- Growth</li> <li>- Relationships throughout our supply chain</li> <li>- Wharf capacity and infrastructure</li> </ul>	<p>Suppliers encouraged us to use revenue from our property company to increase investment in the supply chain, such as partnerships with customers, inland transport and shipping lines.</p> <p>Suppliers appreciate that investment in wharf capacity and related infrastructure is capital intensive and can often only be done once, supporting our need for thorough planning.</p>
<p><b>Shareholder</b></p>	<ul style="list-style-type: none"> <li>• Port Otago Board</li> <li>• Interim and Annual Reports</li> <li>• Statement of Corporate Intent</li> <li>• Materiality interviews and surveys</li> </ul>	<ul style="list-style-type: none"> <li>- Financial returns</li> <li>- Property business</li> <li>- Effective leadership</li> </ul>	<p>“What the Board, Leadership Team and staff have been able to achieve through the uncertainty of the Covid-19 pandemic has been superb – balancing the loss of cruise revenue, continuing to grow port efficiencies and maximising a healthy property business.”</p> <p><b>Andrew Noone</b> Chair, Otago Regional Council</p> <p>“It is great to see the Board add new director Becky Lloyd as they continue to ensure diversity and strength of experience. We thank the Board for their open and inclusive approach and for staying connected with the needs of our region. Well done.”</p> <p><b>Sarah Gardner</b> CEO, Otago Regional Council</p>
<p><b>Government</b></p>	<ul style="list-style-type: none"> <li>• Meet and provide input into policy development</li> <li>• Work with other ports on key issues</li> <li>• Engage with any investigations and audits</li> <li>• Materiality interviews</li> </ul>	<ul style="list-style-type: none"> <li>- Noise</li> <li>- Property business</li> <li>- Cruise ship management</li> </ul>	<p>Silencers were installed to reduce the noise from the Rio Class ships. While these have worked to a point, regulators believe that the proximity of housing will mean that noise is always an issue.</p>

# Getting stuff done

“The Leadership Team is great. They don’t muck around and they get things done.”

**Phil De La Mare**  
CEO  
Ernslaw One

## Governance and leadership

Effective leadership is one of the port’s material issues for a second year in a row. Stakeholders see these team members as proactive and more visible than their predecessors. There was overarching feedback that a lot of welcome change has been made in a short space of time, we are *on our way*. Steps in the right direction this year included positive feedback from customers about the team’s reaction to ever-changing shipping schedules to keep their products moving. And, when they couldn’t be moved, to help find temporary storage.

Within the company, Visual Safety Leadership conversations became everyday occurrences. This may not seem a big deal, but it is. Every conversation has a compounding effect: the risk of workplace harm drops, and safety awareness among the team rises.

Sue Horo, People Team at the port, said: “Port Otago has a great Leadership Team with a continuous improvement mindset. It sets the tone for everything we do around here.”

At Board level, Port Otago’s genuine adoption of Integrated Reporting has been swift and effective. The six capitals have quickly become familiar language. Furthermore, the Board has wasted

no time building environmental considerations into its decision-making. Every CapEx now includes a carbon footprint and environmental impact summary, alongside the financial metrics.

The relationship between the Board and the Leadership Team is critical and continues to grow. On pages 38-39, we interview our newest Board member, Becky Lloyd, and Pat Heslin, who is in his sixth year.

### MATERIAL ISSUES: >>>

#### Effective leadership

- Transparent, accountable, accessible and visible leadership (Board and Leadership Team) with the right mix of skills to focus on sustainability through our *Strategy for a better business*.



Our Board and Leadership Team at Fonterra Edendale during a two-day tour in May to meet customers.

## Our Board

### Paul Rea

Chair since December 2019  
Director since 2011



Paul joined Mobil Oil New Zealand Limited in Dunedin in 1976 and worked for the company in a range of New Zealand and international based roles - including time in Guam, Malaysia, Egypt, the United States and Australia - until his retirement in 2011. Paul is also an independent director of New Zealand family-owned Waitomo Petroleum Limited.

### Pat Heslin

Deputy Chair  
Director since 2015



Pat was a partner of Deloitte for 30 years and is now an independent consultant and director based in Dunedin. He is Chair of Forsyth Barr Custodians Limited, Forsyth Barr Cash Management Nominees Limited and a past member of the New Zealand Auditing and Assurance Standards Board. Pat is also financial adviser to a number of private companies. He is a Fellow of the New Zealand Institute of Chartered Accountants.

### Tim Gibson

Director since 2016



Tim has many years' experience in export industries and agriculture, starting in Dunedin with Donaghys Limited. Tim was Chief Executive of New Zealand Trade and Enterprise and has held managing director and senior executive positions in dairy co-operatives and public companies. He is a director of several companies, including Livestock Improvement Corporation (LIC), Taupo-based milk processing company Miraka Ltd, Skills Consulting Limited, Silver Fern Farms Limited, and ManageMyHealth Global Limited.

### Tom Campbell

Director since 2018



Tom had a distinguished career in New Zealand and overseas with the Rio Tinto Group of companies, including serving as Managing Director of Comalco's operations in New Zealand and in the United Kingdom, and Global Head of Research and Technology for Rio Tinto Alcan based in Canada. Tom now works as a full time independent director currently serving on the boards of Todd Corporation and PowerNet. He is also Chair of Electricity Invercargill, and Chair of Southern Generation Ltd.

### Jane Taylor

Director since 2019



Jane is a Queenstown-based barrister, professional director and independent hearings commissioner, with a 35-year career in law, accountancy and finance. Jane is currently Chair of Orion New Zealand and recently retired Chair of Manaaki Whenua Landcare Research and Predator Free 2050 Limited. She is also Deputy Chair of the External Reporting Board, and a Director of Silver Fern Farms, and OTPP New Zealand Forest Investments.

### Bob Fulton

Director since 2020



Bob is a civil engineer who has spent the majority of his 30-year engineering career with roading and infrastructure company Fulton Hogan - in both operational and executive management roles. Bob was appointed a Fulton Hogan Director in 2008 and serves on the boards of its subsidiary land development companies, which develop commercial and residential property in Christchurch and greater Auckland. He is also a Director of Dunedin's Blackhead Quarries Limited and Horokiwi Quarries in Wellington.

### Becky Lloyd

Director since 2021



Becky is Chief Executive of Toitū Envirocare - a wholly-owned subsidiary of Manaaki Whenua Landcare Research - specialists in carbon measurement and certification. She was previously General Manager of Humes, and has worked in senior roles at Vodafone in the UK and New Zealand. Becky has a Masters in Mechanical Engineering (first class) from Imperial College London and an MBA from New York's Columbia Business School. She has served as a Director of the Concrete Pipe Association of Australasia, Interpipe, and as a trustee for not-for-profit Middlemore Foundation.

## Pat Heslin

### Creating value as a Board member



Pat Heslin has been part of the Port Otago board since 2015, Deputy Chair since 2019 and has chaired the Audit and Risk Committee since 2018. He was a partner of Deloitte for 30 years and is now an independent consultant and director based in Dunedin. Pat is a Fellow of the New Zealand Institute of Chartered Accountants and was an inaugural member of the Government-appointed New Zealand Auditing and Assurance Standards Board.

#### What value do you bring to the Board?

Prior to joining the board, I worked closely with many of Port Otago's major customers and suppliers and was auditor to the Otago Regional Council (ORC) for nine years. Understanding our business environment, key stakeholders and the needs of the ORC brings valuable insight to the board table. Given my background, I help the Board ensure appropriate focus is given to financial viability, structure and long-term sustainability of our business model and financial strategies. For instance, I am a strong advocate for a conservatively geared balance sheet - primarily to serve the needs of our shareholder. It was a structure that provided significant resilience in the face of Covid-19, particularly with the loss of the cruise business.

#### It's been a big year. What stands out for you?

I believe 2021 was the year our property business came of age. We are now reaping the benefits of the decisions and strategies of past boards and management. Our geographically diverse property portfolio has prospered principally because of the

synergies with our port operations. For example, our expertise in logistics and warehousing has allowed us to successfully invest in new builds in the fastest-growing region in New Zealand - the Auckland-Hamilton-Tauranga golden triangle - ultimately to the benefit of Otago ratepayers.

Within our port operations, keeping our people safe will always be a "work on" and we can never stop raising the bar. I am proud of our flexibility and rapid response to the regular challenges we face, as evidenced by Covid-19 and resulting shipping disruptions. Our team's swift actions reduced the risk of our men and women being exposed. It also had the benefit of improving our stakeholder relationships and protecting our operation's ongoing viability.

During 2021, we firmed up our knowledge around our carbon footprint. The challenge now is to accelerate progress via our operating and CapEx decisions and supply chain interactions.

#### How has an awareness of the material issues affected the Board's plans for the future?

The 2020 materiality survey of our stakeholders allowed us to prioritise our material issues, which are now the basis of our strategy.

Two 2021 initiatives stand out for me. Firstly, our reaction to workplace culture-related investigations at other ports. We eyeballed the findings and benchmarked them against our own practices. The result was a series of follow-up actions that are well under way.

In May 2021, the Board completed a road tour of customer operations. The tour provided a better understanding of issues articulated in the materiality survey.

## Becky Lloyd

### Creating value as a Board member



Becky Lloyd is Port Otago's newest Board member. Back in 2010, Becky transferred within Vodafone to become General Manager Business Marketing in Auckland and took the big step of moving her young family from the UK.

#### What value do you bring to the Board?

That's a tricky question as the "newbie"! What springs to mind is my expertise on carbon and strategic outlook. I have been leading Toitū, a wholly-owned subsidiary of Manaaki Whenua Landcare Research, for the past 18 months. We work with businesses worldwide to help reduce their carbon emissions and environmental impact. This will guide my contribution to the Board, which I hope will allow the port to progress more boldly than perhaps it would have. My background in engineering and construction will also help me get my head around port infrastructure and operations, to build strategies that work in these unique settings. My international experience draws me to the port's far-reaching economic contribution, not only to our city and region, but also the South Island and New Zealand more broadly. Our part in a supply chain that stretches across the globe is something I am keen to explore further.

#### It's been a big year. What stands out for you?

The way in which the port has transformed its business model to address the Covid-19 emergency impressed me. The loss of cruise, for now, has been a big blow, but working

closely with its stakeholders, Port Otago has kept the rest of the business going and our wider team safe.

I have also seen the port working hard to urgently understand its climate change impacts and ensure a viable long-term operation. Embarking on a voluntary carbon journey, the port's materiality assessment and carbon footprint work is reassuring. It is encouraging to see strategy being formed.

Another challenge that stands out is the ongoing commercial risk relating to which ports shipping lines will visit.

#### How has an awareness of the material issues affected the Board's plans for the future?

This is an organisation that is laying out plans based on a solid understanding of the material issues. Getting involved in this exciting phase is one of the things that attracted me to the Board. Port Otago has an opportunity to help shift the collective mindset of New Zealand's ports to look through a more strategic lens, mapping the supply chain based on economics, logistics and carbon footprint.

Climate change resilience must also feature in the port's plans. We are a port with a substantial property business and we need to consider how sea level rise could affect property valuations. Even more important is scenario planning on how major weather events will impact port operations.

I like to look at it this way: for a long time now safety has rightly been a non-negotiable issue; what I would like to see is carbon becoming non-negotiable one day.

## Leadership Team



From left: **Stephen Connolly** (Chief Financial Officer), **Craig Usher** (Commercial Manager), **Deanna Matsopoulos** (Supply Chain Manager), **Kevin Kearney** (GM Operations), **Kevin Winders** (Chief Executive), **Gavin Schiller** (Head of Safety), **Sean Bolt** (GM Marine), **David Chafer** (GM Property), **Jodi Taylor** (Executive Assistant) and **Kate Walton** (People & Capability Manager (resigned)).

We have recently appointed two new members to the Leadership Team. **Rachel Pullar** joins us as Head of Digital and **Leigh Carter** as Head of People.

## Managing risk

By its nature, a port business is subject to physical, commercial and market risks. While some of these risks are outside the direct influence of the company, many are not. The physical scale of a port's operational plant and units handled (i.e. shipping containers and bulk goods) means identifying and mitigating safety-related risks is one of the company's highest priorities. Over the past two years, Port Otago has developed an extensive Risk Matrix, which is updated quarterly by the management team. The table that follows summarises these key risks and mitigations.

### Covid-19 ongoing impact

At financial year-end on 30 June 2021, it had been 15 months since Covid-19 had impacted the business. Many of the operational changes made in response to Covid-19 are now business as usual. For example, health and safety processes, standard operating procedures and team dynamics are all stronger. The most significant negative fallout was the complete loss of cruise revenue and this is likely to remain at zero until at least early 2022.

### Board standing committees

Port Otago's Board has three standing committees: the Remuneration Committee, Audit and Risk Committee and a Health and Safety Committee. The Remuneration Committee is responsible for overseeing remuneration strategies and setting remuneration for the Chief Executive and the Leadership Team. The Audit and Risk Committee is responsible for liaising with the company's independent external auditor. The Health and Safety Committee supports the Board in making effective and informed decisions around health, safety and wellbeing.

## Strategic risks

Risk	Mitigations	Related capitals	Related material issues
<b>FATALITY OR SERIOUS HARM</b>			
<b>Loss of life or a serious injury, due to a workplace incident</b>	<ul style="list-style-type: none"> <li>Critical risk bowties are in place for all high-risk activities. There are 23 separate bowties, each reviewed annually.</li> <li>Standard Operating Procedures and Permits to Work are now business as usual.</li> <li>Pre-employment testing and extensive initial and ongoing training.</li> </ul>	<ul style="list-style-type: none"> <li><b>Our team</b></li> </ul>	<ul style="list-style-type: none"> <li>Workforce safety</li> <li>Workplace culture and wellbeing</li> <li>Training and career development*</li> </ul>
<b>SOCIAL LICENCE</b>			
<b>Loss of social licence to operate</b>	<ul style="list-style-type: none"> <li>The port communicates transparently and regularly with its local community, via Facebook (1124 Followers at 30 June 2021), the Port Noise Liaison Committee and local newspapers.</li> <li>Establishment of Port Stakeholder Advisory Panel.</li> </ul>	<ul style="list-style-type: none"> <li><b>Our wider team</b></li> </ul>	<ul style="list-style-type: none"> <li>Community and iwi engagement*</li> <li>Noise*</li> </ul>
<b>An environmental incident - such as an oil spill - originating from port assets and impacting on the harbour and wildlife</b>	<ul style="list-style-type: none"> <li>Regular Fire and Emergency New Zealand exercises provide real-life opportunities to test proposed response plans.</li> <li>Critical risk bowties ensure Standard Operating Procedures are in place for our greatest-impact risks.</li> </ul>	<ul style="list-style-type: none"> <li><b>Our harbour taoka and beyond</b></li> <li><b>Our wider team</b></li> </ul>	<ul style="list-style-type: none"> <li>Health of our wider team</li> <li>Biodiversity*</li> <li>Community and iwi engagement*</li> </ul>
<b>NATURAL DISASTER</b>			
<b>Earthquake or tsunami event</b>	<ul style="list-style-type: none"> <li>Compliance with construction codes for on-land and wharf structures.</li> <li>Up-to-date emergency evacuation procedures in place.</li> <li>Port Otago and Harbour Safety Management systems regularly reviewed.</li> </ul>	<ul style="list-style-type: none"> <li><b>Our harbour taoka and beyond</b></li> <li><b>Our team</b></li> <li><b>Our wider team</b></li> </ul>	<ul style="list-style-type: none"> <li>Workforce safety</li> <li>Health of our wider team</li> <li>Climate change resilience*</li> </ul>
<b>Damage to main power line into Port Chalmers</b>	<ul style="list-style-type: none"> <li>Regular cable integrity tests.</li> <li>Back-up generators tested six monthly.</li> </ul>	<ul style="list-style-type: none"> <li><b>Our assets</b></li> </ul>	<ul style="list-style-type: none"> <li>Wharf capacity and infrastructure</li> </ul>
<b>SUPPLY CHAIN DISRUPTION</b>			
<b>Rail network or State Highway 88 compromised, due to flooding or slip</b>	<ul style="list-style-type: none"> <li>While the events themselves are out of our control, our mitigations include extending our operating hours and facilitating movement of goods onto and off the port via alternative means. For instance, temporarily using the rail network if State Highway 88 is closed.</li> </ul>	<ul style="list-style-type: none"> <li><b>Our wider team</b></li> </ul>	<ul style="list-style-type: none"> <li>Relationships throughout our supply chain</li> <li>Climate change resilience*</li> </ul>

\* Not a top 12 material issue.

## Strategic risks

Risk	Mitigations	Related capitals	Related material issues
<b>ENVIRONMENTAL AND REGULATORY</b>			
<b>Increasing environmental standards for noise, dust and ship particulate emissions</b>	<ul style="list-style-type: none"> <li>Regular noise monitoring and consultation with acoustic specialists.</li> <li>Engagement with our community through the Port Noise Liaison Committee, Facebook and local community newspaper.</li> </ul>	<ul style="list-style-type: none"> <li>Our harbour taoka and beyond</li> <li>Our wider team</li> <li>Our know-how and skills</li> </ul>	<ul style="list-style-type: none"> <li>Community and iwi engagement*</li> <li>Noise*</li> </ul>
<b>Increasing focus on decarbonisation</b>	<ul style="list-style-type: none"> <li>Carbonreduce certification issued by Toitū in May 2021. This will provide baseline measurement for annual assessments.</li> <li>Light vehicle fleet is now fully electric.</li> <li>Investigating hybrid straddle carriers and fuel-efficient retrofits to marine plant.</li> </ul>	<ul style="list-style-type: none"> <li>Our harbour taoka and beyond</li> <li>Our know-how and skills</li> </ul>	<ul style="list-style-type: none"> <li>Innovation</li> <li>Climate change response</li> <li>Climate change resilience*</li> </ul>
<b>CYBER SECURITY</b>			
<b>Cyber attack, disabling servers/ workstations or operational plant and control systems</b>	<ul style="list-style-type: none"> <li>Anti-virus protection, firewalls and network segmentation.</li> <li>Policies and access control systems.</li> <li>Response plans updated regularly.</li> </ul>	<ul style="list-style-type: none"> <li>Our know-how and skills</li> <li>Our team</li> <li>Our financial value</li> </ul>	<ul style="list-style-type: none"> <li>Workplace culture and wellbeing</li> <li>Innovation</li> <li>Cyber security</li> <li>Training and career development*</li> </ul>
<b>INFRASTRUCTURE FAILURE</b>			
<b>Catastrophic failure of infrastructure, such as a wharf collapse</b>	<ul style="list-style-type: none"> <li>Wharves, marine and mobile plant are regularly inspected by Our team and external experts.</li> </ul>	<ul style="list-style-type: none"> <li>Our team</li> <li>Our assets</li> </ul>	<ul style="list-style-type: none"> <li>Workforce safety</li> <li>Wharf capacity and infrastructure</li> </ul>
<b>Ship blocks harbour's main channel</b>	<ul style="list-style-type: none"> <li>The highly-skilled Pilots who navigate ships into the Otago Harbour undergo regular simulation training and external assessment.</li> <li>The Harbour Passage Plan includes tidal schedules, berthing manoeuvres, minimum manning levels and standard communication requirements.</li> </ul>	<ul style="list-style-type: none"> <li>Our assets</li> </ul>	<ul style="list-style-type: none"> <li>Shipping volatility in our supply chain</li> </ul>
<b>OPERATIONAL FAILURE</b>			
<b>Drugs entering the community via our border</b>	<ul style="list-style-type: none"> <li>Our security team assesses the likelihood of contraband entering the port against every vessel arrival.</li> <li>The team works closely with government agencies to continually improve our security vulnerability and threat assessments.</li> </ul>	<ul style="list-style-type: none"> <li>Our wider team</li> </ul>	<ul style="list-style-type: none"> <li>Health of our wider team</li> </ul>

\* issues listed here are not in the top 12 material issues.

Risk	Mitigations	Related capitals	Related material issues
<b>COMMERCIAL LOSS</b>			
<b>Customer business change, disruption or closure</b>	<ul style="list-style-type: none"> <li>Regular engagement to understand our customers' issues and opportunities.</li> <li>Work in partnership with our customers, communicating changes quickly and directly.</li> </ul>	<ul style="list-style-type: none"> <li>Our wider team</li> <li>Our financial value</li> </ul>	<ul style="list-style-type: none"> <li>Relationships throughout our supply chain</li> <li>Financial returns</li> <li>Growth</li> </ul>
<b>Reduction in number of shipping services</b>	<ul style="list-style-type: none"> <li>Strategic engagement with customers to ensure volume.</li> <li>Regular engagement with shipping lines to ensure we remain an attractive option, conscious of our additional cost to service.</li> <li>Managing cost base to minimise increases in operational expenses.</li> </ul>	<ul style="list-style-type: none"> <li>Our wider team</li> <li>Our financial value</li> </ul>	<ul style="list-style-type: none"> <li>Relationships throughout our supply chain</li> <li>Financial returns</li> <li>Growth</li> <li>Shipping volatility in our supply chain</li> </ul>
<b>Impact of a pandemic</b>	<ul style="list-style-type: none"> <li>Regular and open communication with Our team and Our wider team.</li> <li>Procedures to protect the health of Our team and Our wider team are still in place, post Covid-19 Levels 3 and 4.</li> <li>Improved and updated pandemic response plan, post Covid-19.</li> </ul>	<ul style="list-style-type: none"> <li>Our team</li> <li>Our wider team</li> </ul>	<ul style="list-style-type: none"> <li>Workforce safety</li> <li>Effective leadership</li> <li>Relationships throughout our supply chain</li> <li>Health of our wider team</li> <li>Workplace culture and wellbeing</li> </ul>
<b>Increasingly regular extreme weather events impacting our customers</b>	<ul style="list-style-type: none"> <li>While out of our control, our mitigations include open lines of communication with our customers, so we can respond quickly to minimise disruption to customers' and our own businesses.</li> </ul>	<ul style="list-style-type: none"> <li>Our wider team</li> </ul>	<ul style="list-style-type: none"> <li>Relationships throughout our supply chain</li> <li>Climate change resilience*</li> </ul>
<b>Increasing price of construction, due to Covid-19</b>	<ul style="list-style-type: none"> <li>Increased contingency allowed for in construction estimates.</li> </ul>	<ul style="list-style-type: none"> <li>Our financial value</li> </ul>	<ul style="list-style-type: none"> <li>Financial returns</li> <li>Growth</li> <li>Property business</li> </ul>
<b>EXTERNAL EVENTS</b>			
<b>New Zealand-origin biosecurity breach, such as Foot and Mouth disease present in national herd</b>	<ul style="list-style-type: none"> <li>Our team is Ministry for Primary Industries trained and certified. Our response plan would be actioned, in co-ordination with MPI.</li> </ul>	<ul style="list-style-type: none"> <li>Our wider team</li> </ul>	<ul style="list-style-type: none"> <li>Biosecurity</li> </ul>
<b>Terrorism activity directly impacting on port operations</b>	<ul style="list-style-type: none"> <li>We operate to international and domestic port security codes.</li> <li>Our security team undertakes anti-terrorism inspections both above and below our wharves. This is done randomly - often prior to an international vessel arrival or upon suspicion.</li> <li>Port Protection Officers and processes in place to prevent unauthorised access of persons, vehicles or freight onto our sites.</li> <li>Wharves are fully fenced and single entrance/exit ports are controlled and monitored through CCTV.</li> <li>Maritime NZ conducts annual security assessment.</li> </ul>	<ul style="list-style-type: none"> <li>Our wider team</li> <li>Our team</li> </ul>	<ul style="list-style-type: none"> <li>Workforce safety</li> <li>Health of our wider team</li> </ul>

Capital #1:

# Our team

## Our priorities



Workforce safety

Workplace culture and wellbeing

Effective leadership:  
See *Governance and leadership* on page 34

Innovation:  
See *Our know-how and skills* on page 80

## Our value creation



- A safety culture where our people look out for each other in a high-risk environment so that everyone goes home safely.
- Employees who are proud to work for the port, some staying with us for their entire career.

## Work ons

- Workplace culture
- Wellness strategy

## Key metrics



### TRIFR:

2020/21 = 10.5  
- close to the 2023 target of 10  
2019/20 = 22.7



### Average number of days lost to an LTI:

2020/21 = 4.7 days  
2019/20 = 4.6 days



### LTI:

2020/21 = 3  
2019/20 = 11



## Our stakeholders told us...



"Step back and think about people development, from the Cargo Handlers to the Leadership Team, and consider how we are preparing our up-and-coming leaders."

**Tim Gibson**  
Board member  
Port Otago



# Our people have worked hard to keep things moving

**"You can't have a good workplace culture without an effective leadership team and Port Otago must continue to build on what has been put in place."**

**Francisca Griffin**  
Chair  
West Harbour Community Board

The safety of our team remains our number one priority. Workforce safety took on a new meaning this year. Covid-19 meant that keeping people safe extended from our team at the port to our wider team in the broader community. A big responsibility for our team, resulting in long and unpredictable hours. Disruption to shipping continues to cause congestion, and we are proud of how our team continues to rise to the challenge, but we are keeping an eye on fatigue. At the end of the day, it is down to our team that we are *on our way*.

The number of Lost Time Injuries (LTIs) is improving every year, but in 2019/20 it was too high at 11. The total LTIs for 2020/21 is much better at 3 for our team of 300 (at 30 June 2021), but we think it is still too high. Our customers and partners reminded us to make sure our team meets the safety standards expected of our stakeholders.

Workplace culture remains a material issue for the port but we are *on our way* to improving it. Progress was made during the year with the new office building design, to bring the whole team together and build a better culture. Paul Rea, Chair of the Port Otago Board, highlighted that: "The port's priorities can't be achieved without an organisation that is co-operative and motivated."

Steps in the right direction for our team this year included the Safety Rūnaka road trip, Visual Safety Leadership conversations becoming business as usual and the launch of a cadet programme.

Interviewing more internal stakeholders - Board members, Leadership Team and other key personnel - as part of the materiality process greatly enhanced our understanding of material issues, as seen from inside the company. You will see quotes from team members in this report, as well as external stakeholders.

**"We experienced two or three near misses during the year that could have been awful. I see it as the Board's role to step back with the Leadership Team and consider the reasons why these occurred and how we can prevent them in the future. LTIs and MTIs are falling but we're not yet close enough to global standards."**

**Paul Rea**  
Chair  
Port Otago Board



**MATERIAL ISSUES:**

**Workforce safety**

- Continuing our culture where workforce safety is the number one priority.

- Our team looks out for each other so that everyone goes home safely.

**Workplace culture and wellbeing**

- Building a workplace over time that listens to every member of our team.
- Prioritising mental wellbeing, valuing our diversity and everyone's contribution, true teamwork, accessible leadership, open and honest communication and great facilities.

**Effective leadership**

Covered in Governance and leadership, see page 34.

**Innovation**

Covered in Our know-how and skills, see page 80.

**WORK ONS:**

**Workplace culture** ✓

- New office building designed to bring everyone together to build a better culture.
- Increased engagement of the Board, management, unions and others via the Rūnaka.
- Safety representatives and frontline health and safety leadership training.

**Wellness strategy** —

- Improved work patterns to provide a better work life balance.
- Company medical insurance for all staff.

**Workforce safety**

**Positive trends in key injury stats**

The Total Recordable Incident Frequency Rate per 1 million hours worked (TRIFR) is an industry standard metric which combines LTIs, Medical Treatment Injuries (MTIs) and any other disabling injuries. In line with industry best practice, the Port Otago Statement of Corporate Intent October 2021 has a 2023 target of less than 10. We recorded a rate of 10.5 this financial year - less than half the 2019/20 rate, but there is still room for improvement.

Over the past 12 months, Port Otago saw positive overall trends in its key injury measures.

Lost Time Injuries (LTIs) fell 73% from 11 down to 3.

The injury severity rate - which measures the average number of days lost per incident (the lower the number, the less severe the injury) - was static at 4.7, compared to 4.6 the previous year.

**Bowties performing for business**

Port Otago was one of the country's first ports to use the bowtie risk assessment method to manage its catastrophic and critical risks. Bowtie risk assessments are widely used in other sectors, but have not been a common tool in the port industry. The method involves identifying an extreme-risk event; this forms the central point of the bowtie diagram - the knot. Then all the possible threats and threat preventative barriers/controls are grouped to the left and the post-event mitigation barriers are grouped to the right. Risk and Compliance Partner Adam Smith explains how Port Otago is using bowties.

**Why did Port Otago opt for the bowtie method?**

Identifying and managing critical risks is essential for ensuring our workplace is as safe as it can be. The bowtie method is recommended

by WorkSafe and allows us to visualise risks in an easy-to-understand way, while also being very detailed.

**The initial bowtie assessments were completed last year. How often do you review them?**

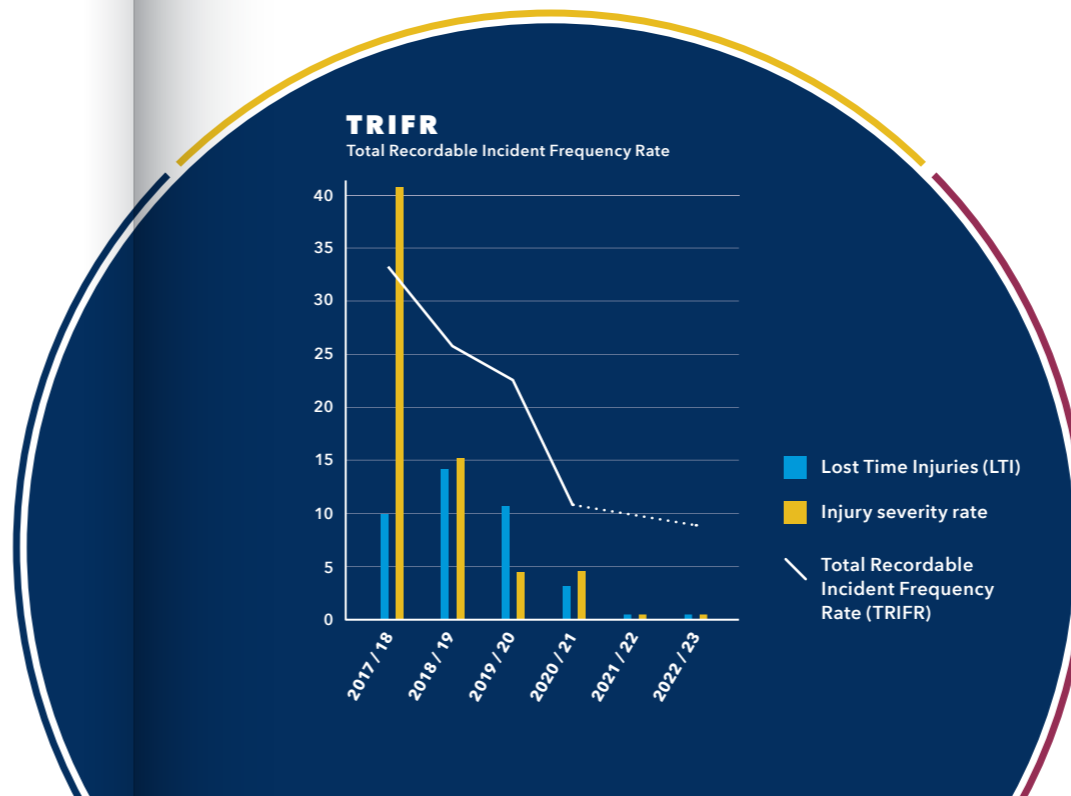
We have now done a complete review of all 23 of our critical risk bowties. Each desktop review takes several workshops, to confirm that we have the controls to mitigate and eliminate critical risks. Once completed, I undertake critical risk audits, which involve getting out with the teams and validating the controls are in place and are effective. It's also a great opportunity to engage with the teams on their ideas for further improvements on aspirational controls we can implement to reduce risk.

**Do you ever drop or add critical risks?**

Critical risks don't drop out of the system unless that risk is no longer applicable in our workplace. New risks can be suggested by anyone and are put to our safety representatives and Leadership Team to determine if the risk is classified as "critical" - i.e. an event that can cause death or serious harm.

**Are these risks/bowties ever audited externally?**

Currently, our bowties are only audited internally by the Port Otago Safety Team. However, we share our bowtie findings with industry peers and plan to extend our audit processes to include regular external peer reviews.



### Permit system providing critical risk checks and balances

A best practice Permit to Work system is helping Port Otago better manage critical risks, by ensuring more rigorous control.

We had previously operated several different Permit to Work processes in different parts of our business. The new Permit to Work system operates identically across the entire business, reducing the opportunity for misunderstandings between work groups.

Project Manager Justin Wilson says there are currently 13 different

permits, including working at height, excavation, special crane lift, confined space entry, and hot work.

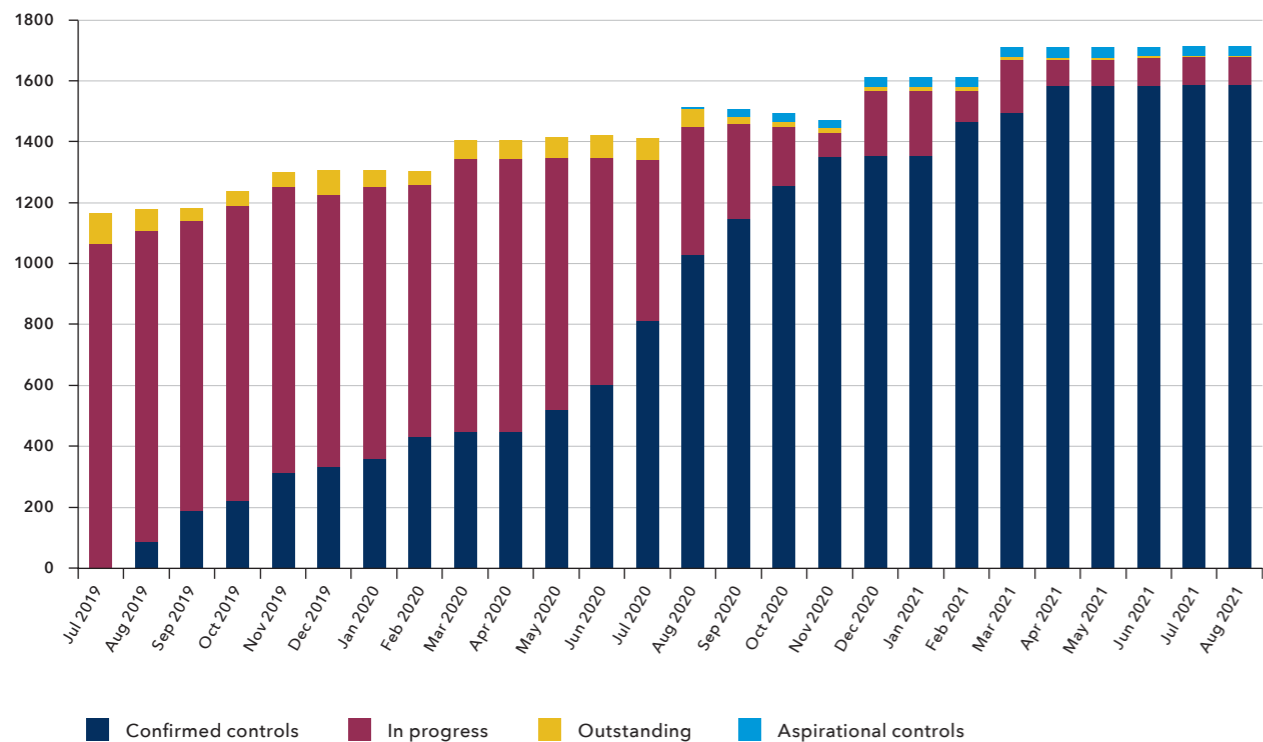
"We issued and closed 435 permits during 2020/21 - the first year of this new system. That's a good number and potentially means extra scrutiny and controls were in place for 435 individual high-risk tasks.

"This suggests that the training roll-out was a success and that people across the business are identifying when permits are required in their respective work areas."

What next?  
"We are establishing regular audits of the completed permit documents on our online Permit Register. In that way, we can provide feedback to users of the system and support them to develop their permit and Job Safety Analysis skills, as our system matures."

Where more than one permit is required for a particular job, a master permit must be obtained so that each high-risk job can be carried out in a co-ordinated and controlled way.

### Progress Critical Risk controls



### Straddle maintenance safety improvements

Maintaining our container terminal straddle carriers holds plenty of "working at height" risk, with the three-high straddles being 11 metres high, while the four-high straddles are 14 metres.

While the maintenance building was already fitted out with access stairs, platforms and catwalks for straddle maintenance, there was room for safety improvements. The maintenance team worked with Action Engineering to remodel the arrangement and add direct machine access platforms. Maintainers now carry their tools, spare parts and equipment up a stairwell to the top of the machines, rather than using the straddle's ladder.

The new set-up includes smart technology that recognises if a straddle is parked hard up against the platform and the access gate will only unlock if the straddle is in the correct place. There is also a clever set-up for helping the straddles park firmly against the platforms. Because of their height, the straddles rock back and forth when they brake, which makes precision parking hard on the straddles and the building. The platforms are therefore spring-loaded, so the straddle can nudge up against them.

**Pictured:** Maintenance Manager Matt Eves (left) and Mechanic Ron Lee.



### Terminal safety improvements completed

Over the past year, \$1 million was spent on pedestrian vs machine safety improvements at the Port Chalmers Container Terminal. The work included reconfiguring the port entrance, so there is now a single entry/exit point for visitors, light vehicles and road trucks coming onto the working port.

An area in front of the main office that was previously allocated to chilled container storage was repurposed to create dedicated vehicle lanes. A light vehicle lane now keeps smaller vehicles clear of large trucks. Directional arrows guide truck drivers through the terminal and pipe rail fencing ensures truck twist lock handling is carried out safely.

The work also further separated the activity of mobile plant working in the chilled container storage area from terminal traffic using the new lanes.

## Workplace culture and wellbeing

### Insights gained during Rūnaka roadie

In May 2021, our Safety Rūnaka – made up of Port Otago’s Health and Safety Representatives – hit the road. One group headed north to OceanaGold Macraes’ heavy vehicle workshop, while another team headed south to Pan Pac Forest Products’ Milburn dry mill (pictured) and Calder Stewart’s steel factory.

The roadie was about observing how other industries manage safety and critical risks. Our teams were able to observe everyday tasks that carry elements of risk, and see how other industries manage their safety risks.



### About the Rūnaka

The Rūnaka was formed in 2017 and is our company-wide platform for discussions around strategic-level health and safety matters.

It has up to 45 members – drawn from across the company’s different teams and including union representatives and company directors. The Rūnaka meets monthly

to set safety-related short and longer-term goals.

Examples of Rūnaka initiatives include new safe walkways at our timber warehouse, the road interchange redesign (see story page 51), side loaders being fitted with fire suppression units and the introduction of new lashing cages.

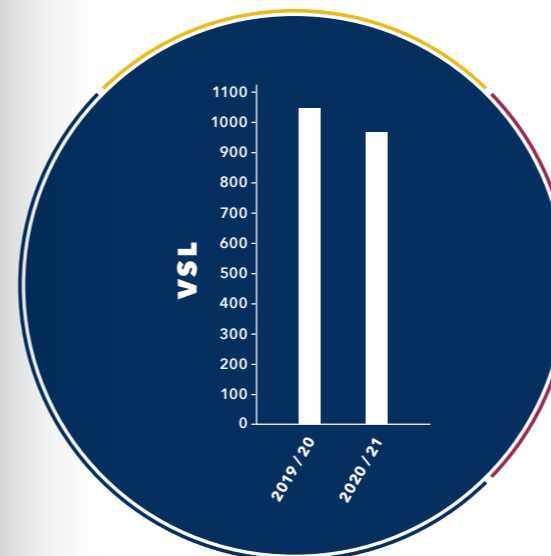
While the focus is firmly on safety, the value created by the Rūnaka sits squarely in workplace culture. It brings all parts of the organisation together to work collectively on our top priority, which contributes to exactly the sort of culture we hope to build.

### Visual Safety Leadership now embedded

Three years ago, Port Otago’s Leadership Team introduced a new safety leadership programme based on the “felt leadership” concept. Called Visual Safety Leadership (VSL), it required all 10 members of the Leadership Team to get out into the business at least once a week and have positive conversations with people about where the company could make safety improvements.

A year into the process, VSL training was rolled out to our frontline managers. Now, VSLs are an everyday occurrence across all levels of the business.

Head of Safety Gavin Schiller says VSLs have helped shift the culture around positive safety conversations. “Three years ago, people were defensive and preferred not to draw attention to safety issues. Now, many are confident to step up, point out a potential risk and often also provide the solution. The success of the VSLs has exceeded my expectations. It’s a good place to be.”



Gavin says the stats do not tell the whole story. “VSLs are so commonplace now that we have got a little complacent in our recording. But as long as the safety conversations are happening, it’s a complacency I can easily live with.”

Planning and Control Manager Dene McBride was an operations supervisor when VSL training was introduced. “I was a little sceptical at first, but the training gave me a structure and the confidence to have potentially awkward conversations with the team. At first people were suspicious, but that suspicion is gone. They know there’s no hidden agenda.” This is helping to build the right workplace culture.

Dene says VSLs also keep people more focused on their job. “They keep safety front of mind – noticeably so. When a quick decision needs to be made, people’s heads are more in the game and they’re much more likely to make the right call.”

Feedback from contractors is positive. “They understand why we have VSLs and appreciate that it’s a platform they can also use to raise any issues.”

Dene says follow-through is essential. “You must act on any issues raised. It may be that you can’t do anything, but you must investigate and act where possible or the system falls over.”

### Cadet programme

Following on from 2019 Collective Employment Agreement discussions with unions, Port Otago introduced a cadet programme, as an entry-level opportunity for young people to explore a career in port logistics.

Positions in the two-year Port Logistics Cadet Programme are paid, full-time, structured and mentored. Cadets rotate around our Supply Chain, Operations, Safety and Commercial teams.

Our first cadet, Doultton Tosh – pictured (left) with MDF/Timber Warehouse Team Leader Darren Hodson and Supply Chain Manager Deanna Matsopoulos – started in March. “I’m excited to be working across many different areas to gain a good overall understanding of the operation, and meet a variety of people throughout the different roles.”



### Changes made to reduce risk

The unions were instrumental in challenging old ways of working and moving the company to a new norm around working hours and managing fatigue.

Chief Executive Kevin Winders says the unions pushed hard to reduce hours worked and to start actively managing fatigue. "We listened and acted. As a result, we learnt a lot over the last 12 months. We reduced hours worked and addressed the peaks experienced during the previous year, when some of our team worked 70 hours some weeks and 14-hour days were not uncommon."

Dr Matthew Thomas is one of Australia's leading scientists in the field of Human Factors and safety management in high risk work environments. Matthew has worked with our Fatigue Management Working Group - a mix of leadership and union representatives - to understand our risk and work to reduce fatigue, and

allocate shifts and overtime fairly. Our investment in TimeTarget has provided fatigue data to enable Matthew to independently analyse and report back to the group.

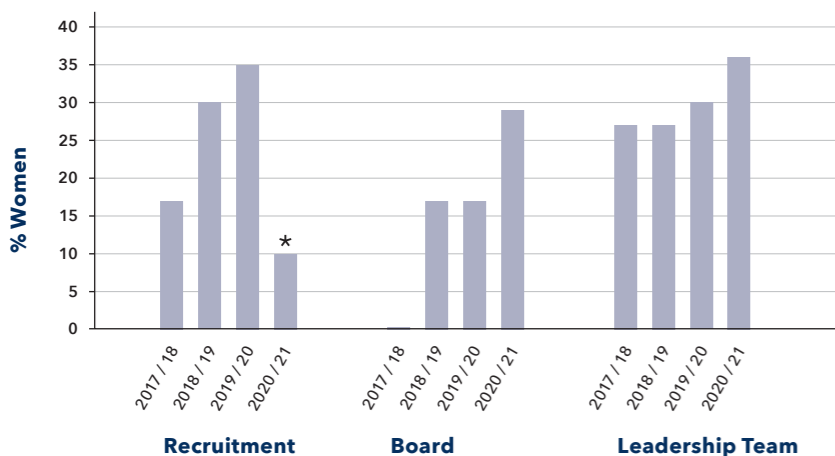
"The FAID fatigue assessment score has improved dramatically and, in the last quarter of 2021, we achieved a condition green score (low risk) of 99.1 per cent of all hours worked for our Cargo Handlers."

Over the past 12 months, Cargo Handlers averaged 40.6 hours per week. The most hours any individual worked was 58 hours.

"There is still plenty of work to do around evenly allocating rosters to spread short shift changes across the whole team, but it's improving each month."

Alongside changes at the coalface, an internal fatigue training course was established for all staff to attend. To date, 273 (92 per cent) have completed the training.

### Gender diversity



\* Overall recruitment was significantly affected by Covid-19's impact on the business, with only 29 new hires during 20/21, compared to 62 the previous year.

### Smokefree continues to make impact

As a smokefree workplace environment, Port Otago promotes a culture where a smokefree environment is the norm and we encourage staff who do smoke, to become smokefree.

This is the third year the company has been involved in the six-week Smokefree programme - providing a space during work time for participants to support each other. To date, six people have been through the programme, with participants quitting or drastically reducing.

Most recently, two employees - Rah and Sen - teamed up with coach Jade Fraser from Southern Stop Smoking in their quest to become smokefree.

Rah: "I used to smoke 25-30 cigarettes a day. I've now dropped down to one and I'm on my way to quitting altogether. Jade provided heaps of information relating to health benefits and issues that smoking causes long-term. This helped keep me on track. I no longer have my morning coughing sessions and I can taste food again. The carbon dioxide levels in my lungs have decreased massively and I'm now back in the healthy range."

Sen: "Persistence and motivation are the key for me to better living and a better-quality life. There has been a major decrease in cigarettes for me. I am now very mindful before I pick one up. I am working on eliminating cigarettes altogether - almost there!"

### Looking out for his fellow workers

Union stalwart Phil Adams (pictured with wife Barbara at his farewell) retired in April, after 45 years working in the port industry and 43 years active in the Watersider Workers' and Maritime Unions.

Phil was a fitter in the Port Chalmers dry docks and, when they closed in 1975, the 21 year old started working for the Waterfront Industry Commission.

Over the next three decades, he learnt every job on the container terminal, bar driving the ship-to-shore crane. Eighteen years ago, Phil became one of the port's controllers, responsible for container movements in the terminal yard.

But his real passion has always been looking out for his fellow

workers. Phil worked his way up the union ranks and was appointed National President of the Maritime Union of New Zealand (MUNZ) in 2003. While he loved the job, it was unsustainable on top of full-time work and he stepped down in 2007. Phil remained active locally, acting as Port Chalmers Branch Secretary from 1995 right up until his retirement.

"Being a cargo handler is a well-paid job, with good conditions, including the super and medical schemes. I saw my role as looking after the people who were struggling - and I'm proud of that fact. I'd like to be remembered for doing my best for everyone."

Phil is also proud of his 1990s' initiative to introduce a cadetship. It is worth noting that the company has just re-introduced this programme and is once again recruiting for cadets, 25 years later.



## Strategy for a better business

### Goals for our team

- Develop a culture where workforce safety is the number one priority and our team looks out for each other so that everyone goes home safely.
- Build a workplace where the wellness of our team is supported through teamwork, accessible leadership, and open and honest communication.

### SDGs to which we will contribute

This year, as part of the materiality process, we asked stakeholders for their views on the top five SDGs to which Port Otago can contribute. For our team, these are the focus:

-  **SDG3 Good health and wellbeing.**
-  **SDG8 Decent work and economic growth.**

*SDG4 Education* and *SDG5 Gender equality*, while not emerging as material for the port, will not fall off our radar.

\* More information on the SDGs can be found via this link: <https://sdgs.un.org/goals>

## Capital #2:

# Our wider team

### Our priorities



Relationships throughout our supply chain

Health of our wider team

### Our value creation



- A good neighbour to our community and iwi, respecting what is important to them for our social licence to operate.
- A strong central link in the value chain, connecting our customers, partners and suppliers from the lower South Island to the world, for mutual growth.

### Work ons

Customer relationships

### Key metrics



#### TEU volume:

2020/21 = 174,800  
2019/20 = 191,900



#### Logs volume:

2020/21 = 1.19mT  
2019/20 = 0.89mT



#### Container and bulk cargo vessel arrivals:

2020/21 = 430  
2019/20 = 476



#### Gross crane rate:

2020/21 = 26.2/hour  
2019/20 = 25.5/hour



### Our stakeholders told us...



“No one knows what risks are around the corner anymore. But with an accessible leadership team, a fast response time can be achieved, going a long way to mitigating risks for customers.”

**Peter Dynes**  
Managing Director  
Dynes Transport

# We can achieve more together than we can alone

*Pictured:*  
**Des Smith**  
Te Rauone Beach Coast  
Care Committee

Customers appreciated the improved communication from Port Otago over the past year. We did our best to keep everyone up-to-date on the good news and the bad. Brendan Miller, GM Supply Chain, Fonterra, articulated how important this is: “We need to “buffer the shocks” for everyone in the supply chain and the best way to do that is for the port to understand where the constraints are and communicate them.” While there is always room to improve, we are *on our way*. More proactive long-term planning for mutual growth was a recurring theme in the port’s conversations with customers, partners and suppliers. We need to make time for planning, as well as dealing with the day-to-day. Covid-19 forced us all to take one day at a time. But we still need to have an eye on the future.

In Our assets on page 88, we report on the ongoing issue of shipping disruption. We could be more proactive in our relationships with the shipping lines. There is room to share more information on plans for the future, our work on sustainability and opportunities to work together. Tom Campbell, a member of the Port Otago Board, reminded us of how we need the shipping lines to view the port: “We need to make the port the one the shipping companies WANT to visit - the leanest, most efficient port to visit.”

Steps in the right direction for our wider team this year included a strategic visit by the Board and members of the Leadership Team to southern customers over two days during May 2021. Another is our team managing cargo acceptance daily (rather than weekly) to help off-set Covid-19 disruptions.

Sadly, Covid-19 is not going away. As a major potential entry point for the virus, the harbour and the port present a risk to the health of our wider team. Port Otago is proud of how the team managed this risk. Craig Leishman, Head of Logistics at Danone: “The port has very thorough processes in place, going out to meet ships and keeping us all safe from Covid-19.” On this material issue in particular, the port will continue to uphold this highest standard and never “take our eye off the ball”.

**“The Port Otago of today demonstrates more commitment, humility and connection with the community than ever before.”**

**Edward Ellison**  
Upoko  
Te Rūnaka o Ōtākou

**MATERIAL ISSUES:**

**Relationships throughout our supply chain**

- Building strong collaborative relationships throughout our supply chain, with our customers, partners, suppliers, peers and government to better understand them.
- Treating them all equitably, communicating effectively, measuring progress and planning for a future with resilient and sustainable growth.

**Health of our wider team**

- Demonstrating agility to play our part in preventing and responding to public health issues, such as Covid-19.
- Acting quickly and effectively with others, to protect our workers, partners, customers, suppliers and the public.
- Communicating regularly on what is happening, providing leadership and resetting for the future.

**WORK ONS:**

**Customer relationships**



- Regular communication on shipping disruption and wharf capacity impacted by Covid-19.
- Working with customers on proactive planning for future growth.

**“In the same way that the port works with customers, it is important to build day-to-day relationships with iwi, as well as strategic plans for the future, acknowledging them as a critical partner.”**

**Tim Gibson**  
Board member  
Port Otago

**Relationships throughout our supply chain**

**Finding new ways to keep things moving**

While our bulk business had a record year, the container business grappled with significant challenges.

The 2020/21 peak season was particularly difficult, due to Covid-19's continued impact on world shipping schedules. There were fewer vessels on the New Zealand coast to export cargo to market and the regularity of vessel calls was patchy. Some weeks, several ships would arrive into port, then no ships during other weeks. On top of that, containers were in short supply all season.

Customer feedback, however, indicates that our team did a good job communicating shipping schedule changes with customers as quickly as possible.

Port Otago Commercial Manager Craig Usher says customers understood that it was the big shipping lines that decided whether and when to visit. “It is a concern when ships are not coming on a weekly basis as they should as this causes congestion in our container terminal. It is also challenging to match up our labour with the peaks and troughs of shipping exchanges. On a positive note, the port, customers and partners in the supply chain all had to pull together to find solutions to keep product moving.”

**Examples of how we kept things moving**

- Port Otago began managing cargo acceptance daily – rather than weekly – from February 2021, in response to the disrupted shipping schedules.
- Good communication and a co-operative relationship with other partners – particularly Icon Logistics and Dynes Transport – allowed Port Otago to help find valuable off-dock storage space during peak season. Craig: “Customers appreciated how we scrambled to find extra space and accommodate extra loaders to get product to market. In the case of Fonterra, they were well behind the tonnage plan for shipping in December. By working with other partners, we were able to reduce that down to an acceptable tonnage by June and continued to reduce up until their balance date of 31 July.”
- Port Otago requested additional capacity be brought into Port Chalmers during the peak season to assist with the demand and backlog. The Kota Laris arrived in March and Northern Diamond in June. Craig says both arrivals were the result of an opportunistic query by Port Otago, then some swift schedule

manoeuvring to make the most of it. “In the case of the Kota Laris, when we became aware she was on the coast and wasn't fully laden, we worked with Kotahi and Maersk to get her into Port Chalmers the very next day. It meant a significant amount of documentation rework for our team and customers, but was well appreciated by everyone. About 300 full export containers were moved off the terminal, freeing up desperately needed space at Port Chalmers, and customers were delighted to see product heading to market. It was a credit to our wider operations team – that they worked quickly and with great skill to make both these shipments happen within extremely short timeframes.”

- Fonterra's South Island Operations Manager 3PL Craig Pannett: “It's been a year that threw up challenges at short notice for us in the South Island. Port Otago really stepped up and reacted with a real professionalism. For example, working Saturday and overtime when needed, finding packing capacity solutions at short notice and working with us to maximise vessel space.”

## Health of our wider team

“The port has shown a lot of care throughout the pandemic, managing their Pilots and the team around them really well.”

**Steve Rushbrook**  
Harbourmaster  
Otago Regional Council

### Working alongside Covid-19

Covid-19 has improved the way we work. Our already robust operating procedures – which reflect our status as a border entry point – are now even stronger.

Covid-19 testing, tighter PPE guidelines, daily temperature checking and greater distancing on ships – these are all now business as usual.

#### Interactions with ship crews

Since the outbreak of Covid-19, Port Otago has continued to improve our protocols for staff boarding vessels, regardless of alert level, and these have become the latest standard operating procedures. All staff going onto ships – Cargo Handlers and Pilots – use full PPE and work well away from the ship’s crew.

Ships entering the harbour must declare to New Zealand’s health authorities that they are Covid-19 free, before a Pilot will board the ship. Pilots also wear goggles, as an additional level of protection, given their position on the bridge.

If crew on ships show Covid-19 symptoms, they are tested before any Port Otago staff go on board. This has occurred only once to date and Ministry of Health staff were escorted to the ship, carried out the test, and the ship was only piloted in after a negative test result came back.

Credit must go to the Marine Union of New Zealand (MUNZ) executives – including Josh Greer (pictured) – who actively encouraged members to get vaccinated. Their support has been much appreciated.



### Metrics

Percentage of Port Otago 1(a) (frontline border workers) vaccinated at 30 September 2021:

100%

Percentage of all Port Otago team fully vaccinated at 30 September 2021:

over 90%

### Pre-qualification gains steady momentum

Under the Health and Safety at Work Act 2015, PCBU\*s have a “primary duty of care” for the health and safety of their workers – that is, they must ensure, so far as reasonably practicable, that the health and safety of workers and other people is not put at risk by their work.

Port Otago’s pre-qualification – or “pre-qual” as it is known – is a vital step in our overall process of selecting, engaging and managing a safe working environment for everyone.

Since its introduction in June 2020, 78 of our business partners have completed the pre-qual process.

Pre-qual Administrator Adam Smith: “Due to the somewhat higher-risk nature of our port industry, it is important our business partners are just as committed to safety as we are. Pre-qual demonstrates that our business partners have good systems in place and are capable of working safely in our environment.”

Pre-qual involves contractors accessing a customised cloud portal called Vault and submitting documentation, including a health and safety plan and relevant company procedures. They are then granted access to relevant parts of the port, accordingly.

“For instance, if an electrician is working on site, we need to know about their energy isolation procedures to ensure they are robust and as safe as possible.”

\*PCBU = Person conducting a business or undertaking

### Volunteering with our wider team

Across the organisation, many individuals are involved in voluntary roles related to their professional life. Their unselfish input strengthens the underlying foundations of three of the capitals: Our team, Our wider team and Our know-how and skills. These people make our community and industry better, safer places. For our part, we support them by freeing up their time to volunteer, where it is at all possible.

#### Here are some of our people:

- Marine Service Operator **René van Baalen** volunteers about two hours every week as a Coastguard Dunedin Unit Skipper. René (right) is pictured with Coastguard Instructor **Brooke Archbold** after his successful recertification assessment in June. **Alex Wakefield** – also from the Marine team – is another regular with the Coastguard crew.
- Process Improvement Leader **Ben Mulvey** is a volunteer with Land Search and Rescue – LandSAR – in Dunedin.
- Cargo Handler **Stephen Gosling** volunteers with AREC (Amateur Radio Emergency Communications), which supports Land and Marine SAR during rescues. Stephen also runs Comm2Tech – a charity involved in community computer literacy training.
- Head of Safety **Gavin Schiller** and Cargo Handler **Stella Te Maiharoa** are firefighters with the Port Chalmers Fire and Emergency (FENZ) team.
- Sustainability Manager **Carolyn Bennett** is a first responder with St John Ambulance.
- General Manager Marine **Sean Bolt** chairs the Port and Harbour Safety Code (PHSC) working group, made up of representatives from Maritime New Zealand, regional councils and the country’s ports. The code is a voluntary national standard and exists to ensure the safe management of ports and harbours in New Zealand.





### Port security impresses

Maritime New Zealand selected Port Otago as one of the country's stand-out ports to receive a visit from three senior officials from the US Coast Guard's International Ship and Port Security (ISPS) Programme.

The programme was established in 2003 to help individual countries implement the ISPS Code - an internationally-accepted blueprint for maritime security measures.

Port Security Manager Kerri McIvor says reciprocal port visits facilitate discussion and enable best practices to be shared. "It's important that we continue to align our understanding of the best, most practical and cost-effective means to reach countries' mutual goal of securing a global maritime transport system.

"It was therefore flattering to be one of the chosen ports by Maritime New Zealand, for the US Coast Guard visit."

Maritime New Zealand Security Advisor Craig Cheriton was not overly impressed when he visited Port Otago three years ago and his subsequent review of our security system at the time made for uncomfortable reading. This time around - having addressed a long list of issues requiring attention - we were held up to the US team as a best practice New Zealand port.

Craig: "It was a very positive meeting. A lot of attention was paid to some of the new initiatives put into action recently. Ideas like using the cruise terminal for Covid-19 inoculations and the way the port responded to Covid-19 measures in New Zealand were well received.

"They were impressed with Kevin (Chief Executive) saying he was more interested in the feedback about what they found wrong rather than what they were doing well because that is one of the best ways to learn how to improve."

Craig says the port tour reinforced to the US Coast Guard team that things are done well at Port Otago.

## Community and iwi

### Jetty named "Warren Lewis Fishing Jetty"

The Boiler Point Fishing Jetty now has a proper name: **The Warren Lewis Fishing Jetty**.

On 9 June, Dunedin Mayor Aaron Hawkins unveiled the name plaque during a ceremony on the jetty itself.

Avid fisherman Warren (pictured) is a long-time advocate for community access to the Otago Harbour and was a key driver behind the jetty's construction in 2019.

He was on the Port Environment Committee for 21 years and lobbied hard for a community fishing jetty.

Port Otago Chair Paul Rea said the company always intended naming the structure something more exciting than the Boiler Point

Fishing Jetty, once the project - which included the walkway upgrade and new public toilets - was complete. "We turned our minds to naming the jetty and, when you looked back on the history of the project, Warren's name kept coming up as the person who hounded Port Otago through direct engagement, the consent processes and via the Port Environment Committee. He just didn't let up! In discussion with community leaders, iwi and our board, there was universal support for our choice. We are proud to name the structure the Warren Lewis Fishing Jetty."

Warren's marine-related voluntary

work spans decades. He served 28 years on the Ministry for Primary Industries' South East Recreational Fishing Forum. He's a life member of the New Zealand Recreational Fishing Council and former member of the New Zealand Sport Fishing Council. His other great passion is Marine Search and Rescue and Warren was last year awarded his 40-year service certificate.



### Te Rauone Beach restoration work begins

Work to build three breakwater groynes off Te Rauone Beach has begun.

The Te Rauone Beach Coast Care Committee, Te Rūnaka o Ōtākou and Port Otago, have been working together for 10 years, with the goal of restoring and developing the beach amenity.

Central to the restoration is construction of three rock groynes, running perpendicular to the beach. Each of the engineered groynes will extend up to 90 metres from the shore out into the harbour, and require about 15,000 tonnes of rock in total.

Local civil engineering company SouthRoads won the tender and completion is scheduled for December, subject to weather. While the total project cost is \$3 million, the SouthRoads contract is for the groynes' construction only. Port Otago's marine plant will carry out the sand renourishment component, early next year once the groynes are built. This is expected to take another three months.

Chief Executive Kevin Winders: "It's incredible to think that, after 10 years of paperwork and consultation, we are seeing some action."

"While Port Otago is leading the works programme, it's the men and women of the Te Rauone Beach Coast Care Committee and Te Rūnaka o Ōtākou who have actually made this happen. They have spent a decade and countless hours of their own time to ensure this project comes to fruition. It's appropriate that Port Otago supports this project and helps them see it through. Once completed, our harbour taoka and wider community benefit."

Te Rauone Beach Coast Care Committee member Des Smith says the committee is delighted this massive part of the job might be done by Christmas. "To think we could be enjoying the new beach by mid next year - it's wonderful news for the committee, our friends on the peninsula and the wider Otago community. Hats off to the Port Otago team members who have toiled away to get us this far."

### Port and Maritime Museum partner for the future

Late last year, Port Otago assumed responsibility and ownership of the Port Chalmers Maritime Museum building, including picking up the museum's building maintenance, rates, insurance, electricity, security, and compliance costs for the next 35 years.

A Heads of Agreement between the two parties sees the museum, which is managed by the Port Chalmers Historical Society, remain the building's sole occupant. Port Otago also committed \$20,000 annually for 10 years, specifically to attract young people with an interest in maritime history to join the society.

Port Otago Chief Executive Kevin Winders says it is important the region's maritime history is saved and sustained into the future. "As the associated port, supporting our local museum is the right thing to do. There are real treasures housed within that building, not to mention the role the historical society plays in our community. This agreement allows the society to concentrate its time and funds on core activities, while we help keep the collections secure and dry."

Port Chalmers Historical Society President Brian McCormack says the museum is unique in New Zealand for the variety of social and maritime history it contains - and the agreement secures its future. "It is prestigious for Port Otago to have the museum



Photo: Otago Daily Times

within its precinct, as part of its port. And it's prestigious for us as well. We'll be able to modernise how we present our collection, and we know that the collection will be preserved and be there for many years to come for visitors to enjoy and appreciate."

Society committee member Coral Kaan says that both the society's committee and membership are ageing. "We need to encourage younger ones in Port Chalmers - especially business people with some business savvy - to become involved."

"Many thanks to the committee, lawyers and Port Otago for putting together a beneficial package for all parties involved."

**Pictured from left:** Kevin Winders, Brian McCormack, Coral Kaan and Paul Rea.

### Flagstaff timeball reinstated

Saturday 3 October 2020 was a landmark day for the Port Chalmers Historical Society. It successfully reinstated the town's historic timeball, 89 years after it was last in action.

During the 18th century, timeballs were used at ports around the world. At exactly 1pm every day, the ball would drop, allowing ship's officers to set their chronometers (clocks) accurately to aid navigation. Situated on the top of Flagstaff Hill, the new ball is 120 kilograms of marine-grade stainless steel and a replica of the original. It now turns heads once again - at 1pm every day.

Port Otago supported the project with a \$10,000 contribution. We also house the mechanical engine "down below" and supply power ongoing.



### Eco warriors learning up close

For the past five years, the Port Chalmers Kindergarten has run an Eco Warriors programme, whereby the eldest 10 children head up to Orokonui Ecosanctuary for one morning each fortnight.

These little Eco Warriors have their very own area within the sanctuary and are responsible for its weeding and maintenance.

We've been supporting the programme for the past couple of years. Aside from learning about plants and wildlife, these children are also learning about responsibility and teamwork.

The programme involves some of our own team's children and grandchildren, including Krew (pictured below) - one young man who's loving learning.



### Young engineers excel

Dunedin North Intermediate's LEDs (pictured) finished third out of 12 teams in Dunedin's EPro8 Challenge Grand Final this year.

EPro8 is a New Zealand inter-school science and engineering competition, where teams of four students participate in a series of regional events.

Port Otago got in behind DNI by purchasing four EPro8 kits for the school's students. Six DNI teams entered the competition and three made it all the way to the regional semi-finals. Two teams were left standing for the finals and the LEDs finished second, while the Techno Blades finished 11th equal.

DNI is also running a "house" competition within the school with the winning team awarded the Port Otago trophy.



### Supporting our Wildlife Hospital Dunedin

Port Otago continued its support of the Wildlife Hospital Dunedin during the year.

In addition to our ongoing \$15,000 annual contribution towards a vet nurse salary and supply of the hospital's electric Wildlife Ambulance, we helped with running costs to carry the hospital through a tricky patch post Covid-19, when some smaller businesses could no longer afford their sponsorships.

We also got in behind a series of fun marine education sessions for 300 local children from six West Harbour primary schools, including

St Leonard's (pictured). The hospital and Port to Port Cruises and Wildlife Tours organised the programme, which involved a boat trip out into the harbour, a Wildlife Hospital presentation and a hands-on session studying marine life along the Back Beach walking track.

Finally, while it may not seem like a biggie, the hospital now has a lovely new fridge, which it desperately needed. It is filled to the gunnels with insect smoothies, fish smoothies, whole fish, fresh fruit and veg, and special native bird meals.

## Strategy for a better business

### Goals for our wider team

- Be a great neighbour by respecting what is important to our community and iwi and enhancing our social licence to operate.
- Build stronger relationships with our customers, partners and suppliers to better understand them, measure progress and plan for the future.

### SDGs to which we will contribute

This year, as part of the materiality process, we asked stakeholders for their views on the top five SDGs to which Port Otago can contribute. For our wider team, these are the focus:

-  **SDG3 Good health and wellbeing.**
-  **SDG8 Decent work and economic growth.**
-  **SDG11 Sustainable cities and communities.**
-  **SDG17 Partnerships for the goals.**

\* More information on the SDGs can be found via this link: <https://sdgs.un.org/goals>

## Capital #3:

# Our harbour taoka and beyond

### Our priority



Climate change response

**NOTE:**  
**Taoka** (pronounced taa-oh-kar) is a highly-prized object or natural resource. Our harbour taoka is precisely that: a much-loved and valued part of our community's natural surrounds.

### Our value creation



- A light touch to preserve or enhance our beautiful harbour, taking care with dredging.
- Understanding what has changed and what we need to improve by listening to our community and iwi.
- Reducing our contribution to climate change and understanding and adapting to potential future climate change impacts on our assets.

### Work ons

- Noise
- Climate change targets
- Climate change adaptation

### Key metrics



#### Carbon emissions:

2020/21 = 5782T\*  
 2019/20 = 6487T ✓

#### Scope 1&2 greenhouse gas emissions:

2020/21 = 5626tCO<sub>2</sub>e\*  
 2019/20 = 6226tCO<sub>2</sub>e ✓

#### Noise complaints:

2020/21 = 45  
 2019/20 = 88 ✓

*\* This data is based on a self-assessment using Toitū Emanage. The Toitū audit and verification is scheduled for April 2022.*

### Our stakeholders told us...



"Former barriers are being broken down with openness, transparency and good projects, such as protecting iwi land against erosion and opening Fisherman's Wharf for the community."

**Edward Ellison**  
 Upoko  
 Te Rūnaka o Ōtākou

# It's not about whose problem it is, it's about fixing it



Chris Sinclair (pictured) died in a surfing accident in September 2021. Chris was a highly-valued and well liked member of the Port Otago team. We all miss his boundless energy and smiling face. Rest in peace, Chris.

This year, the port tried to balance building understanding with action. We appreciate the need to branch out of our comfort zone to address bigger global issues, such as climate change. But this can be challenging, when there is a steep learning curve on what needs to be done. We engaged experts Toitū to work with us on our carbon footprint and present our first carbon dataset on page 75. At the same time, Port Otago started to respond to climate change by embracing green design for the new office building and upgrading its light vehicle fleet to electric power. There is more in the pipeline, but we are *on our way*. Strategically, it is our Board's commitment to addressing climate change that is driving investment in real change at Port Otago.

On the flip side, understanding the potential impact of climate change on the port's diverse property portfolio is even more unfamiliar territory. But with Becky Lloyd joining our Board, we have extended our skills mix to take on this challenge. As Becky says: "It's good to see the port start its carbon journey with a materiality assessment, establishing the carbon footprint and starting to form strategy. Next steps need to include monitoring and taking a more strategic long-term view on climate adaptation."

Noise continues to be an issue for our local community. Our performance improved with silencers installed on the Rio ships. But the port continues to explore how noise can be further minimised, to be the best neighbour we can be.

Steps in the right direction for Our harbour taoka and beyond this year included successfully gaining our Carbonreduce certification, the continued roll-out of LED lighting and ongoing waste audits.

## MATERIAL ISSUES: >>>

### Climate change response

- Understanding our carbon footprint, measuring and reporting progress.
- Identifying how to reduce our carbon emissions, both directly and with customers, such as supply chain digitisation.
- Playing our part in achieving New Zealand's goal of net zero carbon emissions by 2050.

## WORK ONS: >>>

### Noise ✔

- Rio mufflers reduced noise levels.
- Noise complaints have gone down.

### Climate change targets ⊖

- Carbon footprint established.
- Carbon reduction targets being developed.

### Climate change adaptation NEW

- Model scenarios of future climate change impact on our assets.

## Climate change response

### Port gains Carbonreduce certification

After more than a year of data measuring, analysis and forward planning, Port Otago received its Carbonreduce certification in May 2021.

Chief Executive Kevin Winders says the certification involved many hours of work by the sustainability team. "We were delighted when this effort translated into a commendation for the high quality of our data. With this important baseline established, we now have a plan to reduce our emissions."

The "Carbonreduce" certification is issued by Toitū - a wholly-owned subsidiary of the Crown Research Institute Manaaki Whenua Landcare Research. Port Otago worked with Toitū to measure the company's greenhouse gas emissions and identify strategies to manage and reduce their impact. From here on, the company is assessed annually against the baseline measurements and to ensure the strategy is progressing.

Given the nature of a port business, our most significant emission source is diesel machinery - straddle carriers, forklifts, our marine fleet, etc.



### How we will reduce our emissions

Our greenhouse gas emissions management plan and reduction targets are step one in creating an overall reduction roadmap, in line with New Zealand's target of being net carbon zero by 2050. Plans include:

- Investigating hybrid straddles and alternative fuel sources for forklifts.
- Reducing waste to landfill.
- Continuing our LED lighting upgrade: At 30 June 2021, 581 LED lights have already been installed across the port (530 inside warehouses; 51 outside), representing 87 per cent of the planned upgrade.

*Pictured: Port Otago's sustainability team members (from left): Jamie Coppins, Carolyn Bennett and Craig Usher (right), pictured with Port Otago Director and Toitū Envirocare Chief Executive Becky Lloyd.*

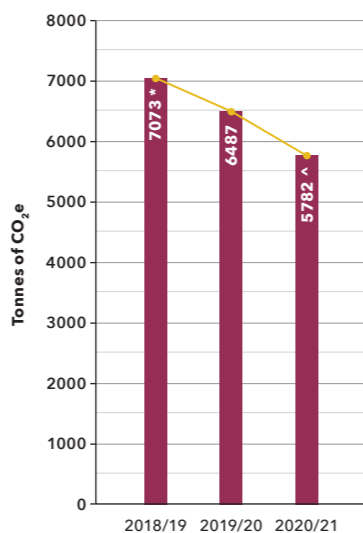


### Total carbon emissions

The bulk of the world's greenhouse gases come from burning fossil fuels - they make up 98 per cent of atmospheric CO<sub>2</sub>. The total carbon emissions figure tells us how many tonnes of CO<sub>2</sub>e we are responsible for producing. It forms a baseline figure for us to work on reducing.

The 2020/21 figure was positively impacted by two factors:

1. The absence of cruise from our business. There were considerable fuel savings because the marine plant did not have 100-plus cruise vessels to guide to their berths.
2. Our capital dredging programme is now complete. Again, this directly saved on marine plant fuel.



\* Unverified as pre Toitū audit  
^ Unaudited at time of publication

### Emissions by scope 2020/21\*

\* This data is based on a self-assessment using Toitū Emanage. The Toitū audit and verification is scheduled for April 2022.



<p><b>Scope 1</b> 4247t CO<sub>2</sub>e <b>73.5%</b> of total emissions</p>	<p>Made up of:</p> <ul style="list-style-type: none"> <li>● Diesel <b>94.5%</b> - Operations 900,000 litres - Marine 594,000 litres</li> <li>● LPG <b>5%</b> - 73.63 tonnes</li> <li>● Petrol <b>0.5%</b> - 5734 litres</li> </ul>
<p><b>Scope 2</b> 1280t CO<sub>2</sub>e <b>22.1%</b> of total emissions</p>	<p>Made up of:</p> <ul style="list-style-type: none"> <li>● Electricity <b>100%</b> - 11,305,984 kWh</li> </ul>
<p><b>Scope 3</b> 253t CO<sub>2</sub>e <b>4.4%</b> of total emissions</p>	<p>Made up of:</p> <ul style="list-style-type: none"> <li>● Electricity Distribution Losses <b>39.1%</b> - 395,983 kWh</li> <li>● Waste <b>35.2%</b> - 197 tonnes</li> <li>● Flights/Accommodation <b>25.7%</b> - 228,134km / 267 nights</li> </ul>

### What is CO<sub>2</sub>e?

This stands for "carbon dioxide equivalent" and describes different greenhouse gases in a common unit. CO<sub>2</sub> accounts for carbon dioxide, alone. CO<sub>2</sub>e includes carbon dioxide and other greenhouse gases, such as methane and nitrous oxide.

### What are the scopes?

Within greenhouse gas reporting, there are three "scopes".

**Scope 1** = Direct emissions from sources owned or controlled by Port Otago, including fuels (diesel, LPG and petrol) used for vehicles and equipment.

**Scope 2** = Indirect emissions from purchased electricity for operations and offices.

**Scope 3 Mandatory** = Other indirect emissions relating to activities from sources not owned or controlled by Port Otago, including those relating to travel by our team in the course of their work (person km and visitor nights), but not those relating to ships visiting the port.

**"Decarbonisation has become a key consideration in investment decisions at the Board level this year, which is a big step forward."**

**Tom Campbell**  
Board member  
Port Otago

## Light vehicle fleet upgrades to electric

Over the past 18 months, Port Otago spent \$500,000 replacing and upgrading its light vehicle fleet to electric.

Twelve electric vehicles (EVs) are now in full operation around the business – as well as two hybrids, specifically for long-distance travel.

Project Manager Jodi Taylor says the range of the EVs is perfect for on port and between warehouse use, which is all low kilometres. “They can get a daily charge, but some only require a weekly top-up.”

The average age of the old light vehicle fleet was 17 years. “While we knew it was time to replace them with modern fit-for-purpose vehicles, it’s only recently that the battery technology and price point have reached the threshold for the switch to be viable.”

Jodi says the move to EVs was driven by the need to better understand and measure the company’s carbon footprint. “Our light vehicle fleet’s emissions are relatively tiny compared to our other business activities, but the change is a step in the right direction as we undertake our sustainability journey.”

The new EVs look smart and have safety features that were lacking in the old fleet. With full-width LED roof lights, they have greater visibility around the terminal.

There are currently seven 7kw trickle-charging stations and one 22kw fast-charge station. Long-term, there are plans to install one in a location suitable for staff.



## LED lighting programme progresses

Another \$207,000 was spent on our LED lighting programme during 2020/21. This brings the total spend to \$465,000, with a final \$750,000 budgeted to complete the project during the 2021/22 financial year.

While the roll-out is primarily driven by a move to reduce our carbon footprint, there are also significant financial benefits. About \$53,000 is saved on electricity annually and maintenance costs are markedly lower. In addition, the light quality emitted by LED is much better than its metal halide predecessors.

At 30 June 2021, 87 per cent of internal warehouse lighting was LED – down slightly from the 90 per cent noted in last year’s annual report. The reduction is related to the purchase of the ENZA coldstore, which has non-LED lighting that is currently being replaced. The warehousing component of the upgrade was completed in September 2021.

Outside, 29 per cent of our floodlighting across our sites is now LED – up from 15 per cent last year. The conversion of floodlighting towers to LED has been slower, due to the age of our tower structures and their control systems. However, a new in-house floodlighting control system has been developed, which means the remaining towers can now be converted. Completion is scheduled for June 2022.

## Waste on the decline

Thirty-five per cent of our Scope 3 greenhouse gas emissions come from waste, which is why we are working on reducing all waste streams at the port.

The Project Footprint team completed 18 waste audits across the company’s various sites during the 2020/21 year.

Project Footprint is made up of seven Port Otago team members and is focused on company-wide sustainability, particularly reducing emissions.

The waste audits provided a baseline for ongoing waste management and also helped educate teams about recycling options.

One of the biggest improvements to come out of the audit was the November introduction of a can crusher in Container Repair. During the previous financial year, we used more than 1000 20L tins of paint and about 75 per cent ended up in landfill. Some procedural changes in July 2020 saw the number of cans recycled rise to 90 per cent, however this meant the scrap metal bin was filling up too quickly, thus the installation of the can crusher.

### What next?

With regular audits under way, the Sustainability team checks in to see if agreed actions have been completed and, if not, what support is required.

There have been actions from first audits, for example – new recycling bins/services added and signs to help educate the team, as well as education around paper use and recycling.

**Skips audit:** A company-wide audit of all skips was designed to ensure the right bins were in the right places. While most bins were in logical spots, the audits highlighted the need for clearer signage around what could and could not be recycled into specific bins and skips. The Operations team suggested signs that could be attached with large magnets. This way, the signs can be easily removed before the bin is emptied, then popped onto the replacement bin.

**Cardboard reuse:** Even better than recycling is re-using – and that’s exactly what Port Otago is doing with the cardboard packaging used to import lactose. After the lactose was unpacked from its containers at Port Chalmers, the significant amount of cardboard was flattened and collected on pallets ready for recycling. Now, that cardboard is instead packed into two dedicated containers and, as each container is full, it is trucked to Dunedin Depot. There it is used to “line and dust” containers. As the name suggests, these containers are lined in plastic and cardboard, then sawdust is spread on the floor. They are then used for the export of animal pelts and hides. Process Improvement Leader Ben Mulvey says the change saves double handling cardboard on and off pallets and makes good use of a product that would otherwise be recycled.

## Port commits to electronics recycling

As part of our sustainability programme, we are working with Digital Wings – a not-for-profit trust that refurbishes and redistributes retired computers and printers to community organisations to enhance educational and employment opportunities.

E-waste is the fastest-growing waste stream in the world, according to the World Economic Forum. With this in mind, the port is committed to eliminating this from our waste to landfill. This will also contribute to reducing our Scope 3 greenhouse gas emissions, 23 per cent of which come from waste. If not disposed of properly, old electronic devices (including televisions, computers, printers and phones) can release toxic materials into the environment.

Port Otago recognised that, like most businesses, it had e-waste that needed to be disposed of responsibly and sustainably, thus the partnership with Digital Wings.

In the past year, about 800kg of Port Otago equipment was diverted into the programme, including 105 old desk phones, 24 mobile phones, 50 computers, four servers, 19 screens and two televisions.

## Noise

### Noise complaints

Total noise complaints dropped to 45 during the year - half the number received in 2019/20. Vessel-related noise complaints fell 58 per cent - from 77, to 32\*.

The drop was directly related to the six Rio Class vessels all having silencers fitted to one of the two primary generators each has on board. These generators keep chilled/frozen containers at temperature and provide power to the vessel to operate core systems. Unfortunately, these particular generators emit a disruptive low-frequency noise.

Port Otago worked with vessel owners Maersk to facilitate the silencers' installation - an exercise which cost Maersk several million dollars. Because each silencer is about the size of a small truck, there is only

enough space in the ships' engine rooms to fit one.

Since the silencers' installation, the Rio Class vessels were no noisier than other ships, outside of peak export season. However, when there are more than approximately 900 chilled/frozen containers on board, the second generator is required to keep the cargo at temperature.

Port Chalmers is the last New Zealand port of call for the Rios and the vessels were often carrying many chilled/frozen containers on board already. Exacerbated by Covid-19's impact on world shipping and fewer ships servicing New Zealand, the Rios needed to carry more refrigerated cargo during the peak season than normal.

There were two other particularly noisy vessels this past season - the Monte Rosa and the Wieland. The Wieland was a one-off visit. The Monte Rosa was scheduled to leave the New Zealand schedule, but remained to assist with shipping movements.

However, 32 noise complaints is 32 too many. We will continue to work on this with our shipping partners and across our supply chain to work our way down to zero.

*\* Thirty-one of the 32 vessel-related noise complaints related to the Rios, Monte Rosa and Wieland vessels.*

### Port Noise Liaison Committee

The Port Noise Liaison Committee is made up of representatives from the port - including Chair Paul Rea and Chief Executive Kevin Winders - Dunedin City and Otago Regional Councils, our community and customers.

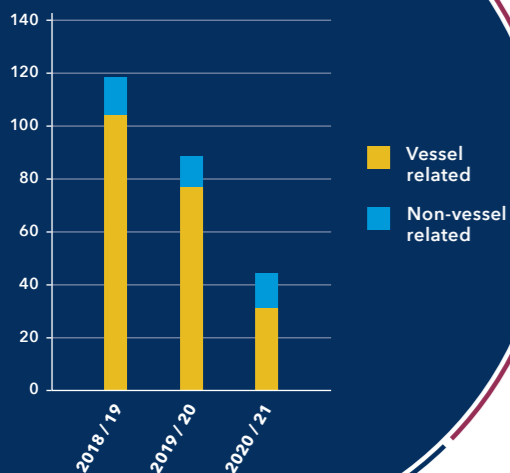
The committee's role is to work through environmental issues related to the port's operation, minimising - where practicable - impacts on the immediate community without impinging on the efficient operation of the port. Facilitating the committee's work is a legal requirement and is an important two-way communication channel for Port Otago.

Meetings are scheduled at six-weekly intervals, although the disruption caused by Covid-19 also affected these meetings, with only two held during 2020/21.

### Biosecurity

The port has well established processes to manage biosecurity effectively. However, we must remain alert to the threat, as highlighted by Grant Dodson, CEO, City Forests: "If we have a biosecurity incursion, if pathogens are allowed into New Zealand, it would wipe us out in a similar way to Foot and Mouth disease in farming. We would no longer be able to trade, everything would stop overnight."

### Noise Complaints



## Strategy for a better business

### Goals for our harbour taoka and beyond

- Understand our carbon footprint, measure and report progress.
- Identify how to reduce our carbon emissions, both directly and with our customers, such as harnessing renewable energy.
- Play our part in achieving New Zealand's goal of net zero carbon emissions by 2050.
- Understand and adapt to potential future climate change impacts on our assets.
- Preserve our beautiful harbour and its biodiversity by listening to our community and iwi, taking care and monitoring these precious taoka closely.
- Reduce our noise.

### SDGs to which we will contribute

This year, as part of the materiality process, we asked stakeholders for their views on the top five SDGs to which Port Otago can contribute. For our harbour taoka and beyond, these are the focus:

- SDG11 Sustainable cities and communities.
- SDG13 Climate action.
- SDG14 Life below water.
- SDG17 Partnerships for the goals.

*SDG7 Clean energy, SDG12 Responsible consumption and production and SDG15 Life on land, while not emerging as material for the port, will not fall off our radar.*

\* More information on the SDGs can be found via this link: <https://sdgs.un.org/goals>



## Capital #4:

# Our know-how and skills

### Our priorities



Innovation

Cyber security

### Our value creation



- A considered approach to the future, learning from the past and what others do.
- A talented workforce with an ability to learn and a wealth of knowledge.
- Improved productivity and resilience by embracing new agile and efficient ways.
- Effective processes to protect the port from cyber attacks and respond rapidly.

### Work ons

Digitisation

Cyber security

### Key metrics



#### Training sessions\*:

2020/21 = 1831  
2019/20 = 1316



#### Transfers, promotions and secondments:

2020/21 = 16  
2019/20 = 16



#### Percentage of new appointments that were internal:

2020/21 = 62%  
2019/20 = 42%



\* Stats only collected since 2019/20

### Our stakeholders told us...



"Cyber security should be part of every decision and discussed at every relevant meeting, like safety is today. The port needs to implement well-rehearsed and understood plans, which directly respond to the different types of attack."

**Ollie Barton-Jones**  
Digital team  
Port Otago

# Getting prepared for what comes next

"A standard system from exporter, to inland transport, to the port, to the shipping company will save time for everyone."

**Maico Lenhard**  
Logistics Manager  
Alliance Group

Innovation remains a material issue for the port. Achieving better data will fuel innovation - from identifying inefficiencies, to tailoring performance reporting for individual customers. Customers raised the issue of access to real-time information, such as automatic digital updates to gate opening times to reflect shipping line schedule changes. We have improved our data in this report and are *on our way* to a dataset that will facilitate the sort of innovation and growth that we see in our future.

The time spent responding to Covid-19 was unplanned and some new initiatives suffered less attention as a result. In this year's materiality process, stakeholders made it clear that we need to pick up our game on innovation. Kevin Winders, Port Otago Chief Executive: "It's been a big year - just keeping the supply chains moving and dealing with Covid-19 shipping congestion. We've had to focus on supporting our customers and that's taken bandwidth away from thinking about innovation. You could say we've been 'innovating on our feet' this year, which has hijacked some longer-term innovation plans. But we're getting there and hope to find the right balance next year."

A cyber attack could shut the port down. Or worse still, take control of equipment, risking the safety of our team and others. This potential catastrophic effect needs to be part of every decision, just like safety.

## MATERIAL ISSUES: >>>

### Innovation

- Improving efficiency.
- Demonstrating leadership in our supply chain through automation and digitisation.
- Embracing new and agile ways to work with our partners, customers, suppliers and peers.

### Cyber security

- Maintaining and enhancing our IT systems that protect cyber security and data privacy, while guarding against an attack.

## WORK ONS: >>>

### Digitisation

- Covid-19 diverted attention away from our plans. We need to get these back on track. While this work on remains static in our view, because we didn't progress what we planned, we do have some progress to report:
- Expansion of our warehouse management platform across all port coldstore operations, replacing a legacy supplier provided system.

### Cyber security NEW

- Our cyber security is adequate, but not where it needs to be.
- Work on better cyber response plans and independent checks.

## Innovation

### Team steps up its agility

Over the past year, we worked more closely with our customers than ever before. Our people had to be agile and “think on their feet” – just to keep product moving.

Shipping volatility meant schedules changed at the last minute, resulting in over-crowding on the wharf, with logs and containers competing for space.

This prompted the team to work with customers to find solutions to a multitude of problems: keeping goods moving; ensuring wharf space was available; timing of product flow on and off the wharves; finding shipping space; and ensuring product left for market on time.

Port Chief Executive Kevin Winders: “I am immensely proud of the agility and resilience shown by our team during the past year.”

Port Commercial Manager Craig Usher gives an example. “On one particular day in February, we hit a “crunch point” and had to think quickly. Working closely in partnership with our log customers, we were able to temporarily move logs off the wharf to help our container customers in desperate need of the space due to the congestion created by shipping schedule changes with little notice.”

Planning and Control Manager Dene McBride says the port has a tight relationship with the crew in the log yard. “So, when we approached them about using some of their log storage space for containers, they were happy to accommodate. They know the favour will be paid back in kind, when log storage becomes an issue for them.

“Once safety checks were carried out, the area was physically blocked off. Our Planning team then worked out which containers were most suitable for temporary storage. This approach minimised disruption to the log users because it meant we could clear the area of containers as soon as possible for log storage to resume.”

During the year, the port team’s agility extended to improvements in the safety culture, such as bringing more training in-house, so it could be delivered with more flexibility and effectiveness.

### Covid-19 prompts positive changes

While many of 2020/21’s planned innovations were thwarted by the ongoing demands created by Covid-19, our team’s approach to keeping the virus from entering New Zealand via our port prompted a series of industry-leading initiatives.

#### Monday means swabbing day

A port is ultimately a logistics company. It therefore made sense for us to manage Covid-19 swabbing and vaccinations onsite and bring health teams to the port.

We worked with Mornington Health Centre to set up suitable booths in the cruise terminal and made time during shifts for testing. Every Monday afternoon from February 2020, health centre staff were on-site swabbing 30 to 60 people each week. (Cargo Handlers and Pilots must be tested if they have been on board a foreign vessel in the previous 14 and 7 days, respectively.) Recognising the contribution this group made to keeping our people safe, a one-off “thank you” payment of \$750 was made to each of our regularly-swabbed team members.

#### Vaccination pop-up clinic

As frontline border workers, our team was a priority and we were part of the country’s first wave of vaccinations.

The swab-testing booth locations were also ideal for on-site vaccinations, so in August 2020, the port hosted Otago’s first Covid-19 vaccination pop-up clinic. One-hundred-and-forty-eight Port Otago team members were vaccinated, then received their second dose three weeks later. We also processed Customs, C3 and Ministry for Primary Industries (MPI) staff vaccinations.

### Early adopters of saliva testing

Port Otago moved to saliva testing on 9 August 2021 – one of the first organisations in New Zealand to do so. Our team (as well as Customs, C3 and MPI staff) drop past a permanent booth and undertake the test themselves – any day, any time. The results are turned around the same day.



### Pavement trial underway

The Operations team kicked off a long-running trial in September 2020 with the goal of determining the hardest-wearing surface for the Port Chalmers Container Terminal.

All ports deal with the problem of pavement between the container rows slumping under the weight of the straddle carriers constantly driving over the same path. In addition, the containers’ corner castings dig into the pavement resulting in uneven ground, which is problematic for several reasons. It can be unsafe for straddle carriers to drive on. Containers can warp, when placed on uneven surfaces and – in a worst-case scenario – this can result in container stacks not being vertical and susceptible to toppling. In addition, personnel are required to enter areas around chilled/refrigerated containers on foot and the uneven ground can lead to tripping hazards.

Port Otago currently spends around \$750,000 annually to repair and replace damaged pavement, with surfaces in high-use areas undergoing replacement every 6-7 years.

In September, Alpha Block was due for attention. This is one of the hardest-working areas on the site, holding some of the heaviest refrigerated containers that pass through the port.

So, this time round, Operations used three different pavement materials to determine which will provide the best value over its lifetime: baseline treatment heavy-duty asphalt, specialty port mix PortPhalt and reinforced concrete.

Each treatment will now be monitored each seven-year cycle to assess which provides the safest and most economical approach for future use across the rest of the terminal. On a whole-life cycle cost, concrete should come out on top. Stay tuned...

Material	Useful life	Total cost over a set area
Baseline treatment: Heavy-duty asphalt	7 years	\$60,000
Specialty port mix: PortPhalt	Unknown	\$104,000
Reinforced concrete	30 years	\$123,000

### New floodlighting control system

Port Otago has developed a new control system for all of its floodlighting towers. In the past, the floodlights could only be switched fully on or off. But with more advanced generation LED fittings installed on some of the towers, it is possible to dim the lighting, monitor for defects and issue automated alerts for faults or outages. With no off-the-shelf software available to take advantage of these features, the port's Operations team developed a new control system and user interface in-house. The system needed to accommodate all of the towers (i.e. those with either the old metal halide fittings or new LEDs, as each is controlled in very different ways), the ability to control them at the tower or remotely from various places around the terminal, and a manual override system in case the automated system fails for any reason. While there are several commercial systems that could achieve one or two of these aspects only, Port Otago required a much more robust solution to meet our operational safety needs.

### Working with our peers to share good ideas

The year saw healthy interaction between New Zealand ports, as we worked together to share ideas and innovations that benefit everyone. October 2020 was especially busy. Chief Executive Kevin Winders visited Lyttelton Port to discuss how the two companies could share information and practices to help keep their people safe. They also floated the idea of sharing a pool of critical spares for key equipment - for instance, straddle cranes. This idea continues to progress, as Port Otago reviews its future straddle fleet. Later that month, we hosted a team from South Port, who were investigating buying a new tug and building a fishing jetty. Their timing was immaculate - arriving 15 minutes before our 8 tonne tug, Taiaroa, moved one of our largest visiting vessels off her berth. CentrePort followed a couple of weeks later. They were interested in our container yard systems and use of Master Terminal for processing inward and outward rail.

March 2021 saw Lyttelton Port's board and leadership team visit our Port Chalmers site. It was a positive day, with the highlight being the scale and complexity of our D Shed operations - at 30,000m<sup>2</sup> and handling several different products. Finally, in May, Port Otago hosted other New Zealand port chief executives. The group was treated to a harbour tour, while the meeting itself was held at the stadium, complete with a Highlanders' practice session. Topics of discussion ranged from Covid-19 testing and vaccination roll-out, through to the universal shipping delays and congestion, empty container shortages and lower container volumes.

**"The port can help shift the collective mindset of New Zealand ports to look through a strategic lens at the New Zealand supply chain, taking into account both economic and carbon footprint implications of future scenarios."**

**Becky Lloyd**  
Board member  
Port Otago

## Training and career development

### Pilot's skill praised

Marine Pilot Sumanth Surendran's skill and professionalism were put under pressure in April, when an outward container vessel he was piloting lost engine power for 14 minutes. Fortunately, the vessel's engineering team managed to regain power and the vessel transited safely out through the port entrance and clear of the harbour. A total main engine failure for this length of time is a rare event, especially at this point in the pilotage. Given the size of the vessel and its position well within the confines of the harbour - in front of Te Rauone Beach - it was a stressful and potentially hazardous situation.

Sumanth says recent simulator training undoubtedly helped his decision making under pressure. "Doing emergency training doesn't guarantee that, when things go wrong, the situation can be saved. But it does give you the thought processes required and, to an extent, some practice - so, if things do go wrong, the pilot can recognise very quickly what to do to correct the problem." General Manager Marine Sean Bolt says ongoing training is required for the Pilot to handle situations exactly like this. "The Pilot must stay calm and exercise good judgement, just as Sumanth did."




## Strategy for a better business

### Goals for our know-how and skills

- Improve our efficiency through automation and digitisation, such as systems for berth management, property management and supply chain connectivity.
- Work with our supply chain partners to embrace new and agile ways of working landside.
- Explore aligned business diversification to provide a sustainable future for the port.
- Develop a strong platform to train and develop our team.
- Establish effective processes to protect the port from cyber attacks and respond rapidly.

### SDGs to which we will contribute

This year, as part of the materiality process, we asked stakeholders for their views on the top five SDGs to which Port Otago can contribute. For our know-how and skills, this is the focus:

 **SDG9 Industry, innovation and infrastructure.**

But this doesn't mean that the port's contribution will cease for **SDG3 Good health and wellbeing**, **SDG11 Sustainable cities and communities** and **SDG17 Partnerships for the goals**, all of which are indirectly connected to our know-how and skills. **SDG4 Education** and **SDG12 Responsible consumption and production**, while not emerging as material for the port, will also not fall off our radar.

\* More information on the SDGs can be found via this link: <https://sdgs.un.org/goals>

## Capital #5:

# Our assets

### Our priorities



Wharf capacity and infrastructure

Shipping volatility in our supply chain

Growth

Innovation

### Our value creation



- Continued investment in infrastructure to support our customers' and partners' future needs, facilitating our mutual growth to the benefit of the local and regional economy.
- Dynamic response to shipping volatility with storage and digital solutions.

### Work ons

- Efficient supply chains
- Responding to shipping volatility

### Key metrics



**Berth utilisation - container ships:** -

2020/21 = 24%  
2019/20 = 26%

**Berth utilisation - cruise and log vessels:** -

2020/21 = 30%  
2019/20 = 36%

**Full yard weekly average:** -

2020/21 = 1894 TEU  
Days at more than 90% full capacity = 31%  
2019/20 = 1508 TEU  
Days at more than 90% full capacity = 16%

**Property business - occupancy as net lettable area:** ✓

2020/21 = 93% (100% at 31 August 2021)  
2019/20 = 93%

### Our stakeholders told us...



"Port Otago's communication has been great. They keep us up-to-date on good news and bad. We need early warning on what's happening with containers and space on ships, so we have enough time to react. This early and direct communication demonstrates respect and we appreciate Port Otago's efforts to find us space on ships."

**Maico Lenhard**  
Logistics Manager  
Alliance Group

# Our assets have been stretched this year

"Work with key bulk customers to achieve the port's growth strategies, as well as customers' own growth plans".

**Andrew Cocking**  
Regional Manager  
Port Blakely

Shipping disruption hit ports hard this year and shows no signs of abating. Supply chains the world over were affected as the movement of goods faced serious challenges. Reduced air freight, coupled with the sharp rise in online shopping, placed ports at the pointy end of a rapidly-changing environment. Port Otago was no exception. Shipping volatility knocked our container customers the hardest, as ship visits became less predictable and containers harder to come by. This resulted in more containers needing to be stored on the wharf when ships changed their schedules - often at the last minute. There isn't always enough space on the wharf. Wharf capacity and infrastructure remains a material issue for Port Otago. Working closely with our customers and partners, overflow storage was found. We had to think on our feet this year and, while we didn't always get it right, we are *on our way*.

Bulk storage presents an ongoing challenge, with some log customers unconvinced about relocating from Port Chalmers to Dunedin. David Cormack, CEO at Wenita: "We are concerned about the port's proposal to move log storage from Port Chalmers to Dunedin. Log storage and loading can be noisy and dusty and we need to consider the nearby community response to an escalation in those activities." Others have raised

the need for access to the deep water port at Port Chalmers for log vessels. The port will continue to work with all stakeholders involved to find the best solution.

Steps in the right direction for our assets this year included significant investment at Dunedin Bulk Port - specifically consolidating the Upper Harbour Channel at 8.5m chart datum depth, purchase of the former ENZA building and returning the former

Naylor Love yard to port operations. At Port Chalmers Container Terminal, \$500,000 was spent upgrading a critical electrical substation to safeguard high-value chilled export.

**MATERIAL ISSUES:**

**Wharf capacity and infrastructure**

- Increasing storage capacity, relocating storage and developing wharf replacement options.
- Improving infrastructure, plant and equipment to meet future customer needs equitably and service larger ships efficiently.

**Shipping volatility in our supply chain**

- Shipping volatility in our supply chain due to Covid-19 and other impacts, causing congestion, disruption to shipping volumes, container shortages and significant impacts on container pricing.
- Working closely with our peers and shipping partners to reduce pressure on the supply chain and with our customers to find solutions to container shortages.

**Growth**

- Maintaining a commercial model for growth through investment in infrastructure for the future, enhancing cost efficiency and planning for increasing costs.

**Innovation**

- Improving efficiency.
- Demonstrating leadership in our supply chain through automation and digitisation.
- Embracing new and agile ways to work with our partners, customers, suppliers and peers.

**WORK ONS:**

**Efficient supply chains**

- Covid-19 diverted attention away from some of our plans. We need to get these back on track. While this work on remains static in our view, because we didn't progress what we planned, we do have some progress to report:

- The Dunedin Bulk Port's log yard footprint was expanded by 4000m<sup>2</sup>. The Upper Harbour Channel was consolidated at 8.5m chart datum depth.

**Responding to shipping volatility NEW**

- Improve shipping line relationships to become more proactive and partnership-oriented.

**"Forestry industry growth will need support from the port in terms of wharf capacity in the coming years as the increased number of trees planted in the 1990s reach their 27-30 year "sweet spot" for harvesting."**

**Andrew Cocking**  
Regional Manager  
Port Blakely

**Wharf capacity and infrastructure**

**Dunedin Bulk Port enables growth**

Another significant project towards accommodating future growth at Port Otago's Dunedin Bulk Port area was completed during the year.

Last financial year saw consolidation of the Upper Harbour Channel at 8.5m chart datum depth and the former ENZA building purchased and added into the port footprint. In October 2020, the 4000m<sup>2</sup> former Naylor Love site became part of the Dunedin Bulk Port's log yard footprint.

Collectively, these projects improve port security and harbour safety, expand services for customers and reduce the number of large truck-and-trailer units on State Highway 88.

Port Otago Commercial Manager Craig Usher says log customers had been asking for wharf infrastructure investment for some time. "We

relocated Icon Logistics from Dunedin Bulk Port, freeing up the site for redevelopment into a purpose-built log facility. The \$2.9 million investment effectively doubled log capacity at the site and removed trucks from Fryatt Street, thereby reducing congestion and improving safety.

"While our plans see logs ultimately being shipped from the Dunedin Bulk Port, some customers are not convinced this is the way to proceed. Their main concern is around the Upper Harbour Channel not being deep enough to complete a full on-deck vessel load for a single destination, when needed. However, this is a small portion of our total export log volume from the region."

Craig says there is continued uncertainty over the use of methyl

bromide or a phytosanitary-approved alternative that would enable deck cargo in the region to China.

"Our motivation for the move to Dunedin is to reduce the number of heavy trucks on the road to Port Chalmers and to have a clean wharf - that is, no dust/bark - alongside the container terminal and cruise passengers. Our log customers at Port Chalmers are important to us and we know some of them are concerned about the move. We will continue to work with them on the Dunedin Bulk Port solution."

The Dunedin Bulk Port footprint covers the T&U and X&Y Wharves, Oil Jetty and Leith Wharf, Fryatt Street log yards, LPG site, Waste Management, former Mobil site and Z Energy fuel site.



### Electrical upgrade safeguards chilled export

About \$500,000 was spent during the year upgrading the electrical substation that feeds power to “Alpha Block” - one of Port Otago’s two refrigerated container storage areas.

Given that a single reefer container can hold up to \$750,000 worth of chilled product, these containers demand a high level of care during their time with Port Otago. Alpha Block can accommodate up to 460 20-foot refrigerated containers and is used to store 20- and 40-foot containers full of chilled and frozen product. A reliable power supply is critical and, in the event of a power outage, an alternative supply is needed within 30 minutes.

The substation monitors power to every container, raises an alarm if a problem occurs, and automatically fires up a 1.2 megawatt generator, if required.

The Programmable Logic Controller (PLC) that controls the generator and switches over the power to four separate distribution boards had reached the end of its functional life. The PLC upgrade was completed by Dunedin’s Switchbuild Ltd and further work saw the switchgear, generator, monitoring and alarm systems also improved.

The upgrade means less power is now imported from the grid during times of high demand, saving thousands of dollars annually and reducing the likelihood of power brownouts/outages in the surrounding communities.

**Inset:** Pictured inside the upgraded substation are Electrical Supervisor Paul Coultas (left) and Infrastructure Asset Engineer Jon Visser.



### Ensuring the safe return of cruise

Covid-19 had a devastating impact on the global cruise sector, but the cruise business remains an important part of Port Otago’s commercial base, long term.

Chief Executive Kevin Winders is on the New Zealand Cruise Association (NZCA) board. Within our business, we have strategically retained our key cruise personnel over the past 18 months.

NZCA’s Cruise Strategy 2021-24 has been developed by government, industry and communities and proposes a phased, measured and responsible approach to recovery.

Internationally, every source market except New Zealand and Australia has now successfully restarted cruise in some shape or form. And, once restarted, demand is fast and strong. Most cruise lines insist on full vaccination and 100% testing for both crew and passengers. Combined with a myriad of other health protocols, this approach is proving highly effective.

For New Zealand, the NZCA strategy proposes a three-phase approach to recovery. First, a kick-start phase based on New Zealand being at Level 1, vaccinations rolled out and open maritime borders. The second phase - some time in 2022 - involves a Trans-Tasman safe travel corridor. The third phase occurs when the borders are opened further to include other safe destinations.

Meanwhile, our highly-valued Cruise team - Carolyn Bennett, Michelle Simpson (pictured) and Allison Rendell - is intact, albeit across other parts of the business. Carolyn became Sustainability Manager early last year and is currently on maternity leave. Michelle was pulled into our Covid-19 response team and is now working in our dairy warehousing operation. Allison initially moved into our Sawyers Bay warehouse and is now at the Dunedin Bulk Port’s coldstore. The intention is to keep these critical team members in the business, so we can hit the ground running, when the cruise sector hits “play” again.



## Shipping volatility in our supply chain

### Shipping volatility makes for challenging year

The 12 months of the 2020/21 financial year saw an unprecedented period of disruption to global shipping schedules. The shipping reliability rate generally sits around 65-85 per cent, but July 2020 saw a steep steady decline - from 75 per cent to 35 per cent by January 2021. Port Otago’s Commercial Manager Craig Usher explains.

#### What has caused the volatility?

A few factors are at play, including industrial action in Australia, port closures in China, the Suez Canal blockage and very high Covid-19 case numbers in some US West Coast ports impacting worker availability. Container repositioning has been a major factor, as we all know, compounded by sky-rocketing freight rates in pockets of the world - such as the East-West US transit routes - seeing containers monopolised around a handful of key ports. There was also the Covid-19 driven increase in consumer demand, which meant unexpected volumes of cargo where insufficient numbers of containers were available.

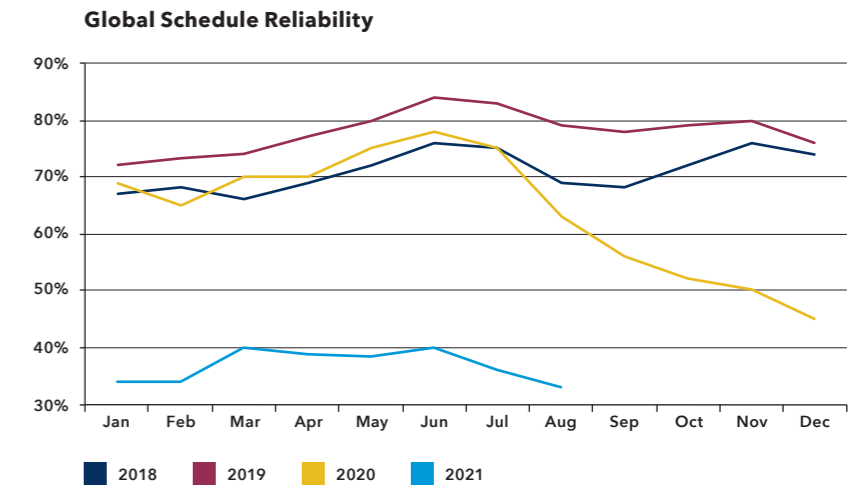
#### When did global shipping last see this level of volatility?

We have never seen volatility like this - let alone over such a sustained period. It’s been 12 months and counting.

#### What needs to happen for reliability to settle back into a reliable pattern?

Experts predict it could be 12-24 months before global patterns fall back into line.

#### Is Port Otago affected by the volatility more/less than other New Zealand ports because of our



#### (a) heavy export weighting and (b) being last port of call out of New Zealand?

Being the last port of call for most of our export volume worked in our favour, because the direct impact of the volatility took some time to reach us.

#### Have customers had to make changes?

Given the sporadic supply of 20-foot dry and reefer containers this year, many customers switched to 40-foot containers, just to ensure they could get product out. Looking ahead, there will be many businesses reviewing their inventory stock policies, particularly those with just-in-time strategies. Others will be looking at increasing off-dock storage, but without knowing when or if it will be needed, it is a difficult task.

#### Why have containers been affected more than bulk?

Bulk shipping is relatively straightforward. There is not a large fleet of containers that require constant managing, maintenance and repairs. Bulk vessels turn up, collect cargo and go.

#### How has Port Otago responded to the volatility?

Without cruise vessels, we were able to increase our storage footprint and depot processing capacity. Unfortunately, containers did not arrive smoothly and our depot worked weekends to support this.

In February, we began managing the receival windows for vessels. Normally, space on the container terminal isn’t an issue and export goods can arrive many days before shipping and it’s not a problem. This year, space was at a premium, due to the shipping schedules being so unreliable. So, we had to specify much tighter windows to receive goods. While this is common at most ports, we haven’t needed to micromanage this previously. It paid dividends and ensured the right cargo was coming into the port at the right time, reducing the congestion.

#### With hindsight, are there any other responses we should have/could have made?

I believe we managed everything well that was in our control, and assisted to alleviate pressure were we could.



## Growth Property business

**“We have struggled to get containers all year, like most exporters, so our company chartered four vessels to get the fruit to market in time. Bringing in charters may be the future and we are investigating this option.”**

**Jeff McDonald**  
Regional Manager  
T&G

**“It has been a very different year, which changes your view of what’s important. Operating resilience during times of volatile shipping arrivals has gone straight to the top of the list.”**

**David Ross**  
CEO  
Kotahi

### Chalmers Properties enjoys strong year

The 2020/21 financial year was busy for Port Otago’s property division, Chalmers Properties.

Three noteworthy properties were purchased:

- **43 Hobill Avenue, Wiri, Auckland**

Purchased in October 2020 for \$6.9 million, this site comprises a 3408m<sup>2</sup> office/warehouse on a 7204m<sup>2</sup> site. The building was constructed in 2005 and is in the heavy industry zone in the South Auckland industrial precinct. It is leased to AceDoor Systems.

- **58 and 66 Sturdee Street, Dunedin**

The lessee interest was purchased for \$4.9 million mid 2021. The land area is 17,408m<sup>2</sup> in the industrial zone with older style warehouse improvements. The site is currently occupied by TIL Freighting and Reilly’s Towage and Salvage.

- **35 Maclaggan Street, Dunedin**

Formerly, The Warehouse retail site. See story page 97.

Chalmers Properties also attracted several high-calibre and international tenants during the year. These included the Chemist Warehouse leasing a bulk retail space in the Ronwood Centre, Manukau; Nilo leasing an office/warehouse at 76 Porana Rd, Glenfield, Auckland; and in Dunedin, Dynes Transport is now occupying a large site at 10 Bauchop Street, while Ray White renewed its high-profile waterfront site at 12 Wharf Street.

### Te Rapa Gateway popularity continues

Te Rapa Gateway continued to attract businesses looking for high-quality, purpose-built office/warehouse spaces.

Based in Hamilton, Te Rapa Gateway is a 60-hectare industrial business park owned and managed by Chalmers Properties. Its Clem Newby Road development was completed last year.

Chalmers Properties General Manager David Chafer says interest in Te Rapa properties was particularly strong in the lead-up to Christmas.

- **31-41 Clem Newby Road**

The six units that sit on 31-41 Clem Newby Road make up stage two of an earlier six-unit development on Arthur Porter Drive.

“These 12 high-quality industrial premises (pictured) are suitable for smaller businesses. We leased five of the six Clem Newby office/warehouse units over the year, thanks to a stronger leasing market post the 2020 Covid-19 lockdowns and expansion of construction-related businesses.

“Two were leased to expanding businesses: Waikato Heatpumps moved from smaller premises; while Australian company R&J Batteries expanded to more sites around New Zealand.”

The other new tenants are Harvey Norman, which took two units, and Design Homes.

- **Design, build and lease developments**

In December, Chalmers Properties signed with IAG to construct a 2265m<sup>2</sup> purpose-built office/warehouse for their vehicle repair



hub business. It is being built on a high-profile corner site visible from the Waikato Expressway and will be completed by January 2022.

“We also signed up Steel & Tube for a design/build/lease development on the opposite corner to IAG. The property has drive-around access and will be home to the company’s reinforcing and distribution business from December.

“These two builds are the first developments in stage three of Te Rapa Gateway’s subdivision and will be retained in the company’s investment portfolio. At this point, the Te Rapa portfolio will sit at 18 buildings.”

### New site for Otago Regional Council office

Port Otago’s property arm purchased the former Warehouse site in Maclaggan Street for \$10.2 million, to repurpose into the new Otago Regional Council’s (ORC) office.

Port Otago Chief Executive Kevin Winders says engagement with the site’s owner began immediately after The Warehouse announced it was intending to vacate the premises. “In acquiring the property, we had our shareholder’s needs in the back of our minds, alongside local demand for developments for bulk retail and office tenants. We presented the opportunity to the ORC and have its commitment to move to 35 Maclaggan Street once the property has been repurposed.

“It’s great to secure this central site that already includes substantial infrastructure and buildings. These will form the base build and be repurposed from bulk retail to office over the next two years.

“We expect the project’s total cost to be considerably less than new-build options considered in the past by the ORC. Furthermore, it will accommodate all of the ORC team in one location.”

ORC Chief Executive Sarah Gardner: “The building itself presents a significant opportunity to provide the organisation with a fit-for-purpose premises that embraces modern work practices. The site also allows for other opportunities that were off the table at Stafford Street but that are important for an environmentally focused organisation, including infrastructure for electric fleet vehicles and greater business continuity in times of disaster.”

The site has been leased temporarily to retail store Harvey Norman, as warehousing.



Photo: Otago Daily Times

## Innovation

### Property business

#### Oak Road development completed

Chalmers Properties' impressive Oak Road development was completed in July 2020.

It consists of two state-of-the-art industrial logistics facilities:

- 21A Oak Road**  
 Leased to Auckland Council  
 4000m<sup>2</sup> warehouse, 358m<sup>2</sup> office area, 549m<sup>2</sup> canopy and 650m<sup>2</sup> yard
- 21B Oak Road**  
 Leased to Visy Global Logistics  
 5077m<sup>2</sup> warehouse, 457m<sup>2</sup> office area, 705m<sup>2</sup> canopy and 2503m<sup>2</sup> yard

Chalmers Properties General Manager David Chafer says the two buildings are exceptionally well designed and built. "These are quality builds. We wanted modern buildings that were well thought out and used quality materials to extend their lifespans. Ultimately, the goal was to create two builds that would attract long-term, blue chip clients."

There were no shortcuts for this development. From the master plan approach for the parcel of land, through to the horizontal aluminium louvres for shade, and concrete rather than asphalt for the yards.



## Strategy for a better business

#### Oak Road wins Commercial Project Award

The Oak Road development won silver in the New Zealand Commercial Project Awards' Industrial category for "excellence in workmanship, construction practices and innovation".

The Registered Master Builders Association awards aim to set the benchmark for commercial construction in New Zealand, while also recognising collaboration and innovation of the people behind each project.

The full project team was Calder Stewart Construction, Woodhams Meikle Zhan Architects and Octa Associates Limited (client project manager).

#### Goals for our assets

- Grow the container business by investment into additional storage and depot capability.
- Grow the bulk business by increasing storage capacity, enhancing shipping flexibility with Victoria Channel improvements, relocating storage where it makes sense, developing wharf replacement options and working with customers on fit-for-purpose infrastructure to meet future needs.
- Rebuild the cruise business by engaging with the cruise industry, investing in pilot accommodation, maintaining capability and having safe landside practices ready to go.
- Continue to build a sustainable property portfolio as a fundamental part of the port's financial sustainability.
- Respond dynamically to shipping volatility with storage and digital solutions.

#### SDGs to which we will contribute

This year, as part of the materiality process, we asked stakeholders for their views on the top five SDGs to which Port Otago can contribute. For our assets, these are the focus:

- SDG8 Decent work and economic growth.**
- SDG9 Industry, innovation and infrastructure.**
- SDG17 Partnerships for the goals.**

\* More information on the SDGs can be found via this link:  
<https://sdgs.un.org/goals>

## Capital #6:

# Our financial value

### Our priorities



Financial returns

Growth

### Our value creation



- Consistent, sustainable dividends for our shareholder to support regional economic development and benefit our community.
- A sustainable future built on solid investment in infrastructure and long-term customer, partner and supplier relationships.

### Work ons

Balancing our business

Efficiency

Understanding our contribution to the regional economy

### Key metrics



#### NPAT:

2020/21 = \$94.5m  
2019/20 = \$50.5m

#### Underlying profit:

2020/21 = \$21.4m  
2019/20 = \$24.7m

#### Dividend to shareholder:

2020/21 = \$10.1m  
2019/20 = \$10.0m

#### Shareholder equity:

2020/21 = \$635m  
2019/20 = \$549m

#### Equity ratio:

2020/21 = 85%  
2019/20 = 84%

### Our stakeholders told us...



“Communities are still experiencing uncertainty, as we continue to work through the impacts of the pandemic. Employers, such as the port, being resilient and continuing to generate the income and opportunities that communities rely upon is more important than ever.”

**Andrew Noone**  
Chair  
Otago Regional Council

# Our balanced portfolio served us well

**“The port’s financial contribution is about more than operating profit. It is about our fundamental contribution to the regional economy. Quantifying the port’s economic contribution will inform our strategy and enhance our integrated reporting on value creation.”**

**Tom Campbell**  
Board member  
Port Otago

It has been a good year, considering the loss of revenue from cruise. The strength of the business comprising four key pillars – containers, bulk, cruise and property – proved critical. Returns from the property portfolio provided a financial buffer, as cruise ship revenue declined to zero. Revenues from bulk remained solid, while container volumes were down as Covid-19 continued to disrupt shipping.

In this year’s financials, we have used the term “underlying profit”. While the port made a significant \$94.5 million profit in the 2021 financial year, this included an investment property revaluation of \$82.2 million. This increased value can only be realised (in terms of cash available to use) if we sell those properties. We have four pillars of our business, one of which is property, and we intend to build on what we have for long-term value creation.

The port needed to work on efficiency and we did. Various staff restructuring processes were completed and we focused on cost management. Annual leave was actively managed and resulted in the leave liability reducing by \$1 million over the year. These cost savings, along with property revenues, bridged the gap created by cruise. However, while a diverse business is valuable, we must not

lose sight of things that make the boat go faster. This includes exploring opportunities to re-invest returns into our core business, in partnership with customers, transport partners and shipping lines.

This is our second Integrated Report and we are *on our way* to a new, more integrated way of thinking using the six capitals, rather than just financial capital. Evidence of this can be found throughout this report. But one gap that came to the fore in our second materiality process was the port’s understanding of its contribution to the regional economy. To this end, there is new data included in *our value chain* on pages 18-19, and we will continue to enhance this.

**“We had a really good year considering the loss of earnings before tax with no cruise vessels coming in.”**

**Paul Rea**  
Chair  
Port Otago Board

**MATERIAL ISSUES:**

**WORK ONS:**

**Financial returns**

- Generating financial returns and balance sheet strength through business resilience in the face of the economic downturn from Covid-19 impacts.
- Producing revenue from a diversified business of bulk and containers.
- Rebuilding cruise and managing our cost base.
- To facilitate consistent shareholder dividends, investment in future growth and contribution to the local, regional and national economy.

**Growth**

- Maintaining a commercial model for growth through investment in infrastructure for the future, enhancing cost efficiency and planning for increasing costs.

**Balancing our business**



- Cruise declined to zero, suspending one of the four key pillars of our business for now.
- Property provided the buffer for cruise, including the completion of several property developments in Auckland and Hamilton. These will be held for long-term rental income.

**Efficiency**



- Covid-19 diverted attention from some plans to improve efficiency. We need to get these back on track. While this work on remains static because we didn't progress all that we planned, we do have some progress to report:
- Progress was made on staff restructuring, resulting in a lower headcount to operate more efficiently going forward.
- Active cost management, as vessel arrivals reduced.

**Understanding our contribution to the regional economy** NEW

- Better quantify the port's contribution to the regional economy and how this can grow in the future.

**Underlying profit as financial performance measure**

Port Otago understands the importance of reported profits meeting accounting standards. Because we comply with accounting standards, users of the financial statements know that comparisons between different companies can be made with confidence and that there is integrity in our reporting approach. However, we believe an underlying profit measurement can also assist understanding business performance

– particularly for an organisation such as Port Otago, where revaluation changes can distort financial results and make it difficult to compare profits between years. For this reason, Port Otago refers to underlying profits, alongside reported results. That is, when we report the results, we exclude fair value changes of investment property adjusted for changes that relate to development projects completed during the year.

The table shows the reconciliation between reported profit and underlying profit for the years ended 30 June 2021 and 2020.

	2021 \$000	2020 \$000
Profit for the year	\$94,507	\$50,493
Less unrealised change in the fair value of investment property	(\$82,240)	(\$27,943)
Addback margin on development projects	\$8,484	\$1,876
Taxation effect	\$661	\$301
<b>Underlying profit</b>	<b>\$21,412</b>	<b>\$24,727</b>

**Notes to table**

We have made the following adjustments to show underlying profit for the years ended 30 June 2021 and 2020:

1. Reversed out the impact of revaluations of investment property in 2021 and 2020. A user of the financial statements should monitor changes in investment property over time as a measure of growing value. However, a change in one particular year is too short to measure long-term

performance. Changes between years can be volatile and, consequently, will impact comparisons. The revaluation is unrealised and therefore is not considered when determining dividends in accordance with the dividend policy.

2. Added back the unrealised change in the fair value of investment property that relates to investment property development projects completed during the year.

This margin is the result of commercial arrangements entered into and is largely within our control, year by year.

3. Reversed out the taxation impacts of the above movements in both the 2021 and 2020 financial years.

## Financial returns for 2020/21

### Revenue

Revenue for the year of \$90 million was \$20 million lower than the previous year following the March 2020 ban on cruise ships entering New Zealand waters and lower land sales from our property business. We continue to engage with the cruise industry and look forward to the return of cruise ships in a safe, sustainable way. While fewer property sales settled during the year, we did complete several property developments which will provide an ongoing rental stream.

### Container business

Container throughput of 174,800 TEU was down nine per cent - from 191,900 TEU last year - as the container trade suffered significant disruption due to vessel rotations and container availability.

### Bulk business

Bulk cargo volumes were up 26 per cent on the previous year at 1.9 million tonnes, including log exports of 1.2 million tonnes. This is consistent with pre-Covid-19 volumes.

### Operating costs

Operating costs for the year were \$8.8 million lower, as the business adjusted to the loss of cruise ships and the lower cost of sale of property inventories. Staff costs and purchased materials and services costs were \$5.2 million lower than the previous year.

### Shareholder equity

Shareholder equity increased to \$635 million, with an equity ratio of 85 per cent at 30 June 2021. This is at the top of the Statement of Corporate Intent target range of 70 to 85 per cent.

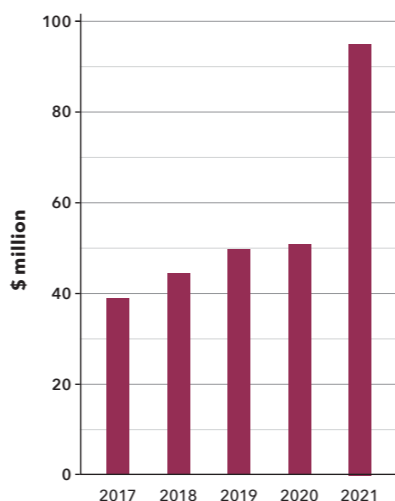
### Borrowings

Total borrowings increased to \$79 million - up \$7 million as we continued to invest in our property portfolio. The strong balance sheet places the company in a solid position as further investment opportunities arise.

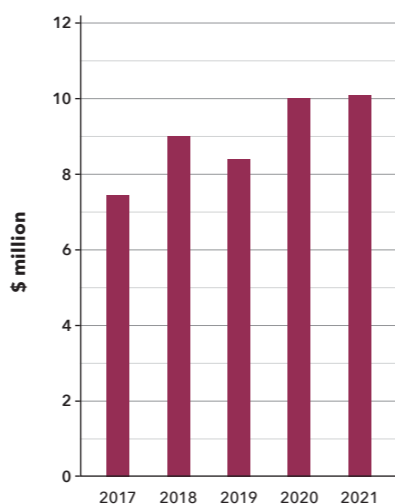
### Dividends

Port Otago paid \$10.1 million in dividends to the Otago Regional Council for the year, compared to the \$10 million paid last year. This is in line with our policy of consistent dividends to our shareholder.

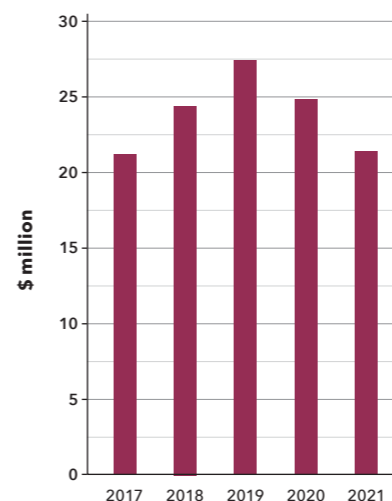
### Net profit after tax



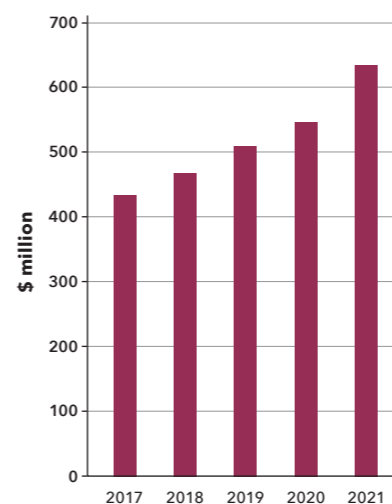
### Dividends



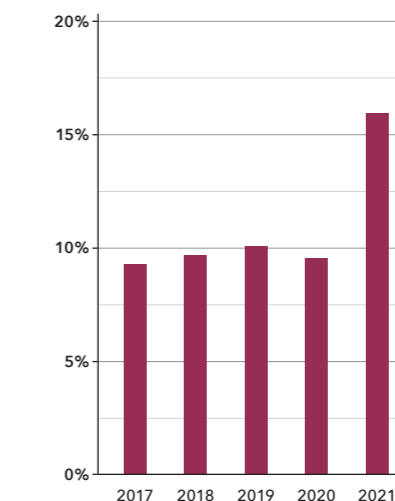
### Underlying profit<sup>1</sup>



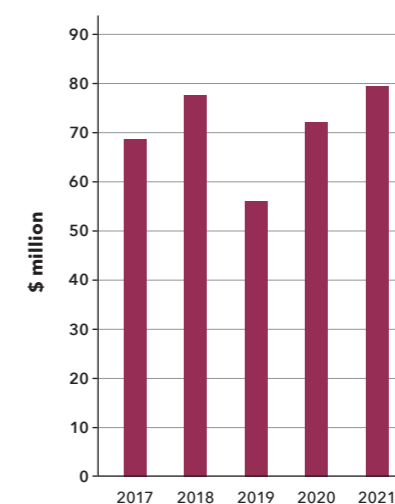
### Shareholder equity



### Return on equity



### Bank debt



## Strategy for a better business

### Goals for our financial value

- Provide consistent shareholder dividends with a portfolio that optimises returns, builds resilience and facilitates investment in the future.

### SDGs to which we will contribute

This year, as part of the materiality process, we asked stakeholders for their views on the top five SDGs to which Port Otago can contribute. For our financial value, this is the focus:



**SDG8 Decent work and economic growth**

**SDG12 Responsible consumption and production**, while not emerging as material for the port, will also not fall off our radar.

\* More information on the SDGs can be found via this link:

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

<sup>1</sup> Underlying profit is defined as profit for the year excluding the unrealised fair value change in the value of investment property, adjusted for the margin achieved on completed property development projects.



# Financial statements

# Consolidated group financial statements

## Income Statement ~ for the year ended 30 June 2021

	Notes	2021 \$000	2020 \$000
<b>Revenue</b>	A1		
Marine and cargo services		51,973	62,213
Warehousing and logistics services		8,442	8,278
Property rentals		27,150	23,859
Sales of property inventories		2,433	13,947
		89,998	108,297
<b>Other income</b>			
Gain on sale of investment property and property, plant and equipment		31	1,680
<b>Total revenue and other income</b>		<b>90,029</b>	<b>109,977</b>
<b>Operating expenses</b>	A2		
Staff costs		(32,153)	(34,725)
Purchased materials and services		(21,531)	(24,139)
Cost of sales of property inventories		(1,643)	(7,170)
Depreciation and amortisation		(12,350)	(11,280)
Impairment of property, plant and equipment	B5	(848)	-
<b>Total operating expenses</b>		<b>(68,525)</b>	<b>(77,314)</b>
<b>Operating profit before finance costs, equity accounted investments, non-operating income and expenses and income tax</b>		<b>21,504</b>	<b>32,663</b>
Net financing costs	A3	(2,797)	(2,440)
Share of profit from equity accounted investment		-	203
<b>Operating profit before non-operating income and expenses and income tax</b>		<b>18,707</b>	<b>30,426</b>
<b>Non-operating income and expenses</b>			
Subvention payment	E4	(100)	(101)
Fair value change in forward start interest rate swaps		602	(232)
Unrealised change in the value of investment property	B1	82,240	27,943
		82,742	27,610
<b>Profit before income tax</b>		<b>101,449</b>	<b>58,036</b>
Income tax expense	A4	(6,942)	(7,543)
<b>Profit for the year</b>		<b>94,507</b>	<b>50,493</b>

The accompanying notes form part of these financial statements



## Statement of Comprehensive Income ~ for the year ended 30 June 2021

	Notes	2021 \$000	2020 \$000
Profit for the year		94,507	50,493
<b>Other comprehensive income</b>			
<i>Cash flow hedges</i>			
Unrealised movement in hedging interest rate swaps (net of tax)		1,598	(471)
<b>Total comprehensive income for the year</b>		<b>96,105</b>	<b>50,022</b>

## Statement of Changes in Equity ~ for the year ended 30 June 2021

	Notes	2021 \$000	2020 \$000
Equity at the beginning of the year		548,612	508,090
Total comprehensive income for the year		96,105	50,022
<i>Distribution to owners</i>			
Dividends paid	D3	(10,100)	(9,500)
<b>Equity at the end of the year</b>		<b>634,617</b>	<b>548,612</b>

The accompanying notes form part of these financial statements

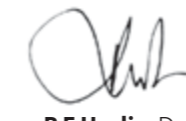
## Statement of Financial Position ~ as at 30 June 2021

	Notes	2021 \$000	2020 \$000
<b>Current assets</b>			
Cash and cash equivalents		241	307
Trade and other receivables	C1	13,611	15,127
Property inventories	B2	21,495	27,554
Maintenance inventories	C3	1,476	1,441
Income tax receivable		1,004	-
		37,827	44,429
<b>Non-current assets</b>			
Investment property	B1	479,290	378,489
Property, plant and equipment	B5	223,052	227,598
Intangible assets	B6	5,379	5,262
Derivative financial instruments	F6	1,021	-
		708,742	611,349
<b>Total assets</b>		<b>746,569</b>	<b>655,778</b>
<b>Current liabilities</b>			
Trade and other payables	C2	6,967	8,132
Borrowings	D4	5,240	5,140
Employee entitlements	C4	4,172	5,685
Provisions	C5	-	227
Derivative financial instruments	F6	636	1,009
Lease liabilities	C6	283	203
Income tax payable		-	685
		17,298	21,081
<b>Non-current liabilities</b>			
Borrowings	D4	73,850	67,150
Employee entitlements	C4	956	1,057
Derivative financial instruments	F6	619	2,047
Lease liabilities	C6	2,825	2,084
Deferred tax liabilities	A4	16,404	13,747
		94,654	86,085
<b>Total liabilities</b>		<b>111,952</b>	<b>107,166</b>
<b>Equity</b>			
Share capital	D1	20,000	20,000
Reserves	D2	614,617	528,612
<b>Total equity</b>		<b>634,617</b>	<b>548,612</b>
<b>Total equity and liabilities</b>		<b>746,569</b>	<b>655,778</b>

For and on behalf of the Board of Directors



P F Rea Chair



P F Heslin Deputy Chair

The accompanying notes form part of these financial statements

## Cash flow statement ~ for the year ended 30 June 2021

Notes	2021 \$000	2020 \$000
<b>Cash flows from operating activities</b>		
Receipts from customers	88,355	94,171
Proceeds from sale of property inventories	2,433	13,837
Interest received	-	435
Payments to suppliers and employees	(56,589)	(57,936)
Purchase of property inventories	(3,629)	(8,964)
Net GST received/(paid)	397	(254)
Interest paid	(2,562)	(2,347)
Subvention payments	(100)	(101)
Income tax payments	(6,596)	(10,674)
<b>Net cash flows from operating activities</b>	<b>21,709</b>	<b>28,167</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of investment property	-	6,907
Proceeds from sale of property, plant and equipment	36	673
Purchase of investment property	(10,515)	(16,645)
Purchase of property, plant and equipment	(7,592)	(23,118)
Advances (to)/from joint operations	27	(2,162)
Interest capitalised	A3 (190)	(567)
<b>Net cash flows from investing activities</b>	<b>(18,234)</b>	<b>(34,912)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	59,600	23,210
Repayment of borrowings	(52,800)	(6,600)
Dividends paid	D3 (10,100)	(9,500)
Repayment of lease liabilities	(241)	(200)
<b>Net cash flows from financing activities</b>	<b>(3,541)</b>	<b>6,910</b>
<b>Increase (decrease) in cash held</b>	<b>(66)</b>	<b>165</b>
Cash held at beginning of period	307	142
<b>Cash held at end of period</b>	<b>241</b>	<b>307</b>

The accompanying notes form part of these financial statements

## Reconciliation of profit for the year to net cash flows from operating activities ~ for the year ended 30 June 2021

	2021 \$000	2020 \$000
Profit for the year	94,507	50,493
<b>Plus/(less) non-cash items:</b>		
Unrealised change in the value of investment property	(82,240)	(27,943)
Depreciation and amortisation	12,350	11,280
Impairment of property, plant and equipment	848	-
Movement in the fair value of forward start interest rate swaps	(602)	232
Movement in non-current employee entitlements	(101)	114
Movement in deferred tax	2,035	(667)
<b>Plus/(less) items classified as investing activities:</b>		
Gain on sale of property, plant and equipment	(31)	(24)
Gain on sale of investment property	-	(1,656)
Movement in joint ventures	-	(203)
<b>Movement in working capital items:</b>		
Trade and other receivables	1,516	1,778
Trade and other payables	(1,165)	(3,854)
Current employee entitlements	(1,513)	195
Provisions	(227)	(40)
Income tax payable	(1,689)	(2,464)
Maintenance inventories	(35)	(60)
Property inventories	(1,986)	(1,794)
Movement in other working capital items classified as investing activities	42	2,780
<b>Net cash flows from operating activities</b>	<b>21,709</b>	<b>28,167</b>

The accompanying notes form part of these financial statements

# Notes to the financial statements

## Reporting entity

**Port Otago Limited** (“the Company”) is a limited company incorporated and domiciled in New Zealand. The address of its registered office and principal place of business is disclosed in the directory of the annual report.

The financial statements presented are those of Port Otago Limited, its subsidiaries, and share of joint ventures and joint operations (“the Group”). The ultimate owner of the Group is the Otago Regional Council. Port Otago Limited operates a full service container port at Port Chalmers and provides wharf facilities in Dunedin. The principal activities of the Group are further described in section E.

These financial statements have been prepared to comply with the Companies Act 1993, the Financial Reporting Act 2013 and the Port Companies Act 1988.

The financial statements of Port Otago Limited are for the year ended 30 June 2021 and were issued by the Board on 30 September 2021.

## Basis of preparation

**These financial statements** of Port Otago Limited have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand.

Accounting policies applied in these financial statements comply with NZ IFRS standards issued and are effective as at the time of preparing these statements (September 2021) as applicable to Port Otago Limited as a profit-oriented entity. In complying with NZ IFRS Port Otago Limited is simultaneously in compliance with International Financial Reporting Standards (IFRS).

Under the Accounting Standards Framework developed by the External Reporting Board (XRB) the Company has elected to report as a Tier 1 entity for group reporting purposes.

The preparation of financial statements in accordance with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The financial statements are presented in New Zealand dollars, which is the Group’s functional currency.

## Measurement base

**These annual** financial statements have been prepared under the historical cost convention except for the revaluation of certain assets and the recognition at fair value of certain financial instruments (including derivative financial instruments).

## New standards, amendments and interpretations

**At the date** of approval of the financial statements, there were no relevant standards in issue but not applied.

## Critical estimates and assumptions

**The Group** makes 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 of future events that are expected to be reasonable under the circumstances. There are no estimates or assumptions in the view of Directors that have a risk of causing a significant adjustment to the carrying amounts of assets or liabilities within the next financial year.

Further information about areas of estimation uncertainty that have the most significant effect on the amount recognised in the financial statements is disclosed in the relevant notes:

- Fair value measurements of property portfolio assets (note B4)
- Property, plant and equipment (note B5)

## Covid-19

**The global Covid-19** pandemic and resulting impacts on trade, the cruise industry and property markets has increased the level of uncertainty around certain estimates in these financial statements. An assessment of the impacts of Covid-19 on Port Otago’s Income Statement and Statement of Financial Position is set out below, based on the information available at the time of preparing these financial statements.

Item	Covid-19 assessment
<b>Marine and cargo services revenue</b>	The New Zealand government banned cruise ships from entering New Zealand waters from 14 March 2020 resulting in no arrivals during the 2021 financial year compared to 112 cruise ship arrivals in the 2020 financial year. At this stage it is unlikely cruise ships will visit for the coming 2021/22 cruise ship season (2022 financial year).
<b>Investment property</b>	As at June 2020, the independent valuations of the Group’s investment property portfolio were reported on the basis of ‘material valuation uncertainty’, meaning less certainty and a higher degree of caution should be applied to the valuations. As at June 2021, the ‘material valuation uncertainty’ clause has been removed from all of the independent valuations.

# Section A Financial performance

## A1 Revenue

### Marine and cargo services and warehousing and logistics services revenue

**Marine and cargo** services revenue is derived from an integrated performance obligation for the provision of channel navigation, berthage, wharfage, stevedoring and empty container services. Warehousing and logistics services revenue is derived from the storage and container packing of customer cargo. Revenue is based on the service price specified in the relevant tariffs or specific customer contract. The contract price for the services performed reflects the value transferred to the customer and is accounted for as a single performance obligation and recognised over-time. Revenue is shown net of rebates and discounts.

### Property rentals

**Port property** rentals are derived from leased property (see note B5) integral to the import and export of goods through the port and subject to an operating lease with a port customer. Revenue is recognised on a straight-line basis over the lease term.

Investment property rentals are recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

	2021 \$000	2020 \$000
<b>Disaggregation of property rentals</b>		
Port property rentals	7,265	6,393
Investment property rentals	19,885	17,466
<b>Property rentals</b>	<b>27,150</b>	<b>23,859</b>

### Sales of property inventories

**Income from** the sales of property inventories is recognised when an unconditional contract for the sale is in place, it is probable the consideration due will be received and the significant risks and rewards of ownership have been transferred to the purchaser.

## A2 Operating expenses

Expenses incurred in the financial year of \$68.5 million for the Group include the following:

	2021 \$000	2020 \$000
<b>Staff costs</b>		
Wages and salaries	30,601	33,097
Superannuation employer contributions	1,552	1,628
<b>Total staff costs</b>	<b>32,153</b>	<b>34,725</b>
Audit fees	127	129
Directors fees	387	356

Salaries and other short-term employee benefits paid to key management personnel during the financial year totalled \$3,331,002 (2020: \$3,310,540).

	Notes	2021 \$000	2020 \$000
<b>Depreciation and amortisation</b>			
Depreciation of property, plant and equipment	B5	11,427	10,375
Amortisation of intangibles	B6	802	820
Amortised leasing costs		121	85
<b>Total depreciation and amortisation</b>		<b>12,350</b>	<b>11,280</b>

## A3 Net financing costs

Borrowing costs directly attributable to the acquisition and/or construction of property, plant and equipment and long term investment property development projects are capitalised as part of the cost of those assets. Other borrowing costs are expensed in the period in which they are incurred.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the asset to that asset's net carrying amount.

	2021 \$000	2020 \$000
Interest income	-	435
Interest expense and bank facility fees	(2,987)	(3,442)
Interest capitalised	190	567
<b>Net financing costs</b>	<b>(2,797)</b>	<b>(2,440)</b>
Weighted average capitalisation rate on funds borrowed	3.4 %	3.7 %

## A4 Income tax

### Income tax expense

**Income tax** expense represents the sum of the tax currently payable and deferred tax except to the extent that it relates to items recognised directly in equity, in which case the tax expense is also recognised in equity. The current tax payable is based on taxable profit for the period. Taxable profit differs from profit reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using the tax rates that have been enacted by the balance date. Port Otago Limited is part of a consolidated tax group including its subsidiaries, Chalmers Properties Limited and Fiordland Pilot Services Limited. The total charge for the year can be reconciled to the accounting profit as follows:

	2021 \$000	2020 \$000
<b>Profit before income tax</b>	101,449	58,036
Prima facie tax expense at 28%	(28,406)	(16,250)
Non deductible items	(70)	(56)
Non assessable income	-	521
Unrealised change in investment property	21,636	6,998
Tax loss offset (via subvention payment)	100	101
Prior year adjustment	(92)	(209)
Reinstatement of tax depreciation on buildings	-	919
Deferred tax relating to the origination and reversal of temporary differences	(110)	433
<b>Income tax expense</b>	<b>(6,942)</b>	<b>(7,543)</b>
<i>Allocated between:</i>		
Current tax	(4,914)	(8,102)
Prior period adjustments to current tax	7	(108)
Deferred tax	(2,035)	667
	<b>(6,942)</b>	<b>(7,543)</b>

### Deferred tax

**Deferred tax** is provided in full, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the balance date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax (assets) and liabilities	Property, plant and equipment \$000	Investment property \$000	Property inventories \$000	Financial instruments \$000	Other \$000	Total \$000
Balance at 1 July 2020	11,365	4,730	380	(855)	(1,873)	13,747
Charged / (credited) to hedging reserve direct to equity	-	-	-	622	-	622
Charged / (credited) to income statement	(606)	2,341	(142)	169	273	2,035
<b>Balance at 30 June 2021</b>	<b>10,759</b>	<b>7,071</b>	<b>238</b>	<b>(64)</b>	<b>(1,600)</b>	<b>16,404</b>
Balance at 1 July 2019	12,498	3,987	572	(607)	(1,853)	14,597
Charged / (credited) to hedging reserve direct to equity	-	-	-	(183)	-	(183)
Charged / (credited) to income statement	(1,133)	743	(192)	(65)	(20)	(667)
<b>Balance at 30 June 2020</b>	<b>11,365</b>	<b>4,730</b>	<b>380</b>	<b>(855)</b>	<b>(1,873)</b>	<b>13,747</b>

### Imputation credits

	2021 \$000	2020 \$000
<b>Imputation credits available to shareholder for future use</b>	<b>47,693</b>	<b>45,914</b>

# Section B

## Capital assets used to operate the business

### B1 Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at its fair value at the balance sheet date. On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in the Income Statement for the period in which they arise. Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The fair value of investment property reflects the Directors' assessment of the highest and best use of each property and amongst other things, rental income from current leases

and assumptions about rental income from future leases in light of current market conditions. The fair value also reflects the cash outflows that could be expected in respect of the property. No depreciation is provided for on investment properties.

However, for tax purposes, depreciation is claimed on building fit-out, and from 1 July 2020 on buildings, and a deferred tax liability is recognised where the building component of the revalued building exceeds the tax book value of the building. The deferred tax liability is capped at the amount of depreciation that has been claimed on each building. Gains or losses on the disposal of investment properties are recognised in the Income Statement in the period in which the risks and rewards of the investment property have been fully transferred to the purchaser. Borrowing costs are capitalised if they are directly

attributable to the acquisition or construction of a qualifying property. Capitalisation of borrowing costs will continue until the asset is substantially ready for its intended use. The rate at which borrowing costs are capitalised is determined by reference to the weighted average borrowing costs and the average level of borrowings.

Notes	2021 \$000	2020 \$000
Balance at beginning of year	378,489	334,120
Transfer from property inventories	7,751	3,068
Capital expenditure and improvements	10,328	16,059
Disposals	-	(3,145)
Net movement in prepaid leasing costs	171	107
Net movement in lease incentives	121	(57)
Interest capitalised	190	394
Unrealised change in the fair value of investment property	82,240	27,943
<b>Balance at end of year</b>	<b>479,290</b>	<b>378,489</b>
<i>Comprising:</i>		
Industrial	258,940	187,724
Retail	31,900	28,750
Office	2,800	2,820
Leasehold	185,650	159,195
	<b>479,290</b>	<b>378,489</b>
<b>Breakdown of valuations by valuer</b>		
Savills (NZ) Limited (Savills)	208,725	-
CBRE Limited (CBRE)	31,900	-
Jones Lang LaSalle Limited (JLL)	55,371	173,994
CVAS (NZ) Limited (Colliers)	182,075	204,495
	<b>478,071</b>	<b>378,489</b>
Plus investment property builds under construction and carried at cost	1,219	-
	<b>479,290</b>	<b>378,489</b>

## B2 Property inventories

Transfers from investment property to property inventories occur when there is a change in use evidenced by the commencement of a development with a view to sale. Future development stages that have not yet commenced and are being held for capital appreciation are accounted for in investment

property. Property inventories are accounted for as inventory under NZ IAS 2 and initially recognised at deemed cost represented by the fair value at the time of commencement of the development. Further costs directly incurred through development activities are capitalised to the cost of the property inventories. Property

inventories are valued annually and are measured at the lower of cost and net realisable value. Where costs exceed the fair value of the property inventories the resulting impairments are included in the Income Statement in the period in which they arise.

	Notes	2021 \$000	2020 \$000
Balance at beginning of year		27,554	28,829
Transfer to investment property	B1	(7,751)	(3,068)
Land acquired from joint venture partner		2,499	-
Development expenditure and improvements		833	8,594
Disposals		(1,640)	(6,974)
Interest capitalised		-	173
<b>Balance at end of year</b>		<b>21,495</b>	<b>27,554</b>
<i>Comprising:</i>			
Developed land for sale		21,371	21,720
Warehouse builds in progress		124	5,834
		<b>21,495</b>	<b>27,554</b>

### Developed land for sale

The \$21.4 million carrying value at balance date reflects the cost of 10.4 hectares of developed land for sale. In their June 2021 valuation, Jones Lang LaSalle stated a net realisable value of \$33.2 million for this land on hand. At June 2020, the \$21.7 million carrying value of developed land reflects the Group's 11.1 hectare share of the developed land. Jones Lang LaSalle stated a net realised value for the Group's share of developed land on hand at June 2020 of \$31.7 million.

## B3 Property held for sale

Property classified as held for sale is measured at:

- fair value for investment property held for sale (NZ IAS 40); and
- fair value less estimated costs of disposal, measured at the time of transfer, for items transferred from property, plant and equipment (NZ IFRS 5).

Property is classified as held for sale if the carrying amount will be recovered through a sales transaction rather than through continuing use. Property is not depreciated or amortised while it is classified as held for sale.

	2021 \$000	2020 \$000
Balance at beginning of year	-	2,105
Disposals	-	(2,105)
<b>Balance at end of year</b>	<b>-</b>	<b>-</b>

## B4 Fair value measurements of property portfolio assets

### Critical estimates and assumptions

**The valuation** of investment property requires estimation and judgement. The fair value of investment properties is determined from valuations prepared by independent valuers using Level 3 valuation techniques. Level 3 valuation techniques use inputs for the asset that are not based on observable market data, that is, unobservable inputs. All investment properties were valued as at balance date by Savills, CBRE, JLL or Colliers who are independent valuers and members of the New Zealand Institute of Valuers. There is a policy of rotation of independent investment property valuers. Other than in exceptional circumstances, the terms of rotation for ground leases are every four years and all other investment properties, every three years.

As part of the valuation process, management verifies all major inputs to the independent valuation reports, assesses movements in individual property values and holds discussions with the independent valuer. The fair value was determined using Level 3 valuation techniques via a combination of the following approaches:

- **Direct Capitalisation:** The subject property rental is divided by a market derived capitalisation rate to assess the market value of the asset. Further adjustments are then made to the market value to reflect under or over renting, additional revenue and required capital expenditure.
- **Discounted Cash Flow:** Discounted cash flow projections for the subject property are based on estimates of future cash flows, supported by the terms of any existing lease and by external evidence such as market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.
- **Sales Comparison:** The subject property is related at a rate per sqm as a means of comparing evidence. In applying this approach a number of factors are taken into account such as but not limited to, size, location, zoning, contour, access, development potential and end use, availability of services, profile and exposure, current use of surrounding properties, geotechnical and topographical constraints.

Significant inputs used together with the impact on fair value of a change in inputs:

	Range of significant unobservable inputs		Fair value measurement sensitivity to significant	
			increase in input	decrease in input
Market capitalisation rate (%) <sup>1</sup>	4.0 %	7.8 %	Decrease	Increase
Market rental (\$ per sqm) <sup>2</sup>	\$10.50	\$456	Increase	Decrease
Discount rate (%) <sup>3</sup>	5.8 %	9.3 %	Decrease	Increase
Rental growth rate (%) <sup>4</sup>	1.6 %	3.0 %	Increase	Decrease
Terminal capitalisation rate (%) <sup>5</sup>	4.0 %	8.0 %	Decrease	Increase
Profit and risk rate (%) <sup>6</sup>	5.0 %	5.0 %	Decrease	Increase
Development sell down period (years) <sup>7</sup>	2 years	2 years	Decrease	Increase

1. The capitalisation rate applied to the market rental to assess a property's value, determined through similar transactions taking into account location, weighted average lease term, size and quality of the property.
2. The valuers' assessment of the net market income which a property is expected to achieve under a new arm's length leasing transaction.
3. The rate applied to future cash flows relating transactional evidence from similar properties.
4. The rate applied to the market rental over the future cash flow projection.
5. The rate used to assess the terminal value of the property.
6. The rate provides an allowance for the risks and uncertainties associated with similar activities in conjunction with current market conditions.
7. The length of time in years anticipated to complete the sell down of developed land.

Investment Property - reconciliation of Level 3 fair value measurements	2021 \$000	2020 \$000
Balance at beginning of year	378,489	334,120
Unrealised change in the value of investment property	82,240	27,943
Improvements	10,810	16,503
Disposals	-	(3,145)
Transfers from property inventories	7,751	3,068
<b>Balance at the end of the year</b>	<b>479,290</b>	<b>378,489</b>



## B5 Property, plant and equipment

Property, plant and equipment is stated at cost, less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. When significant, interest costs incurred during the period required to construct an item of

property, plant and equipment are capitalised as part of the asset's total cost. Property is classified as property, plant and equipment if the property is held to meet the strategic purposes of the port, or to form part of buffer zones to port activity, or to assist the provision of port services, or to

promote or encourage the import or export of goods through the port. Included in harbour improvements and capital work in progress is the capitalised cost of channel dredging of \$9,127,000 (2020: \$8,930,000).

	Land \$000	Buildings and improvements \$000	Harbour improvements \$000	Plant, equipment and vehicles \$000	Capital work in progress \$000	Total \$000
<b>Cost</b>						
Balance 1 July 2019	35,281	72,769	89,634	114,523	1,988	314,195
Additions	1,019	14,142	1,404	3,506	2,857	22,928
Additions - Right-of-use assets	2,336	-	-	152	-	2,488
Disposals	-	(655)	(8)	(1,145)	-	(1,808)
<b>Cost at 30 June 2020</b>	<b>38,636</b>	<b>86,256</b>	<b>91,030</b>	<b>117,036</b>	<b>4,845</b>	<b>337,803</b>
Balance 1 July 2020	38,636	86,256	91,030	117,036	4,845	337,803
Additions	1,062	3,359	305	4,101	(1,093)	7,734
Disposals	-	(760)	-	(279)	-	(1,039)
<b>Cost at 30 June 2021</b>	<b>39,698</b>	<b>88,855</b>	<b>91,335</b>	<b>120,858</b>	<b>3,752</b>	<b>344,498</b>
<b>Accumulated depreciation</b>						
Balance 1 July 2019	-	24,079	22,326	54,964	-	101,369
Depreciation for period	207	2,919	2,009	5,240	-	10,375
Disposals	-	(408)	(8)	(1,123)	-	(1,539)
<b>Accumulated depreciation at 30 June 2020</b>	<b>207</b>	<b>26,590</b>	<b>24,327</b>	<b>59,081</b>	<b>-</b>	<b>110,205</b>
Balance 1 July 2020	207	26,590	24,327	59,081	-	110,205
Depreciation for period	260	3,197	1,999	5,971	-	11,427
Disposals	-	(756)	-	(278)	-	(1,034)
Impairment of property, plant and equipment	-	-	848	-	-	848
<b>Accumulated depreciation at 30 June 2021</b>	<b>467</b>	<b>29,031</b>	<b>27,174</b>	<b>64,774</b>	<b>-</b>	<b>121,446</b>
<b>Net book value</b>						
At 30 June 2020	38,429	59,666	66,703	57,955	4,845	227,598
<b>At 30 June 2021</b>	<b>39,231</b>	<b>59,824</b>	<b>64,161</b>	<b>56,084</b>	<b>3,752</b>	<b>223,052</b>

Included in property, plant and equipment are the following assets, all integral to the import or export of goods through the port and subject to an operating lease with a port customer.

Leased assets	Land \$000	Buildings and improvements \$000	Total \$000
<b>Cost</b>			
Balance 1 July 2019	8,609	31,474	40,083
Additions	980	8,998	9,978
Disposals	-	(67)	(67)
<b>Cost at 30 June 2020</b>	<b>9,589</b>	<b>40,405</b>	<b>49,994</b>
Balance 1 July 2020	9,589	40,405	49,994
Additions	-	913	913
Disposals	-	(744)	(744)
<b>Cost at 30 June 2021</b>	<b>9,589</b>	<b>40,574</b>	<b>50,163</b>
<b>Accumulated depreciation</b>			
Balance 1 July 2019	-	7,083	7,083
Depreciation for period	-	965	965
Disposals	-	(52)	(52)
<b>Accumulated depreciation at 30 June 2020</b>	<b>-</b>	<b>7,996</b>	<b>7,996</b>
Balance 1 July 2020	-	7,996	7,996
Depreciation for period	-	1,065	1,065
Disposals	-	(744)	(744)
<b>Accumulated depreciation at 30 June 2021</b>	<b>-</b>	<b>8,317</b>	<b>8,317</b>
<b>Net book value</b>			
At 30 June 2020	9,589	32,409	41,998
<b>At 30 June 2021</b>	<b>9,589</b>	<b>32,257</b>	<b>41,846</b>

## Critical estimates and assumptions

At each balance date, the Group reviews the useful lives and residual values of its property, plant and equipment. Assessing the appropriateness of useful lives and residual value estimates of property, plant and equipment requires the Group to consider a number of factors such as the physical condition of the asset, expected period of use of the asset by the Group, and expected disposal proceeds from the future sale of the asset. An incorrect estimate of the useful life or residual value will impact on the depreciable amount of an asset, therefore impacting on the depreciation expense recognised in the Income Statement and carrying amount of the asset in the Statement of Financial Position. The Group minimises the risk of this estimation uncertainty by physical inspection of assets, asset replacement programmes and analysis of prior asset sales.

## Depreciation

Property, plant and equipment are depreciated on a straight-line basis so as to allocate the costs of assets over their estimated useful lives as follows:

Land	nil
Buildings and improvements	10-50 years
Harbour improvements	
- Wharves	15-70 years
- Berth and channel dredging	nil
Vessels and floating plant	5-30 years
Right-of-use assets	1-10 years
Other plant, equipment and vehicles	3-30 years

## Impairment

Property, plant and equipment assets are reviewed at each balance sheet date for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If an indication of impairment exists then the asset's recoverable amount is estimated. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised whenever the carrying amount of the asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised immediately in the Income Statement.

An impairment charge of \$848,000 (2020: nil) was recognised following an engineering review of the Ravensdown wharf which concluded that there are operational limitations to the existing structure.

## B6 Intangible assets

The cost of acquiring an intangible asset is amortised from the date the asset is ready for use on a straight-line basis over the periods of expected benefit.

	Computer software \$000	Resource consents \$000	Total \$000
<b>Cost</b>			
Balance 1 July 2019	7,579	5,641	13,220
Additions	183	4	187
Disposals	(30)	-	(30)
<b>Cost at 30 June 2020</b>	<b>7,732</b>	<b>5,645</b>	<b>13,377</b>
Balance 1 July 2020	7,732	5,645	13,377
Additions	914	5	919
Disposals	-	-	-
<b>Cost at 30 June 2021</b>	<b>8,646</b>	<b>5,650</b>	<b>14,296</b>
<b>Accumulated amortisation</b>			
Balance 1 July 2019	5,895	1,430	7,325
Amortisation expense	563	257	820
Disposals	(30)	-	(30)
<b>Accumulated amortisation at 30 June 2020</b>	<b>6,428</b>	<b>1,687</b>	<b>8,115</b>
Balance 1 July 2020	6,428	1,687	8,115
Amortisation expense	546	256	802
Disposals	-	-	-
<b>Accumulated amortisation at 30 June 2021</b>	<b>6,974</b>	<b>1,943</b>	<b>8,917</b>
<b>Net book value</b>			
At 30 June 2020	1,304	3,958	5,262
<b>At 30 June 2021</b>	<b>1,672</b>	<b>3,707</b>	<b>5,379</b>

### Computer software

Computer software assets are stated at cost, less accumulated amortisation and impairment. The amortisation periods range from 1 to 5 years.

### Resource consents

For resource consents the amortisation periods range from 3 to 25 years. Where the periods of expected benefit or recoverable values have diminished, due to technological change or market conditions, amortisation is accelerated or the carrying value is written down. Resource consents relate to the granting of the consents which will allow Port Otago Limited to deepen to 15 metres and widen the channel in Otago Harbour so larger ships will be able to call at Port Chalmers. Consents were granted in January 2013 and were activated in March 2015. Amortisation of the carrying amounts commenced on the activation of the consents and will be amortised over the life of the consents which is either 3 years or 20 years. An additional 25 year consent was granted in June 2017 to undertake maintenance dredging and disposal of dredge spoil.

# Section C

## Operating assets and liabilities used to operate the business

### C1 Trade and other receivables

Trade and other receivables arise in the ordinary course of business and are initially valued at fair value and subsequently measured at amortised cost using the effective interest method less any provision

for impairment. Port Otago invoices for services as they are performed, generally on a monthly basis. They are non-interest bearing and have payment terms of generally the 20th of the month following the invoice.

	2021 \$000	2020 \$000
Trade receivables	10,831	11,679
Amounts owing by related parties - joint venture partners	-	2,245
Prepayments	2,780	1,203
<b>Balance at end of year</b>	<b>13,611</b>	<b>15,127</b>

The status of trade receivables at the reporting date is as follows:

	2021 Gross Receivable \$000	2020 Gross Receivable \$000
Not past due	6,559	8,690
Past due 30-60 days	3,665	2,267
Past due 61-90 days	266	500
Past due more than 90 days	586	333
Less allowance based on historic credit losses	(245)	(111)
<b>Balance at end of year</b>	<b>10,831</b>	<b>11,679</b>

### C2 Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently measured at amortised cost, using the effective interest method.

	2021 \$000	2020 \$000
Accounts payable	2,545	3,566
Other accrued charges	3,492	4,033
GST payable	930	533
<b>Balance at end of year</b>	<b>6,967</b>	<b>8,132</b>

### C3 Maintenance inventories

Inventories are stores, materials and maintenance spares to be consumed in the rendering of services and are stated at the lower of cost and net realisable value. The cost of stores, materials and maintenance spares

are determined on a weighted average basis. The carrying amounts of inventories includes appropriate allowances for obsolescence and deterioration.

## C4 Employee entitlements

Provision is made for benefits accruing to employees in respect of salaries and wages, annual leave, sick leave, long service leave, retiring allowances, superannuation contributions and incentive plans when it is probable that settlement will be required. Provisions made in respect of employee benefits expected to be settled within 12 months

are measured at undiscounted amounts based on remuneration rates that the Group expects to pay. Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the Group in respect of services provided by

employees up to the reporting date. These provisions are affected by a number of estimates including projected interest rates, the expected length of service of employees and future levels of employee earnings. Long service leave accrued to key management personnel at balance date totalled \$70,721 (2020: \$68,971).

	2021 \$000	2020 \$000
Accrued wages, salaries and other benefits	667	1,211
Annual leave	3,375	4,365
Long service leave	919	1,016
Retiring allowances	37	42
Sick leave	130	108
<b>Balance at end of year</b>	<b>5,128</b>	<b>6,742</b>
<i>Analysed as:</i>		
Current	4,172	5,685
Non-current	956	1,057
	<b>5,128</b>	<b>6,742</b>

## C5 Provisions

Port Otago Limited identified buildings where asbestos was present and worked through a planned approach to remove all asbestos. The removal

of soil contamination and parking reinstatement from the remaining site was completed during the 2021 financial year.

	2021 \$000	2020 \$000
Asbestos remediation provision	-	227
<b>Balance at end of year</b>	<b>-</b>	<b>227</b>

## C6 Leases

### As lessor

The Group has entered into commercial property leases including perpetual ground leases. These leases have remaining non-cancellable lease terms of up to 21 years. Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and rewards incidental to ownership. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. The Group has determined that it retains all significant risks and rewards of ownership of the commercial property leases and has therefore classified the leases as operating leases. Property leased out under operating leases is included in investment property and property, plant and equipment in the Statement of Financial Position. Future minimum rentals receivable under non-cancellable commercial property leases including amounts up to the next renewal term for perpetual ground leases are:

	2021 \$000	2020 \$000
<b>Rental receivable</b>		
Less than 1 year	24,329	22,675
1-2 years	22,942	21,688
2-3 years	21,277	20,468
3-4 years	20,105	18,846
4-5 years	18,873	17,760
Greater than 5 years	86,869	91,146
<b>Minimum future lease receivable</b>	<b>194,395</b>	<b>192,583</b>

**As lessee**

**The Group** leases plant, equipment and land for port operations typically for fixed periods of 1 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The Group recognises a right-of-use asset and a lease liability at the commencement date of a lease except for short-term leases, where the lease term is less than 12 months, or related to low value assets, which are expensed on a straight-line basis over the term of the lease. On initial recognition lease liabilities are recognised at the net present value of the lease payments discounted using the interest rate implicit in the lease. Lease liabilities are subsequently measured at amortised cost. Right-of-use assets are initially measured at cost, which comprises the initial amount of the lease liability. Right-of-use assets are included within property, plant and equipment in the Statement of Financial Position and are subsequently measured on the same basis.

	2021 \$000	2020 \$000
<b>Right-of-use assets - plant, equipment and land</b>		
Balance at beginning of year	2,223	2,488
Additions	1,062	-
Depreciation	(314)	(265)
<b>Balance at end of year</b>	<b>2,971</b>	<b>2,223</b>
<b>Lease liabilities</b>		
Balance at beginning of year	2,287	2,488
Additions	1,062	-
Interest expense	189	159
Lease payments - cash	(430)	(360)
<b>Balance at end of year</b>	<b>3,108</b>	<b>2,287</b>
<b>Lease liabilities</b>		
Current	283	203
Non-current	2,825	2,084
	<b>3,108</b>	<b>2,287</b>

# Section D

## Business funding

### D1 Equity

At 30 June 2021 Port Otago Limited has 20,000,000 ordinary shares (2020: 20,000,000 ordinary shares). All shares are fully paid and have no par value.

All shares carry equal voting rights and the right to share in any surplus on the winding up of the Group.

### D2 Reserves

#### Retained earnings

**The purpose** of the retained earnings reserve is to hold funds for future investment or returns to the shareholder.

#### Hedging reserve

**The hedging** reserve comprises the effective portion of the cumulative net change in the fair value of the cash flow hedging instruments relating to interest payments that have not yet occurred.

The reserves are represented by:

	2021 \$000	2020 \$000
<b>Retained earnings</b>		
Balance at beginning of year	530,648	489,655
Profit for the year	94,507	50,493
Less dividends paid	(10,100)	(9,500)
<b>Balance at end of year</b>	<b>615,055</b>	<b>530,648</b>
<b>Hedging reserve</b>		
Balance at beginning of year	(2,036)	(1,565)
Change in fair value of interest rate swaps	2,220	(654)
Deferred tax arising on fair value movement	(622)	183
<b>Balance at end of year</b>	<b>(438)</b>	<b>(2,036)</b>
<b>Total Reserves</b>	<b>614,617</b>	<b>528,612</b>

## Capital management strategy

The Group's capital is its equity, which comprises the reserves noted above. Equity is represented by net assets. The owners of the Group require the Board to manage its revenue, expenses, assets and liability transactions prudently. The Group's equity is therefore managed as an integral component of these prudent transactions. The objective of managing the Group's equity is to ensure that the Group effectively achieves its objectives while providing a financial return to the owners. The Group manages capital on the basis of the equity ratio with a target range of 70% to 85%.

## D3 Dividends

	2021 \$000	2020 \$000
First interim dividend paid 22.5 cps (2020: 22.5 cps)	4,500	4,500
Second interim dividend paid 23 cps (2020: 22.5 cps)	4,600	4,500
Final dividend 5 cps (2020: 5 cps)	1,000	1,000
<b>Dividends for the financial year</b>	<b>10,100</b>	<b>10,000</b>
<i>Adjust for dividends declared after year end:</i>		
2021 Final dividend declared October 2021	(1,000)	-
2020 Final dividend declared September 2020	1,000	(1,000)
2019 Final dividend declared September 2019	-	500
<b>Dividend distributed to owners as disclosed in the Statement of Changes in Equity</b>	<b>10,100</b>	<b>9,500</b>
Dividends - cents per share (cps)	50.5	50

## D4 Borrowings

Borrowings are recognised initially at fair value. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Income

Statement over the period of the borrowings, using the effective interest method. The effective interest rate, incorporating the effect of hedge contracts is 3.6% (2020: 4.2%).

The carrying amount of borrowings

reflects fair value as the borrowing finance rates approximate market rates.

Bank Borrowings	2021 \$000	2020 \$000
Current liability	5,240	5,140
Non-current liability	73,850	67,150
<b>Total bank borrowings</b>	<b>79,090</b>	<b>72,290</b>

## Debt facility

The Group has an \$81 million Short Term Advances Facility with ANZ Bank New Zealand Limited which the Group may draw from for terms ranging from call to the termination of the agreement, which is 1 July 2023. In addition the Group has a \$29 million Commercial Flexi Facility with ANZ Bank New Zealand Limited which is subject to an annual review. The next review is due on 30 June 2022.

The security for advances is a cross guarantee and indemnity between Port Otago Limited, Chalmers Properties Limited and Te Rapa Gateway Limited in favour of the lender, general security agreement over the assets of Port Otago Limited and Chalmers Properties Limited and registered first-ranking mortgages over land.

# Section E

## Group structure

### E1 Investment in subsidiaries

The financial statements include those of Port Otago Limited (the Company) and its subsidiaries accounted for by line aggregation of assets, liabilities, revenues, expenses and cash flows that are recognised in the financial statements.

Business combinations are accounted for using the acquisition method as at the acquisition date,

which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Subsidiaries are entities that are controlled, either directly or indirectly, by the Company. The results of subsidiaries acquired or disposed of during the period are included in the

Income Statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All inter-company transactions are eliminated on consolidation.

### E2 Principal subsidiaries

The Group included the following subsidiaries at 30 June 2021. All subsidiaries have a 30 June balance date.

Name	% of ownership interest	Principal activity	Principal place of business
Chalmers Properties Limited	100%	Property investment	Dunedin and Auckland
Te Rapa Gateway Limited	100%	Property investment	Hamilton
Fiordland Pilot Services Limited	100%	Shipping services	Fiordland

There are no significant restrictions to the Company settling the liabilities of the subsidiaries or the Company's access to the assets, except for the general security agreement and registered first-ranking mortgages over land as detailed in note D4. There has been no significant change in the risks associated with these interests.

Chalmers Properties Limited has provided an advance to Te Rapa Gateway Limited to fund its share of land acquisition and development expenditure. The current intention of Chalmers Properties Limited is to provide ongoing financial support to Te Rapa Gateway Limited.

Port Otago Limited and Chalmers

Properties Limited have a \$300,000 overdraft offset facility arrangement which is included in the Group debt facility detailed in note D4. The purpose of this arrangement is to minimise any interest costs to the two entities.

## E3 Joint operation investments accounted for on a proportionate consolidation basis

Port Otago Limited had a 66.7% shareholding in the Hamilton Porter JV Company Limited (HPJVL) through its wholly owned subsidiary, Te Rapa Gateway Limited (TGL). During the year, TGL acquired the remaining 33.3% shareholding held by R&M Corporation Limited for \$2.4 million through a

share sale and purchase, resulting in TGL becoming the sole shareholder of (HPJVL) and sole beneficiary of the bare trust, HPJV. Subsequently, all assets held by HPJVL were transferred to TGL and HPJVL was liquidated and wound up.

The following summarised financial

information reflects the amounts presented in the financial statements of the individual joint operations, and the Group's share of those amounts in the Hamilton Porter Joint Venture.

	2021		2020	
	100% \$000	Group's 67% share \$000	100% \$000	Group's 67% share \$000
Cash and cash equivalents	-	-	2	1
Other current assets	-	-	4,928	3,302
Total current assets	-	-	4,930	3,303
Non-current assets	-	-	7	5
<b>Total assets</b>	<b>-</b>	<b>-</b>	<b>4,937</b>	<b>3,308</b>
Current liabilities	-	-	(171)	(115)
Total liabilities	-	-	(171)	(115)
<b>Net assets</b>	<b>-</b>	<b>-</b>	<b>4,766</b>	<b>3,193</b>
Operating revenue	-	-	-	-
Interest revenue	-	-	-	-
Interest expense	-	-	-	-
Profit (loss) before tax	(55)	(37)	(336)	(224)
Income tax expense	-	-	-	-
<b>Total comprehensive income (deficit)</b>	<b>(55)</b>	<b>(37)</b>	<b>(336)</b>	<b>(224)</b>

## E4 Transactions with related parties

The amounts owing to/from related parties are payable in accordance with the Group's normal terms of trade. No related party debts have been written off or forgiven during the year. Amounts receivable from related parties are included in note C1 or below. Amounts payable to related parties are included in note C2 or below.

### Transactions with Otago Regional Council

**A heads** of agreement between the Otago Regional Council (ORC) and Port Otago Limited was agreed during the year which acknowledges that Port Otago Limited is purchasing the property at 35 Maclaggan Street, Dunedin as the ORC's Head Office. After alterations to the base building, the ORC will lease the property from Port Otago Limited. The heads of agreement also includes an option for the ORC to purchase the property within two years of the settlement date of the purchase which is 2 August 2023.

During the year the Group and the ORC entered into an agreement for the ORC to transfer 2020 tax year losses to the Group. In conjunction with the tax loss transfer of \$257,857 (2020 tax year: \$259,092), by way of a tax loss offset, the Group made a subvention payment of \$100,278 (2020 tax year: \$100,758) to the ORC. The consequence of the tax loss transfer and the subvention payment was a \$100,278 reduction in income tax payments in the current year (2020: \$100,758). The amount paid to the Otago Regional Council for rates, rentals and resource consent fees during 2021 was \$175,380 (2020: \$90,166) with no balance outstanding at year end (2020: nil). The amount received from the Otago Regional Council as a contribution towards the operation of the Harbour Control Centre at Port Chalmers was \$60,000 (2020: \$60,000) with \$17,250 receivable at year end (2020: \$17,250).

### Directors

**Mrs D J Taylor** and **Mr T D Gibson** are Directors of Silver Fern Farms Limited, a customer of the Group. The amount received from Silver Fern Farms Limited during 2021 for container storage was \$2,800 (2020: \$19,240) with nil receivable at year end (2020: \$563).

**Mr R J Fulton** is a Director of Fulton Hogan Limited, a supplier to the Group. The amount paid to Fulton Hogan Limited during 2021 for the supply of goods and services was \$1,249,110 (2020: \$4,464,256) with \$105,870 payable at year end (2020: \$425,830).

**Ms R C Lloyd** is the Chief Executive of Toitū Envirocare, a supplier to the Group. The amount paid to Toitū Envirocare during 2021 for services was \$35,750 (2020: nil) with nil payable at year end (2020: nil).

### Director remuneration

**Remuneration paid** by the Port Otago Group to Directors during the year was:

	Total Group \$000
P F Rea (Chair)	100
P F Heslin	67
T D Gibson	54
T Campbell	54
D J Taylor	54
R J Fulton	50
R C Lloyd (appointed May 2021)	8
	<b>387</b>



# Section F

## Financial risk management

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including foreign currency risk and interest rate risk). The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group has a treasury policy which

limits exposure to market risk for changes in interest rates and foreign currency, counter-party credit risk and liquidity risk. The Group uses derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures. The Group does not hold derivative financial instruments for speculative purposes.

## F1 Credit risk

Credit risk is the potential loss from a transaction in the event of default by a counterparty on its contractual obligations. Financial instruments

which potentially subject the Group to credit risk, principally consist of bank balances, trade and other receivables and derivative financial instruments.

### Risk management

**Credit risk** is managed for cash and cash equivalents, derivative financial instruments and deposits with banks, as well as credit exposures to trade receivables transactions. Derivative counterparties and cash transactions are limited to high credit quality financial institutions who currently have a Standard & Poors long-term credit rating of AA- or better. The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk. The Group's credit risk is also attributable to trade receivables which comprise a large number of customers, spread across diverse industries. The Group only extends credit after performing a credit assessment, which may include a review of their financial strengths, previous credit history with the Group, payment habits with other suppliers and bank references.

### Trade receivables

**The Group** has applied the NZ IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit loss, the trade receivables have been grouped in accordance with shared credit risk characteristics and the days past due. Historical loss rates are adjusted to reflect current and forward-looking information. The Group identified business confidence and global growth to be the most relevant credit risk factors.

The trade receivables loss allowance was determined as follows:

	Current \$000	30 days past due \$000	60 days past due \$000	90 days past due \$000	Total \$000
<b>As at 30 June 2021</b>					
Expected loss rate	0.04 %	0.00 %	0.09 %	41.31 %	
Gross carrying amount	6,559	3,665	266	586	11,076
Loss allowance	3	0	1	241	245
<b>As at 30 June 2020</b>					
Expected loss rate	0.03 %	0.04 %	0.20 %	31.83 %	
Gross carrying amount	8,690	2,267	500	333	11,790
Loss allowance	3	1	1	106	111

## F2 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its obligations as they fall due. The Group manages the risk by targeting a minimum liquidity level by continuously forecasting cash flows and matching

the maturity profiles of financial assets and liabilities. The Group's exposure to liquidity risk on undiscounted cash flows relating to non-derivative and derivative financial liabilities is shown below:

	Weighted average effective interest rate	Carrying amount \$000	Contractual cash flows \$000	Less than 1 year \$000	1-5 years \$000	Greater than 5 years \$000
<b>As at 30 June 2021</b>						
Trade and other payables		(6,967)	(6,967)	(6,967)	-	-
Lease liabilities		(3,108)	(4,204)	(453)	(1,804)	(1,947)
Borrowings (secured)	2.7%	(79,090)	(84,340)	(5,240)	(79,100)	-
Interest rate derivatives						
Current portion		(636)	(716)	(716)	-	-
Non current portion		402	445	-	158	287
Total interest rate derivatives (net)		(234)	(271)	(716)	158	287
<b>Total as at 30 June 2021</b>		<b>(89,399)</b>	<b>(95,782)</b>	<b>(13,376)</b>	<b>(80,746)</b>	<b>(1,660)</b>
<b>As at 30 June 2020</b>						
Trade and other payables		(8,132)	(8,132)	(8,132)	-	-
Lease liabilities		(2,287)	(3,163)	(356)	(1,264)	(1,543)
Borrowings (secured)	2.9%	(72,290)	(77,148)	(5,140)	(72,008)	-
Interest rate derivatives						
Current portion		(1,009)	(1,112)	(1,112)	-	-
Non current portion		(2,047)	(2,048)	-	(1,955)	(93)
Total interest rate derivatives (net)		(3,056)	(3,160)	(1,112)	(1,955)	(93)
<b>Total as at 30 June 2020</b>		<b>(85,765)</b>	<b>(91,603)</b>	<b>(14,740)</b>	<b>(75,227)</b>	<b>(1,636)</b>

## F3 Market risk

### Foreign currency risk

**Foreign currency** risk is the risk arising from the variability of the NZD currency values of the Group's assets, liabilities and operating cash flows, caused by changes to foreign exchange rates. The Group does not have any material exposure to currency risk except for the one off purchases of assets (e.g. plant and equipment) denominated in foreign currencies. The main foreign currencies the Group transacts with are EUR, USD and AUD. The Group treasury policy requires that foreign exchange contracts must be entered into for the purchase of major items of plant and equipment and that the full amount of the purchase must be hedged. Foreign exchange instruments approved under the treasury policy are forward exchange contracts and currency options.

### Interest rate risk

**Interest rate** risk is the risk of loss to the Group arising from adverse fluctuations in interest rates. The Group has exposure to interest rate risk as a result of long-term borrowings which are used to fund ongoing activities. The Group aims to reduce uncertainty of changes in interest rates by entering into floating-to-fixed interest rate swaps to fix the effective rate of interest to minimise the impact of interest rate volatility on earnings. By using floating-to-fixed interest rate swaps, the Group agrees with other parties to exchange at specific intervals (normally quarterly), the difference between the fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amount. Instruments approved under the treasury policy include vanilla interest rate swaps including forward start swaps.

### Effects of hedge accounting on the financial position and performance

#### Interest rate swaps

The effects of the interest rate swaps on the Group's financial position and financial performance are outlined in the table below. The maturity date for the outstanding interest rate swaps range from July 2021 to June 2029 (2020: December 2020 to March 2027).

	2021 \$000	2020 \$000
Carrying amount (liability)	(604)	(2,824)
Notional amount	64,850	50,050
Hedge ratio	1:1	1:1
Change in fair value of outstanding hedging instruments recognised in the hedging reserve during the financial year	2,220	(654)
Weighted average hedged rate	2.8%	3.6%

## Effects of non-hedge accounting on the financial position and performance

### Forward start interest rate swaps

The effects of the non-hedge accounted interest rate swaps on the Group's financial position and financial performance are outlined in the table below. The maturity dates for the outstanding interest rate swaps range from March 2025 to June 2029 (2020: March 2025 to June 2029).

	2021 \$000	2020 \$000
Carrying amount (liability)	371	(232)
Notional amount	13,000	13,000
Change in fair value of outstanding non-hedging instruments recognised in the Income Statement during the financial year	602	(232)
Weighted average hedged rate	2.0%	2.0%

An analysis by maturities of interest rate swaps is provided in note F6 and a summary of the terms and conditions of borrowings in note D4.

## F4 Summarised sensitivity analysis

The table below illustrates the potential profit and equity (excluding retained earnings) impact for reasonably

possible market movements where the impact is significant.

2021	-100bps		+100bps	
	Profit \$000	Other Equity \$000	Profit \$000	Other Equity \$000
<b>Interest rate risk</b>				
<i>Financial Liabilities</i>				
Hedge accounted derivatives	-	(2,271)	-	823
Non-hedge accounted derivatives	(229)	-	923	-
Borrowings	790	-	(790)	-
<b>Total sensitivity to interest rate risk</b>	<b>561</b>	<b>(2,271)</b>	<b>133</b>	<b>823</b>

2020	-100bps		+100bps	
	Profit \$000	Other Equity \$000	Profit \$000	Other Equity \$000
<b>Interest rate risk</b>				
<i>Financial Liabilities</i>				
Hedge accounted derivatives	-	(4,435)	-	(1,478)
Non-hedge accounted derivatives	(895)	-	373	-
Borrowings	723	-	(723)	-
<b>Total sensitivity to interest rate risk</b>	<b>(172)</b>	<b>(4,435)</b>	<b>(350)</b>	<b>(1,478)</b>

## F5 Capital risk management

The Group's objective when managing capital is to safeguard its ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to

reduce the cost of capital. The Group monitors balance sheet strengths and flexibility using cash flow forecast analysis and detailed budgeting processes. In addition, the Group monitors capital on the basis of the

gearing ratio which is calculated as equity divided by total assets. The gearing ratio as at 30 June 2021 is 85% (2020: 84%).

## F6 Derivative financial instruments

	2021 \$000	2020 \$000
<b>Non-current assets</b>		
Interest rate swaps	903	-
Forward start interest rate swaps	118	-
<b>Total non-current assets</b>	<b>1,021</b>	<b>-</b>
<b>Current liabilities</b>		
Interest rate swaps	(633)	(1,009)
Forward start interest rate swaps	(3)	-
<b>Total current liabilities</b>	<b>(636)</b>	<b>(1,009)</b>
<b>Non-current liabilities</b>		
Interest rate swaps	(619)	(1,815)
Forward start interest rate swaps	-	(232)
<b>Total non-current liabilities</b>	<b>(619)</b>	<b>(2,047)</b>

The notional principal amount of the interest rate swap contracts including forward start interest rate swap contracts are as follows:

	2021 \$000	2020 \$000
Less than 1 year	20,650	10,300
1 - 2 years	10,000	13,650
2 - 3 years	12,100	5,000
3 - 4 years	8,000	7,000
4 - 5 years	13,100	8,000
Greater than 5 years	14,000	19,100
<b>Total</b>	<b>77,850</b>	<b>63,050</b>

## Derivatives

**The Group** uses derivative financial instruments to reduce exposure to fluctuations in interest rates and foreign currency exchange rates. The use of hedging instruments is governed by the treasury policy approved by the Board. Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured to fair value at balance date with an adjustment made for credit risk in accordance with NZ IFRS 13 'Fair Value Measurement'. The Group carries interest rate derivatives at fair value. The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the reporting date, taking into account current interest rates. These instruments are included in Level 2 of the fair value measurement hierarchy. Interest rate derivative fair values are valued and are calculated using a discounted cash flow model using FRA rates provided by ANZ Bank New Zealand Limited based on the reporting date of 30 June 2021. The fair values are estimated on the basis of the quoted market prices for similar instruments in an active market or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument. Changes in the fair value of derivatives which have been successfully designated as part of a cash flow hedge relationship are recognised in the cash flow hedge reserve, to the extent they are effective. Any accounting ineffectiveness is recognised in the Income Statement. If the derivative is not designated as a hedged instrument, the resulting gain or loss is recognised immediately in the Income Statement.

## Hedge accounting

**The Group** manages its exposure to fluctuations in interest rate and foreign currency exchange rates through the use of derivatives. At the start of a hedge relationship, the Group formally designates and documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge) or hedges of exposure to variability in cash flows that is attributable to a particular risk associated with an asset or liability or to highly probable forecast transactions (cash flow hedges).

## Cash flow hedges

**The effective** portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the cash flow hedge reserve, while the gain or loss relating to the ineffective portion is recognised in the Income Statement. Amounts recognised in equity are recycled in the Income Statement in the period when the hedged item will affect profit or loss (for instance when the interest payment that is hedged takes place). The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings are recognised in the Income Statement within finance costs when the related interest is recognised. When the forecast transaction that is hedged results in the recognition of an item of property, plant and equipment, the gains or losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying value of the item of property, plant and equipment. The deferred amounts are ultimately recognised in the Income Statement when the item of property, plant and equipment is depreciated. If the hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any amounts previously recognised in equity at that time remains in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur amounts previously recognised in equity are transferred to the Income Statement.

## Hedge ineffectiveness

**Hedge effectiveness** is determined at the inception of the hedge relationship, and through periodic effectiveness assessments to ensure an economic relationship exists between the hedged item and the hedged instrument. For hedges of foreign currency purchases, the Group enters into hedge relationships where the critical terms of the hedging instrument match, and therefore it is expected that the value of the forward contracts and the value of the corresponding hedged items will systematically change in opposite direction in response to movements in the underlying exchange rate. Ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of the Group or the derivative counterparty. The Group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. Hedged ineffectiveness for interest rate swaps is assessed using the same principles as for hedges of foreign currency purchases. It may occur due to differences in critical terms between the interest rate swaps and loans.

# Section G

## Other disclosures

### G1 Capital expenditure commitments

At 30 June 2021 the Group had commitments for capital expenditure of \$20.2 million (2020: \$4.01 million) which relates to purchases and refurbishments of port assets and investment property.

### G2 Contingencies

There are no contingent liabilities at 30 June 2021 (30 June 2020: nil) other than those arising in the normal course of business.

### G3 Significant events after balance date

**Dividends** On 5 October 2021 the Directors declared a final dividend of \$1.0 million for the year ended 30 June 2021. As the final dividend was approved after balance date, the financial effect of the dividend payable of \$1.0 million has not been recognised in the Statement of Financial Position.

**Transactions with related parties** In August 2021, the purchase of the property at 35 Maclaggan Street, Dunedin was completed as described in note E4.

**Covid-19 alert levels** New Zealand entered alert Level 4 lockdown subsequent to balance date, although this is a non-adjusting event

### G4 Statutory disclosure

The following disclosures are made pursuant to the Companies Act 1993 in respect of the financial year ended 30 June 2021.

**Directors' interests** Directors have disclosed the following general interests for the year ended 30 June 2021 in accordance with Section 140 of the Companies Act 1993:

Director	Entity	Relationship
P F Rea	Waitomo Group Limited <i>(and its wholly owned subsidiaries)</i>	Director
	Robos International Limited	Director
P F Heslin	Forsyth Barr Custodians Limited	Chair
	Forsyth Barr Cash Management Nominees Limited	Chair
	Jedaka Limited	Director
	P Heslin Limited	Director
T D Gibson	Fiscus Limited	Director
	Gibson Walker Limited	Director
	Livestock Improvement Corporation Limited <i>(and its wholly owned subsidiaries)</i>	Director
	Manage My Health Global Limited	Director
	Miraka Limited <i>(and its wholly owned subsidiaries)</i>	Director
	Silver Fern Farms Holdings Limited <i>(and its wholly owned subsidiaries)</i>	Director
	Silver Fern Farms Co-Operative Limited	Director
	Skills Consulting Group Limited	Director
	The Equanut Company Limited	Director
	Tuhana Consulting Limited <i>(and its wholly owned subsidiaries)</i>	Director
T Campbell	Electricity Invercargill Limited <i>(and its wholly owned subsidiaries)</i>	Chair
	Southern Generation LP	Chair
	Energia Potior Limited	Director
	Todd Corporation Limited <i>(and its wholly owned subsidiaries)</i>	Director
	PowerNet Limited	Director
D J Taylor	Landcare Research New Zealand Limited <i>(retired 30 June 2021)</i>	Chair
	Orion New Zealand Limited	Chair
	Predator Free 2050 Limited <i>(retired 28 February 2021)</i>	Chair
	External Reporting Board	Deputy Chair
	OTPP New Zealand Forest Investments Limited	Director
	Silver Fern Farms Holdings Limited <i>(and its wholly owned subsidiaries)</i>	Director
	Silver Fern Farms Co-Operative Limited	Director
	The Aspen Institute New Zealand Limited	Director
	Tuhirangi Forest Limited <i>(retired 10 June 2021)</i>	Director
	R J Fulton	Allied FH Limited
WFH Properties Limited <i>(and its wholly owned subsidiaries)</i>		Chair
Blackhead Quarries Limited		Director
Fulton Hogan Limited <i>(and its wholly owned subsidiaries)</i>		Director
Helenslee Investments Limited		Director
Horokiwi Quarries Limited		Director
Pokeno Village Holdings Limited		Director
R C Lloyd	Concept Car Limited	Director
	Toitū Envirocare	Chief Executive

## Employee remuneration

**During the year**, the number of employees, or former employees of Port Otago Limited and its subsidiaries who received total remuneration in excess of \$100,000 are:

Remuneration range (\$)	Number of employees
650,001 - 660,000	1
400,001 - 410,000	1
290,001 - 300,000	2
280,001 - 290,000	1
250,001 - 260,000	1
240,001 - 250,000	3
230,001 - 240,000	4
220,001 - 230,000	1
190,001 - 200,000	1
180,001 - 190,000	1
170,001 - 180,000	1
160,001 - 170,000	2
150,001 - 160,000	3
140,001 - 150,000	5
130,001 - 140,000	5
120,001 - 130,000	17
110,001 - 120,000	15
100,001 - 110,000	44

Remuneration includes salary, short term incentives, motor vehicles and other sundry benefits received in the person's capacity as an employee. Incentive payments are paid in the following financial year to which they relate.

## Donations

**During the year** the Group made donations of \$3,369 (2020: \$10,560).

## Directors of subsidiary companies

**Director fees** for Chalmers Properties Limited are included in the Group Directors remuneration. No Director fees were paid by Fiordland Pilot Services Limited and Te Rapa Gateway Limited.

The following persons held office as Directors of subsidiary companies at 30 June 2021:

Company	Director
Chalmers Properties Limited	P F Rea P F Heslin T D Gibson T Campbell D J Taylor R J Fulton R C Lloyd
Fiordland Pilot Services Limited	P F Rea P F Heslin T D Gibson T Campbell D J Taylor R J Fulton R C Lloyd
Te Rapa Gateway Limited	P F Rea P F Heslin T D Gibson T Campbell D J Taylor R J Fulton R C Lloyd

## Indemnities and insurance

Pursuant to section 162 of the Companies Act 1993 and the Constitution, Port Otago has entered into deeds of indemnity and insurance with the Directors of the Group to indemnify them to the maximum extent permitted by law, against all liabilities which they may incur in the performance of their duties as Directors of any company within the Group.

Insurance cover extends to Directors and Officers for the expenses of defending legal proceedings and the cost of damages incurred. Specifically excluded are proven criminal liability and fines and penalties other than those pecuniary penalties which are legally insurable. In accordance with commercial practice, the insurance contract prohibits further disclosure of the terms of the policy. All Directors who voted in favour of authorising the insurance certified that in their opinion, the cost of the insurance is fair to the Company.

## Use of company information

There were no notices received from Directors of the Company requesting to use Company information received in their capacity as Director, which would not otherwise have been available to them.

## Auditors

The Auditor-General continues as the Company's auditor in accordance with the Port Companies Act 1988. The Auditor-General has appointed Audit New Zealand to undertake the audit on its behalf.

The Group audit fee for the year ended 30 June 2021 was \$127,000 (2020: \$129,000).

For and on behalf of the Board of Directors



**P F Rea**  
Chair  
30 September 2021



**P F Heslin**  
Deputy Chair  
30 September 2021

# Independent Auditor's Report

## To the readers of Port Otago Limited Group's financial statements for the year ended 30 June 2021

The Auditor-General is the auditor of Port Otago Limited Group (the Group). The Auditor-General has appointed me, Rudie Tomlinson, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the Group on his behalf.

### Opinion

We have audited the financial statements of the Group on pages 111 to 152, that comprise the statement of financial position as at 30 June 2021, the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

In our opinion, the financial statements of the Group:

- present fairly, in all material respects:
  - its financial position as at 30 June 2021; and
  - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Our audit was completed on 30 September 2021. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements, we comment on other information, and we explain our independence.

### Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the Auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible on behalf of the Group for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements that

are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible on behalf of the Group for assessing the company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Port Companies Act 1988.

### Responsibilities of the Auditor for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements.

We did not evaluate the security and controls over the electronic publication of the financial statements.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our

opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial statements of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

**Other information**

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 110, 153 to 156 and 159 to 161 but does not include the financial statements, and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information.

In doing so, we consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Independence**

We are independent of the Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with, or interests in, the Group.



**Rudie Tomlinson**  
Audit New Zealand  
On behalf of the Auditor-General  
Dunedin, New Zealand

# Performance targets

A comparison of actual performance with the targets in the Statement of Corporate Intent is as follows:

	ACTUAL	TARGET	OUTCOME/COMMENT
<b>Health, safety and well-being</b>			
Critical risk: Visible Leadership Conversations	965	500	Target achieved ●
Total Recordable Incident Frequency Rate (TRIFR) - per 1 million hours	10.5	<20	Target achieved ●
Severity rate (days lost)	4.7	3	Target not achieved ●
<b>Operational</b>			
Gross crane rate (as measured by Ministry of Transport)	26	27.5	Target not achieved ●
Ship rate (as measured by Ministry of Transport)	41	55	Target not achieved ●
<b>Financial</b>			
EBIT	\$21.5m	\$25m	Target not achieved ●
Shareholder funds (equity) or net assets	\$635m	\$550m	Target achieved ●
Return on equity	16.0%	3.0%	Target achieved ●
Equity ratio	85%	88%	Within SCI target range of 70% to 85%
Interest cover ratio	8	9	Ratio complies with facility agreement financial undertakings
Debt	\$79m	\$71m	Debt levels within target debt/equity range
Dividend	\$10.1m	\$10.1m	Target achieved ●
<b>Environmental</b>			
Straddle fleet that is an electric/diesel hybrid	27%	27%	Target achieved ●
Number of harbour spills caused by Port Otago	0	0	Target achieved ●
Percentage of resource consent compliance monitoring events achieving full compliance	100%	100%	Target achieved ●
<b>Compliance with Port and Harbour Safety Code (PHSC)</b>			
The requirements of the PHSC continue to be met	Yes	Yes	Target achieved ●
Risk assessments of new tasks or reviews post incident completed	Yes	Yes	Target achieved ●
<b>Financial performance measure</b>		<b>Definition</b>	
EBIT	Earnings before interest, taxation, realised and unrealised investment property gains		
Return on equity	Profit divided by average shareholder's equity		
Equity ratio	The percentage that equity represents of total assets within the target range of between 70% and 85%		
Interest cover ratio	The number of times interest is covered by the profit before tax, interest and unrealised fair value movements and unrealised impairment charges		



## Five year summary

<b>Trade and operational analysis</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Container and bulk cargo vessel arrivals	403	476	458	442	415
Otago cruise vessel arrivals	-	112	115	87	79
Total ship calls	403	588	573	529	494
Container throughput (TEU)	174,800	191,900	208,600	204,700	178,200
Bulk cargo tonnes (000's)	1,853	1,467	1,764	1,686	1,534
Employees	296	319	343	329	311
<b>Financial comparisons</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
	\$000	\$000	\$000	\$000	\$000
Revenue #	89,998	108,297	121,704	109,389	89,531
EBITDA #	34,671	42,466	44,043	40,377	34,656
Profit for the year	94,507	50,493	49,302	43,856	38,700
Underlying Profit	21,412	24,727	30,687	22,603	19,945
Dividends for financial year *	10,100	10,000	8,450	9,000	7,500
Shareholder equity	634,617	548,612	508,090	468,075	433,552
<b>Total assets</b>					
Port operations	243,344	248,137	224,472	226,506	200,638
Investment property	503,225	407,641	377,867	356,721	332,990
Total group	746,569	655,778	602,339	583,227	533,628
<b>Cash flows</b>					
Cash flows from operating activities	21,709	28,167	35,929	31,303	21,688
Port operations capital expenditure	(7,592)	(23,118)	(14,501)	(36,707)	(11,266)
Investment property purchases and improvements	(10,515)	(16,645)	(7,294)	(3,372)	(9,642)
Shareholder equity %	85%	84%	84%	80%	81%
<b>Return on average shareholder funds **</b>					
before unrealised revaluations	2.1%	4.3%	5.4%	4.8%	4.6%
after unrealised revaluations	16.0%	9.6%	10.1%	9.7%	9.3%
<b>EBIT return on average assets #</b>					
Port operations	2.0%	4.3%	6.5%	5.7%	6.3%
Property portfolio	3.6%	5.2%	5.1%	5.3%	4.2%
Total group	3.0%	4.9%	5.8%	5.6%	5.0%

\* Includes the final dividend for the financial year declared after balance date, as disclosed in Note D3

\*\* Profit, divided by average shareholder equity

# Excludes gain on sale of investment property and property, plant and equipment

## Directory

### Directors

Paul Rea	Chair
Pat Heslin	Deputy Chair
Tim Gibson	
Tom Campbell	
Jane Taylor	
Bob Fulton	
Becky Lloyd	

### Leadership team

Kevin Winders	Chief Executive
Stephen Connolly	Chief Financial Officer
Sean Bolt	GM Marine
Leigh Carter	Head of People
David Chafer	GM Property
Kevin Kearney	GM Operations
Deanna Matsopoulos	Supply Chain Manager
Rachel Pullar	Head of Digital
Gavin Schiller	Head of Safety
Craig Usher	Commercial Manager
Jodi Taylor	Executive Assistant

### Address

15 Beach Street  
Port Chalmers 9023  
New Zealand  
[www.portotago.co.nz](http://www.portotago.co.nz)

### Bankers

ANZ Bank New Zealand Limited

### Solicitors

Anderson Lloyd

### Auditors

Audit New Zealand on behalf of the Auditor-General



