

Half Year Report

31 December 2021



Port Marlborough



Chair & Chief Executive's Report

For the Half Year Ended 31 December 2021
(unaudited)

Overview

It's an exciting time to be part of Port Marlborough and we are proud to report an excellent start to the 2022 Financial Year.

We continue to invest in the future as we deliver on our strategy of balancing the needs of people, planet and prosperity through partnerships. A number of our projects present real opportunities for Marlborough and are truly transformative for the Port, and we are committed to their successful completion.

The following report highlights our progress towards our vision of leading the way as an environmentally restorative port, driving success for Marlborough.



People

HAUORA VALUE WELL-BEING

The hauora of our people and those who use our facilities is always our top priority. COVID-19 dominated the news and our thinking again for much of the last six months. Our teams showed a strong commitment to protecting their community, their whānau, and their workmates by getting regularly tested and vaccinated at the earliest opportunity.

We are proud to be one of the ports in New Zealand with the most vaccinated workforces, with 100% of all staff double vaccinated. Booster clinics were held and well-attended by eligible staff in December, and we worked closely with Nelson Marlborough DHB to offer vaccines to whānau too.

MAHI TAHI WORK TOGETHER

Developing our people and organisational capabilities has been a key management focus for the past six months. The past half-year has seen a number of our existing team members promoted to new roles, additionally, we have welcomed a number of new recruits.

These changes throughout our workforce bring a wealth of experience and expertise to our teams, and illustrate our commitment to developing our people and being an employer of choice within our industry and the Marlborough region.

Continuing our focus on our people and our organisational culture, we developed and implemented our Just and Fair Culture Policy and Code of Conduct. These two key pieces of policy were brought to life through consultation with our interdisciplinary Policy Focus group, and lay the foundations for fair processes and a positive culture across the company.



KAITIAKITANGA PROTECT THE FUTURE

Planet

Working towards our vision of being an environmentally restorative port is always a priority, and is a key motivator for our people, our stakeholders and communities. Our sustainability scorecard keeps track of our key environmental commitments, and metrics are reported on annually.

Over the last six months we have seen a major reduction in our waste to landfill due to the provision of recycling facilities in each marina, and the implementation of composting for all dirty bark in the port. We continue to see reductions in our consumption of water through our investment in new technology in the marinas and leak detection/prevention infrastructure.

Prosperity

KAIRANGATIRA DELIVER EXCELLENCE

Port Marlborough supports and facilitates many of Marlborough's key industries such as Tourism, Aquaculture, Forestry, and Fishing, and we have worked hard this year to deliver on our company value of KAIRANGATIRA - delivering excellence.

Despite some continued disruption from the global COVID-19 pandemic, we have had a very positive start to the new financial year. The Group's half year result shows revenue at \$16.95m up \$1.75m from last year (December 2020: \$15.20m) with growth being driven by increased trading activity across a range of business units. In fact, with exception of cruise ship activity, all facets of the business have operated at or above pre-COVID levels.

Forestry exports and our marine services have been stand out performers over the period. Forestry weathered the challenges of fluctuations in freight rates with log exports exceeding expectations at 425,640 JAS compared to 350,236 JAS at the same point last year. Our marine services team has supported this increased activity and has worked with both ferry companies to provide assistance to berthing operations, adding resilience to their operations. In addition we continue to experience strong demand at the marinas with occupancy being close to 100% across all products.

Pleasingly, this increase in trading has been translated into an increased operating surplus of \$6.141m, significantly higher than our previous year's result of \$4.805m at the same point.

The last six months has also seen significant progress on our two major projects.

The Waikawa Marina Extension project hit important milestones prior to Christmas with the installation of all piles on the breakwater and commencement of piling for the new jetties. The project is scheduled for completion in the second half of 2022 and will see an additional 250 berths added to our portfolio. We anticipate strong uptake of new leases based on current demand for facilities and we are looking forward to welcoming new customers.

We reached agreement with KiwiRail on commercial terms and contractual arrangements for the Waitohi Picton Ferry Terminal Redevelopment project. The agreement sees KiwiRail commit to the region for at least 30 years and provides for the development of new infrastructure to accommodate the new larger ferries due to arrive in 2025. The business case for development was unanimously approved by both our Board and the Marlborough District Council Holdings Board. Public consultation on the funding for the project began prior to Christmas and is anticipated to be completed over the coming months.

In looking forward, the current business environment is both challenging and uncertain; but, on balance, at this point our expectation is that trading results for the second half of the financial year will be similar to the first half. In the second half of the year we will look to focus on opportunities to both grow our business sustainably and add diversity to our operations as we continue to work with customers to anticipate and meet their needs.



Partnerships

PONO ACT WITH INTEGRITY

We continue to measure our success in terms of achieving good results not only in financial return (Prosperity) but also in terms of what we are delivering to our staff and communities (People) and the environment (Planet). We do this by taking a partnership approach in our business interactions and with how we engage with our communities, to ensure this success is shared.

All our teams can be proud of these achievements through our ongoing partnerships, which have been realised in the first half of 2022 Financial Year:

- We have provided over \$100k in sponsorships throughout our communities. This includes supporting Marlborough youth through academic scholarships, and school funding for Marlborough Sounds based learning opportunities through our Port Marlborough Sounds Discovery Fund.
- Throughout the latter part of 2022, working closely with the Nelson Marlborough District Health board to ensure Port Marlborough and wider port users are compliant with the government COVID-19 Public Health orders.
- Extended our existing agreement with Te Ātiawa o Te Waka a Māui, and working to partner with them on the provision of Te Reo and Tikanga Māori learning opportunities for staff.
- Our continuing involvement in groups and initiatives like the Picton Regional Forum, the Cruise Think Tank, Cawthron Environmental Awards, Picton Dawn Chorus and the Kaipupu Wildlife Sanctuary, keeps us involved and supporting our local community.

Our business is built on these relationships with our customers, staff, iwi, community and regulators.

On behalf of the Board of Port Marlborough we thank all our stakeholders for their ongoing support.

Looking Forward

2022 will be another year of challenges as we come to terms with living with COVID in our communities.

This year will also be full of possibilities. The Council's consultation document on funding for the new ferry precinct is out and we are really looking forward to progressing this project and delivering a great result for Marlborough.

We will have new jetties available in Waikawa North West marina, and we are looking into new tug capacity. We are also looking at changes to the log yard to improve environmental outcomes and to accommodate increased throughput and new services

Again, it is an exciting time to be at Port Marlborough and we thank all our staff for their positive contributions and hard work over the year.

For and on behalf of the Company:



Rhys Welbourn Chief Executive Officer



Keith Taylor Chair

Consolidated Income Statement

For the Half Year Ended 31 December 2021 (Unaudited)		Six months ended	
Year ended 30 June 2021 Group \$'000		31 Dec 2021 Group \$'000	31 Dec 2020 Group \$'000
31,419	Revenue	16,935	15,195
(19)	Other income	17	-
8,755	Investment Property Revaluation	-	-
(8,531)	Operations and Maintenance	(4,385)	(4,512)
(7,387)	Employee benefits expense	(4,088)	(3,626)
(3,683)	Depreciation, impairment & amortisation expense	(1,842)	(1,756)
(965)	Interest	(496)	(496)
(1,057)	Subvention payments	-	-
18,532	Operating Surplus	6,141	4,805
1,096	Derivatives (non-cash)	857	439
19,628	Profit before income tax	6,998	5,244
(3,678)	Income tax expense	(1,957)	(1,470)
15,950	Profit/(loss) after income tax for the period	5,041	3,774

Consolidated Statement of Comprehensive Income

For the Half Year Ended 31 December 2021 (Unaudited)		Six months ended	
Year ended 30 June 2021 Group \$'000		31 Dec 2021 Group \$'000	31 Dec 2020 Group \$'000
15,950	Profit for the period	5,041	3,774
	Other Comprehensive income, net of tax		
	Items that will never be classified to profit or loss:		
-	(Loss)/gain on revaluation of property, plant and equipment	-	-
-	Income tax relating to revaluation of property, plant and equipment	-	-
15,950	Total Comprehensive income for period net of tax	5,041	3,774
15,950	Comprehensive income attributable to equity holders of the parent	5,041	3,774

Consolidated Statement of Changes in Equity

For the Half Year Ended 31 December 2021 (Unaudited)		Six months ended	
Year ended 30 June 2021 Group \$'000		31 Dec 2021 Group \$'000	31 Dec 2020 Group \$'000
150,754	Equity at beginning of the period	163,062	150,754
15,950	Total Comprehensive income for the year, Net of tax	5,041	3,774
(3,642)	Dividends	(1,929)	(2,147)
163,062	Balance at end of the period	166,174	152,381

The accompanying notes form part of and should be read in conjunction with the financial Statements

Consolidated Statement of Financial Position

As at 31 December 2021 (Unaudited)		Six months ended	
Year ended 30 June 2021 Group \$'000		31 Dec 2021 Group \$'000	31 Dec 2020 Group \$'000
CURRENT ASSETS			
6,000	Cash and Cash equivalents	3,110	4,149
2,809	Trade and other receivables	3,672	2,996
306	Inventories	381	323
402	Current tax receivable	-	-
9,517	Total current assets	7,163	7,468
NON-CURRENT ASSETS			
101,478	Property, plant and equipment	100,446	102,569
105,646	Investment property	112,105	94,450
40	Trade and other receivables	87	74
307	Other intangible assets	245	352
207,471	Total non-current assets	212,883	197,445
216,988	Total assets	220,046	204,913
CURRENT LIABILITIES			
4,042	Trade and other payables	4,279	3,364
-	Current tax liabilities	284	226
-	Other current liabilities	-	34
4,042	Total current liabilities	4,563	3,624
NON-CURRENT LIABILITIES			
31,000	Borrowings from MDC Holdings Limited	31,000	31,000
16,945	Deferred tax liabilities	17,215	15,357
1,939	Other non-current liabilities	1,094	2,551
49,884	Total non-current liabilities	49,309	48,908
53,926	Total liabilities	53,872	52,532
163,062	Net assets	166,174	152,381
EQUITY			
13,588	Capital and other equity instruments	13,588	13,588
57,982	Revaluation reserve	57,982	58,261
91,492	Retaining earnings	94,604	80,532
163,062	Total Equity	166,174	152,381

Consolidated Cash Flow Statement

For the Half Year Ended 31 December 2021 (Unaudited)		Six months ended	
Year ended 30 June 2021 Group \$'000		31 Dec 2021 Group \$'000	31 Dec 2020 Group \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
32,544	Receipts from customers	16,451	16,191
5	Interest received	2	3
(15,471)	Payments to suppliers and employees	(8,615)	(8,646)
(946)	Interest and other costs of finance paid	(473)	(485)
(861)	Subvention Payment	-	-
(2,369)	Income tax paid (net of refunds)	(1,000)	(1,121)
12,902	Net cash provided by/(used in) operating activities	6,365	5,942
CASH FLOWS FROM INVESTING ACTIVITIES			
27	Proceeds from sale of property, plant and equipment	-	-
-	Payment for Recoverable projects	-	632
(1,356)	Payment for property, plant and equipment	(965)	1,309
(6,371)	Payment for investment property	(6,361)	(3,429)
(33)	Payment for intangible assets	-	(13)
(7,733)	Net cash provided by/(used in) investing activities	(7,326)	(4,119)
CASH FLOWS FROM FINANCING ACTIVITIES			
2,000	Drawdown of borrowings	-	2,000
(3,642)	Dividends paid	(1,929)	(2,147)
(1,642)	Net cash used in financing activities	(1,929)	(147)
3,527	Net increase in cash and cash equivalents	(2,890)	1,676
2,473	Cash and cash equivalents at the beginning of the financial period	6,000	2,473
6,000	Cash and cash equivalents at the end of the financial period	3,110	4,149

The accompanying notes form part of and should be read in conjunction with the financial Statements

Notes to the Financial Statements

For the Half Year Ended 31 December 2021

1. Company information

The Consolidated Financial Statements comprise the activities of Port Marlborough New Zealand Limited (PMNZL) and the other entities in which the Company has a controlling interest. The Consolidated Financial Statements presented are for the Group as at, and for the Half Year ended 31 December 2021.

The Group consists of:

- Port Marlborough New Zealand Limited
- Waikawa Marina Trustee Limited
- PMNZ Marina Holdings Limited

The Group is a profit-oriented company incorporated in New Zealand. Its principal products and services are the provision of port and marina facilities at the northern tip of the South Island of New Zealand. The Company is a reporting entity for the purposes of the Financial Reporting Act 2013 and its financial statements comply with that Act and the Companies Act 1993. The Company is a port company for the purposes of the Port Companies Act 1988 and its financial statements also comply with that Act.

The parent entity is MDC Holdings Limited, which is a 100% owned subsidiary company of Marlborough District Council.

The condensed consolidated interim financial statements have been prepared in accordance with the New Zealand equivalents to International Financial Reporting Standards (NZIFRS) NZIAS 34 Interim Financial Reporting.

The unaudited financial statements for the six months to 31 December 2021 have been prepared in accordance with the Accounting Policies as stated in the financial statements for the year ended 30 June 2021.

The financial statements were authorised for issue by the Directors on 18 February 2022.

New standards adopted

No new standards have been adopted.

2. Reconciliation of profit for the period to net cash flows from operating activities

Year ended 30 June 2021 Group \$'000	Six months ended	
	31 Dec 2021 Group \$'000	31 Dec 2020 Group \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
15,950 Profit after tax for the period	5,041	3,774
25 Gain on sale or disposal of non-current assets	-	-
(8,755) Gain on revaluation of investment property	-	-
(1,096) Loss/(Gain) on revaluation of derivative instruments	(857)	(439)
3,683 Depreciation, impairment and amortisation of non-current assets	1,842	1,756
1,776 Increase/(decrease) in deferred tax balances	270	188
17 Increase/(decrease) in rent concession	(47)	(17)
22 Lease interest on lease liabilities	12	11
Changes in net assets:		
<i>(Increase)/decrease in assets:</i>		
2,734 Current receivables	(863)	2,547
(1,630) Less investment activities included in receivables	411	(1,535)
18 Current inventories	(75)	1
<i>Increase/(decrease) in liabilities:</i>		
(1,178) Current payables	237	(1,856)
1,803 Less investment activities included in payables	(292)	1,351
(467) Current tax	686	161
12,902 Net cash from operating activities	6,365	5,942

3. Commitments for expenditure

Year ended 30 June 2021 Group \$'000	Six months ended	
	31 Dec 2021 Group \$'000	31 Dec 2020 Group \$'000
482 Property Plant and Equipment	321	135
18,057 Investment Property*	12,148	19,253
18,539	12,469	19,388

*The bulk of Capital commitments under investment property relate to the Waikawa Marina Extension

4. Contingent assets and liabilities

2021 Group and Parent Contingent assets

There are no contingent assets (2020: Nil)

2021 Group and Parent Contingent liabilities

In the normal course of business the Group is subject to potential loss contingencies arising from such matters as guarantees and contractual obligations by government and private parties. In the judgement of Directors no losses in respect of such matters are expected to be material to the Group's financial position.

5. Events after the reporting period

At the time of preparation of these Financial Statements there were no post balance date events requiring disclosure (2020: Nil).

Company Directory



Port Marlborough

Board of Directors		
Keith B Taylor	BSc, BCA, FIA, CFInstD, ONZM	Chair
Andrew R Besley	MPM, BA (Hons), Dip Acc, Dip Tchg., MInstD	(Retired 13 December 2021)
Ian R Boyd	B.For.Sc., CMInstD, MNZIF	(Retired 13 December 2021)
Colin Crampton	BE Civil (Hons), FEngNZ, Dip BusAdmin	
Martin F Fletcher	CA, MInstD	
Warren McNabb	BCom, LLB (Hons), MBA	
Jennifer Moxon	BA, MInstD	
Richard W Olliver	LLB, BCom	(Appointed 13 December 2021)
Hon Heather Roy	Dip Pty, MInstD	(Appointed 13 December 2021)

Executive		
Rhys Welbourn	MBA, BA (Hons), PG Dip. GIS, Dip Eng (Civil), MInstD	
Dean Craighead	BCom, CA	
Gavin Beattie	BE (Hons), CMEngNZ	
Anouk Euzeby	MBA, BA (Hons), IUT (eqv Dip)	
Rose Prendeville	B.Tech (I.E), Dip.PM	
Ryan Lock	BCom (IBus)	
Anthony Burgess	Dip Eng (Civil)	

Auditor:	Nicole Dring for Deloitte Limited, on behalf of the Auditor General
Legal Advisor:	Bell Gully
Banker:	Bank of New Zealand

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