

Half Year Report

31 DECEMBER 2023



Port Marlborough



OVERVIEW

Chair & Chief Executive's Report

For the Half Year Ended
31 December 2023 (unaudited)

Waiho i te toipoto, kaula i te toiroa.

Let us keep close together, not far apart.

The December announcement from the government and subsequent notification from KiwiRail to wind-down the iReX project, has been a disappointment over the reporting period. This has affected many in our community, and also our project team, some of whom have worked on this critical infrastructure project for a number of years.


The purpose of the iReX project was to deliver a future-proofed, more resilient and sustainable State Highway 1 across Cook Strait, and it is clear these are the minimum requirements of any new projects put on the table after iReX, for the inter-island service. Our long-standing commitment to supporting the enhancement of this vital link and delivering success for Marlborough remains, and we will continue to collaborate closely with KiwiRail, the government, our community and manawhenua partners as we navigate the way forward.

iReX aside, Port Marlborough has navigated a prosperous path in the first half of the 2024 financial year, overcoming economic challenges with a strong operating surplus due to our diversified business portfolio, and new ventures. The new Waitohi Container Yard is now operational, and we celebrated the official opening of the new 251-berth marina extension, Waikawa North West.

We would like to thank our customers and employees for their continued support over the year.

Looking forward, we remain committed to sustainable growth, building on our partnerships and driving continuous success for Marlborough.

For and on behalf of the Board of Directors:



Warren McNabb Board Chair



Rhys Welbourn Chief Executive Officer

Statement of Corporate Intent Performance Targets

The full year targets for financial and operational performance, as detailed in the 2023/2026 Statement of Corporate Intent, are compared with actual results achieved for the six month period 1 July 2023 to 31 December 2023.

PEOPLE	2024 Full-Year Target	Half Year Result
Preventative Action to Incident Ratio	5:1	4:1
Corrective Action Close out on Time	80%	67%
Lost time injuries (LTIs) per 100,000 work hours	< 0.5	0
Annual Health Checks and Health Insurance available for all permanent staff	100%	100%
Living Wage Accreditation	Achieved	Achieved

* notes to the People targets are on page 5 & 6

PLANET	2024 Full-Year Target	Half Year Result
Total Freshwater withdrawal (Megalitres)	93	57
General Waste to Landfill (Tonnes)	-5%	-10%
Recycling (Tonnes)	55	41
Recycling as % of general waste to landfill	17%	13%
Greenhouse Gas Net Emissions (Tonnes of CO2 equivalent)	820	283
Greenhouse Gas Storage	-718	-717

* notes to the Planet targets are on page 8

PROSPERITY	2024 Full-Year Target	Half Year Result
Earnings Before Interest, Tax, Amortisation [EBITDA] excludes non-cash revaluations	\$22.18m	\$9.46m
Net Operating Profit after Tax [NOPAT] excludes non-cash revaluations	\$9.62m	\$4.38m
[NOPAT] Return on shareholder's funds excludes non-cash revaluations	5.08%	5.2% (annualised)
Equity Ratio	61.29%	68.70%

* notes to the Prosperity targets are on page 10, and pages 13 – 16

PARTNERSHIPS	2024 Full-Year Target	Half Year Result
Invest 1% of EBIT (three-year rolling average) in community sponsorships and programmes	\$150k	\$114k

* notes to the Partnership targets are on page 12

PEOPLE



Ngā tāngata katoa



Pictured L to R:
Corban Jamieson Engineering Cadet, **Ayla Looms** Environment Cadet, **Mana Collins** Marinas Summer Intern, **Nate Shipley** Student Engineer, **Jayden Jamieson** Engineering Cadet, **Fergus Lane** Marinas Summer Intern, **Fin Sommerville-Smith** Marinas Summer Intern, **Nathan Jamieson** Mechanical Engineering Apprentice.

PEOPLE & CULTURE

The 2024 financial year for Port Marlborough began with some significant changes made to our teams, to allow greater alignment of responsibilities with our strategy.

We introduced two new pivotal roles to our Senior Leadership Team (SLT), and some reconfiguration of roles and responsibilities within our operational teams.

The introduction of new personnel to our SLT included General Manager roles for People and Culture, as well as Communications and Engagement, giving our Senior Team added resilience and support for achieving the Port's strategic objectives. Internal promotion and new appointments to our wider teams included an Infrastructure Manager, Digital Strategy & IT Manager, Environmental Manager, and Commercial Analyst.

Our People and Culture initiatives continued, with the launch of the 'Culture Compass' survey in December 2023 achieving a 79% participation rate. A focus for the remainder of the financial year will be taking insights gained from this feedback to inform our People and Culture strategy.

Over the reporting period we boosted efforts in the provision of career opportunities for local school-leavers. Our teams were joined by some dynamic new recruits, including summer students, cadets and interns, with our entry-level roles across the Port now including three cadetships, an apprenticeship, and several summer students joining us for our busy summer season.

HEALTH, SAFETY & WELLBEING

In the first half of 2024, we made progress against our Health, Safety, and Wellbeing (HSW) strategic objectives. Our HSW team grew to three people, with an additional advisor joining the team to specialise in wellbeing.

We introduced the "Port Safe" sub-brand for clearer communication of HSW resources. This included the introduction of the new Learning Management System, "Te Kura" an online learning portal, which will centralise HSW training and onboarding for employees.

As part of our alignment with new national port industry guidelines, we developed a Fatigue Risk Management Policy, a Fatigue Awareness Handbook and we benchmarked our Fatigue Risk Management performance with a worker survey.

Our Wellbeing Calendar featured a number of initiatives such as financial literacy sessions, mental health awareness workshops, fundraisers, and the 2023 Port Whānau Day, fostering a sense of community among our workforce.

Critical risks are an important element of all port HSW systems, being the risks that can lead to serious consequences to people. Our focus on critical risks continued as we reviewed our bow-tie risk assessments and developed standards for controls.

HSW performance metrics improved over the period, with a stronger Preventative Action to Incident Ratio. This highlights the work done in encouraging more reporting across the port and empowering our teams to report on the efficacy of controls and potential improvements.

Our focus on People and Culture, as well as Health, Safety, and Wellbeing remains central to our strategy, and our top priority.





Te Ao Tūroa

PLANET



Port Marlborough is making strides in kaitiakitanga / environmental stewardship. The appointment of a General Manager Infrastructure and Environment, alongside an Environmental Manager shows our commitment to lead our operational teams in achieving our sustainability and environmental objectives.

We've achieved a significant 40% reduction in greenhouse gas emissions compared to the previous half-year, though this figure will be adjusted following the marine fleet's refuelling in the latter half of the year.

Our strategic efforts to reduce waste to landfill continue, with reductions made in our total waste, and a significant proportion of this as recycling.

Over the period we continued to invest in facilities, with the overall aim of encouraging positive change. Our marinas team made a particular focus on centralising rubbish and recycling facilities in compounds. Collocating waste and recycling has created an easier process for boaties to dispose of waste and recycling and has resulted in better visibility into waste improvement opportunities.

Water consumption patterns have been influenced by both industrial activity and weather conditions, resulting in a 4% overall increase in water withdrawal, but a notable 25% decrease in our direct usage.

While just outside the reporting period, local water shortages throughout our areas of operation in Waikawa and Picton in mid-summer required some restrictions being implemented in customer supply. We would like to thank customers for their patience while we worked through this process.

PROSPERITY

Tōnuitanga



While there have been challenges in the economy with increasing costs and soft export markets our diverse portfolio and recent investments have delivered to our profitability.

The Forestry Industry in particular faced challenges with variable shipping costs and weak international demand in the first six months of the year. This led to a decline in marine revenue due to fewer ship movements. However, other sectors of our business experienced growth.

Our recent investments in marinas have paid off as we approached the summer season. Marinas reported high occupancy rates, and busy trailer boat facilities. Notably, the occupancy of our new marina, Waikawa North West, has been steadily increasing.

Expanding into new ventures has been a priority, with initiatives such as the Marlborough Inland Hub and Waitohi Container Yard opening up new market routes for regional export customers. We are optimistic about the prospects for increased revenue streams in the second half of the year, particularly with the Cruise Season still underway until mid-April.

Additionally, we anticipate a pickup in forestry activity over the next six months, which will bolster results. Our partnership with C3 to invest in a debarking facility at Shakespeare Bay demonstrates our commitment to enhancing services for forestry customers, a key port trade.

Despite some challenges, performance over the period has positioned us ahead of the previous year, instilling confidence in continued revenue growth for the remainder of the year and achieving our full year Prosperity Targets.



PARTNERSHIPS

Taukaea
(Tāngata)





COMMUNITY

We continue to partner with the communities in our areas of operation, and also work closely with regulators and industry peers.

Our sponsorships continue to align with our strategic sustainability objectives, and to our commitment to our communities in our areas of operation. We are tracking to target with a total spend of \$114k to the end of the six month reporting period.

The Port Marlborough Sounds Discovery fund has had good uptake through local primary schools, with students from schools across Picton, Blenheim, Havelock and Wairau Valley supported in their learnings in the Marlborough Sounds over the period. Through the Sounds Discovery Fund, we also provided further support to the Mistletoe Bay Trust, supporting school camps at Mistletoe Bay, enabling even more students to experience the wonders of the Sounds in a hands-on, educational setting.



MANAWHENUA – TE ĀTIAWA O TE WAKA A MAUI

We closed the 2023 year with the signing of a kawenata with manawhenua iwi of Waitohi and Waikawa, Te Ātiawa o te waka a Maui.

The kawenata is a values-based agreement that commits Port Marlborough and Te Ātiawa to four values: whanaungatanga (relationships), kotahitanga (unity), manaakitanga (generosity and hospitality) and kaitiakitanga (guardianship / protecting the future).

The kawenata also focuses on collaboration – and finds ways to coordinate efforts for projects of mutual importance, such as environmental initiatives, and in opportunities to co-host manuhiri (guests).

It records the mutual commitment to an enduring relationship, for the benefit of Te Ātiawa whānau, Port Marlborough, and our wider community.

Consolidated Income Statement

For the Half Year Ended 31 December 2023 (Unaudited)		Six months ended	
Year ended 30 June 2023 Group \$'000		31 Dec 2023 Group \$'000	31 Dec 2022 Group \$'000
41,260	Revenue	20,070	19,215
97	Other income	-	35
(25,863)	Investment Property Revaluation	-	-
(9,250)	Operations and Maintenance	(5,003)	(5,063)
(11,061)	Employee benefits expense	(5,612)	(5,547)
(4,139)	Depreciation, impairment & amortisation expense	(2,012)	(2,008)
(2,194)	Interest	(1,427)	(962)
(258)	Subvention payments	-	-
(11,408)	Operating Surplus	6,016	5,670
447	Derivatives (non-cash)	(191)	498
(10,961)	Profit before income tax	5,825	6,168
2,102	Income tax expense	(1,638)	(1,724)
(8,859)	Profit/(loss) after income tax for the period	4,187	4,444

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

Consolidated Statement of Comprehensive Income

For the Half Year Ended 31 December 2023 (Unaudited)		Six months ended	
Year ended 30 June 2023 Group \$'000		31 Dec 2023 Group \$'000	31 Dec 2022 Group \$'000
(8,859)	Profit/(Loss) for the period	4,187	4,444
	Other Comprehensive income, net of tax		
	Items that will never be classified to profit or loss:		
813	Gain on investments in Joint Venture	-	-
(8,046)	Total Comprehensive income for period net of tax	4,187	4,444
(8,046)	Comprehensive income attributable to equity holders of the parent	4,187	4,444

Consolidated Statement of Changes in Equity

For the Half Year Ended 31 December 2023 (Unaudited)		Six months ended	
Year ended 30 June 2023 Group \$'000		31 Dec 2023 Group \$'000	31 Dec 2022 Group \$'000
178,788	Equity at beginning of the period	167,060	178,788
(8,046)	Total Comprehensive income for the year, Net of tax	4,187	4,444
(3,682)	Dividends	(2,514)	(1,780)
167,060	Balance at end of the period	168,733	181,452

Consolidated Statement of Financial Position

Year ended 30 June 2023 Group \$'000	As at 31 December 2023 (Unaudited)		Six months ended	
		31 Dec 2023 Group \$'000	31 Dec 2022 Group \$'000	
	CURRENT ASSETS			
1,595	Cash and Cash equivalents	3,081	2,175	
5,978	Trade and other receivables	9,953	6,183	
320	Inventories	389	390	
126	Current tax receivable	-	-	
8,019	Total current assets	13,423	8,748	
	NON-CURRENT ASSETS			
115,189	Property, plant and equipment	120,202	115,069	
101,948	Investment property	103,135	124,204	
8091	Investments	8,091	6,750	
35	Trade and other receivables	-	45	
495	Other non-current assets	430	672	
424	Other intangible assets	344	534	
226,182	Total non-current assets	232,202	247,274	
234,201	Total assets	245,625	256,022	
	CURRENT LIABILITIES			
4,582	Trade and other payables	6,373	4,830	
1,258	Current tax liabilities	522	158	
5,840	Total current liabilities	6,895	4,988	
	NON-CURRENT LIABILITIES			
48,000	Borrowings from MDC Holdings Limited	56,775	50,305	
13,003	Deferred tax liabilities	12,927	18,982	
298	Other non-current liabilities	295	295	
61,301	Total non-current liabilities	69,997	69,582	
67,141	Total liabilities	76,892	74,570	
167,060	Net assets	168,733	181,452	
	EQUITY			
13,588	Capital and other equity instruments	13,588	13,588	
69,344	Revaluation reserve	69,344	69,344	
84,128	Retaining earnings	85,801	98,520	
167,060	Total Equity	168,733	181,452	

Consolidated Cash Flow Statement

Year ended 30 June 2023 Group \$'000	For the Half Year Ended 31 December 2023 (Unaudited)		Six months ended	
		31 Dec 2023 Group \$'000	31 Dec 2022 Group \$'000	
	CASH FLOWS FROM OPERATING ACTIVITIES			
38,727	Receipts from customers	20,371	18,192	
126	Interest received	79	29	
(21,640)	Payments to suppliers and employees	(10,775)	(10,274)	
(1,974)	Interest and other costs of finance paid	(1,361)	(791)	
(203)	Subvention Payment	-	(203)	
(3,103)	Income tax paid (net of refunds)	(2,450)	(2,050)	
11,933	Net cash provided by/(used in) operating activities	5,864	4,903	
	CASH FLOWS FROM INVESTING ACTIVITIES			
105	Proceeds from sale of property, plant and equipment	19	74	
(2,154)	Payment for property, plant and equipment	(8,786)	(4,150)	
(13,730)	Payment for investment property	(1,866)	(8,800)	
(724)	Payment for intangible assets	(6)	(224)	
(16,503)	Net cash provided by/(used in) investing activities	(10,639)	(13,100)	
	CASH FLOWS FROM FINANCING ACTIVITIES			
6,630	Drawdown of borrowings	8,775	6,630	
(2,305)	Repayment of borrowings	-	-	
(3,682)	Dividends paid	(2,514)	(1,780)	
643	Net cash used in financing activities	6,261	4,850	
(3,927)	Net increase in cash and cash equivalents	1,486	(3,347)	
5,522	Cash and cash equivalents at the beginning of the financial period	1,595	5,522	
1,595	Cash and cash equivalents at the end of the financial period	3,081	2,175	

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 2023

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 2023.

The Group consists of:

- Port Marlborough New Zealand Limited
- Waikawa Marina Trustee Limited - subsidiary
- PMNZ Marina Holdings Limited – subsidiary
- Marlborough Inland Hub Limited – joint venture

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 2023 have been prepared in accordance with the Accounting Policies as stated in the financial statements for the year ended 30 June 2023.

The financial statements were authorised for issue by the Directors on 28 February 2024.

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 2023 Group \$'000	Six months ended		
	31 Dec 2023 Group \$'000	31 Dec 2022 Group \$'000	
CASH FLOWS FROM OPERATING ACTIVITIES			
(8,859)	Profit/(Loss) after tax for the period	4,187	4,444
(68)	Loss/(Gain) on sale or disposal of non-current assets	-	(34)
25,863	Loss/(Gain) on revaluation of investment property	-	-
(28)	Loss/(Gain) share of profit from investment	-	-
(447)	Loss/(Gain) on revaluation of derivative instruments	191	(498)
4,139	Depreciation, impairment and amortisation of non-current assets	2,012	2,008
(5,898)	Increase/(decrease) in deferred tax balances	(76)	81
(12)	Increase/(decrease) in rent concession	-	31
16	Lease interest on lease liabilities	12	13
Changes in net assets:			
<i>(Increase)/decrease in assets:</i>			
(2,878)	Current receivables	(3,975)	(3,083)
(332)	Less investment activities included in receivables	2,880	1,185
73	Current inventories	(69)	3
<i>Increase/(decrease) in liabilities:</i>			
(2,078)	Current payables	1,791	(1,830)
1,749	Less investment activities included in payables	(353)	2,990
693	Current tax	(736)	(407)
11,933	Net cash from operating activities	5,864	4,903

3. Commitments for expenditure

Year ended 30 June 2023 Group \$'000	Six months ended	
	31 Dec 2023 Group \$'000	31 Dec 2022 Group \$'000
972 Property Plant and Equipment*	14,354	459
5,427 Investment Property	717	2,135
6,399	15,071	2,594

*At reporting date the bulk of capital commitments under PPE relate to the purchase of a new Tug vessel

4. Contingent assets and liabilities

2024 Group and Parent Contingent assets

There are no contingent assets. (2023: Nil)

2024 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 (2023: Nil).

Company Directory



Port Marlborough

BOARD OF DIRECTORS

Warren McNabb	BCom, LLB(Hons), MBA	Chair
Geoff Blake	CA	Appointed 11 Dec 2023
Colin Crampton	BE Civil (Hons), FEngNZ, Dip BusAdmin	
Martin Fletcher	CA, MInstD	Retired 11 December 2023
Jennifer Moxon	BA, MInstD	
Richard Olliver	LLB, BCom	
Hon Heather Roy	Dip Phty, MInstD	

EXECUTIVE

Rhys Welbourn	MBA, BA (Hons), PG Dip. GIS, Dip Eng (Civil), CMIInstD
Dean Craighead	BCom, CA
Gavin Beattie	BE Mech (Hons) MIPENZ CPEng
Anouk Euzeby	MBA, BA (Hons), IUT (eqv Dip)
Ryan Lock	BCom (IBus)
Anthony Burgess	Dip Eng (Civil)
Connie Smith	APR, GIAP2
Nicky Dowling	BBS, PGCertBus (HRM)

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

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