



REFLECTING ON TIMES PAST LOOKING TO THE FUTURE

Interim Report For the six month period ended 31 December 2022



INTERIM REPORT

Financial Performance

The South Port 2023 first half has been characterised by excellent progress being made on some longer-term initiatives for the Port, but with subdued operational performance reflecting constraints in China and a slowing domestic economy.

South Port has recorded a steady start to the financial year. Total bulk cargo volumes were consistent with the previous financial period, although slightly behind expectations. However, container volumes continued to be negatively impacted, showing a decline over the same period.

South Port's NPAT for the first six months of FY2023 was \$5.2 million (FY2022 \$5.9 million). Several factors impacted on this interim result, including:

- There were increased stock food volumes imported into the region to service the dairy industry, and the exports of woodchips remain strong.
- The log market has maintained its downward cycle due to the currently depressed property market in China.
- Fertiliser volumes were down and are expected to remain similarly impacted for the remainder of the financial year due to lower sheep and beef prices.
- Increased financing costs due to higher interest rates and additional debt on the balance sheet.
- International container supply chains continue to be significantly disrupted.

The reported FY2023 interim profit should be read in conjunction with the Outlook section of this report where a year end NPAT forecast range is provided.

Cargo

Total cargo activity was 1,732,000 tonnes compared with 1,745,000 tonnes in the prior year's interim period. This represents a decrease in cargo flows of 13,000 tonnes or 0.7%. There were increases in stock food (+28,000), alumina (+24,000), and woodchips (+35,000), however other bulk cargoes were negatively impacted with logs (-16,000), fuel (-20,000) and fertiliser (-44,000) all down in comparison to the prior half year.

Disruption in the container supply chain will continue until there is a return to normal shipping windows, especially at the larger ports in New Zealand. Containerised cargo decreased 13% to 18,000 TEU (FY2022 20,800 TEU). The main decreases were imported products for the manufacturing and farming sectors. Container vessels transiting the Port were the same as last year at 17 calls.

Operational Events

Warehousing

It has been another busy period for our warehousing division. Initially, there was a significant buildup of product in stores placing strain on our available space; however, several export orders received towards the end of CY2022 have relieved some of this pressure.

Marine Plant

The new tug MV Rakiwai has been in operation for 12 months and is proving to be a great asset for the safe handling of vessels visiting the Port. During this period, there was a significant amount of resource put into training our pilots and tugmasters to become familiar with the handling and controls of an Azimuth Tractor Drive compared to a Voith tug.

One of our other two tugs, the MV Te Matua was dry docked in the fourth quarter of CY2022 for a 5-year survey. The docking involved a significant amount of maintenance activity which was successfully completed, and the MV Te Matua is now back in service.

THE EVOLUTION OF BLUFF HARBOUR



1950



1955



1962

Infrastructure

Access Bridge

The installation of the Impressed Current Cathodic Protection (ICCP) system on the Access Bridge will be completed this financial year. Bay 14 is the last section of the bridge left to complete, in what has been a very successful maintenance project for the Port in extending the life of a vital piece of infrastructure.

Town Wharf Upgrade

The new accessway, pipeline corridor, and discharge platform have been completed and are fully operational. The new development was officially opened on 22 November 2022 with a celebration and an official blessing by Te Rūnaka o Awarua Kaiwhakahaere Dean Whaanga.

Strategic Projects

Kia Whakaū Project

The Kia Whakaū project represents several initiatives designed to improve the infrastructure, services, and, therefore, the Port's capability to meet the needs of our existing and future stakeholders.

The major part of this project is to dredge and remove seabed materials to 9.7m chart datum (CD) in the harbour entrance channel, 10.7m CD in the Island Harbour berth basins, and 9.45m CD in the swinging basin. It is pleasing to report that on 31 August 2022, South Port was granted resource consent by Environment Southland for project Kia Whakaū.

The Port is currently working through contractual requirements; however, we expect this work will begin in the second quarter of CY2023.

The successful completion of this project will provide additional capacity to load more cargo on vessels calling at the Port, increase efficiencies, and provide a safer transit through the entrance channel. The completion of the project will also enable the Port to service future growth opportunities.

Dredging Project – Existing Coastal Permit

On 8 August 2022, the Company informed the market that we had contracted Heron Construction to remove the fractured or fragmented rock that remained in the Port harbour entrance channel from previous dredging campaigns, operating under an existing coastal permit.

In a media release on 7 October 2022 and at the Annual Shareholders' Meeting on 1 November 2022, the Company notified the market that this had been a very successful campaign, nearly achieving our objective in project Kia Whakaū, to reach 9.7m CD in the harbour entrance channel. Owing to the success of this project, the drilling and blasting activity that was required in the channel for project Kia Whakaū is unlikely to be required under the consent granted on 31 August 2022.

Green Hydrogen

Meridian Energy announced on 29 November 2022 that Woodside Energy had been selected as their preferred partner to move forward to the development stage of the proposed Southern Green Hydrogen project in Southland. South Port is assisting these two parties with port and shipping related enquiries as they work towards making a final investment decision.

New Zealand Aluminium Smelter

New Zealand Aluminium Smelter (NZAS) is currently in discussions with the electricity generators to establish a potential supply contract that will allow the smelter to continue operating after December 31, 2024. This is a pleasing development for both the Port and the Southland region.

Although the Southern Green Hydrogen project has created competition for electricity supply, South Port believes there is the capacity to support both NZAS and the establishment of a hydrogen plant in the region post-2024. This strategy would also encourage the construction of additional generation in the South to support both an increase in hydrogen production and other potential offtakes.



1964

1965

1971

1973

Kaiwera Downs Wind Farm

It is pleasing to see that the construction of the first stage of Mercury Energy's 240MW Kaiwera Downs wind farm, 15km east of Gore has commenced. This first stage involves the installation of ten 4.3MW turbines and is expected to be operational by the end of CY2023. South Port is progressing discussions with the lead importer about the potential to handle this cargo through the Port.

Climate-Related Disclosures

The External Reporting Board recently achieved an important milestone in New Zealand's transition to a low-emissions economy, with the publication of the Aotearoa New Zealand Climate Standards.

South Port is a climate reporting entity under the Financial Markets Conduct Act 2013, and therefore is required to comply with these standards. The first year of mandatory climate-related disclosures for the Company is FY2024, and we are underway with this project to ensure we meet our obligations.

We have recently formed a Sustainability Committee and have engaged an external party to assist us on our sustainability journey.

Community

Town Wharf Access

The Company has received several requests from the community in recent years asking for access to the town wharf for pedestrians and fishermen. The Company was finally able to grant this request prior to Christmas, with a portion of the town wharf being sectioned off and made available to the public.

Port Open Day

While there have been some false starts to the Port open day in recent years due to Covid-19, we are happy to report that our second open day in recent times is scheduled to be held this year.

Outlook

There are several global events that continue to create uncertainty and provide challenges to our business operations.

The war in Ukraine, the rate of economic recovery in China, and the threat of a global recession are impacting marketplaces which have a flow-on impact on commodity prices and volumes handled through the Port.

The container supply chain is still disrupted, and although expectations are that this will improve, the timing of this realignment is still not clear.

Bulk cargoes held up well for the first six months of FY2023 however, logs, fertiliser and fuel volumes are not expected to improve in the second-half of FY2023, due to the aforementioned factors.

Based on all known factors at the date of releasing its 2023 interim result, South Port estimates that its full year earnings should fall in the range of \$11.1 million to \$11.6 million (FY2022 \$12.8 million).

Dividend

After assessing the anticipated year end result, the Directors have declared a fully imputed interim dividend of 7.50 cents per share (2022 7.50 cents) payable on 7 March 2023. In the event that the Company's FY2023 year-end profit falls within the above forecast range, then the full-year dividend payment will be at least the same as the previous year.



R T CHAPMAN
Chairman



N G GEAR
Chief Executive



1974



1983



1990



2022

FINANCIAL STATEMENTS

Statement of Comprehensive Income

SIX MONTH PERIOD ENDED 31 DECEMBER 2022	Unaudited 31/12 2022 \$000's	Unaudited 31/12 2021 \$000's	Audited Year to 30/06/22 \$000's
Total operating revenues from Port services	24,939	23,342	48,584
Total operating expenses	(16,435)	(14,382)	(27,160)
Operating profit before administrative and finance costs	8,504	8,960	21,424
Administrative expenses	(986)	(757)	(4,642)
Operating profit before financing costs	7,518	8,203	16,782
Financial income	368	609	1,374
Financial expenses	(760)	(468)	(1,008)
Net financing costs	(392)	141	366
Other income	95	10	10
Surplus before income tax	7,221	8,354	17,158
Income tax	(2,068)	(2,490)	(4,329)
Net surplus after income tax	5,153	5,864	12,829
Other comprehensive income	–	–	–
Total comprehensive surplus/(loss) after income tax	5,153	5,864	12,829
Basic earnings per share	\$0.196	\$0.224	\$0.489

Statement of Cash Flows

SIX MONTH PERIOD ENDED 31 DECEMBER 2022	Unaudited 31/12 2022 \$000's	Unaudited 31/12 2021 \$000's	Audited Year to 30/06/22 \$000's
Cash flows from operating (note 6)	5,434	5,002	13,695
Cash flows from investing	(9,508)	(15,625)	(23,337)
Cash flows from financing	4,838	10,858	9,318
NET INCREASE/(DECREASE) IN CASH	764	235	(324)

Statement of Financial Position

AS AT 31 DECEMBER 2022	Unaudited 31/12 2022 \$000's	Unaudited 31/12 2021 \$000's	Audited Year to 30/06/22 \$000's
TOTAL EQUITY	55,311	50,276	55,274
Non-Current Assets			
Property, plant & equipment	84,184	72,399	77,342
Right-of-use assets	379	289	427
Deferred tax asset	1,189	397	1,107
Financial assets	870	190	789
Total non-current assets	86,622	73,275	79,665
Current Assets			
Cash and cash equivalents	2,067	1,862	1,303
Trade and other receivables	8,868	6,534	7,004
Financial assets	441	–	164
Total current assets	11,376	8,396	8,471
Total assets	97,998	81,671	88,136
Non-Current Liabilities			
Employee entitlements	56	38	50
Loans and borrowings	35,500	25,000	25,500
Lease liabilities	320	252	360
Total non-current liabilities	35,876	25,290	25,910
Current Liabilities			
Loans and borrowings	–	–	–
Trade and other payables	4,358	3,692	3,325
Employee entitlements	1,874	1,461	1,548
Provision for taxation	492	897	1,986
Lease liabilities	87	55	93
Total current liabilities	6,811	6,105	6,952
Total liabilities	42,687	31,395	32,862
TOTAL NET ASSETS	55,311	50,276	55,274
Net asset backing per share	\$2.11	\$1.92	\$2.11

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2022

01 Activities of South Port Group

The Group is primarily involved in providing and managing port and warehousing services.

02 Accounting Policies

The Group is a Financial Markets Conduct (FMC) reporting entity for the purposes of the Financial Reporting Act 2013 and the Financial Markets Conduct Act 2013. These financial statements comply with these Acts and have been prepared in accordance with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for profit-orientated entities. These financial statements comply with International Financial Reporting Standards (IFRS) as appropriate for condensed interim financial statements. They comply with New Zealand equivalents to International Accounting Standards 34 (NZ IAS 34) Interim Financial Reporting, and International Accounting Standards 34. There has been no change in accounting policies. All policies have been applied on a consistent basis with the most recent annual report.

03 Taxation

Income tax expense comprises current and deferred tax at the company tax rate of 28%. Income tax expense is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

04 Segmental Reporting

The South Port Group operates in the Port Industry in Southland, New Zealand, and therefore only has one reportable segment and one geographical area based on the information as reported to the chief operating decision maker on a regular basis. South Port engaged with one major customer who contributed individually greater than 10% of its total revenue for the period ended 31 December 2022. This customer contributed \$4.14 million for the six months ended 31 December 2022 (2021: \$4.41 million).

05 Statement of Changes In Equity

SIX MONTH PERIOD ENDED 31 DECEMBER 2022	Unaudited 31/12 2022 \$000's	Unaudited 31/12 2021 \$000's	Audited Year to 30/06/22 \$000's
Total equity at beginning of the period	55,274	49,528	49,528
Profit/(loss) after income tax	5,153	5,864	12,829
Other comprehensive income	–	–	–
Total comprehensive surplus	5,153	5,864	12,829
Distributions to shareholders	(5,116)	(5,116)	(7,083)
Total equity at end of the period	55,311	50,276	55,274

06 Net Cash Flow from Operating Activities

Surplus after taxation	5,153	5,864	12,829
Add/(less) items classified as investing/financing activities	–	–	–
Add/(less) non-cash items	1,839	1,515	2,357
Add/(less) movement in working capital	(1,558)	(2,377)	(1,491)
Net cash provided by operating activities	5,434	5,002	13,695



The original Bluff Harbour Board building, circa 1910.

Group Companies

Parent Company
South Port New Zealand Limited

Subsidiary
Awarua Holdings Limited

Directors

Rex Chapman
Chair

Philip Cory-Wright

Nicola Greer

Michelle Henderson

Clare Kearney

John Schol

Corporate Executives

Nigel Gear
Chief Executive

Geoff Finnerty
Port General Manager

Jamie May
Commercial Manager

Hayden Mikkelsen
Container Manager

Frank O'Boyle
Infrastructure and Environmental Manager

Lara Stevens
Chief Financial Officer

Murray Wood
Warehousing Manager

Helen Young
People and Safety Manager



Island Harbour, PO Box 1, Bluff 9842, New Zealand

☎ +64 3 212 8159

✉ reception@southport.co.nz

in f South Port NZ

southport.co.nz

♻ Printed on 100% recycled paper
