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Facilitating **the best logistic solutions** for the region

Interim Report *For the six month period ended 31 December 2023*

Interim Report

Financial Performance

Reduced volumes across the majority of South Port's key commodities and inflationary pressure on costs have negatively impacted South Port's financial performance in the first half of the financial year. Both the agricultural and forestry sectors have been under significant pressure for a number of months due to poor market conditions, which is negatively reflected in the majority of our import and export bulk cargoes.

The deterioration in trade is common across the port sector and unfortunately South Port is not immune.

These market conditions have been reflected in South Port's net profit after tax (NPAT) for the first six months of FY2024 at \$3.0 million (FY2023 \$5.2 million). The factors influencing this interim result, as briefly discussed above, include:

- Forestry exports, logs and woodchips, faced reduced demand in both China and Japan.
- Imports of agricultural inputs, fertiliser and stock food, were back and are expected to remain down for the remainder of the financial year due to depressed sheep and beef prices.
- Marine calls were similarly impacted by reduced volumes being shipped through the Port.
- Inflationary pressures on labour and materials costs have increased substantially.
- Insurance costs have significantly increased.
- Increased financing costs due to an upwards movement in interest rates and additional debt on the balance sheet.

Cargo

Total cargo activity was 1,488,000 tonnes compared with 1,732,000 tonnes in the prior year's interim period. This represents a decrease in cargo flows of 244,000 tonnes or 14%. Increases were registered in cement (+14,000 t) and timber (+17,000 t), however other cargoes were negatively impacted with woodchips (-72,000 t), logs (-68,000 t), alumina (-43,000 t), stock food (-39,000 t) and fertiliser (-37,000 t) down in comparison to the prior half year.

108 large vessel calls were registered (FY2023, 139 calls), a direct reflection of the reduced cargo flows through the Port.

Container volumes are showing some signs of recovery with 21,000 Twenty-foot equivalent unit (TEU) handled through the terminal (FY2023, 18,000 TEU).

Operational Events

Cold Storage Operation

The cold store operation has performed well. Increased volumes of meat products being handled, longer dwell times and reduced overheads compared with the same period last year has seen an improved result for this business unit.

Syncrolift - Dry Dock

After a major maintenance programme in FY23, the syncrolift has shown a marked improvement in FY24. Increased vessel dockings and reduced maintenance costs have also seen a better result for this operation.

Climate-Related Disclosures

From the 2024 reporting period it will be mandatory for South Port to produce climate-related statements according to disclosure requirements in the External Reporting Board (XRB) standards.

South Port is progressing towards meeting these requirements, to be published in this year's annual report.



Initiatives

Kia Whakaū Project

The Kia Whakaū project to dredge and remove seabed materials to 9.7m chart datum (CD) in the harbour entrance channel was successfully completed and celebrated with a formal opening on 30 October 2023.

The Company is taking a staged approach to the new draft by declaring an interim operating draft of 10.3m at high tide to assess the handling of deeper draft vessels before moving to the full 10.7m.

Green Ammonia

Meridian Energy, with the support of Ngāi Tahu, is continuing to work with Woodside Energy and Mitsui towards making a final investment decision in 2025 for the development of a world-class hydrogen and ammonia facility in Southland.

South Port is assisting these parties with port and shipping-related enquiries in relation to the export of green ammonia.

Cruise Vessels

It has been a busy cruise period in the south. There have been a number of cruise vessels transiting through the Sounds in Fiordland with a record number of vessel calls then making a call into Bluff.

Wind Farm Opportunities

There are a number of wind farm opportunities in Southland at differing stages of development. It is anticipated they will accelerate once the NZAS smelter's future is resolved. The most advanced are Mercury Energy's Kaiwera Downs and Contact Energy's Wyndham proposed wind farms. Stage one of Mercury Energy's 240MW Kaiwera Downs wind farm, 15km east of Gore, was completed and officially opened on 20 November 2023. Shipments for the second stage of the development, although not confirmed, are expected to begin arriving in early 2025.

A fast-track resource consent application for Contact Energy's Southland Wind Farm project, was lodged with the Environmental Protection Authority on 22 December 2023.

If the consent is approved, it is hoped that construction would begin in 2025 with the wind farm to be fully operational by 2027.

Community

Port Open Day

The Port open day was held on Sunday 1 October 2023. This was a good opportunity to open the gates and show off our operations to the community. The event was quickly oversubscribed, and the weather played its part to make this another successful event.

Outlook

Global events continue to create uncertainty and provide challenges to our business operations.

The wars in both Ukraine and the Middle East are continuing to impact marketplaces which has a flow-on impact to commodity prices and volumes handled through the Port. The container supply chain is facing additional challenges with the war in the Middle East escalating into the Gulf of Aden and the Red Sea preventing shipping lines gaining access to the Suez Canal, resulting in longer transit times to market.

There are also several elections taking place in key markets that New Zealand trades with that will create additional uncertainty as we progress through the 2024 calendar year.

The Company has invested significant capital in recent years to upgrade the Island Harbour and develop our infrastructure for future growth opportunities.

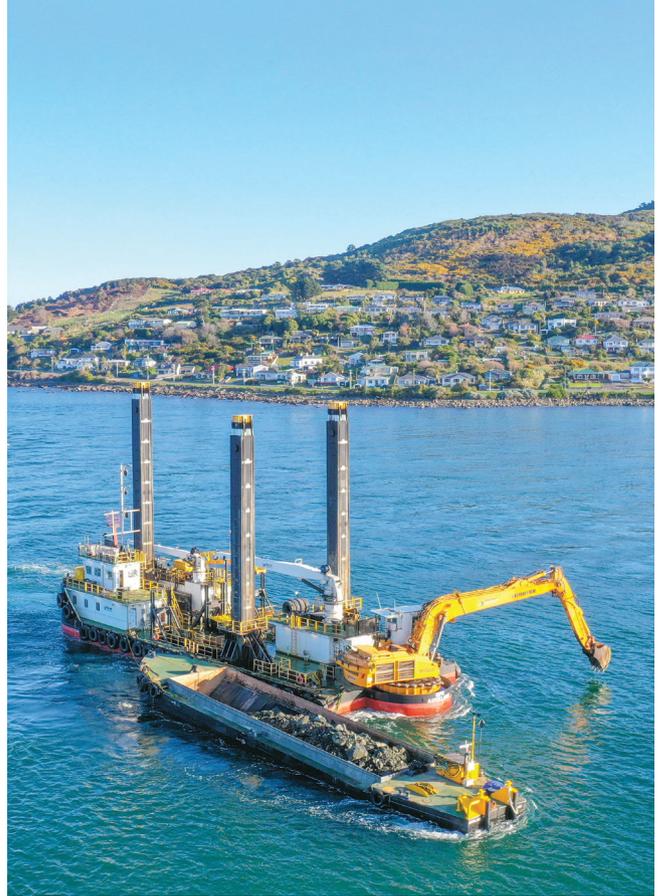
The deepening of our entrance channel is especially important as it will allow us to take greater payloads, improve the supply chain and provide safer transit for vessels calling at the Port.

There are a number of opportunities on the horizon, and we are now in the position to take advantage of these as they arise.

In February 2024, Fonterra upgraded its dairy payout forecast. In addition, good progress appears to have been made in negotiations with Rio Tinto over long term supply arrangements for the NZAS aluminium smelter. The Government has also announced a new fast track consenting process which may assist projects such as Ngāi Tahu's proposed Hananui open ocean aquaculture farm at Rakiura (Stewart Island).

These are unlikely to have material effects on South Port this financial year but do provide some reasons for optimism that the current downturn will be short lived.

Based on all known factors at the date of releasing its 2024 interim result, South Port estimates that its full year earnings should fall in the range of \$7.3 million to \$8.0 million (FY2023 - \$11.7 million).



Dividend

Despite the expectation of reduced full year earnings, the Directors have declared a fully imputed interim dividend of 7.50 cents per share (2023 - 7.50 cents) payable on 12 March 2024.

The Board will consider the Company's financial year end result, market conditions and trading outlook before determining the final distribution to shareholders.

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P CORY-WRIGHT

Chair

Handwritten signature of N G Gear in black ink.

N G GEAR

Chief Executive

Financial Statements

Statement of Comprehensive Income

SIX MONTH PERIOD ENDED 31 DECEMBER 2023	Unaudited 31/12 2023 \$000's	Unaudited 31/12 2022 \$000's	Audited Year to 30/06/23 \$000's
Total operating revenues from Port services	25,475	24,939	53,589
Total operating expenses	(16,235)	(14,731)	(30,385)
Operating profit before administrative and finance costs	9,240	10,208	23,204
Administrative expenses	(3,227)	(2,690)	(5,341)
Operating profit before financing costs	6,013	7,518	17,863
Financial income	33	368	272
Financial expenses	(1,793)	(760)	(1,725)
Net financing costs	(1,760)	(392)	(1,453)
Other income	36	95	104
Surplus before income tax	4,289	7,221	16,514
Income tax	(1,256)	(2,068)	(4,802)
Net surplus after income tax	3,033	5,153	11,712
Other comprehensive income	-	-	-
Total comprehensive surplus/(loss) after income tax	3,033	5,153	11,712
Basic earnings per share	\$0.116	\$0.196	\$0.446

Statement of Cash Flows

SIX MONTH PERIOD ENDED 31 DECEMBER 2023	Unaudited 31/12 2023 \$000's	Unaudited 31/12 2022 \$000's	Audited Year to 30/06/23 \$000's
Cash flows from operating (note 7)	876	5,434	16,448
Cash flows from investing	(8,706)	(9,508)	(14,040)
Cash flows from financing	8,336	4,838	(2,676)
NET INCREASE/(DECREASE) IN CASH	506	764	(268)

Statement of Financial Position

AS AT 31 DECEMBER 2023	Unaudited 31/12 2023 \$000's	Unaudited 31/12 2022 \$000's	Audited Year to 30/06/23 \$000's
TOTAL EQUITY	57,829	55,311	59,903
Non-Current Assets			
Property, plant & equipment	92,550	84,184	87,727
Right-of-use assets	282	379	330
Deferred tax asset	1,130	1,189	1,106
Financial assets	173	870	658
Total non-current assets	94,135	86,622	89,821
Current Assets			
Cash and cash equivalents	1,541	2,067	1,035
Trade and other receivables	10,514	8,868	6,509
Financial assets	451	441	541
Total current assets	12,506	11,376	8,085
Total assets	106,641	97,998	97,906
Non-Current Liabilities			
Employee entitlements	63	56	59
Loans and borrowings	43,500	35,500	25,000
Lease liabilities	220	320	262
Total non-current liabilities	43,783	35,876	25,321
Current Liabilities			
Loans and borrowings	-	-	5,000
Trade and other payables	3,588	4,358	4,105
Employee entitlements	1,946	1,874	1,897
Provision for taxation	(597)	492	1,582
Lease liabilities	92	87	98
Total current liabilities	5,029	6,811	12,682
Total liabilities	48,812	42,687	38,003
TOTAL NET ASSETS	57,829	55,311	59,903
Net asset backing per share	\$2.20	\$2.11	\$2.28



Notes to the Financial Statements

FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2023

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 Employee Share Rights

The Group adopted a performance share rights plan during this period. The plan grants participants a right to receive ordinary shares in South Port NZ for no consideration if the vesting conditions are met. Vesting is subject to certain performance conditions measured over a three-year period and the participants remaining employed by the Group during that period.

The plan is an equity-settled share-based payment arrangement for accounting purposes. The fair value of the rights is expensed on a straight-line basis over the vesting period with a corresponding increase in equity.

30,928 rights were granted during the period, having an estimated fair value of \$142,000, with \$9,000 of this being expensed during the period ended 31 December 2023.

04 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.

05 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 2023. This customer contributed \$4.38 million for the six months ended 31 December 2023 (2022: \$4.14 million).

06 Statement of Changes In Equity

SIX MONTH PERIOD ENDED 31 DECEMBER 2023	Unaudited 31/12 2023 \$000's	Unaudited 31/12 2022 \$000's	Audited Year to 30/06/23 \$000's
Total equity at beginning of the period	59,903	55,274	55,274
Profit/(loss) after income tax	3,033	5,153	11,712
Other comprehensive income	-	-	-
Total comprehensive surplus	3,033	5,153	11,712
Share based payment reserve	9	-	-
Distributions to shareholders	(5,116)	(5,116)	(7,083)
Total equity at end of the period	57,829	55,311	59,903

07 Net Cash Flow from Operating Activities

Surplus after taxation	3,033	5,153	11,712
Add/(less) items classified as investing/financing activities	-	-	-
Add/(less) non-cash items	2,981	1,839	4,514
Add/(less) movement in working capital	(5,138)	(1,558)	222
Net cash provided by operating activities	876	5,434	16,448

Group Companies

Parent Company
South Port New Zealand Limited

Subsidiary
Awarua Holdings Limited

Directors

Philip Cory-Wright
Chair

Cassandra Crowley

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



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