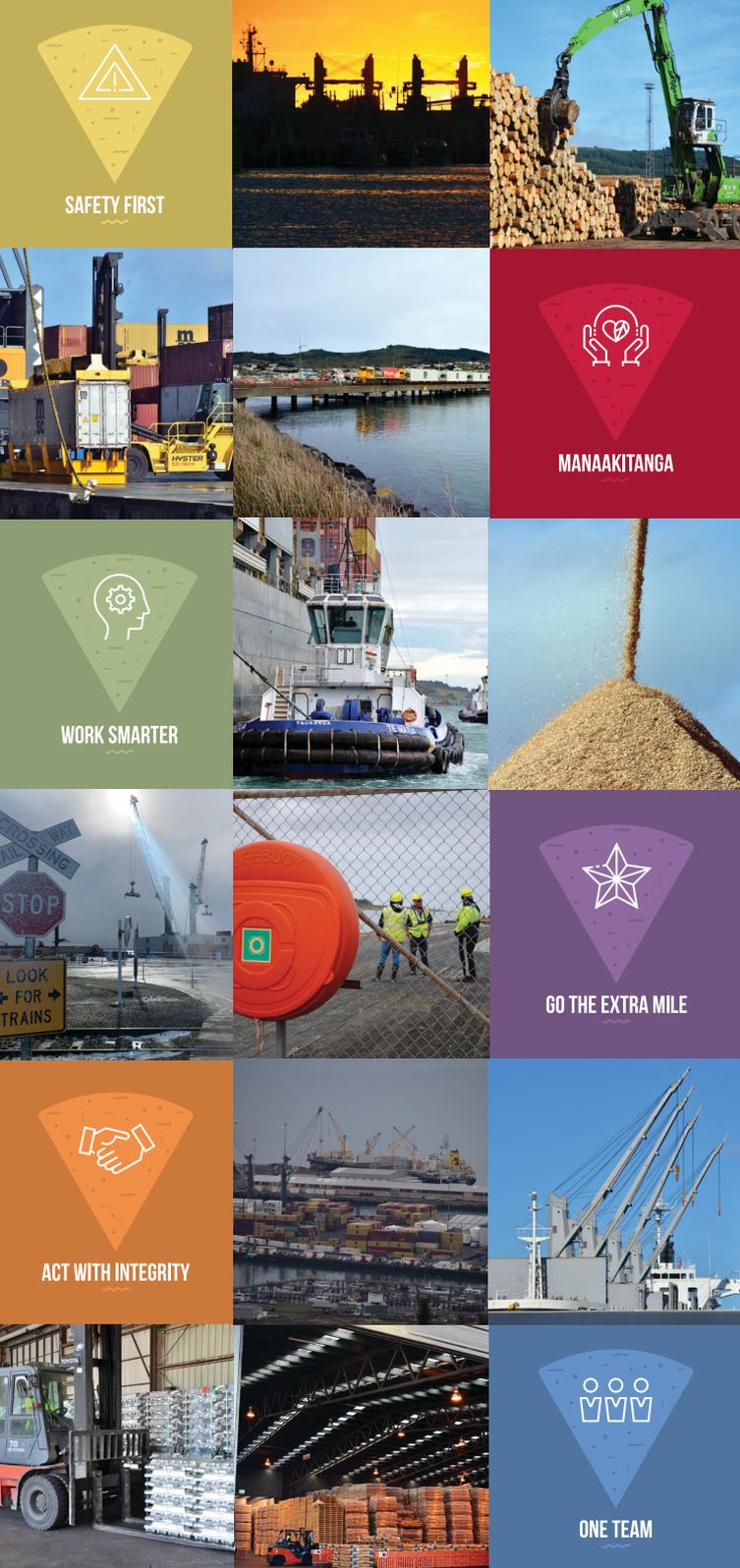




Interim Report

FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2021





Interim Report

Financial Performance

South Port has recorded a steady start to the financial year. Total bulk cargo volumes were consistent with the previous financial period and in line with expectations. Container volumes however were negatively impacted showing a decline for the same reporting period.

South Port's net profit after tax (NPAT) for the first six months of FY2022 was \$5.9 million (FY2021 \$6.1 million). A number of factors impacted on this interim result including:

- The log market is currently in a downward cycle due to decreased demand and high inventory levels in the Chinese market. It is not expected that this market dynamic will improve until the second quarter of 2022.
- International container supply chains continue to be significantly disrupted as a result of the ongoing COVID-19 pandemic.
- Cold storage volumes declined due to a reduction in meat storage and fish vessels calling at the port.
- There were increased stock food volumes imported into the region to service the dairy industry.

The reported FY2022 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 1,745,000 tonnes compared with 1,720,000 tonnes in the prior year interim period. This represents an increase in cargo flows of 25,000 tonnes or 1.5%. Increases were registered in stock food (+41,000) and aluminium (+28,000) however other bulk cargoes were negatively impacted with logs (-29,000) in comparison to the prior half year.

Disruption in the container supply chain is a worldwide phenomenon which has reached all corners of the globe, including South Port, impacting both volumes of cargo and the number of ships calling at the Port. Containerised cargo decreased 23% to 20,800 TEU (FY2021 27,000 TEU). The main decreases were reflected in forestry and fertiliser products. Container vessels transiting the Port were similarly down 32% on the same period last year, at 17 calls (FY2021 25 calls).

COVID-19

COVID-19 has been a constant threat to our business and way of life since early 2020. As the virus mutates and impacts society, South Port's operation continues to adapt to protect both our people and our business. The highly infectious Omicron variant is now the most significant challenge we face going forward.

Vaccination and testing are the two key tools South Port is using to combat this ongoing threat.

Rapid antigen test kits have been sourced and are being used to help ensure our staff coming to work are free of COVID-19 and not a risk to fellow colleagues.

South Port has also mandated a compulsory Vaccination Policy for all staff, contractors and visitors coming onto the Port. We appreciate our staff's cooperation and understanding during this time.

This Policy works alongside our other infection prevention and control measures to reduce the risk of exposure of COVID-19, to keep our people safe, protect essential services providing business continuity in the supply chain and to maintain trust and confidence in South Port by ensuring we continue to operate.

Operational Events

WAREHOUSING

Our warehousing operations continue to operate well, handling similar if not increased volumes of cargo through these facilities. This is pleasing and reinforces that the cargoes being handled through our warehouse operations are continuing to meet our strategic purpose during these difficult times.

MAINTENANCE

The installation of the Impressed Current Cathodic Protection (ICCP) system on the Port's Access Bridge continues to make good progress. Three bays (of 14) are left to complete this significant maintenance upgrade of this crucial supply chain artery to the Port. Once completed, this is expected to extend the life of the Access Bridge by 25-30 years.

TUG PURCHASE

In September the Port welcomed the arrival of the *Rakiwai*, a new 65 tonne bollard pull Azimuth Tractor Drive (ATD) tug. The tug was built in Damen Song Shipyards in Vietnam at the cost of \$10M. This purchase has increased the total bollard pull at South Port for a two tug operation to 105 tonnes. The *Rakiwai* is expected to be in operation in March 2022.

TOWN WHARF UPGRADE

Excellent progress is being made on the upgrade to the Town Wharf which services the petroleum import activity for Southland and the Wakatipu Basin. The new accessway, pipeline corridor and discharge platform are expected to be completed and in operation by the start of the new financial year.

Strategic Projects

KIA WHAKAŪ PROJECT

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

A significant part of this project is the capital dredging of the entrance channel, swinging basin and berth pockets. South Port has applied for a resource consent to dredge and remove seabed materials up to 160,000 m³ of both soft sediment and rock.

The successful completion of this project will provide additional capacity to load more cargo on vessels calling at the Port, reduce waste, increase efficiencies and provide a safer transit through the entrance channel.

NEW ZEALAND ALUMINIUM SMELTER (NZAS)

It was a welcomed relief for the region that Rio Tinto announced a new Electricity Agreement on 4 January 2021 with Meridian Energy, allowing the New Zealand Aluminium Smelter (NZAS) to continue operating until 31 December 2024.

Meridian Energy and Contact Energy are now investigating the establishment of large scale green hydrogen production opportunities in the region to make use of the electricity resources from 1 January 2025, should the Smelter close.

South Port, while supporting the work being carried out by the electricity companies, believes that there is the capacity to support both NZAS and the establishment of a green 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 green hydrogen production and other potential offtakes.

Community

South Port continues to invest time and resources to strengthen our relationship with the community. This is evidenced through staff becoming involved with community projects, sponsorships, and increased interaction with the Awarua Rūnanga and the Bluff Community Board.

Improved communication has been an important part of this process with the establishment of a Communications Advisor role, use of our Facebook page and the recent publications of our community newsletter.

Outlook

The COVID-19 pandemic continues to create uncertainty in the marketplace and to provide challenges to our business operations. In the coming months we expect to see Omicron become widespread in the community and potentially in the workplace. Processes have been put in place to mitigate this threat however we expect this to be a challenging time for both the business and the community.

Bulk cargoes are holding up well and it is expected that the log markets will start to improve in the second quarter of 2022, post Chinese New Year.

Containers however will continue to be impacted by the disruption in the supply chain, which is not expected to improve until 2023 at the earliest.

Based on all known factors at the date of releasing its 2022 interim result, South Port estimates that its full year earnings should fall in the range of \$9.7 million to \$10.0 million (FY2021 - \$10.71 million).

Dividend

Last year's record profit of \$10.71 million resulted in an increased full year dividend of 27 cents per share. In the event that the Company's FY2022 year-end profit falls within the forecast range, then it is expected that the full year dividend payment will be maintained at 27 cents per share.



R T CHAPMAN
Chairman



N G GEAR
Chief Executive

Financial Statements

Statement of Comprehensive Income

| SIX MONTH PERIOD ENDED 31 DECEMBER 2021 | Unaudited 31/12 2021 \$000's | Unaudited 31/12 2020 \$000's | Audited Year to 30/06/21 \$000's |
|--|---------------------------------------|---------------------------------------|---|
| Total operating revenues from port services | 23,342 | 23,384 | 47,291 |
| Total operating expenses | (12,802) | (12,849) | (28,447) |
| Gross profit | 10,540 | 10,535 | 18,844 |
| Administrative expenses | (2,337) | (2,045) | (4,174) |
| Operating profit before financing costs | 8,203 | 8,490 | 14,670 |
| Financial income | 609 | 111 | 340 |
| Financial expenses | (468) | (183) | (367) |
| Net financing costs | 141 | (72) | (27) |
| Other income | 10 | 29 | 36 |
| Surplus before income tax | 8,354 | 8,447 | 14,679 |
| Income tax | (2,490) | (2,382) | (3,965) |
| Adjustments relating to tax legislation changes | - | - | - |
| Net surplus after income tax | 5,864 | 6,065 | 10,714 |
| Other comprehensive income | - | - | - |
| Total comprehensive surplus/(loss) after income tax | 5,864 | 6,065 | 10,714 |
| Basic earnings per share | \$0.224 | \$0.231 | \$0.408 |

Statement of Cash Flows

| SIX MONTH PERIOD ENDED 31 DECEMBER 2021 | Unaudited 31/12 2021 \$000's | Unaudited 31/12 2020 \$000's | Audited Year to 30/06/21 \$000's |
|--|---------------------------------------|---------------------------------------|---|
| Cash flows from operating (note 6) | 5,002 | 5,622 | 15,827 |
| Cash flows from investing | (15,625) | (4,464) | (11,057) |
| Cash flows from financing | 10,858 | (379) | (4,372) |
| NET INCREASE/(DECREASE) IN CASH | 235 | 779 | (398) |

Statement of Financial Position

| SIX MONTH PERIOD ENDED 31 DECEMBER 2021 | Unaudited 31/12 2021 \$000's | Unaudited 31/12 2020 \$000's | Audited Year to 30/06/21 \$000's |
|--|---------------------------------------|---------------------------------------|---|
| TOTAL EQUITY | 50,276 | 46,847 | 49,528 |
| Non-Current Assets | | | |
| Property, plant & equipment | 72,399 | 53,612 | 57,218 |
| Right-of-use assets | 289 | 346 | 317 |
| Deferred tax asset | 397 | 235 | 466 |
| Financial assets | 190 | - | - |
| Total non-current assets | 73,275 | 54,193 | 58,001 |
| Current Assets | | | |
| Cash and cash equivalents | 1,862 | 2,008 | 1,627 |
| Trade and other receivables | 6,534 | 8,559 | 9,045 |
| Total current assets | 8,396 | 10,567 | 10,672 |
| Total assets | 81,671 | 64,760 | 68,673 |
| Non-Current Liabilities | | | |
| Employee entitlements | 38 | 31 | 32 |
| Loans and borrowings | 25,000 | 11,000 | 9,000 |
| Financial liabilities | - | 639 | 234 |
| Lease liabilities | 252 | 307 | 280 |
| Total non-current liabilities | 25,290 | 11,977 | 9,546 |
| Current Liabilities | | | |
| Trade and other payables | 3,692 | 3,732 | 6,553 |
| Employee entitlements | 1,461 | 1,347 | 1,418 |
| Provision for taxation | 897 | 805 | 1,393 |
| Financial liabilities | - | - | 182 |
| Lease liabilities | 55 | 52 | 53 |
| Total current liabilities | 6,105 | 5,936 | 9,599 |
| Total liabilities | 31,395 | 17,913 | 19,145 |
| TOTAL NET ASSETS | 50,276 | 46,847 | 49,528 |
| Net asset backing per share | \$1.92 | \$1.79 | \$1.89 |

Notes to the Financial Statements

FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2021

1 — Activities of South Port Group

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

2 — 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). There has been no change in accounting policies. All policies have been applied on a consistent basis with the most recent annual report.

3 — 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.

4 — 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 2021. This customer contributed \$4.41 million for the six months ended 31 December 2021 (2020: \$5.68 million).

5 — Statement of Changes In Equity

| SIX MONTH PERIOD ENDED 31 DECEMBER 2021 | Unaudited 31/12 2021 \$000's | Unaudited 31/12 2020 \$000's | Audited Year to 30/06/21 \$000's |
|--|---------------------------------------|---------------------------------------|---|
| Total equity at beginning of the period | 49,528 | 45,635 | 45,635 |
| Profit/(loss) after income tax | 5,864 | 6,065 | 10,714 |
| Other comprehensive income | - | - | - |
| Total comprehensive surplus | 5,864 | 6,065 | 10,714 |
| Distributions to shareholders | (5,116) | (4,853) | (6,821) |
| Total equity at end of the period | 50,276 | 46,847 | 49,528 |

6 — Net Cash Flow from Operating Activities

| | | | |
|---|--------------|--------------|---------------|
| Surplus after taxation | 5,864 | 6,065 | 10,714 |
| Add/(less) items classified as investing/financing activities | - | - | - |
| Add/(less) non-cash items | 1,515 | 1,883 | 3,474 |
| Add/(less) movement in working capital | (2,377) | (2,326) | 1,639 |
| Net cash provided by operating activities | 5,002 | 5,622 | 15,827 |



Group Companies

Parent Company

South Port New Zealand
Limited

Subsidiary

Awarua Holdings Limited

Directors

Rex Chapman

Chairman

Philip Cory-Wright

Nicola Greer

Michelle Henderson

Clare Kearney

Jeremy McClean

Corporate Executives

Nigel Gear

Chief Executive

Geoff Finnerty

Port General Manager

Jamie May

Business Development Manager

Hayden Mikkelsen

Container Manager

Frank O'Boyle

Infrastructure Manager

Lara Stevens

Finance Manager

Murray Wood

Warehousing Manager

Helen Young

Human Resources Manager



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