



INTERIM REPORT

FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2020



Interim Report

FINANCIAL PERFORMANCE

South Port has recorded a strong start to the financial year. Containers, Cold Storage and Marine operations were the standout performers. Bulk Cargo volumes were consistent with the previous financial period and remain the backbone of the Company's cargo mix.

South Port's NPAT for the first six months of FY2021 was \$6.1 million, a 33% lift in profitability (FY2020 \$4.6 million). Several factors impacted on this record interim result including:

- › Record container throughput.
- › Higher returns from cold storage as a result of increased storage and blast freezing activities.
- › Increased marine activity.
- › Timing – some container volumes have been brought forward due to supply chain issues.

The reported FY2021 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 1,720,000 tonnes compared with 1,687,000 tonnes in the prior year interim period. This represents an increase in cargo flows of 33,000 tonnes or 2%. There was a pleasing increase in log volumes (+125,000) however other bulk cargoes were negatively impacted with fertiliser (-20,000), woodchips (-23,000) and NZAS cargoes (-70,000) all down from the prior half year.

Containerised cargo increased 28% to 27,000 TEU (FY2020 21,000 TEU). The main increases were reflected in dairy, timber and refrigerated cargoes.

International container supply chains have been significantly disrupted due to the COVID-19 pandemic. This has led to an increase in the supply of empty containers and the transshipment of containers through the Port as a result of a temporary reconfiguration of the Mediterranean Shipping Company's Capricorn Service in New Zealand.

COVID-19

COVID-19 continues to play a significant factor in trade lanes. Globally, restrictions placed at borders, lockdowns, and the lack of trained staff to work at ports on cargo/container vessels, has negatively impacted the efficiency of the supply chain. This will take a number of months to improve and will continue to create uncertainty in the marketplace until there is a successful rollout of a vaccine.

OPERATIONAL EVENTS

Cold Stores

The impact of the COVID-19 pandemic on restaurants globally, together with an improvement in the utilisation of the existing storage space has increased the level of refrigerated cargoes held in our Cold Stores. This coupled with the high utilisation of our new blast freezer has improved the returns on this facility at the Port.

Maintenance

The installation of the Impressed Current Cathodic Protection (ICCP) system on the Access Bridge continues to make excellent progress. Seven bays (of 14) have been successfully completed with at least two further bays to be upgraded in this financial year.

Container Terminal Reefer Tower

A new reefer tower became operational in late January 2021. This tower has created additional capacity for refrigerated containers and provides storage efficiencies in the terminal.

Storm Bollards

New storm bollards have been successfully installed on Berth 4 and are currently under construction on Berth 8. These new bollards will significantly improve our safety margins for the mooring of larger vessels currently calling at the Port.

STRATEGIC PROJECTS

Channel Improvement Project

The Port has undertaken extensive consultation and completed several environmental assessments in preparation for an application for a resource consent for this project which is expected to be lodged by March 2021. The Port plans to remove the high spots within the channel to achieve a deeper draft. This will provide for a safer transit through the channel and increase the efficiency of loading vessels at the Port. A final decision about the project and the timing of it will be subject to the resource consent being granted.

Tug Review

The Port is investigating the purchase of a 65 tonne bollard pull (BP) tug. The Port currently operates two tugs with a combined BP of 75 tonnes. A new tug will increase our total capacity to 105 tonnes BP which would provide greater safety margins for the larger vessels that are now calling at the Port.

CUSTOMERS

New Zealand Aluminium Smelter (NZAS)

On 14 January 2021, Rio Tinto announced a new electricity agreement with Meridian Energy that allows New Zealand's Aluminium Smelter (NZAS) to continue operating the Tiwai Point Aluminium Smelter until 31 December 2024.

This extension provides certainty to the Port and the region for the next four years and will allow planning to start in earnest for a potential future without NZAS. Rio Tinto have stated that they will continue to negotiate with the Government to secure a fairer transmission pricing agreement in the coming months.

NZAS represents approximately 30% of South Port's cargo flow and 20% of our NPAT.

Open Country Dairy (OCD)

Record volumes of dairy products have been received and packed at the Port during the last quarter of 2020 for OCD. This is the result of the commissioning and operation of the new third dryer at Awarua and the improvement of market conditions for dairy products.

HEALTH, SAFETY AND WELLBEING (HSW)

A new prequalification process is now in place. This is an important step to ensure that our contractors working on site have effective health and safety systems in place to prevent damage to property, harm to employees and the environment.

A new induction process is also underway and expected to be operational in February 2021. This process will include greater detail and increased focus on critical risks both at the Port and at each department level.

OUTLOOK

COVID-19 will continue to influence the supply chain and create uncertainty in the marketplace until there has been a successful rollout of a vaccine worldwide.

The export log market into China is performing well with higher prices for A grade logs being received and low levels of inventories which bodes well for sales of New Zealand Radiata softwood into this region. The Dairy industry forecast is also very positive with early signals of \$6.90 to \$7.50 per kilogram of milk solids for the current season. There is still however some uncertainty in other cargoes and market destinations for New Zealand goods, especially in economies impacted severely by COVID-19.

Based on all known factors at the date of releasing its 2021 interim result, South Port estimates that its full year earnings should fall in the range of \$10.00 million to \$10.50 million (FY2020 - \$9.43 million).

DIVIDEND

After assessing the anticipated year end result, the Directors have declared a fully imputed interim dividend of 7.50 cents per share (2020 - 7.50 cents) payable on 8 March 2021. In the event that the Company's FY2021 year end profit falls within the above forecast range then the Directors are confident that the full year dividend payment will be consistent with the previous year.



R T CHAPMAN
Chairman



N G GEAR
Chief Executive



Financial Statements

STATEMENT OF COMPREHENSIVE INCOME

SIX MONTH PERIOD ENDED 31 DECEMBER 2020	Unaudited 31/12 2020 \$000's	Unaudited 31/12 2019 \$000's	Audited Year to 30/06/20 \$000's
Total operating revenues from port services	23,384	21,583	44,573
Total operating expenses	(12,849)	(13,140)	(26,688)
Gross profit	10,535	8,443	17,885
Administrative expenses	(2,045)	(1,871)	(4,014)
Operating profit before financing costs	8,490	6,572	13,871
Financial income	111	66	11
Financial expenses	(183)	(200)	(569)
Net financing costs	(72)	(134)	(558)
Other income	29	2	35
Surplus before income tax	8,447	6,440	13,348
Income tax	(2,382)	(1,884)	(3,988)
Adjustments relating to tax legislation changes	–	–	70
Net surplus after income tax	6,065	4,556	9,430
Other comprehensive income	–	–	–
Total comprehensive surplus/(loss) after income tax	6,065	4,556	9,430
Basic earnings per share	\$0.231	\$0.174	\$0.359

STATEMENT OF CASH FLOWS

SIX MONTH PERIOD ENDED 31 DECEMBER 2020	Unaudited 31/12 2020 \$000's	Unaudited 31/12 2019 \$000's	Audited Year to 30/06/20 \$000's
Cash flows from operating (note 7)	5,622	3,847	12,605
Cash flows from investing	(4,464)	(2,533)	(5,433)
Cash flows from financing	(379)	(1,353)	(7,369)
NET INCREASE/(DECREASE) IN CASH	779	(39)	(197)

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020	Unaudited 31/12 2020 \$000's	Unaudited 31/12 2019 \$000's	Audited Year to 30/06/20 \$000's
TOTAL EQUITY	46,847	42,729	45,635
Non-Current Assets			
Property, plant & equipment	53,612	50,225	51,189
Right-of-use assets	346	–	374
Deferred tax asset	235	–	159
Total non-current assets	54,193	50,225	51,722
Current Assets			
Cash and cash equivalents	2,008	1,387	1,229
Trade and other receivables	8,559	7,682	6,460
Total current assets	10,567	9,069	7,689
Total assets	64,760	59,294	59,411
Non-Current Liabilities			
Employee entitlements	31	35	38
Deferred tax liability	–	19	–
Loans and borrowings	11,000	10,500	5,000
Financial liabilities	639	542	750
Lease liabilities	307	–	333
Total non-current liabilities	11,977	11,096	6,121
Current Liabilities			
Trade and other payables	3,726	3,843	3,728
Employee entitlements	1,353	1,230	1,321
Provision for taxation	805	395	1,055
Loans and borrowings	–	1	1,500
Financial liabilities	–	–	–
Lease liabilities	52	–	51
Total current liabilities	5,936	5,469	7,655
Total liabilities	17,913	16,565	13,776
TOTAL NET ASSETS	46,847	42,729	45,635
Net asset backing per share	\$1.79	\$1.63	\$1.74

Notes to the Financial Statements

FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2020

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 | AMENDMENTS TO NZ IFRS

A number of new standards, amendments to standards and interpretations are effective for annual periods ending after 30 June 2020. Those which may be relevant to the Group are set out below.

- Amendment to NZ IAS 1: Presentation of Financial Statements – NZ IAS 1 prescribes the basis for the presentation of general purpose financial statements to ensure the comparability of financial information. The amendments to this standard are effective for annual periods beginning on or after 1 January 2020 with the purpose to clarify the existing NZ IAS 1 disclosure requirements relating to materiality and structure of the notes to the financial statements.

- Consequential amendments have been made to NZ IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, NZ IAS 10 Events after the Reporting Period and NZ IAS 37 Provisions, Contingent Liabilities and Contingent Assets to clarify the definition of material.

Adopting these amendments will not result in significant changes in disclosure for the Group's financial statements.

4 | 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.

5 | 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 2020. This customer contributed \$5.68 million for the six months ended 31 December 2020 (2019: \$5.06 million).

6 | STATEMENT OF CHANGES IN EQUITY

SIX MONTH PERIOD ENDED
31 DECEMBER 2020

	Unaudited 31/12 2020 \$000's	Unaudited 31/12 2019 \$000's	Audited Year to 30/06/20 \$000's
Total equity at beginning of the period	45,635	43,026	43,026
Profit/(loss) after income tax	6,065	4,556	9,430
Other comprehensive income	–	–	–
Total comprehensive surplus	6,065	4,556	9,430
Distributions to shareholders	(4,853)	(4,853)	(6,821)
Total equity at end of the period	46,847	42,729	45,635

7 | NET CASH FLOW FROM OPERATING ACTIVITIES

Surplus after taxation	6,065	4,556	9,430
Add/(less) items classified as investing/financing activities	–	–	–
Add/(less) non-cash items	1,883	1,792	3,816
Add/(less) movement in working capital	(2,326)	(2,501)	(641)
Net cash provided by operating activities	5,622	3,847	12,605

GROUP COMPANIES

Parent Company

South Port New Zealand Limited

Subsidiary

Awarua Holdings Limited

DIRECTORS

Rex Chapman

Chairman

Philip Cory-Wright

Thomas Foggo

Nicola Greer

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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