INTERIM REPORT

For the six months ended 31 December 2024

PORT NELSON

E aronui ana ki ō tātou tāngata kei te manawa pātuki o Whakatū, me mihi ka tika hoki.

Mai i ngā pae maunga ki Tangaroa takapou whāriki, Papatūānuku e hora ake nei.

Ko tā tātou i Te Tauihu, he tautoko i ngā wawata, he hāpai anō hoki i te oranga o te hapori.

E kōkiri whakamua ana te kounga hei painga mā ō tātou kiritaki.

E aronui ana ki te taiao, kia tū, kia oho, kia mataara ki te anamata.

E kaha whakaputa mai ana i ngā hua mā te hunga whaipānga.

E mahi ngātahi ana, e aro ngātahi ana ‘ki te hāpai i te puawaitanga ā-rohe’.

We acknowledge our people, who are at the heart of Port Nelson.

We honour the mountains, the sea and the land under, in, and upon which we operate.

We recognise our role within Te Tauihu and support the aspirations and wellbeing of our community.

Driving excellence across the supply chain for our customers.

Respecting the environment in which we operate and pushing towards a sustainable future.

Delivering strong and sustained returns for our shareholders.

Working and striving together ‘to facilitate regional prosperity’.

Contents

Purpose and Goals

Port Nelson's purpose is 'to facilitate regional prosperity/kia āhei ki te kōkiri whakamua ki te taumata ā-rohe'

A key word in our purpose is 'prosperity'. While traditionally seen from an economic perspective, the Port recognises that sustainable prosperity comes from addressing the needs of all its stakeholders.

The port has five stakeholders: Customers, Environment, People, Community, and Shareholders.

The Port also defines what success looks like from each stakeholder's perspective and has established goals that reflect that understanding. The simple days of 'or' – profit or environment; customer or community; profit or safety are gone. Businesses today must embrace the 'and'.

Purpose

Facilitating Regional Prosperity

Kia āhei ki te kōkiri whakamua ki te taumata ā-rohe

Stakeholder Goals

Our Customers
Ō tātou kiritaki
Provide leading port and logistics operations and drive supply chain innovation

Our Environment
Tō tātou taiao
Reduce our environmental impacts and push towards a sustainable future

Our People
Ō tātou whānau
Build and keep safe an engaged high-performing team

Our Community
Tō tātou hapori
Support the improvement of wellbeing in our community

Our Shareholders
Ō tātou kaiwhaipānga
Deliver strong and sustained returns to our shareholders

Values

Our values are traits that we continually exhibit on a day-to-day basis to drive us to achieve our purpose:

Accountability

Safety

Passion

Integrity/ Honesty

Respect

Excellence

Performance Commentary

The Port's performance for the first six months of the 2025 financial year has been mixed. Although overall cargo throughput has been slightly ahead of expectations a number of other areas of activity within the business have been down on budget as our customers have sought to reduce their costs. This has negatively impacted the Port's profitability.

The Port has had a significant period of capital investment. We have also focussed on continuing to make the port a safer and better place to work, along with improving our environmental performance and community engagement.

We expect similar trading conditions to remain into the second half of 2025FY. We are forecasting cargo throughput for the full financial year to be slightly below budget and the year-end profit result to remain below budget.

Our Customers

During the first half of 2025FY, the total cargo volume was 1.5 million revenue tonnes, 1% ahead of budget. The containerised portion of this cargo was just under 48,000 TEU, which was 1% lower than budget. These cargo volumes were in-line with those for the prior period in 2024FY.

The weakest performing commodities were imports for domestic consumption including, cement, fuel, and vehicles. A slower-than-expected end to apple exports for the 2024 apple season and fewer than budgeted empty container movements were also a drag on overall throughput. Offsetting these were higher than budgeted log and mineral sand exports.

The operational performance metrics related to container crane rates and container truck turn around times were both ahead of target.
Looking forward, we expect containerised and bulk cargoes to be marginally below budget in the second half of the financial year. Ongoing softness with the domestic economy and uncertainty with overseas markets are expected to continue to constrain imports and exports.

Our Environment

The Port's scope 1, 2 and 3 emissions are forecast to be in line with the targeted reductions by the end of the 2025FY. Completing the electrical infrastructure associated with our investments in a new electric crane and upgrading one of our cranes for electric operations are a key priority for the second half of the year.

Targets associated with noise, dust and oil spills are on-track, albeit further investment is required to improve dust emissions associated with log storage operations.

Our People

The Port experienced two high risk events during the first half of 2025FY, however these events did not result in injuries. Although our lost time injury frequency rate (LTIFR) is above our target, we are seeing a downward trend. We have made significant progress with a number of safety initiatives, including emergency management, port user management, traffic management and the introduction of a permit to work system. The introduction of Maritime New Zealand's Approved Code of Practice for Loading and Unloading Cargo at Ports and on Ships has helped clarify expectations from the Port's safety regulator. One key change made at the port has been relocating and upgrading our container truck exchange area. Continuing to make the port a safer place to work remains a significant priority for the port.

We have made a number of improvements related to an employee engagement survey that was completed in 2024FY. We have also completed our stevedoring roster project and have been working towards embedding that within the business.

Our Community

The sponsorship budget was committed early in the year as we have continued with a number of ongoing sponsorship commitments. Our 20th annual charity golf tournament raised $30k for Riding for the Disabled.

We have continued to make progress with our iwi and Māori partnership plan and have established regular quarterly engagement with the GM/CE forum. Highlights for the first half year have been the names gifted for our new pilot launch (Mānuka) and Marlborough Inland Port (Honomai), as well as blessing ceremonies associated with those two projects.

// The arrival of our new pilot launch, container crane and the progress made with the slipway redevelopment and the Marlborough Inland Port have been highlights for the first half of the year.

Our Shareholders

The arrival of our new pilot launch, container crane and the progress made with the slipway redevelopment and the Marlborough Inland Port have been highlights for the first half of the year. In the second half of the year will see ongoing work associated with readying our cranes for electric operations and completing the Marlborough Inland Port and Slipway projects.

Although cargo throughput was largely in line with expectations, revenue for the six-month period was $3.0m or 7% below budget. This was primarily due to lower activity levels in our stevedoring, marine and QuayConnect business units. Helping to offset the lower revenue has been lower than budgeted costs, with overall expenditure $2.4m lower than budget.

The Port has achieved an interim Net Profit after Tax for the half year of $3.0m. This is $0.7m down on budget, but $0.4m ahead of last year. At the end of Q2 we are forecasting underlying Net Profit After Tax to be $7.8m compared to this SOCI target of $9.1m. This would result in the full-year dividend target of $5.9m being at the top end of the Ports' dividend policy. An interim dividend of $1.5m has been approved.

Statement of Corporate Intent Measures

The Port's performance measures details how the Port will deliver its strategic intent in the 2025 financial year.

The below interim results are for the 6 months up to 31 December 2024. The final outcomes of these measures will be reported on in our 2025 Annual Report.

Performance Measures

		2025 Financial Year	
Performance Measure		**Full Year Target**	**Interim Result**
Customers			
	Cargo volumes (revenue tonnes)	3,209	1,509
	Container throughput (TEU - twenty-foot equivalent units - thousands)	106,000	47,847
	Vessel visits	727	351
	Revenue growth QuayConnect ($m)	1.5	Not on target
	Average container crane rate per hour	>20	20.4
	Improved cont. truck waiting time (mins)	<15	13.2

Performance Measure		Full Year Target	2025 Financial Year Interim Result
Environment			
	Gross reduction on FY19 scope 1 and 2 carbon emissions (cumulative)	25%	On target
	Gross reduction on FY19 levels in scope 3 carbon emissions (PNL originated)	70%	On target
	Port's significant noise event & events >85dbH (at monitor)	0&8	0&3
	Dust events external complaint	0	0
	Port substance spills >10L reach harbour	0	0

People			
	High risk events	<=2	2
	Lost time injuries (LTI) greater than 5 days off work	0	0
	Lost time injury frequency rate (LTIFR)	<=2.6	4.32
	Critical risk verification reviews	43	23
	Visible safety leadership events	400	235

*Serious harm definition is fatality or notifiable injury (HSWA 2015)

**LTIFR is calculated as LTIs per 200,000 hours

Community			
	Utilisation of slipway - (Calwell)	85% or 310 days	On track
	Sponsorship as a percentage of NPAT	> 1.2%	On track
	Dividend $ (% (NPAT) ex. prop. reval.)	$5.9m (64%)	On track

Shareholders			
	Underlying* revenue	$88.9m	$41.8m
	Underlying* earning before interest and taxes	$17.5m	$6.3m
	Underlying* net profit after tax	$9.1m	$3.0m
	Underlying* return on assets	2.3%	1.5%
	Underlying* return on equity	3.2%	2.2%
	Gearing percentage	21.9%	24.8%

**Underlying financial performance excludes recognition of investment property revaluation.*

Statement of Comprehensive Income

For the six months ended 31 December 2024

	Unaudited 6 months Dec 2024	Unaudited 6 months Dec 2023
	$000	$000
Revenue		
Port operations	37,756	38,157
Property	4,051	3,320
Other income	-	-
Total revenue	**41,807**	**41,447**
Expenses		
Employee benefit expenses	13,376	13,397
Other operational and property expenses	16,560	18,397
Earnings before interest, tax, depreciation and amortisation	**11,871**	**11,045**
Depreciation and Amortisation	5,591	5,274
Earnings before interest and tax	**6,280**	**5,771**
Financing costs	2,064	2,214
Net profit before income tax	**4,216**	**3,557**
Income tax	1,190	911
Net profit after income tax	**3,026**	**2,646**
Other comprehensive income		
Movements in hedging reserve	435	(701)
Total other comprehensive income	**435**	**(701)**
Total comprehensive income	**3,461**	**1,945**

Statement of Changes in Equity

For the six months ended 31 December 2024

	Issued Capital	Retained Earnings	Asset Revaluation Reserve	Hedging Reserve	Non-Controlling Interest	Total Equity
	$000	$000	$000	$000	$000	$000
Balance on 1 July 2023	**6,046**	**95,857**	**174,195**	**700**	-	**276,798**
Profit for the period	-	2,645	-	-		2,645
Other comprehensive income	-	-	-	589		(700)
Total other comprehensive income	**-**	**2,645**	**-**	**(1,262)**	-	**1,945**
Total equity at 31 December 2023 (unaudited)	**6,046**	**98,502**	**174,195**	**-**	**-**	**278,743**
Balance at 1 July 2024	**6,046**	**95,123**	**174,195**	**(436)**	-	**274,928**
Profit for the period	-	3,090	-	-	(64)	3,026
Other comprehensive income	-	-	-	436	-	436
Total other comprehensive income	**-**	**3,090**	**-**	**436**	(64)	**3,461**
Non-controlling interest from sale of shares in subsidiary	-	-	-	-	3,250	3,250
Dividends	-	(3,000)	-	-	-	(3,000)
Total equity at 31 December 2024 (unaudited)	**6,046**	**95,213**	**174,195**	**-**	**3,186**	**278,640**

Statement of Financial Position

As at 31 December 2024

	Unaudited Dec 2024	Audited Jun 24
	$000	$000
Current assets		
Cash and cash equivalents	4,174	1,413
Trade and other receivables	11,947	11,860
Inventories	994	980
Prepayments and accrued income	3,513	1,453
Assets intended for sale	-	-
Derivatives	-	-
Related party advance	131	-
Total current assets	**20,759**	**15,706**
Non-current assets		
Property, plant and equipment	339,693	338,859
Intangible assets	4,084	4,292
Investment properties	37,175	37,175
Right of use assets	1,351	1,102
Derivatives	-	-
Total non-current assets	**382,303**	**381,428**
Total assets	**403,061**	**397,134**
Current liabilities		
Trade and other payables	5,001	17,882
Employee benefit entitlements	3,560	3,702
Tax payable/refund	545	(241)
Dividend payable	-	-
Derivatives	-	435
Noise mitigation	59	82
Bank loan	-	-
Lease liabilities	-	828
Total current liabilities	**9,165**	**22,688**

Statement of Financial Position (continued)

	Unaudited Dec 2024	Audited Jun 24
	$000	$000
Non-current liabilities		
Employee benefit entitlements	163	379
Deferred tax liability	21,673	22,261
Bank loan	-	-
Related Party Loan	92,350	76,300
Noise mitigation	280	280
Lease liabilities	790	298
Total non-current liabilities	**115,256**	**99,518**
Total liabilities	**124,422**	**122,206**
Net assets	**278,639**	**274,928**
Shareholders' funds		
Issued capital	6,046	6,046
Retained earnings	95,213	95,123
Asset revaluation reserve	174,195	174,195
Hedging reserve	-	(436)
Non-controlling interest	3,186	-
Total shareholders' funds	**278,640**	**274,928**

Statement of Cash Flows

For the six months ended 31 December 2024

	Unaudited 6 months Dec 24	Unaudited 6 months Dec 23
	$000	$000
Cash flows from operating activities		
Cash was provided from:		
Receipts from customers	37,538	40,099
Rent received	4,051	3,569
	41,589	**43,668**
Cash was applied to:		
Payments to suppliers and employees	33,531	34,007
Interest paid	2,064	2,214
Taxes paid	992	3,151
Net GST paid/(received)	562	1,755
	37,149	**41,127**
Net operating cash inflows	**4,440**	**2,541**
Cash flows from investing activities		
Cash was provided from:		
Sale of property, plant and equipment	447	-
	447	**-**
Cash was applied to:		
Purchase of property, plant and equipment	17,707	10,079
Purchase of intangibles	60	68
Purchase of investment properties	-	-
	17,767	**10,147**
Net investing cash inflows/(outflows)	**(17,320)**	**(10,147)**
Cash flows from financing activities		
Cash was provided from:		
Financial derivatives	-	3,202
Issue of shares in subsidiary to non-controlling interest	3,250	-
Loans borrowed	16,050	10,050
	19,300	**13,252**
Cash was applied to:		
Dividend paid	3,000	2,500
Payment of lease liabilities	659	658
	3,659	**3,158**
Net financing cash inflows	**15,641**	10,094
Net increase/(decrease) in cash held	2,761	2,488
Cash and cash equivalents at 1 July	1,413	1,393
Cash at 31 December	**4,174**	**3,881**

Summary of Significant Accounting Policies

About this report

Reporting Entity

The financial statements presented are for Port Nelson Limited (the Company) and its subsidiaries (together, Port Nelson or the Group). Port Nelson is a for-profit entity, the Company is incorporated under the Companies Act 1993 and pursuant to the Port Companies Act 1988. The Group consists of Port Nelson Limited, Nelson Marine Precinct Limited, Port Nelson Property Management Limited and Port Nelson Property Investment LLP.

The financial statements have been prepared in compliance with New Zealand Equivalent to International Accounting Standard 34 Interim Financial Reporting. Therefore, the financial statements do not include all the information required for full financial statements and should be read in conjunction with the financial statements and related notes as presented in the Port Nelson Limited Annual Report for the year ended 30 June 2024.

The interim financial statements are for the six-month period ended 31 December 2024 and are unaudited.

Basis of Measurement

The financial statements have been prepared under the historical cost method, modified by the revaluation of land, buildings, wharves, investment property and financial instruments. They are presented in New Zealand dollars rounded to the nearest thousand.

Judgements and Estimates

In preparing these financial statements, estimates and assumptions concerning the future are made, which may differ from the subsequent actual results. The estimates and assumptions utilised in these interim financial statements are consistent with the annual financial statements for the year ended 30 June 2024. There are no estimates and assumptions in the view of the Directors that have a risk of causing a significant adjustment to the carrying amounts of assets and liabilities within the next financial year.

Foreign Currency

Transactions in foreign currencies are converted at the New Zealand rate of exchange ruling at the date of the transaction. Monetary items outstanding at balance date are converted at the exchange rate ruling at balance date or the forward exchange contract rate where derivatives have been used to hedge the exposure.

Standards and Interpretations Issued and Not Yet Adopted

In May 2024, the External Report Board issued NZ IFRS 18 Presentation and Disclosure in Financial Statements, effective for reporting periods from 1 January 2027, with early adoption available. The Company has not yet assessed the impact of NZ IFRS 18.

There are no other accounting pronouncements which have become effective during the period that have a significant impact on the Group's consolidated financial statements.

Accounting Policies

The accounting policies used for the interim period are consistent with those used in the annual financial statements for the year ended 30 June 2024.

Revenue and Expenses

Port operations revenue is recognised over-time as Port Nelson performs the service and the client simultaneously benefits from that service. Progress towards complete satisfaction of each service is estimated based on the service portion performed to the customer, determined using the percentage completion method.

Revenue is measured based on the service price specified in the specific customer contract. Due to the way our contracts are negotiated and structured, the stated contract price for each service performed reflects the value transferred to the customer.

Property lease revenue is accounted for on a straight-line basis. Rentals are payable in advance.

Administration and Other Expenses

Administration and other expenses are recognised as an expense when they are incurred.

Impairment of Assets

Port Nelson regularly reviews the carrying amount of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If an indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Port Nelson has assessed that there have been no significant indicators of impairment since the annual review at 30 June 2024.

Financing Costs

Net financing costs include interest income and finance costs. Interest income is recognised on a time proportionate basis using the effective interest method. Finance costs are expensed as incurred unless related to the acquisition and development of a qualifying asset, in which case they are capitalised.

Taxation

Income tax expense is the tax payable on the current financial years taxable income based on the income tax rate and adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets and liabilities are recognised at the rate expected to apply when the assets are recovered, or liabilities are settled.

Deferred tax is charged or credited to the profit or loss, except where it relates to items charged or credited directly to equity, in which case the tax is dealt with in other comprehensive income.

Property, Plant and Equipment and Depreciation

Property, Plant and Equipment is initially measured at cost and subsequently measured at fair value. Costs incurred after initial acquisition are capitalised only when it is probable that future economic benefit will flow to Port Nelson and the items can be reliably measured. Dredging is not amortised. The cost of maintaining the dredged depth is expensed. Port Nelson measures all Property, Plant and Equipment as a single unit using the income-based approach. Port Nelson has assessed that there has been no material movement in the fair value of Property, Plant and Equipment from the amounts reported in the annual financial statements for the year ended 30 June 2024.

Depreciation is written off depreciable assets on a straight-line basis over the estimated economic lives of the assets, ranging as follows:

Asset	Depreciation Rate
Plant, Furniture and Equipment	2 to 50 years
Infrastructural Assets	3 to 50 years
Wharves and Berths	3 to 67 years
Buildings	2 to 50 years

Intangible Assets

Intangible assets comprised of software, licences, and Goodwill. Software and licences have finite useful lives and are measured at cost less accumulated amortisation and any accumulated impairment losses. Goodwill is measured at cost less any accumulated impairment losses.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by Port Nelson are recognised as intangible assets only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and if Port Nelson intends to and has sufficient resources to complete development and to use or sell the asset. Directly attributable costs that are capitalised as part of the software include employee costs.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use. After initial recognition, development costs are measured at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised on a straight-line basis over a period of 3-14 years.

The amortisation expense of intangible assets is included in the depreciation and amortisation expense total disclosed in the Statement of Comprehensive Income.

Investment Properties

Investment Property is property held to earn rentals and capital appreciation and is measured at its fair value. Gains or losses from changes in the fair value of investment property are included in the profit or loss in the period in which they arise.

Valuation Basis

Investment properties are revalued every year. Investment properties were valued on 30 June 2024 by Ian McKeage, Registered Valuer, FNZIV, FPINZ of CBRE. The valuer's have recent experience in the location and category of the item being valued.

Financial Risk Management

Port Nelson is exposed to various financial risks due to its operations. To manage these risks, it follows its Treasury Policy which guides management on undertaking appropriate financial risk management activities. This includes the use of derivative financial instruments to manage the risks. Port Nelson does not engage in speculative trades.

Interest Rate Risk

Port Nelson is exposed to interest rate risk on the cash flows arising from its variable rate borrowings provided by, its parent company, Infrastructure Holdings Limited.

Interest rate exposures of this nature are managed by Infrastructure Holdings Limited in accordance with the Group Treasury Policy. The policy outlines borrowing parameters which require the fixing of interest rates for specified portions of borrowings based upon the term remaining and outlines the approved derivative instruments that can be used to do this. Refer to the financial statements of Infrastructure Holdings Limited for more information.

Credit Risk

Port Nelson is exposed to credit risk on its cash and cash equivalents from the possibility of counterparties failing

to perform their obligations. This risk is represented by the carrying value in the Statement of Financial Position. Port Nelson considers this risk to be not material.

Trade and Other Receivables

Trade and Other Receivables arise in the ordinary course of Port Nelson's business and are initially valued at fair value and subsequently measured at amortised cost using the effective interest method less any provision for impairment. Port Nelson invoices for services as they are performed, monthly. They are non-interest bearing and have payment terms of the 20th of the month of receipt of invoice but vary on a case-by-case basis between 7 to 61 days.

Currency Risk

Port Nelson is exposed to currency risk on purchases of plant and equipment from overseas which it undertakes from time to time. Management actively monitors the currency risk exposure and will enter forward foreign exchange contracts to hedge this risk where required by the Treasury Policy.

Liquidity Risk

Liquidity risk is the risk that Port Nelson will encounter 'difficulty' raising funds to meet commitments as they fall due. Liquidity risk is managed by maintaining sufficient cash. This is achieved by ensuring the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

Borrowings

Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are measured at amortised cost using the effective interest method where this differs from face value. Port Nelson classifies its borrowings as non-current unless it does not have the right defer payment for over 12 months, in which case they are classified as current.

Trade and other payables are recognised at fair value on receipt of goods and services. Payment normally occurs within 30 days. These are non-interest bearing.

Provisions

Employee Entitlements

Provisions for wages, salaries, annual leave, and long service are made when earned by the employee. Provision for gratuities are recognised as expenses when employees have rendered services entitling them to the contributions.

Annual leave and long service leave provisions have been calculated on an actual entitlement basis at current rates of pay. Retirement gratuities are calculated at current rates of pay assuming the payment will be made upon retirement.

Events after Balance Date

There were no other significant events after balance date.


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PORT NELSON

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Nelson 7010, New Zealand