FINDING TRUE NORTH

PORT NELSON

ANNUAL REPORT
FINANCIAL STATEMENTS AND DISCLOSURES 2022


WESTERN RANGER

Contents

Independent Auditor's Report

To the readers of Port Nelson Limited Group's financial statements for the year ended 30 June 2022

The Auditor-General is the auditor of Port Nelson Limited group (the Group). The Auditor-General has appointed me, Bruce Loader, using the staff and resources of Ernst & Young, to carry out the audit of the financial statements of the Group on his behalf.

Opinion

We have audited the financial statements of the Group on pages 10 to 33, that comprise the consolidated statement of financial position as at 30 June 2022, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

In our opinion, the financial statements of the Group:

- present fairly, in all material respects:
- its financial position as at 30 June 2022; and
- its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards.

Our audit was completed on 28 September 2022. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible on behalf of the Group for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible on behalf of the Group for assessing the company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Port Companies Act 1988.

Responsibilities of the Auditor for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue and auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements

We did not evaluate the security and controls over the electronic publication of the financial statements.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial statements of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 6 to 9 but does not include the financial statements, and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

A Director of Port Nelson Limited, who resigned from the Board in October 2021, was a member of the Auditor-General's Audit and Risk Committee until July 2021. The Auditor-General's Audit and Risk Committee is regulated by a Charter that specifies that it should not assume any management functions. There are appropriate safeguards to reduce any threat to auditor independence, as the member of the Auditor-General's Audit and Risk Committee has no involvement in, or influence over, the audit of the Group.

Other than the audit, and the relationship with the Auditor-General's Audit and Risk Committee, we have no relationship with or interests in the Group.

Bruce Loader

Ernst & Young
On behalf of the Auditor-General
Christchurch, New Zealand

Statutory Information

To the shareholders, on the affairs of Port Nelson limited
For the year ended 30 June 2022

Ownership

The Port Nelson Limited Group ("the Group") consists of Port Nelson Limited and its subsidiaries: Port Nelson Slipways Limited, Port Nelson Property Management Limited and Port Nelson Property Investments LLP.

Port Nelson Limited is owned equally by Nelson City Council and Tasman District Council.

Port Nelson Slipways Limited and Port Nelson Property Management Limited were incorporated on November 23, 2021. Port Nelson Property Investments LLP was registered on November 26, 2021.

Principal Activities

During the year Port Nelson provided port operational services and facilities including marine services, cargo handling services and facilities and slipway services and facilities.

Port Nelson also provided warehousing and distribution services and leased property.

Role of the Board

The board is appointed by the shareholders and is responsible for governance and strategic direction of Port Nelson for the purpose of achieving its stated objectives.

As a framework for working, the board has developed a Governance Code of Practice and Board Charter. This considers a number of aspects including ethics, composition and performance of the board, roles, duties and responsibilities, health and safety objectives, stakeholder relations, reporting and disclosures and board committees.

Statement of Corporate Intent

In accordance with the Port Companies Act 1988 and the Company's constitution, annually the board prepares and delivers to the shareholders a Statement of Corporate Intent for approval.

The Statement of Corporate Intent sets out Port Nelson's objectives, principal activities and performance indicators. A copy of the Statement of Corporate Intent is available on Port Nelson's website.

The board also aims to ensure that the shareholders are informed of all major developments and issues affecting the company.

Board Composition

The Port Nelson board is appointed by the shareholders and comprises six independent directors, one of which is the board chair.

Board Committees

The board delegates some responsibilities and tasks to board committees. However, the board retains the ultimate responsibility and accountability for any committee decisions. All directors have the right to attend committee meetings.

The board's two committees are:

The Finance and Risk Committee that liaises with the company's independent auditor and reviews the quality and reliability of internal controls, financial information used and issued by the board, and risk management framework.

The Remuneration and Appointments Committee that reviews the company's remuneration policies and practices and reviews and sets the remuneration of the company's Chief Executive Officer and Senior Management Team.

The following directors served as committee members during the year:

Finance and Risk Committee

Kim Wallace (Chair), Gerrard Wilson, Paul Zealand.

Remuneration and Appointments Committee

Jon Safey (Chair), Tony Reynish, Meg Matthews.

Directors' Insurance

The company arranges comprehensive Directors & Officers Liability Insurance cover within the limits and requirements as set out in the Companies Act 1993 and the company's constitution.

Loans to Directors

The company does not make loans to directors.

Donations

Donations made during the year are disclosed in the financial statements.

Auditors

In accordance with section 19 of the Port Companies Act 1988 and section 14 of the Public Audit Act 2001, Ernst & Young on behalf of the Auditor-General is the auditor of the Group.

Use of Company Information

During the year the board received no notices from Directors requesting to use company information received in their capacity as directors that would not otherwise have been available to them.

Statutory Information

Directors' Register of Interests

Directors recorded the following interests in the interest register for the year ended June 30, 2022.

Paul Zealand

Director, Zoenergy Ltd

Director, Lochard Energy Pty Ltd

Director, Genesis Energy Ltd

Director, Channel Infrastructure NZ Ltd

Kim Wallace

Director/Audit and Risk Committee Chair, Origin Capital Partners GP Ltd

Deputy Chair/Audit and Risk Committee Chair, AgResearch Ltd

Chair, Assurance and Risk Committee, Christchurch City Council

Consultant, NZ Transport Agency

Director, Kim Wallace Consulting Ltd

Director, Seahorse Beach Investments Ltd

Director, Overseer Limited

Independent Advisory Group Member – O'Connor Partners Ltd

Tony Reynish

Director / Shareholder, Stallion Ltd

Director, Quality Marshalling Ltd

Director, Timaru Container Terminal Ltd

Consultant, Port of Tauranga

Director, PrimePort Timaru Ltd

Director, Ruakura Inland Port LP

Jon Safey

Director, Safeone Consulting Ltd

Director, Kumon (Advisor) Nippon Suisan Kaisha Japan

Director, Australian Longline Pty Ltd

Gerrard Wilson

Director, Nelson Building Society

Director, Ngāti Apa Investments Ltd

Director, Ngāti Apa Pito Whenua Ltd

Director, Kurahaupo General Partner Ltd

Director, Ngati Apa ki te Ra To Assets Holding Company Ltd

Director, Whanganui iwi Fisheries Limited

Director/Shareholder, Urbis Investments Ltd

Director/Shareholder, Owhiro Investments Ltd

Trustee, Te Ngakinga o Whanganui Investment Trust

Trustee, Mt Robert Foundation

Meg Matthews

Chair, Cawthron Institute

Chair, Nelson Regional Development Agency

Director, TVNZ

Director, Halberg Foundation

Director, Kono

Advisor, Centre for Women's Health Research, Victoria University

Directors Remuneration

The total remuneration received by the company's directors during the year was as follows:

Paul Zealand	$58,695
Kim Wallace	$37,240
Tony Reynish	$35,968
Jon Safey	$37,242
Gerrard Wilson	$25,236
Meg Matthews	$20,874
Geoff Dangerfield (retired October 2021)	$22,195
Bronwyn Monopoli (retired October 2021)	$11,506
Total	**$248,956**

Employee Remuneration

The following table reflects remuneration paid to employees in excess of $100,000 per annum. The amount paid reflects actual payments made during the year.

Remuneration	Number of Employees
$100,000 – $110,000	12
$110,001 – $120,000	6
$120,001 – $130,000	10
$130,001 – $140,000	2
$140,001 – $150,000	6
$150,001 – $160,000	1
$160,001 – $170,000	1
$190,001 – $200,000	2
$210,001 – $220,000	1
$220,001 – $230,000	1
$230,001 – $240,000	1
$240,001 – $250,000	1
$280,001 – $290,000	1
$290,001 – $300,000	1
$520,001 – $530,000	1
	47

Paul Zealand

Chair of Directors
For and on behalf of the board

Kim Wallace

Director

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2022

	Notes	2022	2021
		$000	$000
Revenue			
Port Operations	A1	66,513	63,648
Property	A1	10,280	9,862
Total revenue		**76,793**	**73,510**
Expenses			
Employee Benefit Expenses		22,591	21,109
Other Operational and Property Expenses	A2	26,241	23,804
Earnings before Interest, Tax, Depreciation and Amortisation		**27,961**	**28,597**
Depreciation and Amortisation		9,708	9,300
Earnings before Interest and Tax		**18,253**	**19,297**
Net Financing Costs	A3	3,107	2,598
Net profit before income tax		**15,146**	**16,699**
Income Tax	A4	3,130	3,669
Net profit after income tax		**12,016**	**13,030**
Other comprehensive income			
Unrealised Foreign Exchange Differences		6	3
Movements in Hedging Reserve		3,963	2,307
Total other comprehensive income		**3,969**	**2,310**
Total comprehensive income		**15,985**	**15,340**

Consolidated Statement of Changes in Equity

For the year ended 30 June 2022

	Issued Capital	Retained Earnings	Unrealised Foreign Exhcange (Losses	Asset Revaluation Reserve	Hedging Reserve	Total Equity
	$000	$000		$000	$000	$000
Balance at 30 June 2020	**6,046**	**74,345**		**174,276**	**(4,308)**	**250,359**
Net profit for the year		**13,030**				**13,030**
Other comprehensive income						
Unrealised Foreign Exchange Differences			3			3
Changes in the fair value of cash flow hedges					3,177	3,177
Deferred tax impact of movement in reserves					(870)	(870)
Total other comprehensive income			**3**		**2,307**	**2,310**
Total comprehensive income for the year	**-**	**13,030**	**3**	**-**	**2,307**	**15,340**
Dividends payable		(2,500)				(2,500)
Dividends paid		(1,500)				(1,500)
Balance at 30 June 2021	**6,046**	**83,375**	**3**	**174,276**	**(2,001)**	**261,699**
Net profit for the year		**12,016**				**12,016**
Other comprehensive income						
Unrealised Foreign Exchange Differences			6			6
Changes in the fair value of cash flow hedges					5,504	5,504
Deferred tax impact of movement in reserves					(1,541)	(1,541)
Total other comprehensive income		**-**	**6**	**-**	**3,963**	**3,969**
Total comprehensive income for the year	**-**	**12,016**	**6**	**-**	**3,963**	**15,985**
Dividends payable		(2,800)				(2,800)
Dividends paid		(2,060)				(2,060)
Balance at 30 June 2022	**6,046**	**90,531**	**9**	**174,276**	**1,962**	**272,824**

Consolidated Statement of Financial Position

As at 30 June 2022

	Notes	2022	2021
		$000	$000
Current assets			
Cash and Cash Equivalents		389	374
Trade and Other Receivables	C1	10,242	9,838
Inventories		707	633
Prepayments and Accruals		885	325
Derivative Financial Instruments	C1	49	-
Total Current Assets		**12,272**	**11,170**
Non-current assets			
Property, Plant and Equipment	B1	324,745	327,631
Intangible Assets	B2	4,372	2,861
Investment Properties	B3	37,085	29,409
Derivative Financial Instruments	C1	2,611	300
Total Non-Current Assets		**368,812**	**360,201**
Total Assets		**381,085**	**371,371**
Current liabilities			
Trade and Other Payables	C1	4,027	3,697
Employee Benefit Entitlements	D1	2,910	2,874
Tax Payable	A4	971	1,826
Dividend Payable		2,800	2,500
Noise Mitigation	D1	109	174
Bank Loan - Current Portion	C1	40,000	-
Lease Liabilities - Current Portion	C1	462	327
Derivative Financial Instruments	C1	-	454
Total Current Liabilities		**51,279**	**11,852**
Non-current liabilities			
Employee Benefit Entitlements	D1	259	252
Deferred Tax Liability	A4	19,226	18,498
Term Loan	C1	36,700	75,670
Noise Mitigation	D1	321	407
Lease Liabilities	D5	469	295
Derivative Financial Instruments	C1	8	2,698
Total Non-Current Liabilities		**56,982**	**97,820**
Total Liabilities		**108,261**	**109,672**
Shareholders' funds			
Issued Capital	D2	6,046	6,046
Retained Earnings		90,531	83,375
Unrealised Gains / Losses Reserver		9	3
Asset Revaluation Reserve	B1	174,276	174,276
Hedging Reserve	C1	1,962	(2,001)
Total Shareholders' funds		**272,824**	**261,699**
Total Shareholders' Funds and Liabilities		**381,085**	**371,371**

Paul Zealand, Chairman of Directors
For and on behalf of the board

Kim Wallace, Director

September, 27 2022

Consolidated Statement of Cash Flows

For the year ended 30 June 2022

	Notes	2022	2021
		$000	$000
Cash flows from operating activities			
Cash was provided from:			
Receipts from customers		66,035	64,367
Rent received		6,159	5,960
Interest received		5	-
		72,199	**70,327**
Cash was applied to:			
Payments to suppliers and employees		48,627	44,002
Interest paid		3,112	2,598
Taxes paid		4,797	2,755
Net GST paid/(received)		(44)	(241)
		56,492	**49,114**
Net operating cash inflows	**D3**	**15,707**	**21,213**
Cash flows from investing activities			
Cash was provided from:			
Sale of property, plant and equipment		74	64
Grants received		700	-
		774	**64**
Cash was applied to:			
Purchase of property, plant and equipment		7,246	21,433
Purchase of intangibles		1,787	529
Purchase of investment properties		3,555	-
		12,588	**21,962**
Net investing cash inflows/(outflows)		**(11,814)**	**(21,898)**
Cash flows from financing activities			
Cash was provided from:			
Loans borrowed		1,030	5,170
		1,030	**5,170**
Cash was applied to:			
Dividend paid		4,560	4,000
Payment of lease liabilities		348	331
		4,908	**4,331**
Net financing cash inflows/(outflows)	**D4**	**(3,878)**	**839**
Net increase in cash held		15	154
Cash and cash equivalents at 1 July		374	220
Cash at 30 June		**389**	**374**

Notes to the Consolidated Financial Statements

About this report

Reporting Entity

Port Nelson Limited ("the Company" or "Port Nelson") is a for-profit company incorporated under the Companies Act 1993 and created pursuant to the Port Companies Act 1988.

The address of its registered office and principal place of business is disclosed in the directory of the annual report.

The financial statements presented are those of Port of Nelson Limited and its 100% owned subsidiaries ("the Group"). The Group consists of Port Nelson Limited, Port Nelson Slipways Limited, Port Nelson Property Management Limited and Port Nelson Property Investments LLP.

Port Nelson operates in one industry and one geographical segment providing marine services including pilotage, towage, navigation aids, berths and wharves; container terminal and cargo handling services; slipway services, cargo logistics including warehousing and distribution, investment properties and supply chain and 4PL solution services at the port of Nelson and within the wider Nelson/Marlborough region.

Basis of Preparation

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). They comply with New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and other applicable reporting standards appropriate for profit-orientated entities.

As there has been no transactions in the Group's subsidiaries, which were incorporated during the financial year, the financial statements represent the consolidated position of Port Nelson Limited Group which is consistent with that of Port Nelson Limited.

The financial statements are presented in New Zealand dollars rounded to the nearest thousand. The financial statements were authorised for issue by the Directors on 27 September 2022.

Notes to the Financial Statements

Information that is considered material and relevant to the users of these financial statements is included within the notes to the financial statements.

The assessment of materiality and relevance includes qualitative as well as quantitative factors including the size and nature of the balance and if the balance is important in understanding Port Nelson's current or future performance.

Foreign Currency

Transactions in foreign currencies are converted at the New Zealand rate of exchange ruling at the date of the transaction. Capital items 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

At the date of approval of the financial statements, there were no relevant standards in issue but not applied.

Accounting Policies

There have been no changes in accounting policies during the financial year disclosed in the Financial Statements. Significant and other accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

Critical Judgements and Estimates

In preparing these financial statements Port Nelson has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results and are continually being evaluated based on historical experience and other factors, including expectations or future events that are expected to be reasonable under the circumstances. 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.

Port Nelson has two cash-generating units (CGUs): Port Operations and Property. The Property CGU consists solely of investment property that is measured at fair value. See B5 for assumptions included in the fair value of these assets. The Port Operations GCU consists of Property, Plant and Equipment and Intangible assets. See B1 and B5 for assumptions included in the fair value of these assets.

A. Revenue and Expenses

A1. Revenue

	2022	2021
	$000	$000
Port operations		
Marine	11,051	10,326
Cargo Operations	39,261	38,067
Warehousing and Distribution	15,972	15,080
Gain on Sale of Assets	74	26
Lease Income	155	150
Total Port Operations	**66,513**	**63,648**
Property		
Lease Income and Licences	6,159	5,937
Fair Value Adjustment of Investment Property	4,121	3,925
Total Property	**10,280**	**9,862**
Total Revenue	**76,793**	**73,510**

Recognition and Measurement

Marine, Cargo Operations, Warehousing and Distribution Revenue

Marine and cargo operations revenue is derived from an integrated performance obligation for the provision of channel navigation, pilotage, towage, berthage, wharfage, stevedoring, cargo handling and empty container services.

Warehousing and distribution services revenue is derived from the storage, container packing and unpacking of customer cargo and transportation.

Revenue is based on the service price specified in the relevant pricing schedule or specific customer contract.

The contract price for the services performed reflects the value transferred to the customer and is accounted for when the obligation has been met. Revenue is shown net of rebates and discounts.

Property Leases and Licences

Port property leases and licences are derived from leased property integral to the import and export of goods through the port and subject to an operating lease with a port customer. Revenue is recognised on a straight line basis over the lease term.

Investment property rentals are recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiation and arranging an operation lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

Maturity analysis of Operating Lease Revenue

	2022	2021
	$000	$000
Due within 1 year	5,679	4,825
Due between 1 to 2 years	5,227	4,195
Due between 2 to 3 years	4,822	3,795
Due between 3 to 4 years	3,904	3,465
Due between 4 to 5 years	3,303	2,770
Due over 5 years	18,136	17,218
Total non-cancellable operating lease revenue	**41,071**	**36,268**

Future Receivables under Operating Leases

Non-cancellable operating leases represent undiscounted future expected lease receipts arising from the leasing of Port Nelson property.

A2. Other operational and property expenses

	2022	2021
	$000	$000
Operational		
Audit Fees - Current Year	114	74
Bad Debts Written-Off	8	25
Contract Services	1,179	1,320
Directors Fees	249	252
Donations and Sponsorship	107	112
Electricity	881	859
Fuel	1,174	862
Noise Mitigation Expenses	(151)	238
Plant Hire	634	782
Rates	485	448
Repairs and Maintenance	3,617	3,939
Warehouse and Distribution - Freight	7,376	6,258
Warehouse and Distribution - Lease	368	305
Other Operating Expenses	8,774	7,642
Total operational	**24,816**	**23,117**
Property		
Contract Services	1	-
Electricity	27	17
Plant Hire	-	2
Property Lease Buyback	577	-
Rates	243	224
Repairs and Maintenance	96	35
Other Property Expenses	481	409
Total property	**1,425**	**687**
Total other operational and property expenses	**26,241**	**23,804**

Recognition and Measurement

Fair Value of Assets

At each reporting date, Port Nelson reviews the carrying amount of its port operational property, plant and equipment assets, intangible assets and investment property to determine whether those assets are carried at fair value.

Where the asset's carrying value is materially different to its fair value, a revalution is recorded. Any gains or losses are recognised against the revaluation reserve. Where the loss is greater than the balance in the revaluation reserve, the excess loss is expensed through the profit or loss.

For investment property, any gains or losses arising from the change in the fair value of investment property are included in the Statement of Comprehensive Income for the period in which they arise. For revalued assets any loss is recognised against the revaluation reserve for that asset.

Where the loss is greater than the balance in the revaluation reserve, the excess loss is expensed through the profit or loss.

A3. Net Financing costs

	2022	2021
	$000	$000
Finance revenue	5	-
Finance costs	3,112	3,114
Finance cost of qualifying assets	-	(516)
Net financing costs	**3,107**	**2,598**

Recognition and Measurement

Finance Revenue

Finance revenue represents interest revenue received. This is recognised on a time proportion basis using the effective interest method.

Finance Costs

Finance costs are recognised as an expense when incurred. Financing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that take a substantial period of time to get ready for their intended use, are added to the cost of those assets until such a time as the assets are substantially ready for their intended use.

A4. Taxation

	2022	2021
	$000	$000
Provision for Taxation		
Current Tax	3,741	4,257
Adjustment to current tax in prior periods	206	244
Deferred Tax	(817)	(832)
Tax expense	**3,130**	**3,669**
Profit from Continuing Operations	15,146	16,699
Tax at 28%	4,241	4,676
Prior Year Adjustment	31	51
Non-Deductible Expenses	12	41
Non-Taxable Income	(1,154)	(1,099)
Tax expense	**3,130**	**3,669**

Recognition and Measurement

Current Tax

The income tax expense for the financial year is the tax payable on the current financial year's 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 and for unused tax losses (if any).

Deferred Tax (Assets) and Liabilities

2022	PP&E	Other	Total
	$000	$000	$000
Opening Balance	19,814	(1,312)	18,502
Charged/(Credited) to Profit and Loss	(646)	(171)	(817)
Charged/(Credited) to Equity	-	1,541	1,541
Balance at 28%	**19,169**	**58**	**19,226**

2021	PP&E	Other	Total
	$000	$000	$000
Opening Balance	20,764	(2,304)	18,460
Charged/(Credited) to Profit and Loss	(862)	29	(832)
Charged/(Credited) to Equity	-	870	870
Balance at 28%	**19,902**	**(1,404)**	**18,498**

Deferred Tax

Deferred tax assets and liabilities are recognised for temporary differences at the rate expected to apply when the assets are recovered or liabilities are settled. The tax rate is applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability.

Deferred tax assets are recognised for deductible temporary differences only if it is probable that future taxable amounts will be available to utilise those temporary differences.

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.

Imputation Credits to Shareholders

	2022	2021
	$000	$000
Imputation credits available to shareholders for future use	**35,932**	**32,594**

B. Key Assets

B1. Property, plant and equipment

	Operational Land and Buildings	Property Land and Buildings	Wharves	Plant, Furniture, Fittings and Equipment	Infra-structural Assets	Dredging	Work in Progress	Total
	$000	$000	$000	$000	$000	$000	$000	$000
Cost or fair value								
At 30 June 2020	116,384	59,360	76,292	80,385	22,249	3,652	14,754	373,076
Additions and Transfers	379	-	-	10,480	1,167	-	8,069	20,095
Disposals	-	-	-	(750)	-	-	-	(750)
At 30 June 2021	116,763	59,360	76,292	90,115	23,416	3,652	22,823	392,421
Additions and Transfers	128	36	21,008	3,049	3,004	-	(20,679)	8,882
Disposals	-	-	-	(586)	-	-	-	(561)
At 30 June 2022	**116,827**	**59,396**	**97,300**	**95,092**	**23,994**	**3,652**	**2,144**	**400,742**
Accumulated depreciation								
At 30 June 2020	(1,961)	(416)	(6,285)	(43,378)	(4,293)	(90)	-	(56,423)
Depreciation expense	(753)	(176)	(3,304)	(4,184)	(586)	(45)	-	(9,048)
Disposals	-	-	-	681	-	-	-	681
At 30 June 2021	(2,714)	(592)	(9,589)	(46,881)	(4,879)	(135)	-	(64,790)
Depreciation expense	(755)	(176)	(3,482)	(4,312)	(662)	(45)	-	(9,432)
Disposals	-	-	-	586	-	-	-	561
At 30 June 2022	**(3,469)**	**(768)**	**(13,071)**	**(50,631)**	**(5,541)**	**(180)**	**-**	**(73,661)**
Net book value								
Net book value 30 June 2020	114,423	58,944	70,007	37,007	17,956	3,562	14,754	316,653
Net book value 30 June 2021	114,049	58,768	66,703	43,234	18,537	3,517	22,823	327,631
Net book value 30 June 2022	**113,358**	**58,629**	**84,229**	**44,461**	**18,453**	**3,472**	**2,144**	**324,745**

	2022	2021
	$000	$000
Opening Balance	590	608
Additions and Transfers	717	296
Depreciation Expense	(345)	(314)
Closing balance at June 30	**962**	**590**

Right of Use Assets

The right of use assets consist of log moving equipment and IOS (International Organisation for Standardisation) tanks used to transport wine and other cargoes.

For applicable leases, right-of-use assets have been recognised and included in Plant, Furniture and Equipment lines as per the table to the left.

B1. Property, Plant and Equipment (continued)

Recognition and Measurement

In prior years Property, Plant and Equipment, except land, buildings, wharves and infrastructural assets were stated at valuation taken over from the Nelson Harbour Board on 1 October 1988 and subsequent additions at cost.

In 2021 Port Nelson changed its accounting policy such to value all Property, Plant and Equipment at fair value. Cost incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefit or service potential associated with the item will flow to Port Nelson and the cost of the item can be reliably measured.

Dredging is not amortised, apart from consents, which are amortised over their life. The cost of maintaining the dredged depth is expensed.

Valuation Basis

Choice of Valuation Technique

Port Nelson has previously used a range of valuation techniques to measure the fair value of Property, Plant and Equipment. In 2021 Port Nelson moved to measuring all Property, Plant and Equipment as a single unit using the income-based approach. Port Nelson believes that valuing the assets based on future cash flows (the income approach) is the most appropriate technique to use to assess fair value. In assessing the present value, the cash flows have been aggregated across all assets as they are, in effect, interdependent and cannot be meaningfully be separated into individual units. Therefore, a single valuation has been estimated.

The value is based on future cash flows and approximates the fair value for the company's combined Property, Plant and Equipment assets.

Valuation Measurement

Using the income-based approach, the assets are measured at each balance date to ensure that the carrying values are not materially different from fair value. A revaluation movement is recorded where the carrying value is materially different from the fair value. On the sale or disposal of assets, gains and losses are determined by comparing the proceeds with the asset's carrying amount. When revalued assets are sold, the amounts included in the asset revaluation reserve in respect of those assets are transferred to retained earnings. Otherwise, gains and losses are included in the Statement of Comprehensive Income.

Further details on the fair value measurement are included in note B5.

	Years
Plant, Furniture and Equipment	2-50
Wharves	3–67
Infrastructural Assets	3-50
Buildings	2-55
Intangible Assets	3-13

Recognition and Measurement Depreciation

Depreciable assets are depreciated on a straight line basis over the estimated useful lives of the assets.

B2. Intangible Assets

	Computer software and licences	Goodwill	Total
Cost	$000	$000	$000
Opening balance at 1 July	5,330		5,330
Additions	529		529
Disposals	(458)		(458)
Additions and Transfers - Capital Work in progress	94		94
At 30 June 2022	**5,495**	**-**	**5,495**
Additions	61	1,759	1,820
Additions and Transfers - Capital work in progress	(33)		(33)
At 30 June 2022	**5,523**	**1,759**	**7,282**
Accumulated Amortisation			
Opening Balance at 1 July	(2,841)		(2,841)
Amortisation	(251)		(251)
Disposals	(458)		(458)
At 30 June 2022	**(2,634)**	**-**	**(2,634)**
Amortisation	(276)		(276)
At 30 June 2022	**(2,910)**	**-**	**(2,910)**
Net book value	**2,613**	**1,759**	**4,372**

Recognition and Measurement

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 and tested for impairment at each balance date.

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. Subsequent to initial recognition, development costs are measured at cost less accumulated amortisation and any accumulated impairment losses.

The amortisation expense of intangible assets is included in the Depreciation and amortisation expense total disclosed in the Statement of Comprehensive Income. There are no material contractual commitments for the acquisition of intangible assets at balance date.

B3. Investment Properties

	2022	2021
	$000	$000
Opening Fair Value of Investment Property	29,409	25,484
Additions/Reclassifications	3,555	-
Revaluations (recognised in property revenue)	4,121	3,925
Closing Fair Value of Investment Property	**37,085**	**29,409**

Recognition and Measurement

Investment Property

Investment Property which is property held to earn rentals and capital appreciation is measured at its fair value at the reporting date. 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. Investment Properties are not depreciated.

Valuation Basis

Investment properties are revalued every year. Investment properties were valued on 30 June 2022 by Ian McKeage, Registered Valuer, FNZIV, FPINZ of Telfer Young. The valuer's have recent experience in the location and category of the item being valued. Further detail on the fair value measurement is included in note B5.

B4. Capital Commitments

	2022	2021
	$000	$000
Commitments for Capital Development	1,967	5,904

Recognition and Measurement

Capital Commitments

Capital commitments at balance date consist of two significant projects (2021: three). The material projects underway at end of year 2022 included wharf improvements and log yard paving.

B5. Fair Value Measurements

Recognition and Measurement

The valuation of Property, Plant and Equipment and Investment Property requires estimation and judgement. For Investment Property at each reporting date, the independent valuation reports are subject to internal review by the Management Team. The review focuses on checking material movements and ensuring all additions and disposals are captured. A summary report on valuation movements is provided to the Board and full copies of the valuer's reports are available to Directors.

For Property, Plant and Equipment that are measured using an income based model, utilising a discounted cashflow at each reporting date, the significant assumptions are considered by both management and the Board and sensitivity analysis is performed. Valuations are categorised within a three tier fair value hierarchy table based upon the observability of valuation inputs.

Level 1 inputs: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly, as prices, or indirectly, derived from prices.

Level 3 inputs: Inputs for the asset or liability that are not based on observable market data, that is, unobservable inputs.

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

The following tables summarise the valuation approach and key assumptions used by the valuers to arrive at fair value.

Valuation Approach	Description of Valuation Approach
Sales Comparison Approach	A valuation methodology whereby the subject property is compared to recently sold properties of similar features with fair value determined through the application of positive and negative adjustments for their differing attributes.
Income Capitalisation Approach	A valuation methodology which determines fair value by capitalising a property's sustainable net income at an appropriate, market derived capitalisation rate with subsequent capital adjustments for near-term events, typically including letting-up allowances for vacancies and pending expiries, expected short-term capital expenditure and the present value of any difference between contract and market rentals
Discounted Cashflow	A valuation methodology which determines fair value by discounting estimated future cashflows to net present value.

B5. Fair Value Measurements (continued)

The key assumptions used to measure the fair value of Property, Plant and Equipment and Investment Property classified as level 3, along with their sensitivity are as follows:

Measurement of Property, Plant and Equipment as a single unit

The Port has assessed that its Property, Plant and Equipment assets work together as a single unit to generate cash flows. The key premise of this assumption is that all assets within Property, Plant and Equipment are, in effect, interdependent and cannot be meaningfully separated into individual units. For example, the shipping channel, wharves, land behind the wharves and associated infrastructure enables the port to exist. As a result the Port has elected to measure all Property, Plant and Equipment as a single unit for the purposes of fair value.

Revaluation

On completion of the income-based approach to valuing port operational property, plant and equipment at June 30, 2022, the valuation was not materially different from the carrying value of the port operational property, plant and equipment. Therefore no revaluation was recorded at June 30, 2022.

Sensitivity Analysis

The calculation of the fair value for the Port Operations Property, Plant and Equipment is most sensitive to the inputs for cargo volumes, container throughput and the post-tax discount rate. Cargo volumes and container throughput are influenced by several factors that are difficult to predict, in particular nature, export market conditions. The post-tax discount rate is an estimate of Port Nelson's weighted average cost of capital and is influenced by several external factors such as the risk-free rate and inflation.

Significant unobservable inputs	**Sensitivity of change**	**Valuation Impact**
	%	$000
Post-tax discount rate	(0.3)	18,914
	0.4	(22.181)
Log Volumes	(5)	(11,678)
	(15)	(31,457)

Valuation Model Sensitivity

The sensitivity of the valuation model to log volumes, and discount rate, where all other inputs remain constant, is shown in the table to the left.

B5. Fair Value Measurements (continued)

Asset Classification	Valuation Approach	Significant Unobservable Inputs	Range of Unobservable Inputs	Relationship of Unobservable Input to Fair Value
Port Operations	Discounted Cashflow	Capital Expenditure	The Port has used the historical capital expenditure, adjusted for known differences in asset management plans and its expected capital expenditure in the Port's 30 year strategy.	The higher the capital expenditure the lower the fair value.
		Discount rate	7.80%	The higher the discount rate the lower the fair value
		Terminal growth rate	2.45% for revenue and most expenses, additional inflation has been applied to payroll and also revenue growth of 0.5% in years 1-3.	The higher the terminal growth rate the higher the fair value
		Cargo and container volumes	The Port has used forecast container volumes reflecting historical levels and reference to externally prepared cargo & container volume forecasts.	The higher the forecast volumes the higher the fair value.
		Ship visits	Based on forecast cargo volumes and container throughput, historical levels for non-Port Nelson visits and known differences	The higher the forecast volumes the higher the fair value.
		Port logistic customer numbers and warehouse utilisation	Forecast customer numbers, storage volumes and pricing.	The higher the forecast volumes the higher the fair value.
Investment Property – Land Subject to Ground Leases	Sales comparison approach	Freehold land value per s/m	$334 - $809	The higher the price per s/m the higher the fair value
		Ground rental rate	5.25% - 5.60%	The higher the rental rate versus the contract rent, the lower the fair value
	Discounted Cashflow	Discount rate	6.75% - 7.00%	The higher the discount rate the lower the fair value
		Long term land value escalation per annum	1.25%	The higher the land value escalation the higher the fair value.
Investment Property - Land Freehold	Sales comparison approach	Freehold land price per s/m	$378 - $522	The higher the price per s/m the higher the fair value
Investment Property - Buildings Freehold	Income capitalisation approach	Rental per s/m	$124 - $197	The higher the rental per s/m the higher the fair value
		Capitalisation rate	5.50% - 5.75%	The higher the capitalisation rate the lower the fair value.
	Discounted Cashflow	Discount rate	6.00% -6.25%	The higher the discount rate the lower the fair value
		Terminal Cap rate	5.75% - 6.25%	The higher the terminal capitalisation rate the lower the fair value

C. Financial Risk Management

C1. Financial Instruments

Port Nelson's operations expose it to a variety of financial risks which it seeks to manage through the application of its Treasury Policy. This policy provides guidance to management on carrying out appropriate financial risk management activities including the use of derivative financial instruments to manage this risk. Port Nelson does not enter into speculative trades.

Key Financial Risks

Interest Rate Risk

Port Nelson is exposed to interest rate risk on the cash flows arising from its variable rate borrowings. The Board does not consider there is any significant exposure to interest rate risk on its investments.

Required Hedging Levels on Borrowings

Term	Minimum Fixed Rate Amount	Maximum Fixed Rate Amount
Up to 2 years	40%	100%
2 years to 4 years	20%	80%
4 years to 8 years	0%	60%

Port Nelson's interest rate exposures are managed in accordance with specific borrowing parameters outlined in the Treasury Policy which requires 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.

Port Nelson currently manages this risk by using Interest Rate Swaps (IRS) which swap the floating rate exposure on a notional value of borrowings for a fixed rate.

Derivatives Financial Instruments

Port Nelson designates certain derivatives as hedging instruments in respect of interest rate risk in cash flow hedges. Such derivatives are held at fair value.

At the inception of the hedge relationship, Port Nelson documents the nature of the risk being hedged, the economic relationship between the hedged item, the instrument for effectiveness testing along with its risk management objectives for undertaking various hedge transactions.

The hedged item creates an exposure to pay interest on the notional value, settled at intervals prescribed by the hedge agreement. The interest rate swap on the same notional value creates an equal and opposite interest receipt and a fixed interest payment, therefore creating an exact offset for this transaction resulting in a net fixed interest payable.

Assessment of hedge effectiveness is done at inception of the hedge, at each subsequent reporting date (30 June and 31 December) and upon a significant change in the circumstances affecting the hedge effectiveness requirements.

The effective portion of changes in the fair value of the derivative financial instruments that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to any ineffective element is recognised immediately in the profit or loss.

Sensitivity Analysis

Interest rate change	Impact on profit	Impact on equity
	$000	$000
-200bp	517	(2,388)
-100bp	259	(1,164)
+100bp	(259)	1,085
+200bp	(517)	2,118

The table to the left illustrates the potential profit and loss and equity impact for reasonably possible interest rate movements, with all other variables held constant, based on Port Nelson's financial instrument exposure at the balance date.

C1. Financial Instruments (continued)

	Average contracted fixed interest rate		Notional principal value	
Cash flow hedges	**2022**	**2021**	**2022**	**2021**
	%	%	$000	$000
Less than 1 year	2.8	3.8	7,000	19,000
1 to 2 years	1.5	2.8	14,000	7,000
2 to 5 years	2.6	2.2	39,000	36,000
5 years +	-	3.0	-	10,000
			60,000	**72,000**

The table to the left details the notional principal amounts and remaining terms of interest rate swap contracts outstanding at the end of the reporting period, including those with forward start dates, designated in to cash flow hedging relationships.

Credit Risk

Port Nelson is exposed to credit risk on its cash and cash equivalents from the possibility of counter-parties failing to perform their obligations. This risk is represented by the carrying value in the Statement of Financial Position. We consider this risk to be immaterial.

Trade and Other Receivables

	2022	2021
	$000	$000
Trade Receivables	10,351	9,929
Related Party Receivables	8	7
Less Provision for Expected Credit Losses	(116)	(97)
Total Trade Receivables	**10,242**	**9,838**

Recognition and Measurement

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, generally on a monthly basis. They are non-interest bearing and have payment terms of generally the 20th of the month of receipt of invoice, but vary on a case-by-case basis between 7-61 days.

Trade Receivables derived from customers that do not have contracts with Port Nelson are not considered significant and therefore have not been separately disclosed.

C1. Financial Instruments (continued)

Trade Receivables Past Due

	2022	2021
	$000	$000
Less than three months	72	2,348
Greater than three months	183	142
Total Past Due	**255**	**2,490**
Trade Receivables Not Past Due	9,987	7,348
Total Trade Receivables	**10,242**	**9,838**

Recognition and Measurement

Impairment of Trade Receivables

Port Nelson measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses. The allowance is estimated by reference to past default experience of the debtor, an analysis of the debtor's current financial position as well as forward looking information. Port Nelson writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. None of the trade receivables that have been written off are subject to enforcement activities.

Estimated Credit Loss

	2022	2021
	$000	$000
Less than three months	-	-
Greater than three months	116	97
Total Past Due	**116**	**97**
Trade Receivables Not Past Due	-	-
Total Trade Receivables	**116**	**97**

Estimated Credit Loss

The provision for Expected Credit Loss represents impairment losses on contracts with customers.

The table to the left details the risk profile of trade receivables based on Port Nelson's provision matrix. As Port Nelson's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between Port Nelson's different customer base.

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 monitor the currency risk exposure and will enter into forward foreign exchange contracts to hedge this risk where required by the Treasury Policy. As at balance date Port Nelson had no forward foreign exchange contracts (2021: Nil).

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.

Multi-Option Credit Facility

Port Nelson has a multi-option credit facility arrangement with Westpac Banking Corporation, totalling $100,000,000. Three funding tranches make up the total funding facility. Port Nelson's Treasury Policy requires that no more than 50% of the multi-option credit facility expires in any twelve-month period. Security for the multi-option credit facility is by a first and exclusive debenture charge over the assets and undertakings of Port Nelson.

The following table details the tranches that make up the multi-option credit facility arrangement.

C1. Financial Instruments (continued)

	Facility	Maturity	Drawdown Amount 2022	Drawdown Amount 2021
Current interest bearing loans	$000		$000	$000
Bank loan	40,000	December 31, 2022	40,000	40,000
Total Current Borrowings	**40,000**		**40,000**	**40,000**
Non current interest bearing loans				
Bank loan	40,000	July 1, 2023	22,850	20,000
Bank loan	20,000	July 1, 2024	13,850	15,670
Total Non-Current Borrowings	**60,000**		**36,700**	**35,670**
Total Borrowings	**100,000**		**76,700**	**75,670**

Recognition and Measurement

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.

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.

Maturity analysis for the principal amounts of non derivative financial instrument liabilities based upon the contractual maturities

2022	Weighted Average Effective Interest Rate	Due within 1 year	Due between 1 to 2 years	Due between 2 to 5 years	Due over 5 years	Total
		$000	$000	$000	$000	$000
Borrowings	3.77%	40,000	22,850	13,850		76,700
Trade and Other Payables		4,027				4,027
Finance Lease Commitment		462	240	229		931
Total Borrowings		**44,489**	**23,090**	**14,079**	**-**	**81,658**

2021	Weighted Average Effective Interest Rate	Due within 1 year	Due between 1 to 2 years	Due between 2 to 5 years	Due over 5 years	Total
		$000	$000	$000	$000	$000
Borrowings	3.75%		40,000	35,670		75,670
Trade and Other Payables		3,697				3,697
Finance Lease Commitment		327	295			622
Total Borrowings		**4,024**	**40,295**	**35,670**	**-**	**79,989**

Fair Value of Financial Instruments

Port Nelson considers that the carrying values of financial assets and financial liabilities recorded in the financial statements approximate their fair values.

The financial instruments carried at fair value are the Interest Rate Swaps which are valued at $2.652m (2021: ($2.852m)) at balance date. These are considered a Level 2 valuation in the Fair Value Hierarchy defined in Note B5. The valuation of Interest Rate Swaps is derived from the New Zealand Financial Markets Association closing rates on the revaluation date. From these rates the mark to market is calculated to reflect the net present value of the remaining fixed and floating cash flow obligations.

D. Other Information

D1. Provisions

Employee Benefit Liabilities

	2022	2021
	$000	$000
Accrued Pay	399	875
Annual Leave	1,565	1,513
Long Service Leave	81	301
Other Benefits	1,124	437
Total Employee Benefit	**3,169**	**3,126**
Current	2,910	2,874
Non-Current	259	252
Total Employee Benefit	**3,169**	**3,126**

Recognition and Measurement

Provisions

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and other benefits in the period the related service is rendered. Annual leave and long service leave have been calculated on an accrued basis at current rates of pay.

Noise Mitigation Provision

	2022	2021
	$000	$000
Current	109	174
Non-Current	321	407
	430	**581**

Noise Mitigation Provision

Port Nelson reviews its Noise Mitigation provision each year as the mitigation work is undertaken. The provision relates to Stages One, Two and Three. The Noise Variation within the Nelson City Resource Management Plan became operative on the 23rd February 2012. Port Nelson has quantified the costs of its obligation as at 30 June 2022.

Port Nelson recognises it has an obligation to assist with noise mitigation works for noise-affected properties adjacent to the port. Noise mitigation costs may include building work, professional fees, building consents, preparation of drawings and project management.

Noise-affected properties are separated into three stages based on the level of port noise received. For properties in Stage One, those properties that are exposed to night time Ldn (day/night average sound level) from port generated noise of 65 dBa or more, Port Nelson is required to make offers to either fully fund noise mitigation work or to purchase the properties. There are 15 properties designated Stage One properties, seven properties have had this obligation met with Acoustic Certificates Issued.

For properties in Stage Two, those properties that are exposed to night time Ldn from port generated noise of between 60 to 64.9 dBa area, Port Nelson has offered to contribute up to 50% of noise mitigation costs. There are 70 properties designated Stage Two properties and four of them have been granted with Acoustic Certificates. For properties in Stage Three, those properties that are exposed to night-time Ldn from port generated noise of between 55 to 59.9 dBa, property owners can request Port Nelson to provide technical advice and a contribution of up to 50% of noise mitigation costs. There are 218 Stage Three properties and two of them have been granted with Acoustic Certificates. There is no obligation on Port Nelson to make offers for the purchase of either Stage Two or Stage Three properties.

D2. Issued Capital

At 30 June 2022 Port Nelson has 25,415,404 (2021: 25,415,404) ordinary shares. All shares are fully paid and have no par value. All shares carry equal voting rights and the right to share in any profit on winding up of the company. None of the shares carry fixed dividend rights.

D3. Reconciliation of Net Operating Cash Flows

	2022	2021
	$000	$000
Net profit	**12,016**	**13,030**
Add non-cash items:		
Depreciation and amortisation	9,708	9,300
Net movement in deferred tax/hedging reserves	(813)	(832)
Appreciation of Investment Property	(4,121)	(3,925)
Unrealised Gains (Losses)	6	3
Net Noise Mitigation provision	(151)	194
	4,628	**4,740**
Add (less) movements in other working capital items:		
Trade and other receivables	(404)	897
Inventories	(76)	(83)
Prepayments and accruals	(560)	181
Assets held for resale	-	15
Trade and other payables	331	(1,501)
Current employee benefit entitlements	36	406
Current movement lease liabilities	135	132
Tax payable	(853)	1,745
	(1,392)	**1,792**
Add (less) items classified as investing or financing activities:		
Non-current movement employee benefit entitlements	7	8
Non-current movement lease liabilities	521	209
Net gain/(loss) on sale of assets	(74)	5
Capital creditors	-	1,429
	454	**1,651**
Net cash inflow from operating activities	**15,707**	**21,213**

D4. Reconciliation of Financing Activities

	2022	2021
	$000	$000
Cash Movements		
Movement in borrowings	1,030	5,170
Dividend paid	(4,560)	(4,000)
Payment of lease liabilities	(348)	(331)
Net cash inflow from financing activities	**(3,878)**	**839**

D5. Leases as a Lessee

Leases as a Lessee

	2022	2021
	$000	$000
Expenses related to short-term leases	656	1,120
Expenses related to low-value assets	34	36
Total cash outflow for leases *Includes above plus additional equipment for logging operations*	690	1,201
Interest expense on lease liabilities	32	45

Recognition and Measurement

Leases as a Lessee

Port Nelson has recognised short-term leases, and leases of low-value as expenses using a straight-line basis over the lease term. Short term leases relate to warehouse equipment and logging equipment. Low value expensed leases relate to photocopiers. The total cash outflow includes additional equipment for logging equipment.

Finance Lease Commitments

	2022	2021
	$000	$000
Within one year	516	355
Between one and five years	506	304
Minimum finance lease payments	**1022**	**659**
Future finance charges	(92)	(37)
Total Finance Lease Liabilities	**930**	**622**
Included in the financial statements as:		
Lease Liabilities - Current Portion	462	327
Lease Liabilities	469	295
Total Finance Lease Liabilities	**930**	**622**

Finance Leases

Finance leases relate to plant and equipment with lease terms of between one to three years.

D6. Related Party Disclosures

		2022	2021
		$000	$000
Nelson City Council	Services Provided by Port Nelson	816	141
	Services Provided to Port Nelson	829	925
	Accounts Receivable by Port Nelson	8	7
	Accounts Payable by Port Nelson	22	14
	Dividends Payable by Port Nelson	1,400	1,250
	Dividends Paid by Port Nelson	2,280	2,000
Tasman District Council	Dividends Payable by Port Nelson	1,400	1,250
	Dividends Paid by Port Nelson	2,280	2,000
Nelmac Limited	Services Provided to Port Nelson	48	32
	Accounts Payable by Port Nelson	-	2

Nelmac – Nelmac is 100% owned by Nelson City Council and is therefore a related party.

D6. Related Party Disclosures (continued)

Directors

G Dangerfield

Mr G Dangerfield retired as director of Port Nelson in October 2021. At this time Mr Dangerfield was the Chair of the Risk and Assurance Committee of Ministry for Primary Industries (MPI) who receive and provide biosecurity services from/to Port of Nelson. The amount paid to MPI was $3,652 (2021: $8,831). The amount received from MPI was $50,107 (2021: $57,544) and a credit of $108 was due to MPI at year end (2021: $125). Mr Dangerfield is also an advisor to the Office of the Auditor General who via Audit New Zealand provided audit services to Port of Nelson for the year ended 30 June 2021. The amount paid to Audit New Zealand was $62,207.58 (2021: $102,229) and $nil was payable at year end (2021:$23,488).

P Zealand

Mr P Zealand is a director for Lochard Energy Pty Ltd, Genesis Energy Ltd and Channel Infrastructure Limited, there were no transactions between these companies and Port Nelson for the year (2021:$nil).

B Monopoli

Ms B Monopoli retired as a director of Port Nelson in October 2021. Ms Monopoli is an Associate Principal of Findex (NZ) Limited that provides tax and accounting services to Port Nelson. The amount paid to Findex was $29,798 for the year (2021: $30,395) and $nil was payable at year end (2021: $15,008).

Ms Monopoli is also a Trustee of Light Nelson Trust that received sponsorship from Port Nelson. The amount paid to Light Nelson Trust was $5,000 for the year (2021: $5,750) and $nil was payable at year end (2021: $nil).

T Reynish

Mr T Reynish is a director of Quality Marshalling Limited, a cargo marshalling company owned by Port of Tauranga Limited, there were no transactions this financial year (2021: $nil). Mr Reynish is a consultant for Port of Tauranga. The amount paid to Port of Tauranga for the year was $178.59 (2021: $nil) and $nil was payable at year end (2021: $nil) .

K Wallace

Ms K Wallace is a consultant for the NZ Transport Agency. Port Nelson purchased road user licences and vehicle registration from NZTA, the amount paid to NZTA for the year was $9,864.57 (2021: $8,831). Port Nelson received credits of $20,964.43 (2021: $57,544) from NZTA for excise duty refunds.

J Safey

Mr J Safey is a director for Australian Longline Fishing Pty Ltd who receive marine services from Port Nelson. The amount received from Australian Longline Fishing was $102,877 (2021: $65,682) for the year and $nil was receivable at year end (2021:$nil).

G Wilson

Mr G Wilson is the director and trustee of several companies none of which are a related party.

M Matthews

Ms M Matthews is Chair of the Cawthron Institute who provide sample analysis services for Port Nelson. The amount paid to Cawthron for the year was $15,561 (2021:$41,086) with $5,629 being payable at year end (2021: $nil).

Key Management Personnel

H Morrison

Mr H Morrison is a Director of the Nelson Regional Development Authority which is supported by Nelson City Council and Tasman District Council and other businesses. There were no transactions with Port Nelson during the year.

D Wehner

Mr D Wehner is a Director of Trinity Lands Limited. There were no transactions with Port Nelson during the year.

M McDonald

Mr M McDonald is a Director of Nelson Airport Limited that provides public services to Port Nelson. The amount paid to Nelson Airport Limited was $443 for the year (2021 $624), and $nil was payable at year end (2021: $nil).

A Rivers

Ms A Rivers is a Director of Handy 18 Ltd t/as KR Custom Engineering that provide plant repair services to Port Nelson. The amount paid for the year was $767 (2021: $nil) and $nil was payable a year end (2021: $nil).

Details of compensation paid to key management personnel and Directors during the financial year

	2022	2021
	$000	$000
Salaries and Other Short-Term Benefits	1,663	1,761

D7. Business Combination

Nelson Slipway

Port Nelson is currently in the planning phase of redeveloping the slipways of the Port. There are currently two slipways that operate on the Port, the Calwell Slipway, which slips ships of over 100 tonnes and the Nelson Slipway, which slips ships under 100 tonnes.

The redevelopment project, in partnership with the Crown will redevelop the Nelson Slipway area to create a new wharf that will allow a new marine travel lift to operate having a capacity of at least 400 tonnes. The facility will include a new environmental treatment facility and contaminated silts will be removed from the harbour basin adjacent to the slipway.

In order to complete the redevelopment on 19 July 2021, Port Nelson entered into a conditional sale and purchase agreement to acquire the assets of Nelson Slipway Limited, for $2.48 million. On 29 September 2021, Port Nelson limited acquired the assets of Nelson Slipway Limited at the agreed price of $2.48m. As a result of the transaction goodwill of $1.8 million was generated, this has been allocated to the Port Operations CGU due to the synergies provided.

The slipway is part of a wider ecosystems that supports the Marine engineering sector on the port. The port is a vital and significant hub for New Zealand and the largest seafood processing port in Australasia and the slipway development is a strategic investment to enhance Port Nelson’s operations.

D8. Contingent Assets and Liabilities

As at balance date there were no contingent assets or liabilities (2021: $nil).

D9. Events After Balance Date

Holding Company

On 17 and 18 May 2021, Tasman District Council and Nelson City Council resolved to establish a Holding Company to hold the two Council’s shareholding in Port Nelson Limited and Nelson Airport Limited.

Subsequently, on July 12, 2022, Nelson City Council did not approve the resolutions required to formalise the formation of the Holding Company. However, Tasman District Council had earlier approved the resolutions needed to formalise the formation of the Holding Company.

On September 29, 2022, it is expected that Nelson City Council will, again, consider the resolutions required to formalise the formation of the Holding Company, as presented on July 12, 2022.

If the Holding Company proposal is to proceed, several benefits are expected, including the potential for reduced borrowing costs through the Local Government Funding Agency.


MAERSK
ONE
CONNECTING NZ

“To the Port Nelson Team, what a year! Thank you, and congratulations on finding a way to overcome the challenges.”

PORT NELSON

Port Nelson
Nelson 7010, New Zealand