

// Welcome to

### Port Nelson's Annual Report

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'.

Mā te tika, mā te pono, me te māramatanga, ka tutuki pai ai te kaupapa.

Through following a sound process, through determination and clarity of thought, anything is possible.

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### // 2024 performance

	2024	2023	2022	2021	2020	2019
Operations						
Cargo throughput (million revenue tonnes)	3.2	3.2	3.2	3.2	3.3	3.9
Container throughput (thousands TEUs – twenty-foot equivalent units)	105.2	105.4	103.2	103	116.1	119
Shipping tonnes (million GRT – gross registered tonnes)	8.6	9.1	9.1	9.2	9.6	11.1
Vessel visits (more than 100 GRT)	715	747	767	781	760	804
Employees (FTEs – full-time equivalents)	235	239	230	223	233	214
Financial (\$ millions)						
Revenue	83.9	85.8	76.8	73.5	66.7	70.7
Underlying revenue*	83.5	82.9	72.7	69.6	66.4	68.1
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	23.3	26.7	28.0	28.6	20.9	30.5
Earnings before interest and taxation (EBIT)	12.7	16.1	18.3	19.3	12.9	22.9
Underlying earnings before interest and taxation (EBIT)*	12.9	13.9	14.1	15.4	13.4	20.3
Net profit after taxation (NPAT)	0.8	9.3	12.0	13.0	8.2	15.3
Underlying net profit after taxation*	6.2	7.7	7.9	9.1	8.7	12.7
Dividend from the year	4.5	4.0	4.3	4.6	4.0	6.3
Dividend declared as a percentage of underlying net profit after taxation	72%	52%	54%	51%	46%	50%
Capital expenditure	20.7	7.1	12.6	22.0	16.1	19.2
Total assets	397.1	380.6	381.1	371.4	356.8	278.1
Secured borrowings	76.3	71.2	76.7	75.7	70.5	61.9
Equity	274.9	276.8	272.8	261.7	250.4	190.4
Shareholder return metrics						
Earnings per share (cents)	3.0	36.7	47.3	51.3	32.1	60.0
Dividend per share (cents)	17.7	15.7	16.9	18.1	15.7	24.8
Net assets per share (\$)	10.8	10.9	10.8	10.3	9.9	7.5
Equity as a percentage of total assets	69.2%	72.7%	71.8%	70.5%	70.2%	68.5%
Gearing percentage	21.4%	20.1%	21.9%	22.3%	21.9%	24.4%
Return on equity	0.3%	3.4%	4.5%	5.1%	3.7%	8.2%
Underlying return on equity*	2.3%	2.8%	3.0%	3.6%	3.9%	6.8%
Return on average assets	0.2%	2.4%	3.2%	3.6%	2.6%	5.6%
Underlying return on average assets*	1.6%	2.0%	2.1%	2.5%	2.7%	4.7%

<sup>\*</sup>Underlying financial performance excludes one-off non-cash adjustments. For 2024FY, one-offs are referenced in the Chair-CEO report.

#### **Our Customers**

Ō tātou kiritaki

3.2

million

Cargo throughput – revenue tonnes

105.2

Container throughput – TEU Thousands

715

Vessel visits

#### **Our Environment**

Tō tātou tajao

25%

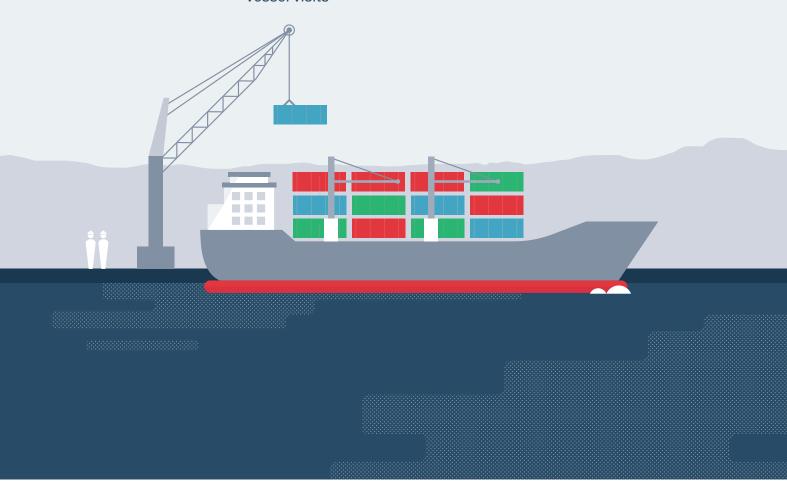
Reduction in scope 1 and 2 emissions from 2019

71%

Reduction in scope 3 (PNL controlled) emissions from 2019

2

Significant noise events



#### **Our People**

Ō tātou whānau

235

Full time equivalent employees

4.2

Lost time injury frequency rate (per 200,000 hours)

468

Visible safety leadership engagements

**Our Community** 

Tō tātou hapori

\$4.5m

Dividends from the year to shareholders

\$113K

Sponsorship funds paid

**Our Shareholders** 

Ō tātou kaiwhaipānga

\$6.2m

Underlying net profit after tax

2.3%

Underlying return on equity

69.2%

Shareholder equity



### // Chair & CEO report



Paul Zealand Chair



**Hugh Morrison** Chief Executive Officer

#### Tēnā koutou katoa. Greetings to all.

Ko te tūmanako ia, ka tiro whakamuri katoa te hunga e pānui ana i tēnei pūrongo ā-tau, ki te tau e anga whakamua, ina koa i ngā wāhanga e taea ana te whakahaere, me te tiro whakamua i runga anō i te hīkaka o te ngākau, ki te tau hou e tū nei.

We hope all who are reading this Annual Report look back on a year of progress, particularly in those areas that could be controlled. and look forward with excitement to the new year.

The challenging national and international economic climate continued to put volume and margin pressure on Te Tauihu importers and exporters. This follows nearly four years of difficult trading conditions.

The Port saw three of its larger cargo types: logs, wine, and processed timber, experience lower volumes than the previous year as their overseas demand reduced. Marginally offsetting this for the Port was the introduction of a temporary new export commodity, West Coast mineral sands.

The net result saw total cargo volumes at similar levels to last year, 3.2 million tonnes, but down 3% on the 2024FY budget. The containerised portion of this cargo was also at similar levels to last year but down 8% on budget. Adding to this negative variance on budget, the Port was also impacted by changes in operations of shipping lines and importers/exporters. This saw the lines improving efficiency by reducing storage costs and reducing cost penalties due to delayed cargo pickups. In addition, using fewer but larger vessels for logs and petroleum impacted revenue. Capping off the poor financial news, the Port also experienced a number of negative financial impacts, including foreign exchange, and interest cost movements.



These impacts resulted in an Underlying (excluding one-off non-cash adjustments) Net Profit After Tax (NPAT) of \$ 6.2 million, down \$1.5m on last year and \$2.9m on budget.

Headline NPAT was \$0.8m, including non-cash adjustments. The most significant adjustment was the negative impact of \$5m arising from changes to the treatment of building depreciation. In addition, our property portfolio was valued downwards by \$0.4m.

In areas more under the control of the Port; negotiation with shipping lines and importers/ exporters resulted in increased tariff rates which will feed through to increased revenue in 2024/5FY and beyond. Strong progress was made on all the initiatives identified in the 2024 Statement of Corporate Intent (SoCI). Of note was the development of new technology solutions to assist our exporters' real-time tracking of their products; the purchase of New Zealand's first electric harbour mobile crane; significant safety improvement in traffic management within the Port gates; an outstanding Open Day which saw over 3000 visitors; and good progress with the \$20m investment in the new Slipway development as well as the Marlborough Inland Port development.

Our theme for the year was Whanaungatanga/Connection. Through numerous initiatives and engagements, the Port has worked strongly to more deeply connect with its people, customers, iwi, community, shareholders and other stakeholders. These initiatives have included: Port partners function, board engagements with customers, support to Nelson City Council's city to sea connection initiatives, establishing a more regular connection with iwi, establishing regular industry engagements with the apple and wine sectors, and team engagements related to health & safety and engagement surveys. While improvements and sustaining a high level of Whanaungatanga is an ongoing priority, we look back positively on the progress over the year.

Below, we provide a more complete review of the 2024FY through the perspective of the five stakeholders we use to guide the business.

#### **Customers**

Cargo moved across the wharf was 3.24 million tonnes, which included 105,224 containers (TEU).

Key cargo categories were:

**Pip fruit** – Apples, exported via containers, had another good year, although marginally down on last year's record volume. Kiwifruit, however, was down 20% on last year.

Wine – Volumes were down on the previous year and at similar levels to the prior two years. Given that the 2023 harvest had been a record, this meant that warehousing was under pressure to store unsold products. Softer demand in the USA and stronger competition in the UK contributed to what was a difficult year for the industry.

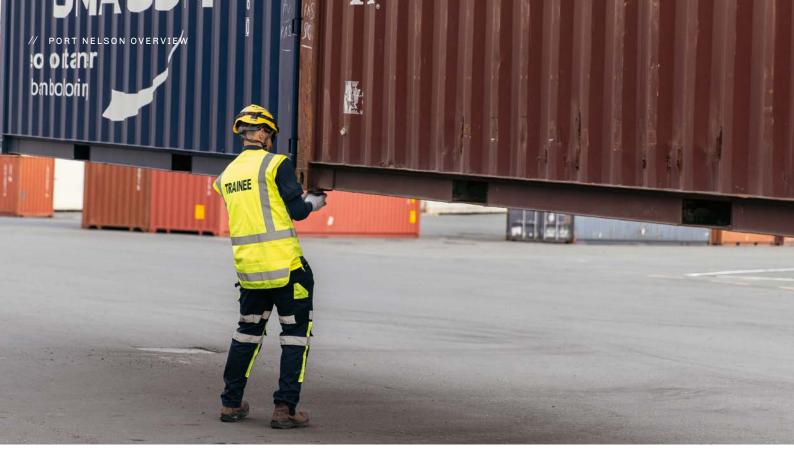
Processed timber – A slowdown in international construction markets saw MDF (Medium Density Fibreboard) and sawn timber volumes down on previous years.

Fish exports and imports – Volumes recovered marginally on the disappointing previous year and returned to levels seen in prior years.

**Vehicle imports –** Vehicle numbers were up on the previous three years.

**Logs** – Volumes were at their lowest level in the last three years. The Chinese market remains the key determinant of price and volume.

**Cruise vessels** – 8 Cruise vessels visited during the 2024FY.

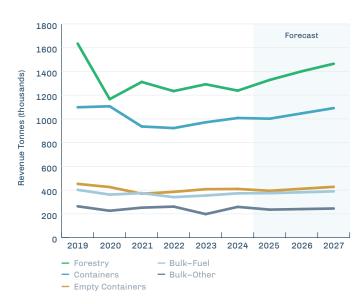


Our logistics facilitation business, QuayConnect, continues to grow in support of customers. They assisted a record \$25m of cargo movements during the year, making an increasing contribution to PNL profitability.

The Pelorus software platform, which supports transparency within supply chains, was extended during the year and is on track to provide full cargo-tracking capability.

The graph below presents the history of cargo movements and a three-year forecast. The log and container business are the main drivers of the Port's revenue.

#### Cargo Volumes



// Successful completion of the trial of hydrogen injection into large container moving equipment. This reduced fuel burn by more than 12% in the trialled machine.

#### **Environment**

Carbon emissions reached their lowest level in recent times, down 25% from 2019. One key driver for this was reduced container terminal speeds. The Port remains on track to deliver a 67% reduction in Scope 1 and 2 emissions from 2019 levels by 2035.

The Port has produced its first Climate-Related Disclosures report based on the NZ CS 1 Standard.

Other environmental improvement initiatives include:

- The Living Filters Project (use of mussel blankets to improve water quality in the Whakatū Haven) has exceeded expectations and provides a positive remediation initiative option.
- Successful completion of the first phase of the trial
  of hydrogen injection into large container moving
  equipment. This reduced fuel burn by more than 12%
  in the trialled machine.
- A new electric mobile harbour crane has been ordered, as has the conversion kit for an existing diesel crane. This NZ-first project is being supported with funding from ECCA and will reduce our scope 1 emissions.



#### People

The Port initiated five key safety improvement projects during the year:

- Improved vessel inspection and hazard identification for stevedoring operations.
- Improved coordination and management of port users and the control of 'at-risk' works.
- Improved and tested our Emergency Response Plan, in particular, related to a major seismic event.
- Assessed and improved the safety environment at port property that is accessible to public.
- Strengthened the engagement of Health and Safety Representatives.

The recommended improvement actions from the SafePlus review undertaken in 2023 have been completed.

The Port participated in the Workers Voice safety survey, led by Maritime NZ. Nelson's 'approval' score was 75% compared to an industry benchmark of 74%.

We experienced one serious harm incident during the year when a forklift impacted a worker in one of our warehouses. The worker returned to full-time work. We have reviewed workflow in our warehouses and implemented procedures to remove pedestrians. We are also planning to introduce AI sensors to predict potential impacts and alert vehicles.

The Port carried out an engagement survey with its team resulting in an average 'approval' score of 69% compared to an industry benchmark of 67%. The learnings from the survey have informed the initiatives for the 2025FY.

// It was a real pleasure to host over 3000 people at the event and showcase the work and equipment used at the Port.

#### Community

Port Nelson's Open Day is an important part of the transparency that the Port seeks to provide to our community. Due to Covid impacts, over seven years had passed since the previous Open Day. Hosting over 3000 people at the event was a real pleasure, allowing us to showcase the work and equipment used at the Port.

Another full year of sponsorship activities was undertaken, \$113,000 was provided to sponsorship recipients across Te Tauihu. Most pleasing was the generosity of suppliers and customers who participated in the Port Golf Day. A record \$30,000 was raised for Riding for the Disabled by attendees.

The Port continues to work with iwi to establish regular communications and engagements that support a sustained and trusting partnership. We thank Te Tauihu iwi for their time and guidance with this kaupapa.



#### Shareholders

Consistent with the SoCI, dividends of \$4.5m will be provided from the 2024FY result. This will consist of a \$1.5m interim dividend paid in February 2024 and a final dividend of \$3.0m paid in September 2024.

As noted, the marked difference between the headline NPAT of \$0.80m and underlying NPAT of \$6.2m is the impact of the one-off changes in depreciation treatment. In March 2024, the government removed the ability to claim depreciation deductions on commercial buildings with an estimated useful life of 50 years or more. The impact on the Port's profit is \$5.0m in the 2024FY.

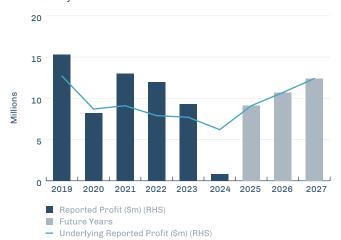
Also contributing to non-cash impacts in NPAT was a softening in the commercial property market, with building values, particularly, showing a minor devaluation.

Underlying profit was driven by revenues of \$84m, which were up 1% on last year but down 2% on budget. Key negative variances were in the logs, marine, and container-related businesses. Expenses were \$78m, up 1.5% on last year and up 1% on budget. Key drivers for the negative variance were higher interest costs, negative foreign exchange movements, as well as increased maintenance and labour costs.

The following graph provides context to the profit result, showing historical and forecast figures.

The introduction of the infrastructure charge and an improving economic climate contribute to a more positive forecast.

#### Profitability



Capital investment during the year was \$20.7m. Approximately half of this was invested in the Slipway redevelopment. Other large investments were the deposits for the new electric mobile harbour crane and the pilot launch.

Property ownership and development remain important to the Port. Development options for the Vickerman Street/Wildman Avenue site have been progressed, with the intention of commencing marketing a light industrial precinct focused on businesses related to the Moana in 2025FY.

Our theme for the year ahead is "Kotahitanga / Ahead Together." The theme recognises the opportunity to build on the significant planning and foundation building that has taken place within the Port during the 2024FY.

#### Looking ahead to the 2025FY

The Port's 2025 SoCI (available through our website) describes the key goals and initiatives for the next year and our forecast for the next three years. In addition to our focus on meeting Te Tauihu's cargo logistics needs, we have 19 improvement initiatives that cover all stakeholder areas. It will be another busy year at the Port.

We will have a new CEO join the team during the year, with Hugh's retirement in November 2024. The clarity of our plans and the broad leadership capability in the Port will support a smooth transition. The board acknowledges the very positive contribution Hugh has made to the PNL business in establishing and initiating plans for improvement across all our stakeholders and in strengthening our culture, particularly in the safety space.

Our theme for the year ahead is "Kotahitanga/Ahead Together." The theme recognises the opportunity to build on the significant planning and foundation building that has taken place within the Port during the 2024FY. This, combined with a forecasted slow lift in economic conditions toward the end of the 2025FY, provides an opportunity for all our people and stakeholders to move their prosperity forward.

Mō tātou, ā, mō kā uri ā muri ake nei -For us, and for those who will come after us.



### 2030 Strategy

With a legacy reaching back over 150 years, owned by our community and fundamental to its prosperity, the weight of responsibility on this generation of Port people to continue to be a catalyst and facilitator of regional prosperity is significant.

#### About Port Nelson:

Port Nelson is the maritime gateway for Te Tauihu – a vital hub for economic activity and a key facilitator of our region's continued growth and prosperity. Port Nelson is an international port located in the city of Nelson owned by Infrastructure Holdings Ltd, which is in turn, equally owned by Nelson City Council and Tasman District Council.

The rich history of Port Nelson has helped shape the region. Early accounts of Whakatū (Nelson) - meaning a 'standing place or shelter for canoes' – described the area's rich history for Māori trading fish and produce. Since the establishment of the Port Nelson Harbour Board in 1901. Port Nelson has welcomed visitors and to respond to its customers' and community's needs. The Port handles a wide variety of cargo, including containerised and bulk cargo. Approximately 67% of Port Nelson's volumes are exported, and 33% are imported.

#### The future of Port Nelson:

Port Nelson's strategic approach is designed to enable the port to remain a key driver of economic growth and sustainability in the region. Our 2030 plan, which was put in place in the 2024FY, sets our long-term strategic direction for the business. The plan responds to how the port can achieve its 2030 goal of being 'Championed by our Stakeholders'. The Port 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 - the Port embraces the 'and'.

A summary of this plan is provided in the following pages.



Auckland Point. the first Port Nelson



Dredge John Graham cutting its way through the Boulder Bank



The reclamation progresses



Opening of the Patterson Logistics centre



Planning into the future with the Port's 2050 MasterPlan

### Facilitating Regional Prosperity Kia āhei ki te kōkiri whakamua ki te taumata ā-rohe

2030 Goal

### Championed by our stakeholders

#### Stakeholder Goals



#### Values

Our ASPIRE 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



- Cargo unpredictability
- Evolving ship sizes
- Climate change impacts
- Technology supporting transition
- Workforce demographics
- Social licence to operate
- Effective iwi engagement
- Increasing return on equity
- Optimising asset replacement





#### **Our Customers**

#### // Strategy #1

#### Always better

Strive to demonstrably improve operational performance through a combination of continuous improvement and targeted investment.

#### 2030 Tactics

- Embed culture and systems for continuous improvement to deliver efficiency, productivity and safety gains
- Invest prudently to increase productivity and capacity in response to customer demand
- Support our exporters and shipping operators by providing resilient and quick-to-market supply chains

#### // Strategy #2

### The preferred Te Tauihu cargo pathway

Champion the needs of Nelson/ Tasman exporters and importers and grow the Marlborough cargo through our high service model.

#### 2030 Tactics

- Establish the Marlborough Inland Port
- Become Marlborough's and NZ's leading wine logistics entity
- Be the preferred logistics partner for non-wine products in Te Tauihu

#### **Our Environment**

#### // Strategy #3

#### Reduce our impact

Reduce our physical and carbon impact on the environment.

#### 2030 Tactics

- Alternative Fuel Transition Plan
- Continuous Improvement in:
  - Noise
  - Stormwater
  - Air Quality
- Climate awareness training across business units

#### // Strategy #4

#### Leadership in sustainability

Engaged in sustainability and climate change adaptation that also supports our people and community.

#### 2030 Tactics

- Continue to improve upon PNL's ISO 14001 Environmental Management System (EMS)
- Champion regional environmental initiatives
- Provide employees with the tools and knowledge to reduce the impacts of their activities on the environment
- Adopt a 'Zero Waste to Landfill' approach
- Develop, integrate and implement a "green" procurement approach
- Established adaptation plan that addresses climate change impacts
- Report against Climate-Related Disclosure Framework







#### **Our People**

#### // Strategy #5

#### "I see you"

Build on our strong culture and systems to create an environment where each team member is and feels recognised, appreciated and respected.

#### 2030 Tactics

- Create a tactical plan for attracting and hiring the best talent
- Focus on employee engagement
- Develop a remuneration strategy
- Incorporate diversity, equity and inclusion in everything we do
- Create a values-based capability framework of learning

#### // Strategy #6

### One team for health, safety and wellbeing

Continue to build an environment and culture where every member of the Port team, and others who work in our spaces, are fully engaged and united in the continuous pursuit of improved health, safety and wellbeing.

#### 2030 Tactics

- Continue to build on the principles of a high performance, high engagement
- Strengthen our well-being policy and programme
- Strengthen the capability of our leaders through training and support
- Equip our teams with the technology and systems they need
- Continue to build a continuous learning and improvement culture
- Strengthen our safety culture

#### **Our Community**

#### // Strategy #7

#### A trusted partner for our community

Support our social licence to operate with open and transparent engagements and impactful contributions to the community's wellbeing.

#### 2030 Tactics

- Continue to provide transparent and meaningful communications
- Maintain engagement events with our community that build community knowledge and pride in the Port
- Community sponsorship
- Develop a Port 'Community Connection Programme' to support our people to be heroes in their community

#### // Strategy #8

#### A trusted partner for iwi and Māori

Strengthen our relationship with iwi and Māori through ongoing commitment to support and contribute to Māori aspirations in Te Tauihu.

#### 2030 Tactics

- Enhancing leadership and participation including the use of tikanga and proactive engagement with iwi and kaimahi Māori
- Strengthening identity and culture by increasing visibility of te reo at the Port and supporting cultural storytelling opportunities
- Supporting Māori success by sponsoring kapahaka and utilising a database of iwi led businesses
- Building capability and confidence with te reo use

#### **Our Shareholders**

#### // Strategy #9

#### A fair and sustained return

Lift our economic profit to provide a fair return to shareholders and build resilient infrastructure

#### 2030 Tactics

- Complete and implement an economic profitability strategy
- Implement our Infrastructure and Property Master plan
- Develop an asset management plan to optimise infrastructure investment and provide resilience

#### // Strategy #10

#### Diversified income

Strengthen returns from our property portfolio and leverage our expertise in logistics for growth.

#### 2030 Tactics

- Hold land holdings
- Property development plans and rental growth
- Property development plans for land bounded by Wildman Ave, SH6, Vickerman Street and Haven Road
- Leverage the reach of QuayConnect

# Our Customers

// Providing leading port operations and driving supply chain innovation is integral to ensure the Port continues to meet the needs of our customers and in turn deliver strong financial returns.



2024 performance targets	2023 Actual	2024 Target	2024 Result	
Cargo volumes revenue tonnes (000)	3,245	3,349	3,288	
Container throughput TEU (000)	105	113	105	
Vessel visits (greater than 100 GRT)	769	776	715	
QuayConnect revenue growth (\$m)	5.7	1.0	1.7	$\otimes$
Average container crane rate per hour	18.9	>20	19	0
Improved container truck waiting time (mins)	14.7	<15	14.5	$\otimes$

#### 2024 initiatives towards our 2030 goal

### Establish dashboards and a continuous improvement framework:

Dashboards were embedded across the business. Continuous improvement initiatives improving performance were implemented.

#### Establish the Marlborough Inland Port:

The Marlborough Inland Port was commenced with construction to be completed in December 2024.

### Establish the Pelorus portal as a key platform for logistics in Te Tauihu:

The existing software was developed further to meet the needs of customers and embedded into QuayConnect's operations.

#### Crane 2 replacement:

An electric crane was purchased to improve efficiency.

#### Stevedoring roster:

The roster was established providing a more sustainable and wellbeing-based environment for our Stevedoring team.

#### 2024 performance commentary

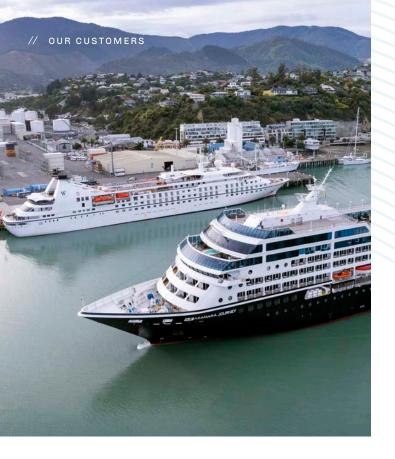
Cargo volumes, including container numbers, were up on the previous year but below our expectations for the 2024FY. This was due to a sustained slowdown in international markets. QuayConnect exceeded forecast expectations with growth outside the wine sector.

Crane productivity is below our targets. We have made a number of material improvements in safety associated with container handling this year, which has negatively impacted productivity. Our focus for the upcoming year will be on implementing initiatives to enhance productivity without compromising safety standards.

14.5

Improved container truck waiting time (mins)





### Port Nelson welcomed 8 cruise vessels over the 23/24 season

Over the course of the cruise season from November 2023 to March 2024, 8 cruise vessels visited Port Nelson, contributing an estimated \$226K to the regional economy per day, according to StatsNZ.

The Nelson Tasman region is a popular destination for smaller luxury cruise lines, and cruises are an important part of the region's visitor destination program. The port is committed to providing the highest level of service for cruise vessels, recognising their importance in the region's economy and visitor experience. Port services includes planning for each visit, marine services, security, and passenger safety.

Of note for the season, two cruise ships visited Port Nelson on the same day: the Azamara Quest, which carried over 940 passengers and crew, and the Star Breeze, a cycling cruise that carried 506.

"This is the second time Nelson has hosted two cruise vessels in one day," said Matt McDonald, GM of Operations. "Our main focus was to ensure a safe operation due to the increased activity within our Port throughout the day."

"There were also logistical challenges to overcome, including ensuring passengers returned to the correct vessel. However, the Port team's thorough planning ensured the day was successful."

The 2025FY will prioritise the future of cruises in the region. Port Nelson and the Nelson Regional Development Agency will collaborate on a regional cruise plan. Their shared goal is to attract more cruises to the area and enhance passenger experience.

#### Improved technology enhances efficiency

Over the past 12 months, the Port has focused on improving technology related to the management and utilisation of internal and external data at Port Nelson.

This included:

- A clean up of our data sources and reviewing the usability of existing reporting methods.
- Improved PowerBI dashboards that collate key business metrics from PNL's business units into a picture of monthly performance.
- Building a PNL cloud-based integration hub to exchange information with customers, either directly or via the Pelorus (supply chain visibility) platform.
- Building a platform to take new data feeds from IoT (internet of things) and other sensor-based data sources.
- Tracking the impact of continuous improvement initiatives.

A key focus for the year was to create improved dashboards in order to advance communication and internal collaboration, ultimately aiming to improve efficiency. Improved dashboards provide a consistent source of truth regarding operations and performance against key metrics and can be shared across multiple channels and sources, providing teams with greater visibility into each other's performance and the overall Port supply chain.

Establishing more sources of real-time data reporting enables quicker response times and deeper insights, such as environmental data on dust or noise, IoT data on machine performance and driver behaviour, and volume-based data for planning. This capability will be an important factor in the Port's continuous improvement drive.

Over the next 12 months, the Port will create systems to integrate with external business partners and customers, offering further opportunities to optimise processes and workflows at a larger scale.





### // Marlborough Inland Port Highlights:

- Improved container availability, turnaround and supply.
- Supply chain pressures and pinch points alleviated.
- Optimised overnight distribution to port.
- Reduce road movements and driver hours.
- Compliance processes fasttracked.
- Reducing port congestion and wait times.
- Enhanced supply chain options.
- Increased stakeholder resilience.

### Construction of Marlborough's first inland port progressing well

Significant progress is being made in the construction of Marlborough's first Inland Port, strategically located in Riverlands. This new inland port, to be operated by QuayConnect, will improve services and add value to the supply chain. It will replace the existing warehouse in Cloudy Bay Business Park which has been in use for approximately eight years.

The aim of the Inland Port is to provide easier access to warehousing and loading facilities in proximity to Marlborough's key export hub, as well as storing containers for local exporters, which will add resilience to Marlborough's supply chains. Exporters will be able to deliver loaded containers to the facility, where the containers will be transported to the relevant seaport for export.

Sustainability is a key focus in the development of the Inland Port and surrounding areas. Efforts are being made to reduce the need for truck journeys between facilities by using zero-emission electric tugs. Additionally, the facility is being built to Green Star standards, incorporating features such as rainwater capture for onsite use and electric vehicle charging stations for staff.

As of August 2024, the warehouse's main structure has been completed, and work is ongoing to complete the offices and container hardstand area. The facility is expected to be completed by mid-December 2024. A grand opening and blessing ceremony are scheduled for after completion.



#### // Customer Profile

#### Mainland Kiwi Growers

Mainland Kiwi Growers Entity is a grower cooperative that has managed the supply chain of kiwifruit for export from the Nelson region for Zespri since 2000.

During this time, Mainland Kiwi Growers has provided support to Nelson kiwifruit growers in packing, storage, and exporting kiwifruit for Zespri, while working with local grower groups on pre-harvest and post-harvest operations to enhance practices in orchards, post-harvest facilities, and the Zespri global Coolchain.

Luke McKay, Business and Supply Chain Manager, says that kiwifruit producers today face significant challenges, such as climate events that impact production. "The Boxing Day hailstorm in 2020 caused significant damage to the crops, leading to a decrease in the overall yield. Similarly, lower sunshine hours during certain seasons affect the growth and ripening of the fruit, impacting the production volume. Increasing costs are also lowering grower profitability."

Luke explains that the company's focus has been on enhancing efficiency and sustainability. "Kiwifruit producers have made significant investments in the post-harvest sector since 2020. Over 90% of the region's resources are now processed by highly automated packhouses, and 100% are stored in specialist kiwifruit cool stores." Luke says that this automation has significantly reduced labour costs and improved both onshore and offshore fruit performance to industry-leading standards.

Emerging trends in the kiwifruit industry include a focus on health and wellness, with the nutritional benefits of kiwifruit attracting consumers. Luke further explains, "High-quality fruit, characterised by excellent taste, larger piece sizes, and appealing presentation, is crucial for repeat purchases. New varieties like Zespri RubyRed are expected to attract more consumers to the category."



#### "Connection is key across the business to ensure we offer the highest levels of customer service."

The future growth trends in the kiwifruit industry in Nelson are promising. Established varieties like Hayward Green and Zespri Sungold show great potential. Zespri RubyRed orchards have also been established, with the first commercial crop expected for the 2025 harvest season.

Luke explains that the port's capacity to handle additional peak reefer throughput of more than 20% and accommodate a longer peak volume season in alignment with new variety harvest and marketing plans is crucial for growth. He also mentions that the Mainland Kiwi Growers Entity values its partnership with Port Nelson, anticipating increased capacity in the reefer terminal and more flexible conventional berths for vessels which will benefit operations.



# Our Environment

// The Port aims to be a leader in sustainable environmental management in the New Zealand port industry by "reducing our environmental impacts and pushing towards a sustainable future."



2024 Performance	2023 Actuals	2024 Target	2024 Result	
Gross reduction on FY19 scope 1 and 2 carbon emissions	14%	18%	25%	$\otimes$
Gross reduction on FY19 levels in scope 3 carbon emissions (PNL originated)	72%	85%	71%	
Port's significant noise event >89dBh & events >85dbH (at monitor)	0 & 15	0 & 8	2 & 20	
Dust events external complaints	0	0	2	
Port substance spills >10L reach harbour	0	0	1	

#### 2024 initiatives towards our 2030 goal

Build our foundations for progressing environmental impact reduction and adaptation to climate risk:

Actions included improved monitoring of physical impacts, certification through Toitū, commitment to Climate Leaders Coalition's updated statement of ambition, reporting against climate related disclosures, and raising awareness of environmental management within the team.

#### 2024 performance commentary

Reduced speed around the container terminal, plus a move away from log operations in Marlborough, along with fewer but larger log and container exchanges, led to a strong reduction in scope 1 and 2 carbon emissions. Scope 3 emissions remained flat from the previous year, with international customer engagement visits having an impact.

Noise, dust, and spill incidents were above our expectations. Actions are being undertaken in 2025 to increase assurance in these areas.

25%

Reduction in scope 1 and 2 emissions from 2019FY

### **Environmental Report**

Port Nelson continues to reduce its environmental impacts and push towards a sustainable future through various environmental and sustainability initiatives as stated in the Port's 2030 plan. The results of these initiatives are recorded in the graphs and summaries below.

#### Reduce our impact

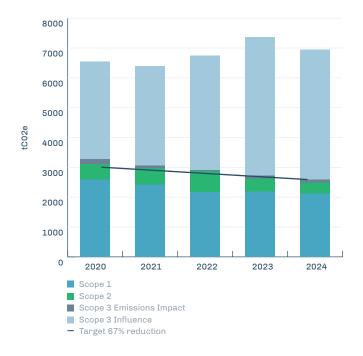
Reduce our physical and carbon impact on the environment

#### Carbon reduction

Scope 1 and 2 emissions (fuel and electricity) were down 25% on 2019FY, an increase of 10% on the previous year. The reduction is mainly due to reduced cargo levels within the Port, reduced fuel usage in port machinery through the implementation of reduced speed measures, and increased efficiency in electricity usage through initiatives such as lighting upgrades in our warehouses and light towers.

Scope 3 emissions (originated by PNL – waste, travel and accommodation) were down 71% on 2019FY.

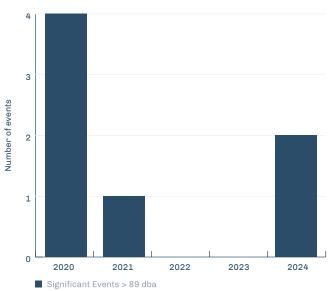
#### **Carbon Emissions**

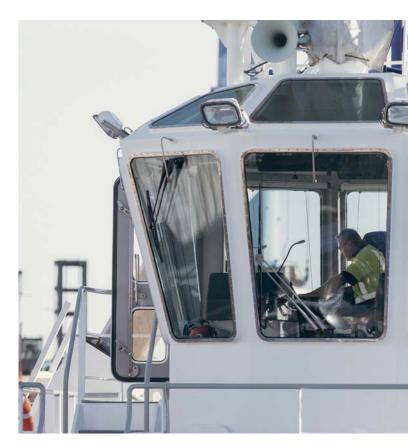


#### Noise

We were disappointed to have two significant noise events recorded this financial year. These noise events were generated by container handling operations. A review of the activities that caused the noise events has taken place, and changes in work practices have been implemented. PNL are also working with Nelson City Council to install a second noise monitor.

#### Significant Noise Events



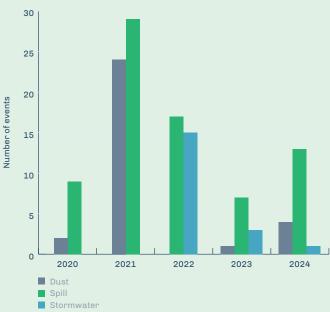




#### **Dust and Stormwater**

This year, the Port increased its focus on monitoring the impact of operations on the environment from dust, spills and stormwater. During the past year, we installed three dust monitors to monitor our emissions from log yard operations and are currently installing a stormwater monitoring system.

#### **Environmental Awareness Reports**



#### Leadership in sustainability

Engages in sustainability and climate change adaptation that also supports our people and community

#### Training and Education

Training and education for environmental and sustainability initiatives has been a focus for the year through various forms. Some examples of initiatives include:

- Bicycles provided for staff use to move around the port (outside the secure area), reducing car use.
- Information shared through company-wide newsletters.
- Recycling and food waste bins provided in lunchrooms.
- Team audits and training provided to staff.
- Community projects including volunteering with the Haulashore Island Trapping Project and Living Filters Mussel Project.

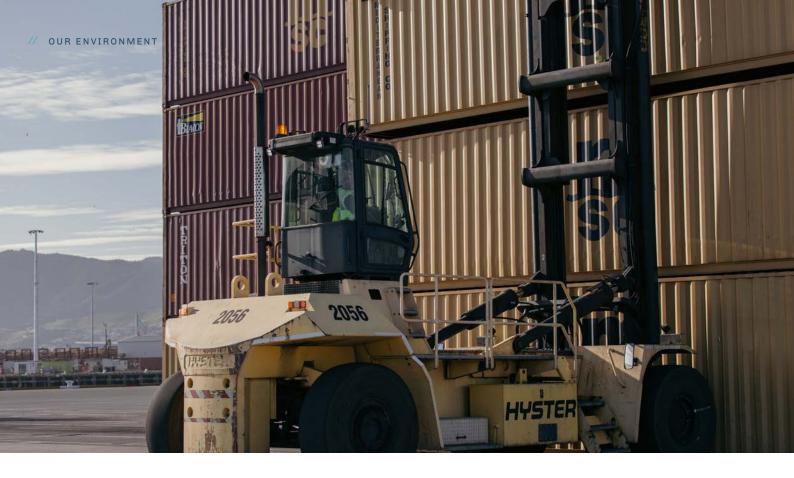
#### Operational waste reduction

Regular audits are being carried out in lunchrooms to track the progress of the measures that were put in place to separate and reduce waste following a waste audit in the 2023FY. The environmental team is also working with operational teams to implement measures aimed at increasing recycling and diverting more waste from landfill. Additionally, we are working with suppliers to reduce packaging.

#### Climate-Related Disclosure Report

This year, Port Nelson released its first Climate-Related Disclosure Report. This Report provides information and a consistent framework about how to consider climate-related risks and opportunities and their impact on our organisation and our stakeholders. This will provide an understanding of the potential financial impacts from climate change.

To view this report, go to >> portnelson.co.nz/environment.



#### Port Nelson achieves Toitū certification

This year, Port Nelson achieved Toitū carbonreduce certification, a significant milestone demonstrating the Port's effective strategy to reduce carbon emissions in line with climate science and best practice, as well as accurately measuring Greenhouse Gas Emissions (GHG).

Port Nelson, a member of the Climate Leaders Coalition (CLC), has committed to aligning with CLC's goal of limiting global warming to 1.5 degrees Celsius. In the 2024FY, Port Nelson appointed independent auditor Toitū to measure and verify emission results.

To achieve certification, Port Nelson set 2019 as its baseline year for emission measurements. In 2023, Toitū conducted an audit to verify emissions from 2019 and the goals and targets set for the 2024FY. The process took approximately 8 months to complete and involved significant data collection and verification.

Looking forward, Port Nelson plans to maintain a target reduction of 4.2% in Scope 1 and 2 carbon emissions (fuel and electricity) per year to achieve the 2035 target of 67% emissions reduction from 2019. Shannon Holroyd, Port Nelson's Environment Manager, says that a focus has been placed on reduction opportunities across Port Nelson's plant. "We have a number of initiatives in place to reduce emissions across Scope 1 and 2, including trialling hydrogen injection in our plant to reduce fuel burn and implementing equipment monitoring systems to improve equipment utilisation. We're also replacing ageing infrastructure like our cranes with electric options." In addition, Shannon

says that the Port will continue to work with suppliers and partners to collectively reduce emissions across scope 3 (emissions not controlled by PNL). Port Nelson is currently working with other New Zealand ports to develop a guideline for Scope 3 measurement and reporting.

### Hydrogen Injection trial achieving 12% fuel savings

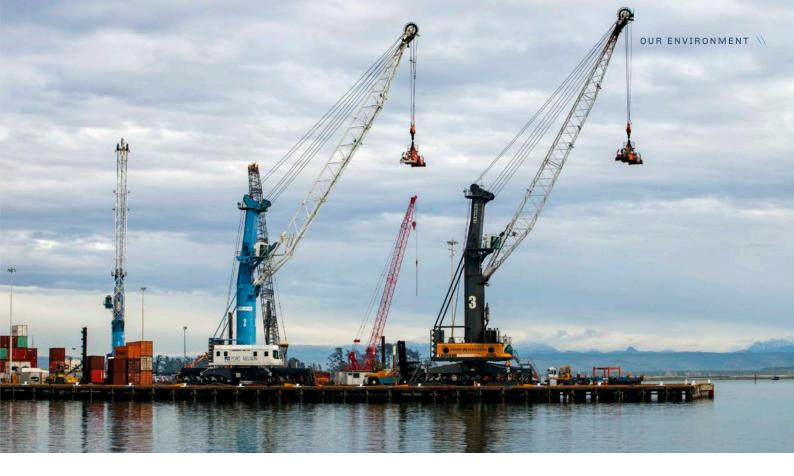
A trial to inject hydrogen into the engines on container handlers at the Port is underway to improve fuel efficiency and reduce emissions. The trial started in December 2023 and has already shown positive results, achieving a 12.3% fuel saving to date.

The trial aligns with the Port's environmental strategies to reduce carbon emissions, especially in our scope 1 emissions, by reducing fuel use.

Chris Nash, Maintenance Manager, says that hydrogen injection improves engine efficiency. "Hydrogen injection enhances combustion, allowing for leaner air-fuel ratios. This means that nitrogen oxide emissions are reduced."

The trial will run for 12 months to ensure consistency across the trial and to test the results on other equipment and parts. The trial is due for completion in December 2024.

Following the trial, successful outcomes will support the case for wider implementation across the Port's plant. Chris adds that he is pleased to see the positive fuel savings results so far and is looking forward to



"Hydrogen injection enhances combustion, allowing for leaner air-fuel ratios. This means that nitrogen oxide emissions are reduced."

planning the next phase post-trial. "Should we see similar results at the end of the trial extension, we will look to adopt this technology across our other ten container handlers and heavy equipment."

## Collaboration at the forefront for emergency response to exotic mosquitoes found at Port Nelson

Routine surveillance at Port Nelson revealed the presence of the London Underground Mosquito. The mosquito, which had not previously established itself in New Zealand, prompted an emergency response between Port Nelson, Health New Zealand, and MPI in May 2024.

Authorities were significantly concerned about the mosquito's presence due to the potential introduction of diseases and disruption of local ecosystems. In response to the discovery, Health NZ and MPI formed an Incident Management Team, with Port Nelson working closely with public health authorities to provide essential support. This support included keeping all personnel safe within the Port area, as well as providing PPE and necessary logistical and planning assistance.

Enhanced surveillance was established at the Port and surrounding neighbourhoods to understand where mosquitos were and keep them contained within the Port area. Ongoing enhanced surveillance continues into the 2025FY to ensure all mosquitoes were killed.

Alexandra Haughey, Port Nelson's Marine Operations Manager, says that a key challenge during the response was balancing day-to-day port operations to minimise any potential disruptions for our customers and the requirement of essential measures from Health New Zealand. "There was excellent collaboration from all sides to facilitate a swift and effective response. Everyone involved demonstrated flexibility with a shared commitment to ensure public safety."

Alex also mentioned that the response has provided valuable lessons, particularly in understanding mosquito habitats and the conditions that support their presence. It also enhanced the port's preparedness for future incidents through improved knowledge of emergency response systems.

# Our People

// Port Nelson is proud of its workforce and is committed to "building and keeping safe an engaged high performing team."



2024 Performance	2023 Result	2024 Target	2024 Result	
High risk events	1	<=2	2	$\otimes$
Lost time injuries (LTI) greater than 5 days off work	17	0	8	
Lost time injury frequency rate (LTIFR per 200,000 hrs)	6.99	<=2.6	4.19	
Critical risk verification reviews	44	44	44	$\otimes$
Visible safety leadership events	406	400	468	$\otimes$

#### 2024 initiatives towards our 2030 goal

#### Strengthen the Port's safety foundation:

The Port strengthened culture around: clarity, compliance and consistency along with strengthened systems for digital user interfaces; and worker engagement.

#### Strengthen the Port User Management System:

Established increased clarity, compliance and consistency around: port users, contractors and visitors.

### Strengthen the Emergency Response Plan and progress port-wide readiness:

Updated procedures and clarified consequences of events. The Port also conducted scenario testing (focusing on large seismic events).

#### 2024 performance commentary

During the 2024FY, we made significant investments and efforts in health and safety. Although we are pleased with the progress we've made on our initiatives, such as completing all recommendations from the 2023 SafePlus audit, we were disappointed to see an increase in safety-related incidents.

In 2025FY, we will continue to prioritise and focus on further improving our health, safety, and well-being culture and systems.

468
Visible Safety
Leadership Events





### Safety initiatives focus on improving safety and efficiency

A number of safety projects were initiated in the 2024FY as part of the Port's continuous improvement toward ensuring all port users are safe. The projects were important actions under the "One team for health, safety and wellbeing" 2030 strategy to ensure every port user is fully engaged and united in the continuous pursuit of improved health and safety outcomes at Port Nelson. Two of the projects have direct implications on non-PNL operators as well as PNL team members.

#### Traffic Management

This year, a traffic management project at the Port was completed to clarify traffic management procedures and rules and improve safety for all port users. A review highlighted several areas for improvement, including implementing and enforcing a new container terminal Traffic Management Plan (TMP) and establishing a dedicated Traffic Management Working Group to coordinate changes and initiatives, focusing on continuous improvement and issue resolution.

Another key action was implementing changes to the layout of the container terminal for access to Main Wharf and Brunt Quay wharves. The goal was to minimise traffic interaction, reduce incidents and provide a safer environment for users.

Collaboration was at the forefront of decisions, with the working group engaging with multiple port users to agree on the actions of the Traffic Management project and to communicate and implement the changes.

The focus for the next 12 months includes ongoing improvements to separate heavy and light traffic

further. Additionally, the Port has started trialling AI technology, specifically AI cameras, to enhance safety. AI cameras, which will be tested in high-risk areas, will analyse camera footage against health and safety best practices and rules to detect and alert when incidents occur or are about to occur.

#### Port User Management

The ongoing Port User Management project was initiated to ensure all Port Users operate safely and do not endanger themselves or others.

A review of the Port User Management Framework showed good processes for inductions, access, and general safety while in port. Identified areas of improvement included a Permit-to-Work System, a Port User Prequalification process, and effective controls for the Port's public spaces. By addressing the areas of improvement, the project aims to create a cohesive safety framework.

Good progress was made in 2024FY with the formation of the Port User Management Working Group. Actions included the rollout of a new permit system, the introduction of a Permit Planner role, and a new pre-qualification process for access to the Port.

Improvements have been made or identified in the areas of the Port that are open to the community to reduce risks to the public. This included risk assessments of all public spaces, resulting in either limiting public access in high-risk areas or implementing effective controls to reduce risks and provide hazard identification.

Over the next year, the focus will be on embedding the agreed new systems and processes into business-as-usual operations before shifting attention to other priority safety improvements.



#### // Employees highlighted their enjoyment working at Port Nelson.

### Valuable findings from employee engagement survey

The completion of Port Nelson's Engagement Survey this year saw 225 team members (78% of employees) participating.

The main objective of the employee engagement survey was to gather valuable feedback from employees regarding their experiences and perceptions of working at Port Nelson. This feedback is crucial for prioritising initiatives, addressing areas of concern, and fostering a positive and productive work environment.

The survey revealed several noteworthy findings. Employees highlighted their enjoyment at working at Port Nelson, the supportive and inclusive work environment where they feel comfortable being themselves, asking for help, and balancing work and personal life. They also expressed that health, safety, and well-being are seen as high priorities within the company, and a strong culture of mutual respect and understanding exists.

The survey also identified areas needing improvement, including performance management, improved communication processes, training, technology, and change management processes.

The focus for the 2025FY is to implement actions for both departments and the wider port to address feedback. This will include 6-month and 12-month pulse checks to review progress.

### Vessel inspection app contributing to improved safety outcomes

A vessel inspection app, Safety Culture, was introduced at Port Nelson to address safety concerns related to operational vessels at the Port.

The app was adopted to establish a registry of vessels, document onboard hazards, and facilitate easy sharing of this information with other ports. This proactive approach enables quick access to any issues identified during a vessel's previous visit, with real-time viewing of photos, making it easier to manage risks and improve safety.

The immediate benefit observed by the team has been a heightened sense of safety as a priority. The dedication of the first hour of every vessel's call to a safety inspection is a strong reminder of this new priority.

The app's implementation came with challenges. Initially, there was some resistance due to the loss of an hour from each vessel's operational window, which reduced the number of containers that could be exchanged within a single tide. The team has accepted the prioritisation of safety and the challenge to find efficiency improvements in other areas without compromising safety.

The inspection app is part of a Stevedoring Health & Safety Improvement Project designed to enhance team safety. This project includes reviewing and updating standard operating procedures for managing hazards on container vessels, updating training guides, ensuring consistent safety standards, improving Safe Working at Heights training, updating equipment, and introducing new personal protective equipment (PPE).



#### Celebrating Port Nelson's leadership

In 2026, Port Nelson will celebrate its 125th anniversary since the formation of the Nelson Harbour Board. This is a significant milestone for the Port, which has developed significantly since the first Harbour Board was given the responsibility to lead a project to put a 'Cut' through the Boulder Bank and develop the Port for the prosperity of the region.

Since 1901, Port Nelson has seen many leaders contribute to its growth and success. With the upcoming departure of the current CEO in November 2024, it is an opportune moment to reflect on the essence of leadership at Port Nelson.

Port Nelson has approximately 320 employees. All roles are encouraged to take on the position of a leader within the business. Over 80% of our people have specific leadership responsibilities. These include:

#### Operational Technical Leadership

This covers technical leaders such as Pilots,
Tugmasters, Slipmaster, Hatchperson, Mechanics
and many more across all operational departments
(Marine, Terminal Operations, Stevedoring, QuayPack
(warehousing and 3PL logistics) QuayConnect
(4PL logistics), Slipway operations, Workshop and
Maintenance, and Security).

#### Corporate Technical Leadership

This covers technical leaders, such as Health and Safety and HR Advisors, System Support roles, Finance Officers and more across People and Safety, Environment, Infrastructure, Business Systems, Finance, Property and Communications.

#### Representatives and Committees

Covering union site representatives, health and safety representatives, and connectors (wellbeing).

#### Supervisors

Supervisory roles across the whole organisation.

#### Leadership Team

Managerial roles across Marine, People and Safety, Terminal Operations, Environment, Infrastructure, Stevedoring, QuayPack, QuayConnect, Business Systems, Finance, and Communications.

#### CEO and Senior Management Team

General Managers across both operational and corporate teams, the CFO and CEO.

#### Board

Includes shareholder representatives with experience in strategy, governance, risk management, and compliance.



Three principles guide the approach to leadership at Port Nelson:

- 1. Values and culture: we will ensure that every person feels recognised, valued and respected.
- 2. Clear purpose and strategy framework: this cascades from a strong purpose statement, through to our 2030 goal, a clear definition of our stakeholders and goals for each, our 2030 Strategic Plan, and then to specific Annual Plans.
- 3. One Team: we are a diverse team, and we acknowledge that there are many perspectives at the port, and we strive to find outcomes together based on the Port's purpose and values.

In 2024 there were four key areas that the Port team worked on:

- Strengthening connection within the Leadership Team: Highlighting the importance of this broadbased team, enabling more open regular and open communication with the Senior Management Team, and supporting the growth of its members.
- Engaging Health and Safety Representatives: Formalising a quarterly Rūnanga where 30 leaders in the safety space meet to progress safety within the organisation.

- // One Team: we are a diverse team, and we acknowledge that there are many perspectives at the Port.
- Strengthening relationships with unions: Recognising the important representation role of unions. A key piece of work during the year was establishing a roster for Stevedores, which provided for a more sustainable work/life balance
- Building our knowledge on how to improve our workplace for all: Completing an engagement survey this year provided findings for leaders to identify areas of improvement to create a safe, engaged, and positive workplace.

In the 2025FY, the focus area will be on continuing to develop our team of leaders, including our supervisors, who play a key role as the link between strategy and action.

# Our Community

// The Port recognises that it is at the economic heart of the Nelson community and is vital to the ongoing economic and social welfare of Te Tauihu. We are committed to "supporting the improvement of well-being in our community."



2024 Performance	2023 Result	2024 Target	2024 Result	
Utilisation of Slipway – Calwell	84%	85% or 312 days	85%	$\otimes$
Sponsorship (% of underlying NPAT)	1.3%	>1.2%	1.8% (113,000)	$\bigcirc$
Dividend from the year \$ (% underlying NPAT)	4.0m (52%)	4.5m (50%)	4.5m (73%)	<b>⊘</b>

#### 2024 initiatives towards our 2030 goal

Commence the implementation of the iwi and Māori Partnership Plan:

The initial year of the plan was completed focused on education, raised awareness and connection.

#### 2024 performance commentary

The Port maintained its commitment to both dividends and sponsorship levels in spite of the poorer financial result. This saw the contribution as a percentage of NPAT exceed target levels.

The Calwell slipway had another busy year with strong utilisation. We look forward to an expanded operation once the Nelson Marine Precinct is fully operational.

\$4.5m

Dividend paid to our community in the year





# Port Nelson opened its gates to the community for the first time in 7 years

More than 3000 people visited Port Nelson in March 2024 for a special behind-the-scenes look at the Port's operations. Originally planned for 2020 but cancelled due to COVID-19, the event was the first time in seven years that the Port was able to provide the community and families of team members with the opportunity to tour the Port's operations.

Jessica Ammundsen, Port Nelson's Communications and Engagement Manager, says that it was a special day for the Port to connect with the community and Port team families. She said, "We're proud of what we do here at Port Nelson, and we've missed the opportunity to open up our gates and show the role the port plays for our region."

During the event, visitors were able to take a port tour, explore the container handling equipment and warehouse displays, and learn more about local community organisations that the port partners with. There was also a kids' area where they could engage with the Ministry of Inspiration's NZ Aquabots program, explore the Port history walkway, and visit McGlashen Wharf to see the marine display featuring the Port's tugs, pilot boat, and New Zealand Customs Hawk vessel.

Jessica highlighted the event as an opportunity to connect with the community on various fronts, from day-to-day operations and the many career pathway opportunities across the port to discussions about the Port's strategies for carbon reduction and future plans for Port infrastructure and assets.

#### "The highlights of the day were the two tug displays and the opportunity to walk up into the engine room of our newest crane."

"The feedback from our community was outstanding," Jessica said. "The highlights of the day were the two tug displays and the opportunity to walk up into the engine room of our newest crane."

In addition to providing an opportunity to connect with the community, the event also served as a fundraiser for New Zealand Riding for the Disabled, raising over \$2000 for the Whakatū and Richmond branches through gold coin donations.





#### Championing the Port's iwi and Māori Partnership Plan

The first year of the Port's iwi and Māori Partnership Plan focused on education and awareness within our Port Nelson whānau and on continuing to build meaningful and trusting relationships with iwi.

Focusing on growing our internal capability, the Port's wider leadership team and board participated in cultural competency training. The sessions focused on understanding our history, Te Ao Māori and Te Tiriti o Waitangi (Treaty of Waitangi).

Hugh Morrison, CEO, says that these sessions were an important part of the plan's first year. "Supporting our leadership to build their own confidence and capabilities with Te Ao Māori strengthens our collective approach to supporting Kaupapa Māori and authentically championing the Port's iwi and Māori Partnership Plan."

The Port also sought opportunities to collaborate with iwi on a regular basis. Part of this collaboration involved meaningful korero regarding the progress of the partnership plan and inviting iwi to name the Port's incoming assets. In addition, the Port invited iwi to gift a name for the Marlborough Inland Port.

The Port also supported Te Tauihu o te Waka a Maui Māori Cultural Council with Te Mana Kuratahi. The national primary school's kapa haka competition was hosted in Whakatū/Nelson in October 2023. This competition was an important Kaupapa for the Port to support in our region and also provided the opportunity for team members to experience kapa haka at a nationally significant event.

// Part of this collaboration involved meaningful korero regarding the progress of the partnership plan.

#### // Iwi and Māori Partnership Plan Strategy Overview

#### **Enhancing Leadership and Participation**

- To ensure Māori values and interests are evident in decision-making by Port Nelson.
- To improve our responsiveness and engagement with iwi partners.
- To ensure Māori voices are heard and valued by our organisation.

#### Strengthening Identity & Culture

- To strengthen the bi-cultural identity of Port Nelson.
- To encourage greater use of Te Reo me ona Tikanga across Port Nelson.
- To uphold the mana of Te Tauihu iwi in everything that we do.

#### Supporting Māori Success

- To ensure that our work supports the aspirations of Ngā Iwi o Te Tauihu.
- To meaningfully support the success of Māori within the Port and wider community.
- To ensure we are leveraging procurement opportunities and our customer engagement to support the Māori economy.
- To meaningfully align with and support the 8 intergenerational outcomes within the Te Tauihu Intergenerational Strategy.

#### **Building Capability & Confidence**

- To lift the cultural confidence and competency of Port Nelson people.
- To ensure access to learning and development opportunities for our people.
- To provision the appropriate resources to support improved cultural outcomes.







# Port Nelson contributes \$113,000 towards community sponsorship

Port Nelson's sponsorship programme is an important commitment towards supporting our local community.

In the 2024FY, the Port supported various initiatives focused on the Port's sponsorship criteria.

An overview of these initiatives is provided below.

In addition to the Ports, financial contribution, the Port provided in-kind services and materials.

- Over 90 hours of in-kind volunteering
- Over \$23,000 of materials/port assets provided in-kind



# Improving our environment and community

- PNL has a responsibility to care for the safety of the sea as it connects to the Nelson community and for the community as it connects to the sea. This responsibility translates to supporting environment and community activities related to the sea.
- Support community events and charities that strongly reflect the Port's key platforms, reach a wide audience and have an effective profile for PNL.
- » Mission to Seafarers Support of the new seafarers building
- » Cawthron Institute Seagrass Regeneration Project
- » Tasman Rugby Union Tasman Mako Support
- » Sailability Accessible sailing programme
- » Nelson Port & Transport Industry Charity Golf Day
- » Friends of Motu Mānuka / Haulashore Island
- » Sealord Marine Rescue Centre

- » Tasman Bay Guardian Trust Cable Bay Snorkelling Day
- » Te Tauihu o te Waka a Maui Māori Cultural Council
- » Nelson Yacht Club
- » Coastguard Nelson
- » Big Brothers Big Sisters
- » Blessing of the Fleet
- » Port Nelson Fisherman's Association

#### Recipient Highlight: Port Nelson Charity Golf Day

Each year, the Port's Charity Golf Day brings together the port transport, import, export, and other industries for a day of golf. The event is also an opportunity to raise funds for charity. This year, the event raised a record-breaking \$30,000 for New Zealand Riding for the Disabled (NZRDA).

The core purpose of NZRDA is to provide interaction with horses to improve health and well-being outcomes for people experiencing disability or who have specific challenges or needs. They aim to enable and support disabled people to achieve good lives, including meaningful participation in and contribution to important life activities and roles in their community. The charity was chosen as a result of a poll from our 320 team members after being put forward by a team member whose child attends.

A large number of port partners and vendors support the event through various sponsorship opportunities, including auction items, prizes, and hole sponsorships.

// PNL has a responsibility to care for the safety of the sea as it connects to the Nelson community.





#### Driving innovation and efficiency through the supply chain

- Promote connection of businesses and communities that support a top of the South Island, Te Tauihu association
- Encourage business innovation and excellence, particularly in the export sector
- Support industries that align with PNL's business growth initiatives
- » Moananui (Blue Economy Cluster)
- » Tasman Rugby Union Mako and rippa rugby school tournaments
- » Nelson Tasman Chamber of Commerce Port Nelson Export Hub
- » Marlborough Wine Show

#### Recipient Highlight: Moananui

Port Nelson is a founding partner of Moananui. Moananui aims to accelerate the growth of the 'blue economy' through developing and commercialising blue economy products, services, technology, research and capability related to the ocean, in an equitable and sustainable manner.

This year the Port contributed to Moananui through funding as well as actively participating in workshops, partner forums and partnering on the Living Filters Project.

For the Living Filters Project, Port Nelson collaborated with Cawthron Institute, MacLab and Moananui to enhance water quality in the Nelson Haven by cultivating Green Shelled Mussels off one of the Port's wharves.

The project leverages the Green-Shelled Mussels' natural filtration capabilities to enhance water quality. These mussels can impressively filter 200 litres of water per day, which significantly improves water quality.

The outcome of the six-month trial at Port Nelson is to provide a blueprint for wider use at ports around the country.



# Building and keeping safe a high-performing team

- · Support PNL staff to sustain their wellbeing
- » Port Nelson staff sponsorship fund

#### Recipient Highlight: Supporting our people

One of our staff sponsorships for the year involved providing support for Mars from our security team, who is representing New Zealand at the Waka Ama World Sprints with her team.





// Commercial success is critically important to the Port as it results in a strong dividend to our community through delivering "strong and sustained returns to our shareholders."



2024 Performance	2023 Result	2024 Target	2024 Result	
Underlying revenue	\$82.9m	\$86.1m	\$ 84.7m	0
Underlying earning before interest and taxes	\$13.9m	\$16.3m	\$12.5m	0
Underlying net profit after tax	\$7.7m	\$9.1m	\$ 6.2m	0
Underlying return on assets	2.0%	2.3%	1.53%	0
Underlying return on equity	2.8%	3.2%	2.12%	0
Gearing	20.1%	21%	21%	$\otimes$

#### 2024 initiatives towards our 2030 goal

#### Implement the Economic Profitability Plan:

Revenue improvement initiatives in conjunction with strong customer communications was pursued to identify cost savings to lift profit.

#### Complete the slipway redevelopment:

Good progress was made with the slipway redevelopment. Completion is expected in early 2025.

# Communicate the Masterplan and scope initial positioning projects:

Strong engagement with the Port team and stakeholders for feedback on the Masterplan was completed. Early actions have been identified and planned.

#### 2024 performance commentary

Revenue for the year was slightly above the previous year with lower margin activities driving the increase. This revenue quality issue, plus the lower cargo volumes, customer operation changes and operational one-offs, saw all our profit indicators below target.

A plan is in place to improve these indicators, particularly the underlying return on equity, to 5.5% by 2028FY.

\$84.7m



// Standing at 18 metres tall, the travel lift will lift vessels up to 550 tonnes. This hoist will give the operation greater flexibility and will provide the benefit of being able to lift and store multiple vessels onto our hardstand area.

# Nelson Marine Precinct redevelopment progresses

The Nelson Marine Precinct redevelopment has progressed this year, with a completion date of February 2025.

The Precinct, formerly the Nelson Slipway and Calwell Slipway, is focused on creating advanced facilities to cater to a wide variety of marine vessels. By merging the Calwell Slipway with the newly constructed berth pocket and hardstand (formerly the Nelson Slipway), the project aims to streamline operations and significantly enhance vessel maintenance services within the region. In addition, the precinct's MPI accreditation for bio-fouling on international vessels will open new markets, attracting vessels that previously may have yet to consider Nelson a viable option.

The precinct will offer comprehensive repair and maintenance services for vessels ranging from approximately 50 to 2,500 tonnes. A new travel lift, set for arrival in November 2024, will be available at the facility. It will allow the slipway operation greater flexibility and allow multiple vessels to be lifted and stored onto our hardstand area.

The project includes several environmental improvements. During construction, contaminated silts were removed from the slipway basin, dewatered, and treated. They will be used as part of the fill for the

// The precinct will offer comprehensive repair and maintenance services for vessels ranging from approximately 50 tonnes to 2,500 tonnes.

site rather than being transported to waste disposal in Christchurch. Additionally, all concrete in the demolished facility has been crushed and will also be used in the site fill, with the reinforcing steel salvaged. Furthermore, a new environmental water treatment facility will be established.

A key purpose of the precinct is to facilitate collaboration within the region's marine engineering industry. The establishment of the Nelson Marine Engineering Network is a significant step in this direction, inviting all companies currently working on the Calwell Slipway to participate in this business development opportunity. This network aims to market the precinct's vessel building, repair, and maintenance skills, ultimately increasing the number of vessels serviced at the facility and building on the region's reputation as one of the best and largest marine engineering clusters in New Zealand.

The Nelson Marine Precinct will be crucial to the marine engineering industry as it showcases the skills and expertise available in Nelson, supports the development of these skills, creates job opportunities, and contributes to the region's growth.



# Strengthening Nelson's city to sea connection

Nelson City Council's revitalisation of Nelson's waterfront includes plans to strengthen the connection between the city and the sea. One impact of this initiative involves a partnership between Port Nelson and the council through the Waterfront Development Taskforce. The taskforce is currently working to identify options for improved infrastructure and enhanced public spaces in the Haven Road and Coastal Wharf area.

The recently signed Memorandum of Understanding (MoU) between Nelson City Council and Port Nelson is a significant milestone. It reflects the commitment of both parties to work together and improve the city-to-sea connection. Port Nelson is the largest port in the top of the South Island, housing one of the largest marine engineering clusters in New Zealand and serving as Australasia's largest seafood processing port. There is much to celebrate around Nelson's Moana.

The taskforce is committed to improving access along Wakefield Quay and Haven Road, with a specific focus on the Coastal Wharf and Seafarers Memorial. This commitment ensures that residents and visitors can easily and safely reach and enjoy the waterfront. This aligns with the community's desire to create environmentally friendly access between the city and the sea. As environmental awareness increases, it is important to provide a sustainable and accessible link for the community to enjoy the waterfront.

In addition to the taskforce, Port Nelson is actively involved in initiatives to improve the city-to-sea connection. One key focus is collaborating with Moananui to develop sustainable marine-based industries and grow the Blue Economy. The Port also prioritises maintaining public access to the Coastal Berth.

// The recently signed Memorandum of Understanding (MoU) between Nelson City Council and Port Nelson is a significant milestone.





# Port Nelson invests in New Zealand's first electric mobile harbour crane

Port Nelson invested in an LHM600E mobile harbour crane this year; this will be the first in New Zealand to run on electric drive and still have the resilience to run on diesel. It will also be the first in Australasia to run on low voltage (400 volts). It is scheduled to arrive in October 2024 and stands at 52.8 meters tall, weighs 618 tons, and has an impressive reach of 13 to 61 meters. The crane is expected to have a lifespan of 15 years and is designed to enhance efficiency and reduce emissions.

The Port's cranes account for approximately 22% of its Scope 1 emissions. The ability to operate this crane in electric mode for up to 85% of the time is expected to significantly lower emissions. The electric operation mode is quieter, contributing positively to the Port's noise management efforts. For times when diesel power is needed, the crane's diesel engine room is equipped with full acoustic treatment to minimise noise impact.

// The crane is designed to perform similarly to traditional dieseldriven cranes but with the added benefits of lower emissions and reduced noise.

Operating on electricity is generally more costeffective than diesel, leading to lower operational costs in both the short and long term. The crane is designed to perform similarly to traditional diesel-driven cranes but with the added benefits of lower emissions and reduced noise.

In addition to the new crane, the Port will install an electric motor into one of its existing diesel cranes. For Port Nelson, the investment was a timely and necessary action due to the need to replace one of its old cranes. This investment aligns with the port's long-term strategy and commitment to sustainability.

# Port Nelson accelerates technological transformation

Port Nelson emphasised technology as a key priority this year. This was reflected in the advancement of a technology roadmap and the integration of a dedicated technology/business transformation function into the Senior Management team.

Operating in a complex environment with diverse technology needs, Port Nelson's technology footprint includes a wide range of solutions, from well-established embedded applications to new and evolving systems. The overall objective for the future is to create a smart, sustainable, safe, and technologically advanced port that meets the needs of stakeholders and improves performance through smart infrastructure, skilled staff, efficient processes, and well-informed decision-making.

The Port's technology roadmap is aligned with our 2030 plan, showing our commitment to continuous improvement, technological investment, and core infrastructure upgrades. The Port's goal is to drive operational excellence by benchmarking performance and optimising the use of data.

One of the biggest challenges facing the Port is managing legacy technology. These legacy systems not only hinder the ability to incorporate newer technologies into Port Nelson, but also result in additional maintenance costs, dependency on vendors, and prevent internal teams from developing new capabilities and supporting strategic goals.

Alongside advancing a technology roadmap, the Port integrated the business systems function into the Senior Management team with the announcement that the Port's Business Systems Manager, Reagan Pattison, will take on the new role of General Manager Business Transformation.

The role aims to drive business transformation based on technology improvements, ensuring that the benefits of improvements are sustained and leveraged across the business.



// Our technology roadmap is aligned with Port Nelson's 2030 plan, showing our commitment to continuous improvement, technological investment, and core infrastructure upgrades.

Reagan says that it is crucial to have the business systems function represented within the Senior Management team for better visibility, alignment with business goals, and the ability to coordinate and manage change effectively.

When asked what he is most looking forward to working on over the next 12 months, he said, "The focus will be on delivering key projects such as implementing a workforce management system and embedding a continuous improvement framework within the Port. I'm also looking forward to retiring some of our legacy systems so that we can enhance staff experience and create a more secure and adaptable technology platform."

# Governance

// Port Nelson recognises the importance of strong corporate governance in creating value for its stakeholders.



#### Paul Zealand - Chair

Paul Zealand joined the Board on 1 July 2020 and is currently a Director of IHL, Genesis Energy, Channel Infrastructure in New Zealand and Lochard Energy in Australia. Paul's prior executive experience includes Country Chairman for the Shell Companies in New Zealand and Upstream CEO for Origin Energy in Australia. Paul currently serves as Chair of the Port Nelson Board.



#### Kim Wallace

Kim Wallace is an independent director and governance consultant. She was appointed to the Port Nelson board in 2017. Additionally, Kim serves on the board of Origin Capital Partners and is Deputy Chair of AgResearch and Chair of Te Manawataki o Te Papa Limited. Previously Kim held finance executive roles in the global dairy industry including positions in New Zealand, Australia, Germany and USA. Kim is Chair of the Finance and Risk Committee



#### Jon Safey

Jon Safey is a Nelson-based Professional Director and Consultant. Jon also currently serves as an advisor to Nippon Suisan Kaisha, a 50% shareholder in the Sealord Group. Jon has had an extensive career in the export of primary products from New Zealand, starting in the Dairy sector and to date in the fishing industry. Jon is Chair of the Remuneration and Appointments Committee.



**Gerrard Wilson** 

(Ngāti Apa ki te Rā Tō, Kai Tahu)

With a professional career in commercial property, Gerrard is a Nelson-based advisor and company director that consults independently with public and private sector clients. He holds a number of professional trustee and directorships, including with Infrastructure Holdings Limited and the commercial investment company of Te Tauihu iwi, Ngāti Apa ki te Rā Tō.



Meg Matthews

(Kai Tahu)

Meg Matthews joined the board on 1 December 2021. Meg brings a background across finance, marketing, change management and HR with significant experience within the tourism sector. Meg has an indepth understanding of the Nelson Tasman regional economy through her former roles as chair at Nelson Regional Development Agency (NRDA) and Cawthron Institute.



**Guy Roper** 

Guy Roper is a professional director and consultant based in New Plymouth. He was appointed to the Port Nelson Board in September 2022. Guy was CEO of Port Taranaki until September 2021, and prior to that, held senior executive roles within the NZ Dairy Industry. He is currently a director of Fisher Funds Management Limited, a leading KiwiSaver and Fund Manager in New Zealand. Guy is a fellow of Chartered Accountants Australia and New Zealand. Guy is Chair of the Health & Safety Governance Committee.



## **Directory**

#### **Board of directors**

Paul Zealand (chair) Kim Wallace

Jon Safey

Meg Mathews

Gerrard Wilson

Guy Roper

#### Secretary

Hamish Manson

#### Senior Management

Hugh Morrison Chief Executive Officer

Hamish Manson Chief Financial Officer

Matthew McDonald General Manager Operations

Lenore Richter General Manager People and Safety Colin Devenish General Manager Environment, Infrastructure and Maintenance

Jaron McLeod General Manager QuayConnect

Reagan Pattison General Manager Business Transformation

#### **Registered Office**

8 Vickerman Street, Port Nelson, Nelson 7040, New Zealand (03) 548 2099

info@portnelson.co.nz www.portnelson.co.nz

#### **Auditor**

Ernst & Young (on behalf of the Auditor-General)

#### **Bankers**

Westpac Banking Corporation PO Box 643, Nelson 7040

### **Statutory Information**

#### **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 jointly and equally by the Nelson City Council and Tasman District Council.

On July 1 2023, the shares of Port Nelson Limited were transferred to Infrastructure Holdings Limited. Tasman District Council and Nelson City Council own and control Infrastructure Holdings Limited.

#### **Principal Activities**

During the year, Port Nelson provided marine services, including pilotage, towage, navigation aids, berths and wharves; cargo operational services including container terminal, cargo handling services and vessel slipping services; warehousing and distribution services including warehousing, supply chain and 4PL solution services and Investment Property at the port of Nelson and within the wider Nelson/Marlborough region.

#### Role of the Board

The board is appointed by the shareholders and is responsible for governance and the 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 several 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 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 three 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.

Health and Safety Governance Committee that reviews and approves the safety management plan and understands the effectiveness of the company systems and performance.

## 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), Guy Roper, Meg Matthews.

Health and Safety Governance Committee

Guy Roper (chair), Meg Matthews, Jon Safey

#### 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.

### Statutory Information (continued)

#### **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 company.

#### **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.

#### **Directors' Register of Interests**

Directors recorded the following interests in the interest register for the year ended June 30, 2024.

#### Paul Zealand

Director, Z Energy Ltd

Director, Lochard Energy Pty Ltd

Director, Genesis Energy Ltd

Director, Channel Infrastructure NZ Limited

Director, Infrastructure Holdings Limited

#### Kim Wallace

Director, Origin Capital Partners Management Limited

Deputy Chair, AgResearch Limited

Independent Consultant, Waka Kotahi-NZ Transport

Agency

Advisory Group - O'Connor Partners Ltd

Chair, Te Manawataki o Te Papa Limited

#### **Guy Roper**

Director, Rocco Holdings Limited

Director, Fisher Funds Management Limited

Director, Fisher Funds Wealth Limited

#### Jon Safey

Director, Safeone Consulting Ltd

Director, Kumon (Advisor) Nippon Suisan Kaisha Japan

Director, Australian Longline Pty Ltd

#### Gerrard Wilson

Director, Ngāti Apa Investments Ltd

Director, Kurahaupo General Partner Limited

Director, Ngāti Apa ki te Rā Tō Assets Holding

Company Ltd

Director/Shareholder, Urbis Investments Ltd

Director, Infrastructure Holdings Limited

#### Meg Matthews

Director, TVNZ

Director, Halberg Foundation

Director, Kono

Director, RealNZ Limited

Advisor, Centre for Women's Health Research,

Victoria University

Brother of M Matthews is Deputy CEO Maritime NZ

# Statutory Information (continued)

#### **Directors Remuneration**

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

Gerrard Wilson	\$41,040.00
Paul Zealand	\$79,080.00
0	240.040.00
Guy Roper	\$46,040.00
Kim Wallace	\$42,040,00
Kim wallace	\$43,040.00
Mag Matthaus	\$44.040.00
Meg Matthews	\$44,040.00
Jon Safey	\$46.040.00
John Saley	\$40,040.00
Total	\$200,000,00
าบเลา	\$299,280.00

#### **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. Any 'at risk' payments that were paid after balance date are excluded.

Remuneration Number of Employees	2024
\$100,001 to \$110,000	24
\$110,001 to \$120,000	18
\$120,001 to \$130,000	8
\$130,001 to \$140,000	3
\$140,000 to \$150,000	13
\$150,001 to \$160,000	2
\$160,001 to \$170,000	6
\$170,001 to \$180,000	2
\$180,001 to \$190,000	1
\$200,001 to \$210,000	1
\$230,001 to \$240,000	3
\$240,001 to \$250,000	1
\$250,001 to \$260,000	1
\$260,001 to \$270,000	2
\$270,001 to \$280,000	1
\$300,001 to \$310,000	1
\$550,001 to \$560,000	1
	88

Paul Zealand
Chair of Directors
For and on behalf of the board

Kim Wallace Director

# Financial Statements



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#### INDEPENDENT AUDITOR'S REPORT

# TO THE READERS OF PORT NELSON LIMITED GROUP'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

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 60 to 83, that comprise the consolidated statement of financial position as at 30 June 2024, 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 consolidated 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:
  - o its financial position as at 30 June 2024; and
  - o 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 3 September 2024. 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 consolidatead financial statements

The Board of Directors is responsible on behalf of the Group for preparing consolidated 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 consolidated financial statements, the Board of Directors is responsible on behalf of the Group for assessing the Group'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 consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

We did not evaluate the security and controls over the electronic publication of the consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated 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 in the Annual Report, but does not include the consolidated financial statements on pages 60 to 83, and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the consolidated 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.

Other than the audit, we have no relationship with, or interests in, the Group.

Bruce Loader Ernst & Young

On behalf of the Auditor-General Christchurch, New Zealand



# // Consolidated Statement of Comprehensive Income

For the year ended 30 June 2024

	Notes	2024	2023
		\$000	\$000
Revenue			
Port Operations	A1	76,208	76,344
Property	A1	6,725	7,045
Other Income	A1	980	2,391
Total Revenue		83,913	85,780
Expenses			
Employee Benefit Expenses		26,615	25,505
Other Operational and Property Expenses	A2	33,975	33,591
Earnings Before Interest, Tax, Depreciation and Amortisation		23,323	26,684
Depreciation and Amortisation		10,651	10,574
Earnings Before Interest and Tax		12,672	16,110
Net Financing Costs	АЗ	4,402	3,550
Net Profit Before Income Tax		8,270	12,560
Income Tax	A4	7,504	3,243
Net Profit After Income Tax		767	9,317
Other Comprehensive Income			
Movements in Fixed Asset Reserves		_	(81)
Movements in Hedging Reserve		(1,136)	(1,262)
Total Other Comprehensive Income/(Loss)		(1,136)	(1,343)
Total Comprehensive Income/(Loss)		(369)	7,974

# // Consolidated Statement of Changes In Equity

For the year ended 30 June 2024

	Issued Capital	Retained Earnings	Asset Revaluation Reserve	Hedging Reserve	Total Equity
	\$000	\$000	\$000	\$000	\$000
Balance at 30 June 2022	6,046	90,540	174,276	1,962	272,824
Net Profit After Income Tax	-	9,317	-	-	9,317
Other Comprehensive Income					
Movement on disposal of fixed asset	_	_	(81)	_	(81)
Changes in the fair value of cash flow hedges	_	-	_	589	589
Deferred tax impact of movement in reserves	_	_	_	540	540
Hedging reserve reclassification				(2,391)	(2,391)
Total Other Comprehensive Income/(Loss)	-	-	(81)	(1,262)	(1,343)
Total Comprehensive Income for the Year/ (Loss)	-	9,317	(81)	(1,262)	7,974
Dividends payable	_	(2,500)	_	_	(2,500)
Dividends paid	_	(1.500)	_	_	(1,500)
Balance at 30 June 2023	6,046	95,857	174,195	700	276,798
Net Profit After Income Tax	-	767	-	-	767
Other Comprehensive Income					
Changes in the fair value of cash flow hedges	_	-	_	(494)	(494)
Deferred tax impact of movement in reserves	_	_	_	238	238
Hedging reserve reclassification	_	-	_	(880)	(880)
Total Other Comprehensive Income/(Loss)	-	-	-	(1,136)	(1,136)
Total Comprehensive Income for the Year/ (Loss)	-	767	-	(1,136)	(369)
Dividends payable	_		_	_	_
Dividends paid	_	(1,500)	_	-	(1,500)
Balance at 30 June 2024	6,046	95,123	174,195	(436)	274,928

# // Consolidated Statement of Financial Position

#### As at 30 June 2024

A3 at 30 Julio 2024	Notes	2024	2023
		\$000	\$000
Current Assets			
Cash and Cash Equivalents		1,413	1,393
Trade and Other Receivables	C1	11,860	12,906
Inventories		980	893
Prepayments and Accrued Income		1,453	393
Derivatives		-	567
Total Current Assets		15,706	16,152
Non-Current Assets			
Property, Plant and Equipment	B1	338,859	318,007
Intangible Assets	B2	4,292	4,102
Investment Properties	В3	37,175	37,590
Derivatives		_	2,673
Right of Use Assets	B1	1,102	2,076
Total Non-Current Assets		381,428	364,448
Total Assets		397,134	380,600
Current Liabilities			
Trade and Other Payables	C1	17,882	4,508
Employee Benefit Entitlements	D1	3,702	3,170
Tax Payable		(241)	1,915
Dividend Payable		_	2,500
Noise Mitigation	D1	82	83
Bank Loan	C1	_	31,200
Lease Liabilities		828	1,132
Financial Derivatives		435	_
Total Current Liabilities		22,688	44,508
Non-Current Liabilities			
Employee Benefit Entitlements	D1	379	322
Deferred Tax Liability	A4	22,261	17,744
Bank Loan	C1	_	40,000
Related Party Loan	C1	76,300	_
Noise Mitigation	D1	280	285
Lease Liabilities	C1, D5	298	943
Total Non-Current Liabilities		99,518	59,294
Total Liabilities		122,206	103,802
Net Assets		274,928	276,798
Shareholders' Funds			
Issued Capital	D2	6,046	6,046
Retained Earnings		95,123	95,857
Asset Revaluation Reserve	B1	174,195	174,195
Hedging Reserve		(436)	700

Signed on behalf of the Board by:



Paul Zealand Chairman of Directors

Dellace

Kim Wallace Director

These financial statements were approved by the Board on 2 September 2024

# // Consolidated Statement of Cash Flows

#### For the year ended 30 June 2024

Tot the year chaca do cano 2024	Notes	2024	2023
		\$000	\$000
Cash Flows From Operating Activities			
Cash was provided from:			
Receipts from customers		77,354	73,649
Rent received		7,140	6,544
Interest received		67	-
		84,561	80,193
Cash was applied to:			
Payments to suppliers and employees		59,133	55,848
Interest paid		4,469	3,550
Taxes paid		4,925	3,239
Net GST paid/(received)		(572)	56
		67,955	62,693
Net Operating Cash Inflows	D3	16,606	17,500
Cash Flows From Investing Activities			
Cash was provided from:			
Sale of property, plant and equipment		44	41
Grants received		1,100	1,375
		1,144	1,416
Cash was applied to:			
Purchase of property, plant and equipment		20,299	7,104
Purchase of intangibles		419	4
Purchase of investment properties		_	4
		20,718	7,112
Net Investing Cash Inflows/(Outflows)		(19,574)	(5,697)
Cash Flows From Financing Activities			
Cash was provided from:			
Financial Derivatives		3,203	_
Loans borrowed		84,200	_
		87,403	-
Cash was applied to:			
Loans repaid		79,100	5,500
Dividend paid		4,000	4,300
Payment of lease liabilities		1,315	1,000
		84,415	10,800
Net Financing Cash Inflows	D4	2,988	(10,800)
Net Increase/(Decrease) in Cash Held		20	1,004
Cash and cash equivalents at 1 July		1,393	389
Cash at 30 June		1,413	1,393





# // Notes to the Financial Statements

#### **Reporting Entity**

The financial statements presented are for Port Nelson Limited (the Company) and its subsidiaries (Port Nelson or the Group). Port Nelson is a forprofit 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. Port Nelson's parent company is Infrastructure Holdings Limited (IHL).

Port Nelson operates in one industry and one geographical segment providing marine services including pilotage, towage, navigation aids, berths and wharves; cargo operational services including container terminal, cargo handling services and vessel slipping services; warehousing and distribution services including warehousing, supply chain and 4PL solution services and Investment Property 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 as appropriate for-profit oriented entities. 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 2 September 2024.

#### 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 or position.

#### 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

Port Nelson has applied all new and revised accounting standards and interpretations that are effective in the year. This did not result in a material impact on the financial statements.

#### **Accounting Policies**

There have been no changes in accounting policies during the financial year disclosed in the financial statements. Material 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 applying the accounting policies management are required to make estimates, assumptions and judgements. Estimates and assumptions are based on historical experience and other factors, including expectations or future events that are expected to be reasonable under the circumstances. Actual results may differ from the estimates and assumptions. 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.

#### Critical Judgements

Port Nelson has two cash-generating units (CGUs). The Port Operations CGU and Investment Property CGU.

The Port Operations CGU consists of Property, Plant and Equipment and Intangible assets. See B1 and B5 for assumptions included in the fair value of these assets.

The Property CGU consists solely of investment property. See B5 for assumptions included in the fair value of these assets.

### A. Revenue and Expenses

#### A1. Revenue

	2024	2023
	\$000	\$000
Port Operations		
Marine	12,737	12,756
Cargo Operations	38,402	40,353
Warehousing and Distribution	24,854	23,076
Gain on Sale of Assets	22	31
Lease Income	193	128
Total Port Operations	76,208	76,344
Property		
Lease Income and Licences	7,140	6,544
Fair Value Adjustment of Investment Property	(415)	501
Total Property	6,725	7,045
Other Income		
Hedging Reserve Reclassification	880	2,391
Administration Services	100	-
Total Other Income	980	2,391
Total Revenue	83,913	85,780

#### **Port Operations**

Port Nelson generates revenue by providing a number of services to vessels and associated industry. Port Nelson provides an integrated service of marine and berthage, combined with cargo operations as outlined below:

Marine services consist of pilotage, towage and access to moorings and berthage. The performance obligations are arrival, departure and berthage and revenue is recognised over time based on time elapsed since the vessel entered port (and input method). The transaction price is determined by contract and allocated to the performance obligations on a standalone basis.

Cargo operations consist of wharfage, storage and stevedoring of bulk goods. Revenue is recognised over time, from the time goods are transferred to port (an input method). The transaction price is determined by contract and allocated to only one performance obligation. Warehousing and distribution revenue is generated from 4PL logistic services, storage, transportation, container packing and unpacking of customer cargo and is a single performance obligation. Revenue is recognised over time based on the transport services provided (an output method). The transaction price is agreed per contract.

Revenue for all port operations is based on service prices specified in the relevant pricing schedule or specified customer contract, which reflect the value transferred to the customer.

#### Maturity Analysis of Operating Lease Revenue

	2024	2023
	\$000	\$000
Due within 1 year	5,926	5,948
Due between 1 to 2 years	4,831	5,550
Due between 2 to 3 years	4,092	4,557
Due between 3 to 4 years	3,422	3,833
Due between 4 to 5 years	2,596	3,165
Due over 5 years	15,107	18,481
Total Non-Cancellable Operating Lease Revenue	35,974	41,534

#### Lease revenue

Lease revenue is accounted for on a straight-line basis and payments are made in advance.

#### Future Receivables Under Operating Leases

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

#### A2. Operational and Property Expenditure

	2024	2023
	\$000	\$000
Operational		
Audit Fees	136	150
Bad Debts Written-Off	259	42
Contract Services	1,460	1,473
Donations and Sponsorship	136	120
Electricity	888	951
Freight and Transportation	15,278	15,068
Fuel	1,377	1,476
Insurance	2,976	2,631
Plant Hire	290	692
Repairs and Maintenance	5,526	5,384
Other Operating Expenses	4,605	4,094
Total Operational	32,931	32,080
Property		
Feasibility Expenditure	_	642
Insurance	414	374
Repairs and Maintenance	221	89
Other Operating Expenses	409	406
Total Property	1,044	1,511
Total Other Operational and Property Expenses	33,975	33,591

#### A3. Financing Costs

2024	2023
\$000	\$000
67	33
(4,732)	(3,583)
263	_
(4,402)	(3,550)
	\$000 67 (4,732) 263

#### Finance Revenue

Finance revenue represents interest 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.

#### A4. Taxation

	2024	2023
	\$000	\$000
Provision for Taxation		
Current Tax	2,833	4,390
Adjustment to current tax in prior periods	(84)	(205)
Deferred Tax	4,755	(942)
Tax Expense	7,504	3,243
Profit from Continuing Operations	8,272	12,560
Tax at 28%	2,316	3,515
Prior Year Adjustment	3	(140)
Non-Deductible Expenses	177	8
Non-Taxable Income	(20)	(140)
Deferred Tax Movement	5,028	_
Tax Expense	7,504	3,243

#### **Current Tax**

The income tax expense 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

2024	PP&E	Other	Total
	\$000	\$000	\$000
Opening Balance	18,483	(739)	17,744
Charged/(Credited) to Profit or Loss	4,722	33	4,755
Charged/(Credited) to Equity	-	(238)	(238)
Balance at 28%	23,205	(944)	22,261
2023	PP&E	Other	Total
	\$000	\$000	\$000
Opening Balance	19,168	58	19,226
Charged/(Credited) to Profit or Loss	(685)	(257)	(942)
Charged/(Credited) to Equity	-	(540)	(540)
Balance at 28%	18,483	(739)	17.744

#### 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 (currently 28%). 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.

#### Change in Tax Legislation

On 26 March 2024, the Government issued the Taxation (Annual Rates for 2023–24, Multinational Tax, and Remedial Matters) Bill, which includes the removal of the tax depreciation deduction for commercial buildings, with original useful lives of 50 years or longer, effective from the 2024/25 income year. As a result, the tax base of these buildings is now considered \$\text{Snil}\$. This change has resulted in an increase in deferred tax liabilities of \$5.028m. The deferred tax liabilities have been adjusted to reflect the new legislation, and the impact has been recognised in the statement of financial performance as a tax expense, with corresponding changes in the statement of financial position.

#### Imputation Credits to Shareholders

	2024	2023
	\$000	\$000
Imputation credits available to shareholders for future use	41,743	37,224

### **B.** Key Assets

#### B1. Property, Plant and Equipment

#### Fair Value of Assets

At each reporting date, Port Nelson reviews the carrying amount of port operational Property, Plant and Equipment assets, Intangible assets and Investment Property to determine whether those assets are carried at fair value. For Property Plant and Equipment, where the asset's carrying value is materially different to its fair value, a revaluation 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 Consolidated Statement of Comprehensive Income for the period in which they arise.

	Operational Land and Buildings	Property Land and Buildings	Wharves	Plant, Fittings and Equipment	Infrastruc- tural Assets	Dredging	Work in Progress	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Fair Value								
At 30 June 2022	116,891	59,396	97,300	92,603	26,420	3,652	2,144	398,406
Additions at cost	-	_	-	-	-	-	5,648	5,648
Transfers at cost	174	791	60	2,348	151	-	(3,524)	_
Disposals	-	-	-	(1,144)	_	-	_	(1,144)
At 30 June 2023	117,065	60,187	97,360	93,807	26,571	3,652	4,268	402,910
Additions at cost	-	-	-	-	_	-	30,071	30,071
Transfers at cost	47	_	1,408	3,057	-	-	(4,512)	_
Disposals	-	-	-	(5,653)	_	-	_	(5,653)
Lease Reclassification	_	(870)	_	(2,061)	_			(2,931)
At 30 June 2024	117,113	59,315	98,768	89,152	26,571	3,652	29,827	424,397
Accumulated Depreciation								
At 30 June 2023	(3,469)	(768)	(13,071)	(50,632)	(5,541)	(180)	_	(73,661)
Depreciation expense	(757)	(540)	(3,426)	(4,816)	(716)	(45)	-	(10,300)
Disposals	-	_	-	1,134	_	-	_	1,134
At 30 June 2023	(4,226)	(1,308)	(16,497)	(54,314)	(6,257)	(225)	-	(82,827)
Depreciation expense	(759)	(161)	(3,445)	(4,101)	(719)	(2)	-	(9,187)
Disposals	-	-	-	5,621	-	-	-	5,621
Lease Reclassification	-	363	-	492	_	_		855
At 30 June 2024	(4,985)	(1,106)	(19,942)	(52,301)	(6,976)	(227)	_	(85,538)
Net Book Value								
Net Book Value 30 June 2022	113,422	58,628	84,229	41,971	20,879	3,472	2,144	324,745
Net Book Value 30 June 2023	112,839	58,879	80,863	39,493	20,314	3,427	4,268	320,083
Net Book Value 30 June 2024	112,128	58,209	78,824	36,851	19,595	3,425	29,827	338,859

#### **B1**. Property, Plant and Equipment (continued)

#### Right-of-Use Assets

	2024	2023
	\$000	\$000
Opening balance	2,076	962
Additions and Transfers	268	2,055
Disposals	(7)	_
Depreciation expense	(1,235)	(941)
Closing Balance at June 30	1,102	2,076

#### Right-of-Use Assets

The right of use assets consists of log moving equipment, forklifts, property leases and ISO tanks used to transport wine and other cargoes. In 2023, for applicable leases, right of use assets are reflected in the Plant, Property and Equipment note above.

#### **Recognition and Measurement**

Property, Plant and Equipment is initially measured at cost and subsequently measured at fair value. Costs incurred subsequent to 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. Port Nelson has assessed that there has been no material difference between the fair value and carrying amount of Property, Plant and Equipment for the year ended 30 June 2024.

#### Valuation Basis

#### Choice of Valuation Technique

Port Nelson measures 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-based 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 separated into individual units. Therefore, a single valuation has been estimated.

The value is based upon cash flows and approximates the price that a willing buyer or seller would pay for the Port's combined Property, Plant and Equipment assets. The Port's Property, Plant and Equipment are all categorised as Level 3 in the fair value hierarchy.

#### Disposal

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses are included in the profit and loss. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to retained earnings. Further details on the fair value measurement are included in note B1 and B5.

Depreciation	(Years)
Plant, Furniture and Equipment	2-50
Wharves	3-67
Infrastructural Assets	3-50
Buildings	2-50
Intangible Assets	3-13

#### Depreciation

Depreciation is charged on depreciable assets on a straight-line basis over the estimated economic lives of the assets. Dredging is not amortised, apart from consents, which are amortised over their life. The cost of maintaining the dredged depth is expensed.

#### **B2.** Intangible Assets

		Work in		
	Software	<b>Progress</b>	Goodwill	Total
	\$000	\$000	\$000	\$000
Cost or Fair Value				
At 30 June 2022	3,963	1,560	1,759	7,282
Additions and	4	_	_	4
Transfers at cost	•			•
Disposals	_		_	
At 30 June 2023	3,967	1,560	1,759	7,286
Additions and	_	419	_	419
Transfers at cost				
Disposals		_		
At 30 June 2024	3,967	1,979	1,759	7,705
Accumulated				
Amortisation				
At 30 June 2022	(2,910)	-	-	(2,910)
Amortisation expense	(274)	-	_	(274)
Disposals	-	_	-	-
At 30 June 2023	(3,184)	-	-	(3,184)
Amortisation expense	(229)	-	_	(229)
Disposals	_	_	_	_
At 30 June 2024	(3,413)	_		(3,413)
Carrying Amounts				
Net book value 30				
June 2022	1,053	1,560	1,759	4,372
Net book value 30	783	1,560	1,759	4,102
June 2023				
Net Book Value 30 June 2024	553	1,979	1,759	4,292

#### **Intangible Assets**

Intangible assets are comprised of Goodwill, software, and licences. Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. The Group measures goodwill as the fair value of consideration transferred, less the net identifiable assets and liabilities assumed at that date.

Goodwill is measured at cost less accumulated impairment losses. Software and licences have finite useful lives and are measured at cost less accumulated amortisation and any accumulated impairment losses.

Development costs (including employee expenses) 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.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use. Amortisation expense is included in the depreciation and amortisation expense total disclosed in the Consolidated Statement of Comprehensive Income.

#### **B3.** Investment Property

	2024	2023
	\$000	\$000
Opening Fair Value of Investment Property	37,590	37,085
Additions/reclassifications at cost		4
Revaluations (recognised in property revenue)	(415)	501
Closing Fair Value of Investment Property	37,175	37,590

#### **Investment Property**

Investment Property is held to earn rental income and for capital appreciation and is measured at 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. Investment Properties are not depreciated.

#### Valuation Basis

Investment properties are revalued annually and were valued on 30 June 2024 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

Capital commitments at balance date are \$8.2m. This relates to the Slipway's redevelopment project (2023: \$4.1m).

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 550 tonnes. The facility will include a new environmental treatment facility, and contaminated silts will be removed from the harbour basin adjacent to the slipway. The total redevelopment project is estimated to cost \$19.9m.

#### **B5: Fair Value Measurements**

The valuation of assets requires the application of judgement and use of estimates and assumptions. The independent valuation reports for Investment property 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 is measured using an income-based approach, 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

Port Nelson has assessed that its Property, Plant and Equipment assets work together as a single unit to generate cash flows (CGU). The key premise of this assumption is that all assets within Property, Plant and Equipment are interdependent and cannot meaningfully be 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 2024, 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, 2024.

### 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 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. The sensitivity of the valuation model to cargo volumes, specifically log volumes, and discount rate, where all other inputs remain constant, is as follows:

Significant Unobservable Inputs	Sensitivity of Change	Valuation Impact
	%	\$000
Post-tax discount rate	(0.3)	18,602
	0.3	(18,602)
Log Volumes	(10)	(14,102)
	10	14,102



# **B5.** Fair Value Measurements (continued)

Asset Classification	Valuation Approach	Significant Unobservable Inputs	Range of Unobservable Inputs	Relationship of Unobservable Input to Fair Value
		Future capital expenditure	Port Nelson has used the historical capital expenditure, adjusted for known differences in asset management plans.	The higher the capital expenditure the lower the fair value.
		Discount rate	8.65% p.a	The higher the discount rate the lower the fair value
		Terminal growth rate	2.45% p.a	The higher the terminal growth rate the higher the fair value
Property, Plant and Equipment/	Discounted	Future cargo, container volumes and charges	The Port has used forecast container volumes reflecting historical levels	The higher the forecast volumes the higher the fair value.
Port	cashflow	Future ship visits and charges	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.
		Future port logistic customer numbers and warehouse utilisation	Forecast customer numbers, storage volumes and pricing, adjusted for inflation.	The higher the forecast volumes the higher the fair value.
		Operating Expenditure	The Port has used forecast operational costs reflecting historical cost ratios and trends, adjusted for inflation.	The higher the forecast cost the lower the fair value.
Investment Property –	Sales	Freehold land value per s/m	\$350 - \$854	The higher the price per s/m the higher the fair value
Land Subject to Ground Leases	comparison approach	Ground rental rate	5.35% - 5.85% p.a	The higher the rental rate versus the contract rent, the lower the fair value
Investment Property – Land Freehold	Sales comparison approach	Freehold land price per s/m	\$399 - \$549	The higher the price per s/m the higher the fair value
Investment Property –	Income	Rental per s/m	\$130 - \$207	The higher the rental per s/m the higher the fair value
Buildings Freehold	capitalisation approach	Capitalisation rate	6.25% - 7.00% p.a	The higher the 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.

#### Interest Rate Risk

#### Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate owing to changes in market interest rates. Interest on borrowings from IHL is charged at a pass-through rate equivalent to average interest rate paid on IHL debt attributed to Port Nelson. These are not accounted for at fair value and fluctuations in interest rates do not have an impact on the carrying amount of the financial instruments recognised in the statement of financial position.

#### Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. At call cash deposits and borrowings at variable interest rates expose Port Nelson to cash flow interest rate risk.

To mitigate interest rate risk, Port Nelson has completed agreements with IHL whereby IHL has entered into a series of forward start swaps in respect of its own borrowing to on-lend to Port Nelson. The swaps are in IHL's name and accounted for by IHL. The effect of the swaps is to fix the rate for a significant portion of the on-lending that IHL provides to Port Nelson. However, the remainder of Port Nelson's borrowing from IHL is at floating rate. As IHL charges Port Nelson a weighted average interest rate based on its total lending to Port Nelson, including hedging, effectively the whole IHL loan is at floating rate (albeit moderated by the hedging entered into by IHL).

#### Sensitivity Analysis

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

Interest Rate Change	Impact on Profit
	\$000
-200bp	1,551
-100bp	776
+100bp	(776)
+200bp	(1,551)

# Cashflow Hedges

On October 6, 2023, Port Nelson restructured its borrowings with Westpac, resulting in the closure of cash flow hedges with a notional value of \$49m. These hedges were closed at an average interest rate of 2.20% (30 June 2023 \$53m at an average rate of 2.3%).

## C1. Financial Instruments (continued)

#### 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 consider this risk to be not material.

## Trade and Other Receivables

	2024	2023
	\$000	\$000
Trade Receivables	11,986	12,885
Related Party Receivables	1	237
Less Provision for Expected Credit Losses	(127)	(216)
Total Trade Receivables	11,860	12,906

#### Trade and Other Receivables

Trade and Other Receivables are measured at fair value less any provision for impairment. 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 Past Due

	2023	2022
	\$000	\$000
Less than three months	2,838	3,506
Greater than three months	292	294
Total Past Due	3,130	3,800
Trade Receivables Not Past Due	8,730	9,106
Total Trade Receivables	11,860	12,906

#### Impairment of Trade Receivables

The provision for Expected Credit Loss represents impairment losses on contracts with customers. Port Nelson measures the Expected Credit Loss 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.

#### Expected Credit Loss

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 monitors 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 three forward foreign exchange contracts, AUD 328,000 expiring August 2024, EUR 5,243,700 expiring September 2024 and EUR 374,550 expiring November 2024. (2023: three forward foreign exchange contracts, totalling EUR 1,795,500).

## C1. Financial Instruments (continued)

## 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.

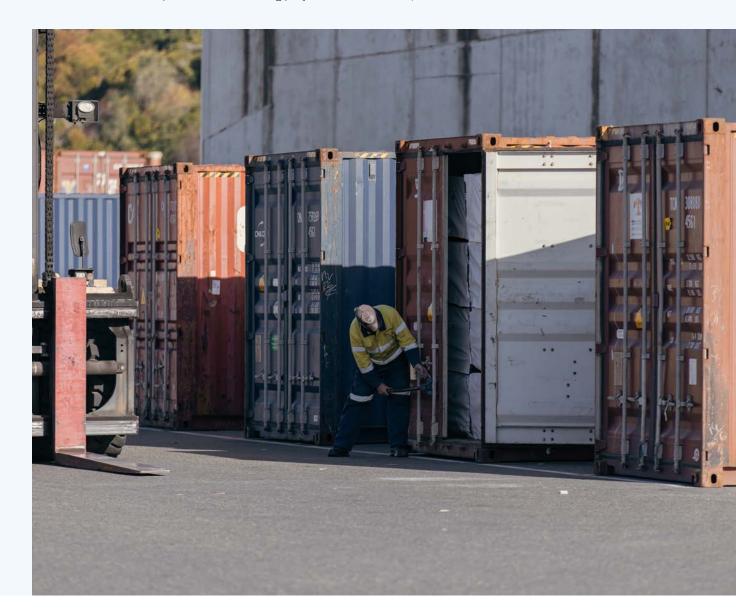
#### **Credit Facilities**

Port Nelson has access to credit facilities via its parent company Infrastructure Holdings Limited. This arrangement provides access to a working capital facility with a limit of \$11m. There was \$nil balance drawn at year end.

Non-current core debt is provided via Infrastructure Holdings Limited and is sourced from the Local Government Funding Agency (LGFA). The debt is governed by an intercompany loan agreement and is repayable on 13 months' notice. The balance owing at year end was \$76.3m.

Overall available funding, from IHL, is managed at a group level that considers the needs of Port Nelson and Nelson Airport, refer to the Infrastructure Holdings Limited financial statements for more detail.

(2023: Port Nelson had facilities with Westpac Banking Corporation. A multi-option credit facility made up of three facilities totalling \$100,000,000. of which \$71.2m was drawn at balance date. These facilities were closed as part of the refinancing project in October 2023).



## C1. Financial Instruments (continued)

## **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.

Trade and other payables are recognised at fair value on receipt of goods and services, and subsequently measured at cost using the effective interest method. Amount representing unpaid liabilities for goods and services received prior to year-end and are typically settled within 30 days. Their fair value approximates their carrying value.

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

	Weighted Average Effective Interest Rate	Due within 1 year	Due between 1 to 2 years	Due between 2 to 5 years	Total
2024	'	\$000	\$000	\$000	\$000
Borrowings	6.07%	-	76,300	-	76,300
Trade and Other Payables		17,882	-	-	17,882
Finance Lease Commitment		828	259	38	1,126
		18,710	76,559	38	95,308
2023					
Borrowings	4.45%	31,200	40,000	_	71,200
Trade and Other Payables		4,508	-	-	4,508
Finance Lease Commitment		1,132	758	185	2,075
		36,840	40,758	185	77,783

## Fair Value of Financial Derivatives

Financial instruments carried at fair value include foreign currency contracts are valued at a total liability of \$0.4m at balance date. These are considered a Level 2 valuation in the Fair Value Hierarchy defined in Note B5. The valuation of contracts Swaps is derived from closing exchange rates on the revaluation date. From these rates the mark to market is calculated to reflect the net present value of the remaining cash flow obligations. (2023: Financial Instruments included interest rate swaps valued at a total asset of \$3.266m).

### Secured Loans

Port Nelson Limited, in conjunction with Nelson Airport Limited, are party to a group funding arrangement with their parent company Infrastructure Holdings Limited. The underlying debt is sourced from the Local Government Funding Agency (LGFA) and Westpac Banking Corporation Limited. These loans are secured against the assets and undertakings of Port Nelson Limited, Nelson Airport Limited and the uncalled capital of Infrastructure Holdings Limited.

# D. Other Information

#### D1. Provisions

# **Employee Benefit Liabilities**

	2024	2023
	\$000	\$000
Accrued Pay	962	711
Annual Leave	1,932	1,734
Long Service Leave	458	411
Other Benefits	729	636
Total Employee Benefit Liabilities	4,081	3,492
Current	3,702	3,170
Non-Current	379	322
Total Employee Benefit Liabilities	4,081	3,492

#### **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**

	2024	2023
	\$000	\$000
Current	82	83
Non-Current	280	285
	362	367

### 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 of February 2012.

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.

## D2. Issued Capital

At 30 June 2024 Port Nelson has 25,415,404 (2023: 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.

On 1 July 2023 the share capital of Port Nelson was transferred from Nelson City Council and Tasman District Council to Infrastructure Holdings Limited. Nelson City Council and Tasman District Council remain the ultimate shareholders.

# D3. Reconciliation of Net Operating Cash Flows

	2024	2023
	\$000	\$000
Net Profit	767	9,317
Add non-cash items:		
Depreciation and amortisation	10,642	10,574
Net movement in deferred tax/hedging reserves	3,854	(4,000)
Appreciation of Investment Property	415	(501)
Net Noise Mitigation provision	(7)	(62)
	14,905	6,011
Add (less) movements in other working capital items:		
Trade and other receivables	1,047	(2,665)
Inventories	(86)	(186)
Prepayments and accruals	(1,060)	493
Trade and other payables	2,236	481
Current employee benefit entitlements	532	260
Current movement lease liabilities	(303)	670
Tax payable	(2,156)	1,613
	208	666
Add (less) items classified as investing or financing activities:		
Non-current movement employee benefit entitlements	57	63
Non-current movement lease liabilities	670	1,474
Net gain on sale of assets	-	(31)
	727	1,506
Net Cash Inflow From Operating Activities	16,606	17,500

# D4. Reconciliation of Financing Activities

	2024	2023
	\$000	\$000
Cash Movements		
Movement in borrowings	5,100	(5,500)
Financial Derivatives	3,203	-
Dividend paid	(4,000)	(4,300)
Payment of lease liabilities	(1,315)	(1,000)
Net Cash Inflow From Financing Activities	2,988	(10,800)

# D5. Lease Liability

# **Lease Liability**

	2024	2023
	\$000	\$000
Opening Lease Liability	2,075	930
Additions	249	2,029
Disposals	(6)	-
Interest	123	116
Payments	(1,315)	(1,000)
Closing Lease Liability	1,126	2,075
Current	828	1132
Non-Current	298	943
Total Lease Liability	1,126	2,075
Amounts Recognised in Profit and Loss		
Depreciation on right of use asset	1,235	941
Finance Cost	123	116
Short term and low value	647	435

#### Leases as a Lessee

Port Nelson has recognised right of use assets and lease liabilities using a straight-line basis over the lease term.

The lease term is the period during which the lease cannot be terminated, along with any options to extend the lease. A judgement has been made to assess the likelihood of exercising any rights of renewal for each individual lease. Short-term (less than 12 months), and low value leases are recognised directly in the profit and loss.



## D6. Related Party Transactions

		2024	2023
		\$000	\$000
Nelson City Council	Services Provided by Port Nelson	31	240
	Services Provided to Port Nelson	1,206	1,051
	Accounts Receivable by Port Nelson	0	2
	Accounts Payable by Port Nelson	70	37
	Dividends Payable by Port Nelson	_	1,250
	Dividends Paid by Port Nelson	_	2,150
Tasman District Council	Services Provided by Port Nelson	_	209
	Dividends Payable by Port Nelson	_	1,250
	Dividends paid by Port Nelson	_	2,150
Infrastructure Holdings Limited	Services Provided by Port Nelson	100	235
	Services Provided to Port Nelson	150	_
	Accounts Receivable by Port Nelson	1	_
	Accounts Payable by Port Nelson	387	_
	Interest Paid by Port Nelson	3,652	_
	Loans Payable by Port Nelson	76,300	_
	Dividends Paid by Port Nelson	1,500	_
Nelmac Limited	Services Provided to Port Nelson	34	31
	Accounts Payable by Port Nelson	2	_

Nelson City Council and Tasman District Council jointly own Port Nelson.

Nelmac and Infrastructure Holdings are 100% owned by Nelson City Council and are therefore a related party.

### Directors and Key Management Personnel

The Key Management Personnel comprise, the Chief Executive Officer, and their direct reports, who hold the highest authority in shaping the company's strategic direction and overseeing its management. The 2024 year includes the appointment of an independent director to the board of Nelson Marine Precinct Limited.

Throughout the year, the Group engaged in transactions with companies that share common directorships.

## Details of compensation paid to Key Management Personnel and Directors during the financial year

		2024	2023
		\$000	\$000
Directors	Salaries and Other Short-Term Benefits	315	271
Key Management Personnel	Salaries and Other Short-Term Benefits	2,123	1,688

# D7. Contingent Assets and Liabilities

There are no contingent liabilities at 30 June 2024. (2023: Port Nelson was a party to an investigation following an incident in January 2023. There was potential for charges to be filed against Port Nelson – These costs have since been recognised in the financial statements). There are no contingent assets at 30 June 2024, (2023: \$nil).

## D8. Events After Balance Date

There were no significant events after balance date.

