

Six Month Report to Shareholders

(UNAUDITED)

FOR THE PERIOD ENDING 31 DECEMBER 2021



nelmac

ENHANCING OUR ENVIRONMENT

1.0 Commentary

Nelmac has achieved a half-year result of \$105k profit before tax, compared with last year's half-year result of \$437k. The main contributors to this reduction in profit compared with last year are the COVID lockdown in August 2021, as well as the delay in divesting the refuse business.

As at 31 December, Nelmac were forecasting to overcome this deficit and still meet their SOI Target of \$1.05m. This outlook has changed because of the Omicron outbreak, with the ranging possibilities of the pandemics impact on Nelmac creating uncertainty to our forward guidance.

As a result, Nelmac have revised their Full Year profit guidance to \$700k before tax, compared with the SOI target of \$1.05m.

Despite the Financial challenges, the first six months has been a continuation of some of the progress made over the last two years.

Achievements include:

- Finalising the sale of our Refuse business
- Key appointments to SLT (People Development and Commercial Division Leaders)
- ISO Health & Safety and Quality reaccreditation
- Values workshops with all staff
- Continued success in the tender market, particularly for Tracks, Conservation and Landscape Construction

Challenges:

- The delay in selling the Refuse business to Smart Environmental and the significant reduction in price due to the Commerce Commission decision.
- Tasman Operational restructuring as a result of the recreational contract
- Overall resourcing challenges as a result of the current labour market
- Unknown disruption and impact due to Omnicron in August 2021 and outbreak in February/March 2022.

1.1 Strategic Summary

Nelmac's overarching goal can be summarised as Kaitiakitanga, which for Nelmac means the guardianship, protection, care and upkeep of our stakeholders' natural and built environments.

Our Vision is to enhance New Zealand's environment for community wellbeing. Our Mission is to work with Kaitiaki of natural and built environments, providing expertise from advice to delivery. We will continue to develop and grow our iwi engagement strategy, to build stronger relationships and unlock opportunities for Nelmac growth and for iwi participation.

To achieve our Vision, Mission and Objectives below, Nelmac lives by the following Values:

- We are one team
- We have a positive impact
- We strive to do things differently
- We do as we say
- Relentless pursuit of zero harm

Nelmac's Strategic Objectives are to:

- Improve Our Core Business
- Deliver Sustainably
- Protect & Develop our People
- Enhance our Environment



2.0 Performance Measures

Objective Area	Goal	Measure	Timeframe
Quality of Service	Maintain A/NZS ISO 9001 Quality Accreditation	ISO 9001 Accredited	June 2022
	Understand and strive to improve customer satisfaction	Undertake customer satisfaction surveys (alternate years for all Customers vs NCC only Surveys)	
		2021/22 - Customer Satisfaction Survey for all Nelmac Customers - improving on 2019/20 score of 5.53 out of 7	June 2022
		2022/23 - Pulse Survey for NCC Contract Managers improving on Net Promoter Score of -27	June 2023
Sustainability and Community	Enhance the sustainability plan to incorporate climate change responsiveness	Risk resilience, mitigation and adoption strategies included in sustainability plan	June 2022
		Carbon emissions included in annual report and compared against 2020 baseline (normalised against revenue)	June 2022
	Reporting of planned initiatives and impact on reducing carbon emissions	Reduce carbon emission compared with 2021 (normalised against revenue) 2020 = 33g per \$ Revenue - 2021 = TBC	June 2022
	Reduced carbon emissions year on year (adjusted for COVID)	25% carbon reduction compared to 2020 (normalised against revenue) 2020 = 33g per \$ Revenue 2025 Target = 25g per \$ Revenue	June 2025
	Support community organisations/initiatives	Financial or in-kind contributions equivalent to 5% of net profit after tax	June 2022
People and Safety	Employee Turnover comparable to industry average	Employee Turnover within 5% of the national industry average	June 2022
		TRIFR reduction from 12% to under 10%	June 2022
	Reduce average TRIFR	ISO 45001 accredited	June 2022
	Maintain ISO 45001 accreditation for health & safety		
Non-shareholder Business	Profitable growth in non-NCC work	Profitable year on year growth in non-NCC work from 2020 to 2021	June 2022
Equity Ratios	Return on Equity is at or above industry benchmarks	EBIT Return on Equity	June 2022
	Bank Debt to Equity Ratio within acceptable risk tolerance	Bank Debt to Equity Ratio at or below 55%	June 2022

3.0 Statement of Performance

STATEMENT OF FINANCIAL PERFORMANCE		
Actual for the six months to	31 Dec 2021	31 Dec 2020
NCC Revenue	11,832,742	11,577,126
Non NCC Revenue	9,011,685	9,114,857
Total Revenue	20,844,427	20,691,983
Operating expenditure	20,739,788	20,254,976
Profit Before Subvention Payments & Tax	104,639	437,000



4.0 Position

STATEMENT OF FINANCIAL POSITION		
	31 Dec 2021	31 Dec 2020
Equity		
Share Capital	2,000,000	2,000,000
Retained Earnings	7,479,783	7,387,592
Asset Revaluation	1,080,000	1,080,000
Total Equity	10,559,783	10,467,592
Represented by		
Current Assets	7,115,745	6,285,906
Less Current Liabilities	8,195,216	4,959,813
Working Capital	-1,079,471	1,326,093
Fixed Assets & Investments	12,047,927	11,715,938
Right to use Assets	1,005,975	400,040
Provision for Deferred Taxation	71,427	101,620
Less Term Bank Debt	494,419	2,677,347
Less Lease Liabilities	991,656	398,752
Net Assets	10,559,783	10,467,592

5.0 Cash

STATEMENT OF MOVEMENT IN CASH		
Actual for the six months to	31 Dec 2021	31 Dec 2020
Net Cashflows from Operating Activities	1,188,547	1,893,000
Net Cashflows for Investing Activities	- 680,264	-1,182,000
Net Cashflows from Financing Activities		
Cash provided from / (applied to) Borrowings	-91,317	-187,000
Cash applied to Dividends paid	-	-
Net Movement in Funds	416,966	524,000
Plus Opening Cash	1,317,683	656,000
Closing Cash Balance	1,734,649	1,180,000



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