



SIX MONTH REPORT TO SHAREHOLDERS

(UNAUDITED)

FOR THE PERIOD ENDING 31 DECEMBER 2020

1.0 COMMENTARY ON THE RESULTS

Nelmac has achieved a half-year result of \$437k profit before tax, compared with last year's half-year result of \$110k. This result has contributed to an increase to the Full Year forecast of \$952k compared with the Statement of Intent (SOI) target of \$800k (before any proceeds from the Refuse Divestment). The first six months has been a continuation of some of the progress made in the second half of last Financial Year.

Along with the improving Financial Results, there have been some wider achievements that continue to position Nelmac well for future success:

- Progress on the Refuse Divestiture
- Creation of our new Commercial Division
- ISO Quality reaccreditation
- Addition of 4 Electric Vehicles
- Further fleet initiatives including Smartrak and quarterly Carbon reporting

Challenges:

- Nursery continues to underperform. A refreshed nursery strategy and forward sales plan is in progress
- Weighing current capex needs against future uncertainty of Platform Contracts
- Tasman Operational improvements are being embedded along with supporting technology

Our Full Year guidance has improved from our previous SOI Forecast (excluding the Refuse divestment), which positions us well to achieve our SOI targets.

1.1 FUTURE DIRECTION & STRATEGIC FOCUS

Nelmac's overarching purpose 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:

- Protect Our Core Business
- Improve Sustainability
- Protect & Develop our People
- Enhance our Environment
- Grow and Diversify our Customer Base

Sustainability in Focus

Nelmac remains committed to advancing our corporate sustainability. We have developed a Sustainability Plan, setting 9 commitments with mid-term priorities, activities and targets. One of our key commitments is to reduce carbon emissions. We have measured our carbon foot-print through EKOS for the 2019/2020 FY and set a carbon emissions reduction target of 25% by 2025 (Normalised against revenue)

The sustainability plan includes the company's commitment to Climate Change Responsiveness addressing the drivers and impacts of climate change.

Over the last 6 months, we have been advancing each of our 9 sustainability goals, some examples include:

- Reducing our fuel related emissions (which account for approx. 95% of our total emissions) by transitioning to a lower-carbon and more fuel-efficient fleet, our EV fleet currently includes 4 Nissan Leafs, 1 Van and 2 hybrid cars (1 being plugin)
- Reducing our use of chemicals by seeking alternative approaches
- Showing leadership in sustainability and assisting clients to assess and identify sustainability opportunities and risks, including climate mitigation, adaptation or resilience.
- Providing financial or in-kind support to community organizations/initiatives, particularly aimed at improving biodiversity
- Improving sustainability in the workplace through implementation of new policies (e.g. work from home policy) and initiatives (e.g. new awards for environment, sustainability and culture).

2.0 PERFORMANCE MEASURES

Objective Area	Purpose	Measure	Achieved Traffic Light Green Yellow Red
Quality of Service	Maintain A/NZS ISO 9001 Quality Accreditation	ISO 9001 Accredited	On Track
	Improve on 2019 Pulse survey	Exceed score of 4.16	Scheduled
	Improve on 2020 Net promoter score in FY 2022	Exceed score from 2020	On Track
Sustainability and Community	Enhance the sustainability plan to incorporate climate change responsiveness	Risk resilience, mitigation and adaption strategies included in sustainability plan	On Track
	Reporting of planned initiatives and impact on reducing carbon emissions	Carbon emissions included in annual report and compared against 2020 baseline	On Track
	Reduced carbon emissions year on year (adjusted for COVID)	Reduce carbon emission compared with 2020	Uncertain due to increasing business volumes
		25% carbon reduction compared to 2020	Uncertain due to increasing business volumes
	Support community organisations/ initiatives	Financial or in-kind contributions equivalent to 5% of net profit after tax	On Track
People and Safety	Employee Turnover comparable to industry average	Employee Turnover within 5% of the national industry average	On Track
	Reduce average TRIFR	TRIFR reduction from 12% to under 10%	On Track
	Maintain ISO 45001 accreditation for health & safety	ISO 45001 accredited	On Track
Non-shareholder business	Profitable growth in non-NCC work	Profitable year on year growth in non-NCC work from 2020 to 2021	Uncertain due to changing customer demand due to Covid
Equity ratios	Return on Equity is at or above industry benchmarks	EBIT Return on Equity	On Track
	Bank Debt to Equity Ratio within acceptable risk tolerance	Bank Debt to Equity Ratio at or below 55%	On Track

3.0 STATEMENT OF FINANCIAL PERFORMANCE

Actual for the Six months at	31-Dec-2020	31-Dec-2019
	(NZD)	(NZD)
NCC Revenue	11,577,126	9,424,398
Non-NCC Revenue	9,114,857	10,094,176
Total Revenue	20,691,983	19,518,574
Operating Expenditure	20,254,976	19,408,385
Profit Before Subvention Payments & Tax	437,007	110,189

4.0 STATEMENT OF FINANCIAL POSITION

Actual for the Six months at	31-Dec-2020	31-Dec-2019
	(NZD)	(NZD)
Equity		
Share Capital	2,000,000	2,000,000
Retained Earnings	8,589,954	6,594,825
TOTAL EQUITY	10,589,954	8,594,825
Represented by:		
Current Assets	6,285,906	5,274,050
Less Current Liabilities	4,837,451	4,219,972
Working Capital	1,448,455	1,054,078
Fixed Assets & Investments	11,715,938	10,097,323
Right to Use Assets	400,040	350,000
Provision for Deferred Taxation	101,620	(9,477)
Less Term Bank Debt	2,677,347	2,672,100
Less Lease Liabilities	398,752	350,000
Net Assets	10,589,954	8,594,825

5.0 STATEMENT OF MOVEMENT IN CASHFLOW

Actual for the Six months at	31-Dec-2020	31-Dec-2019
Net Cashflows from Operating Activities	1,893,000	818,497
Net Cashflows from Investing Activities	(1,182,000)	(401,495)
Net Cashflows from Financing Activities		
Cash was provided/(applied) from Borrowings	(187,000)	(322,700)
Cash was applied to Dividends paid	0	0
Net Movement in Funds	524,000	94,302
Plus Opening Cash	656,000	18,989
Closing Cash Balance	1,181,000	113,291