PrimePort
TIMARU

Annual Report 2009

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CHAIRMAN AND CHIEF EXECUTIVE'S REVIEW 2008/2009

OVERVIEW

In the last eighteen months PrimePort has faced challenging times. The recent post balance date announcement by Fonterra to transfer the shipping of most of their Clandeboye production through Lyttelton will be another significant test for the viability of the container operation.

FONTERRA ANNOUNCEMENT

We first comment on the announcement in late August 2009 by Fonterra to divert the majority of their production from the Regions to distant Ports. This announcement represents a sudden change in Fonterra's prevailing long term strategy to link their plants with nearby Ports. It is clearly a disappointing move in a strong relationship that had its inception over 50 years ago. Last year the Clandeboye plant within 30km of Timaru produced the most product of any single plant in the world, closely followed by Whareroa in Taranaki. However in both cases this product will now be rail freighted from these Regions. The recent acquisition by Government of the NZ rail system and subsequent investment will facilitate this outcome to the detriment of our Regions. It will also transfer significant freight from sea to land. It is possible that short term financial gains may be achieved, but in the long term we believe it will create dependencies for exporters that will not be in their best interest. It will diminish options, and increase cost.

The impact for PrimePort will be a reduction of 40% of its total container throughput. The operational viability of this part of the business will therefore be challenged and the Port is immediately embarking on a restructure programme. However it should also be remembered that the South Canterbury Region is in a strong position with excellent growth prospects that extend well beyond milk products. South Canterbury is the centre of a significant and diverse range of agriculture and food exports that we expect will be the first to rebound in international markets. The support from existing shipping lines continues to be strong, but these changes will demand further review on their part. The Board and management are immediately committed to restructuring the business to respond to these changes, but further review can be anticipated as shipping lines also react to this new strategy imposed by Fonterra. The intention is to retain a strong container facility and focus on the opportunities that such changes bring, but we also recognise the need to continue to review. We anticipate another challenging year ahead with significant volatility.

These issues reflect on the container trade only. The breakbulk trade through PrimePort is strong and multi faceted – a reflection of Timaru's ideal situation in the centre of the South Island, a strong infrastructure and significant property portfolio. The breakbulk trades do not receive the same profile by commentators as the container industry, but remain the backbone of our business.

THE YEAR IN REVIEW

Even before the Fonterra announcement, the previous year had been a dynamic one, following the decision in the previous year by all four container liner services to withdraw or reduce their ship calls to Timaru. The shipping industry has had to compete in a market where 18 months ago fuel and charter rates were at all time highs followed soon after by a collapse in the financial markets and world trade. Timaru confronted such changes and it was positive to see some decisions reversed to retain strong shipping links to the Port. Container throughput at 61,000teu was still 25% down on last year but better than envisaged 12 months before.

The Maersk/Hamburg Sud OC1/Trident service calls weekly, Tasman Orient (now Swire Shipping) visit on average fortnightly, and other customers continue to call regularly. A recent announcement by the TAG (Tasman Arabian Gulf) service to terminate the monthly breakbulk timber trade to the Arabian Gulf, was disappointing, but given the strong support by local exporters a replacement service appears realistic.

Bulk trade volumes also remained solid. Timaru's central South Island location was well recognised with new storage investment and a significant increase in throughput of Palm Kernel. Prospects for growth are also anticipated from LFO (Light Fuel Oil) with the completion of a new installation by Shell. Holcim cement are now working through a final business case and we hope within the next 12 months that they will be in a position to commit to a new plant which would bring a significant volume of cement through the Port. Overall this year 791,000 tonnes of break bulk was loaded out, which is a reduction of 9% from the previous year, made up of less logs and no grain shipment but offset by a large increase in palm kernel volumes .

Overall PrimePort Timaru exchanged 1.4 million tonnes of cargo across the wharves, a 15% decrease on the previous year.

The arrival of our second tug 'Aoraki' was celebrated and settled into its work well. Having this new tug with its capabilities gives us a solid platform to service vessels over future decades. PrimePort remains the only Port with offshore salvage and rescue capability with both tugs registered for coastal or international operation. The sheet piling of the North Mole was also completed to budget. This work increased the potential berth depth and extended the length of the North Mole to 475m.

Port operational revenue decreased to $17.6 million from $19.9 million last year linked directly to the decreased trade.

Property revenue increased $440,000 to $2.4 million reflecting strong market support as rents were reviewed. Port investment property revaluations also increased by $454,000 similar to last year's amount of $497,000.

A contingent liability is disclosed in the accounts for a sum of $862,000 which relates to a dispute with one customer.

The Debt to Equity ratio of 14% remains at a low levels. This increased from last years 6% as forecasted. The increase principally related to the purchase of the second tug and sheetpiling work.

Shareholder funds remained at similar levels. The profits reflected above were offset by a reduction in reserves mainly related to operational land property revaluation which decreased. We maintain a net asset backing of $6.50 per share.

FINANCIAL

We report a 2009 net profit before tax and investment property revaluations of $1,815,000, versus $2,168,000 in 2008. After tax profit of $1,713,000 was down on last year's profit of $2,104,000.

Port operational revenue decreased from $19.9 million to $17.6 million in 2008 because of the reduced cargo. Net cash flows from operating activities also decreased from $6 million to $3.5 for the same reason.

In line with reduced revenue, expenses decreased over the period by $1.8 million. Staff costs reduced after restructuring and less trade. Port operating expenses were also reduced as a result of less trade. Storm damage that occurred in July 2008 impacted on dredging costs which totaled $1,446,000 during the 2009 year versus $1,120,000 in the 2008 year.

Financing costs at $720,000 were up 6% from last year, as a result of higher average level of borrowings throughout the year. The closing Statement of Financial Performance for the year sees PrimePort with a debt to equity ratio of 14% compared to 6% in the previous year.

Shareholder funds reduced by $160,000 but remain at levels close to $65.5 million. No dividend has been approved from the 2008/09 earnings, reflecting diminished prospects in the short term for operating profits.

MARKETING

PrimePort remains the most ideally situated South Island connection for a logistics import / export transport hub. New Zealand's largest area of irrigated land is within 100kms of PrimePort and is continuing to be developed with significant prospects on the horizon. The Port is adjacent to the biggest dairy processing plant in the world, close to two new independent dairy plants plus another that is seeking initial consents. The Port is also closest to 5 export meat processing plants, 2 major vegetable processors and 3 export fishing companies who are on our door step. The potential for further export and import cargo is significant. PrimePort has 20 hectares of bare land which is available to third party developers for storage, distribution or processing facilities.

We receive a weekly direct service to East Coast USA and Europe plus links to Asia and other global destinations via transshipment from the combined Maersk / Hamburg Sud service.

Tasman Orient Line (Swires) after restructuring, call fortnightly providing the South Island with the only specialist break-bulk and container service into the markets of Asia via direct and link connections. Further changes have enhanced this service to include a direct connect to Australia.

The PCL / PANZ breakbulk service to the Arabian Gulf that was showing steady growth, stopped calling in February replaced by competition from Swires who introduced their TAG service. This was subsequently withdrawn, but given the strong support by local exporters a replacement service appears likely.

There were significant increases in the volumes of palm kernel imported into Timaru. This is used as stock feed for our diverse agriculture region. PrimePort is ideally positioned to continue to participate in this developing trade after the development of large storage complexes for this sector.

Bulk liquid and logs performed well this year and there were still good volumes for fertiliser. The fishing industry continues to provide a stable throughput with a strong commitment to PrimePort. This support by the fishing industry is also reflected in the investment by Shell NZ to introduce LFO to Timaru. This facility is now functioning with a strong take up already evident.

Holcim Cement remains committed to PrimePort as the key link for distribution from the proposed new production facility at Weston near Oamaru. A final commitment to construct the Plant is not expected for some time and remains dependent on a final business plan that is to be signed off by Holcim, Switzerland. A strong relationship has been built with Holcim and this project would clearly provide an ideal long term partnership for the Port.

Primeport will continue to work closely with existing and prospective customers in the Region. A new Business Development Manager has recently been appointed to the senior management team to support these partnerships.

PRIMEPORT OPERATIONS

SHIPS

The gross registered vessel tonnage at 3.5 million GRT was down 32% on last year as a result of Maersk and Hamburg combining their service. Ship numbers were also down to 327, of which 81% were piloted. Last year we saw 389 vessels of which 85% were piloted.

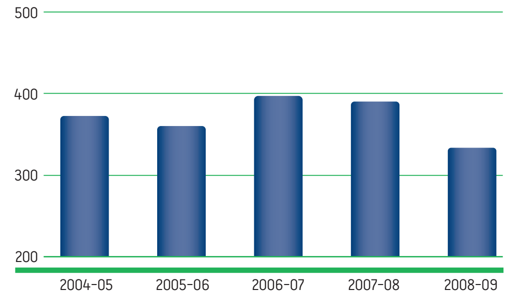
CARGO

Non-containerised cargo handled through the Port in 2009 was the equivalent of 791,000 tonnes, 79,000 tonnes less than the previous year. The decrease relates to no grain shipment during the year.

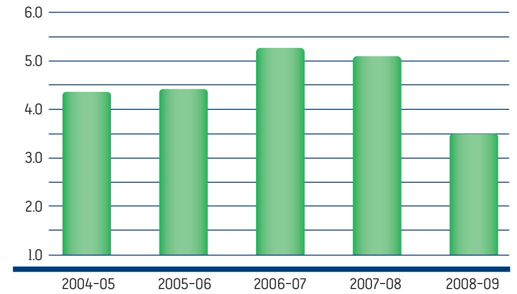
Containers handled through the Port in 2009 decreased from 80,100 TEUs to 60,100.

The combined cargo tonnage across the wharves was 1,394,000. The pie charts and cargo graphs shows our key cargo statistics for the year.

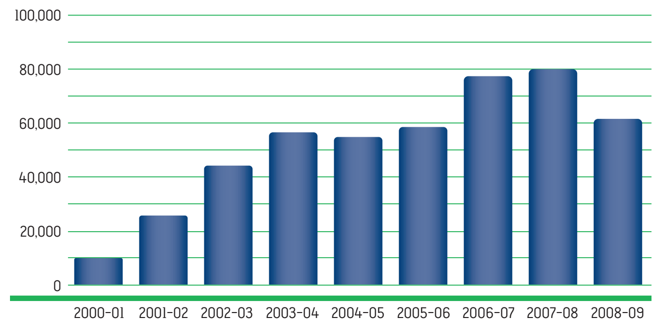
SHIP NUMBERS



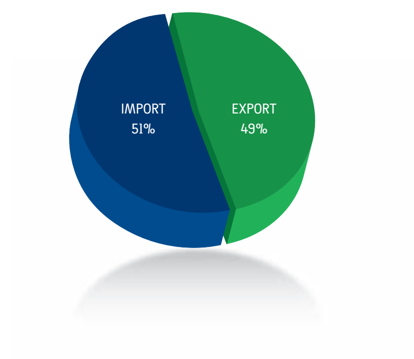
GROSS REGISTERED TONNES (MILLIONS)



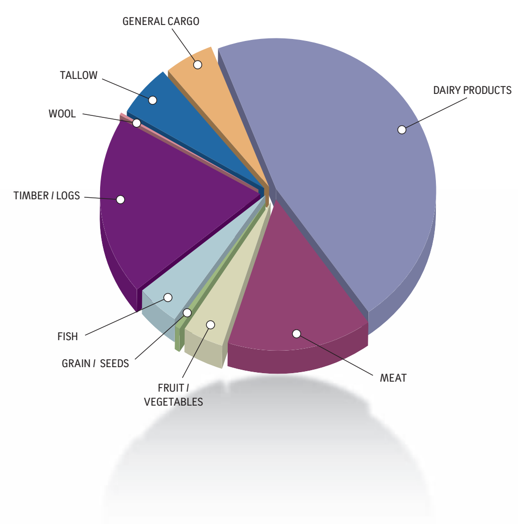
CONTAINER VOLUME (TEU'S)



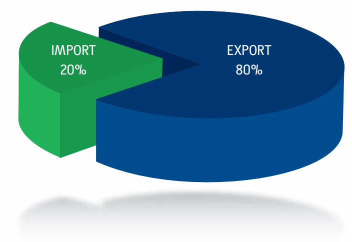
2009 TOTAL CARGO MIX (TONNES)



2009 EXPORT CARGO MIX



2009 CONTAINER CARGO MIX (TONNES)



CAPITAL DEVELOPMENT

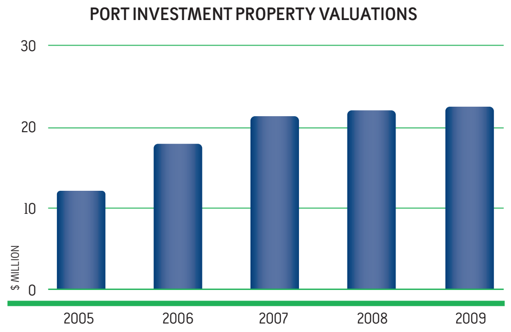
Capital expenditure totaled $7.3 million. The new tug 'Aoraki' arrived in Timaru in October. The sheet piling programme for the North Mole was completed and a new forklift was purchased. These were all commitments from the previous year.
A cautionary approach was adopted for other capital spending in the current financial year.

PROPERTY

All land was revalued with an overall decrease in property value of $1,138,000. This reflects a $1.592 million decrease in operational land value offset by a $454,000 increase in investment property value. The outcome follows similar movements to last year..
The total investment property is now valued at $23.8 million, including $2.1 million for buildings.

The Investment property valuation graph illustrates this net growth of property values for the Port investment property over the past 5 years.

Property revaluation reserves included in equity amounts to $36.9 million, contributing $3.69 per share to net asset value.



OUR PEOPLE

In what was a particularly difficult year the company is indebted to the commitment and dedication of our staff, who dealt with the issues they were confronted with in an effective and efficient way. It was with regret that a restructure had to be implemented that saw 30 experienced staff with many years service leave the Port. The operational teams however have continued to take pride in delivering efficient and effective services to customers, both on and off the wharf.

Recent announcements by Fonterra will impose further reviews which again are very disappointing, but does not detract from the high regard that staff are held.

To all staff, thank you, we appreciated your professionalism and dedication to the job to over the past year, especially given these difficult conditions.

DIRECTORS

Messrs Roger Gower and Sid McAuley both retire by rotation at the Annual General Meeting. They have been re-nominated by Timaru District Holdings Ltd for a further term.

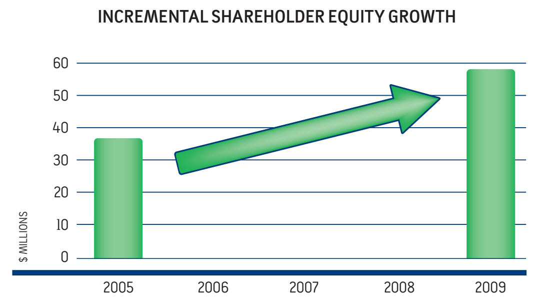
PRIMEPORT SHAREHOLDERS

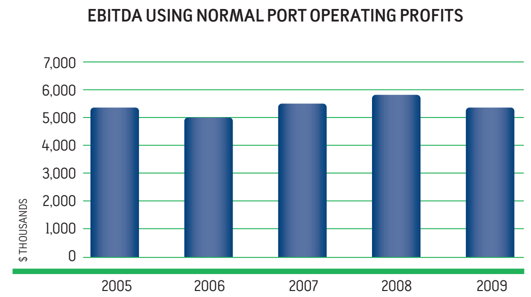
There have been no changes in shareholding during the year. The company continues to work closely with its shareholders in the development of its business and acknowledges their support.

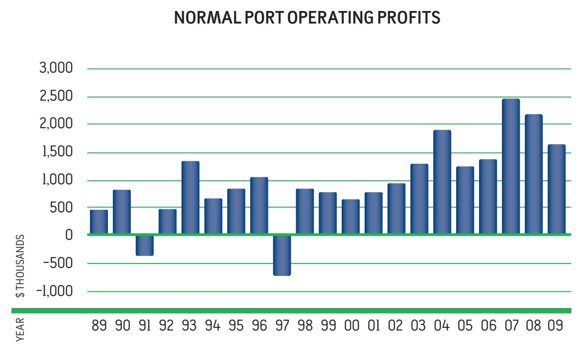
Shareholding equity equates to a 78% growth over the last 5 years. This is an average of 12.1% annually over that period. The graph shows incremental shareholding equity growth over that period.

Earnings before interest, tax, depreciation and amortisation (EBITDA) shows a steady trend over the past five years over $5.5 million.

The normal port operating profit since port deregulation shows the trend in profitability over the past 25 years. We are still performing relatively better than we have in the past.







2009/2010 OUTLOOK

All Ports are being confronted by the vacillations of a world market in turmoil. Most shipping lines have lost significant revenue and they have been forced to lay up ships, withdraw services or consolidate by vessel sharing arrangements. In the New Zealand container sector, capacity has been drastically reduced, with a greater imbalance of export cargo.

Commentators continue to promote larger ships and hubbing to one or two Ports for containers, but with the geographic profile and cargo distribution of New Zealand this is a concept that needs to be challenged. For New Zealand the logic of bringing ships to the cargo remains. The total transport spend for road and rail in New Zealand will remain significant even before growth or options for rationalizing Ports begin to be considered. We continue to promote the need to link discussion on all transport modes together, and debate is needed on the comparative benefit of investment in road and rail especially given the ready capacity for growth within the entire Port industry. There is no question that unwarranted investment in rail will lead to the detriment of Regional Ports and more importantly it is likely to create logistic dependencies and increase the cost and long term risk to the exporter.

The recent announcement by Fonterra will clearly precipitate actions before these issues are fully debated. The immediate impact on the regions of South Canterbury, Taranaki and to a lesser extent Otago will be significant and difficult to reverse. We are not convinced that in the longer term the exporter will achieve cost savings or improved service, as other dependencies are increased. The return on investment in rail from a total New Zealand perspective is yet to be proved.

PrimePort has a long history of challenge and will not act precipitously. With ongoing support of our shipping lines we will retain a container terminal that provides excellent service from an ideal position in the central South Island. It would be imprudent however to continue without recognising the difficult commercial constraints on the container part of the business and clearly this will be the subject to ongoing review.

In a wider context, we believe that the Primary Produce sector of New Zealand is well placed to rebound early from the international downturn. Export growth in the South Island continues. We expect the related imports in the bulk trades such as fertiliser and feed to rebound as well in the relative short term. These are core trades of PrimePort's business and help strengthen a positive long term out look.

The bulk trade is strong with ongoing prospects. The recent completion of a light fuel oils facility in Timaru will give further support to the fishing industry, and we remain positive that within a year Holcim will be in a position to commit to the Weston cement facility that will bring significant volume through the Port.

We remain committed to positive relationships with all key stakeholders. An important priority in moving forward is securing additional trade, focusing on these relationships and being able to provide a flexible and efficient service.

Sid McAuley
CHAIRMAN

Jeremy Boys
CHIEF EXECUTIVE

PRIMEPORT TIMARU LTD FOR THE YEAR ENDED 30 JUNE 2009

STATEMENT OF FINANCIAL PERFORMANCE

	NOTE	2009 $000	2008 $000
REVENUE			
Port operational		17,628	19,912
Property rentals	22	2,398	1,956
Bad debt recovered		–	3
Surplus on disposal of operational fixed assets		109	390
		20,135	**22,261**
EXPENDITURE			
Staff	25	5,549	7,492
Port operating	20	5,772	6,234
Depreciation	7	3,288	3,134
Finance		720	678
Dredging	7	1,446	1,120
Directors		152	152
Operating leases		1,306	1,199
Audit services – Audit		47	44
– Other		–	3
Bad debts incurred		20	18
Doubtful debts		20	18
Donations		–	1
		18,320	**20,093**
Profit before taxation and port investment property valuations		**1,815**	**2,168**
Port investment property revaluations	8	454	497
Taxation	2	(556)	(561)
Profit after taxation attributable to equity holders	3	**1,713**	**2,104**

STATEMENT OF CHANGES IN EQUITY

	NOTE	2009 $000	2008 $000
Equity at the beginning of the year		65,658	65,371
Profit after taxation attributable to equity holders	4	1,713	2,104
Movement in reserves	5	(1,873)	(1,417)
Total recognised income & reserves for the year		**(160)**	**687**
Distributions to shareholders	6	–	(400)
Equity at the end of the year		**65,498**	**65,658**

The accompanying policies and notes form part of and should be read in conjunction with these financial statements.

PRIMEPORT TIMARU LTD AS AT 30 JUNE 2009

STATEMENT OF FINANCIAL POSITION

	NOTE	2009 $000	2008 $000
EQUITY			
Issued shares	6	10,000	10,000
Retained earnings	4	40,734	39,021
Revaluation reserve	5	14,764	16,637
TOTAL EQUITY		**65,498**	**65,658**
REPRESENTED BY LONG TERM ASSETS			
Operational fixed assets	7	51,100	43,884
Operational fixed assets under construction	18	43	4,412
Port related investment properties	8	23,820	23,366
Total long term assets		**74,963**	**71,662**
CURRENT ASSETS			
Cash and cash equivalents		1,046	62
Trade and other receivables	10	2,294	2,019
Inventory	20	281	271
Total current assets		**3,621**	**2,352**
TOTAL ASSETS		**78,584**	**74,014**
TERM LIABILITIES			
Money market loans	11+12	**9,000**	**4,250**
Deferred taxation	2	**306**	**192**
CURRENT LIABILITIES			
Trade and other payables	14	2,568	2,202
Employee entitlements	15	987	1,558
Tax payable		225	154
Total current liabilities		**3,780**	**3,914**
TOTAL LIABILITIES		**13,086**	**8,356**
NET ASSETS		**65,498**	**65,658**

The accompanying policies and notes form part of and should be read in conjunction with these financial statements.

For and on behalf of the
Board of Directors.
25 August 2009

S G McAuley
Chairman

JMW Rolleston
Director

STATEMENT OF CASH FLOWS

	NOTE	2009 $000	2008 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Sources			
Cash received from customers		19,948	22,171
Disbursements			
Payments to suppliers		7,400	7,106
Payments to employees		6,171	6,909
Net GST paid		180	(277)
Income tax and subvention payments		250	599
Interest on borrowing		706	689
Dredging		1,735	1,120
		16,442	16,146
Net cash from operating activities	3	**3,506**	**6,025**
CASH FLOWS FROM INVESTING ACTIVITIES			
Sources			
Proceeds from disposal of fixed assets		100	1,295
Disbursements			
Purchase of fixed assets		7,372	4,954
Net cash used in investing activities		**(7,272)**	**(3,659)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Sources			
Loans raised		4,750	-
Disbursements			
Loans repaid		-	1,950
Dividends paid		-	400
		-	2,350
Net cash used in financing activities		**4,750**	**(2,350)**
NET INCREASE/(DECREASE) IN CASH		**984**	**16**
Opening cash and cash equivalents balances		62	46
CLOSING CASH AND CASH EQUIVALENTS BALANCES		**1,046**	**62**
Represented by			
Cash and cash equivalents		1,046	62

The accompanying policies and notes form part of and should be read in conjunction with these financial statements.

1. STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

PrimePort Timaru Limited is a company registered under the New Zealand Companies Act 1993. PrimePort Timaru Limited and its non-trading subsidiaries which are all 100% owned are domiciled in New Zealand.

STATEMENT OF COMPLIANCE

The financial statements and group financial statements of PrimePort Timaru Limited are prepared in accordance with the Financial Reporting Act 1993, the Companies Act 1993 and with New Zealand equivalents to International Accounting Standards. PrimePort Timaru Limited is a Port Company within the provisions of the Port Companies Act 1988.

The company is a profit-orientated entity. The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice. They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. Compliance with NZ IFRS ensures that the financial standards also comply with International Financial Reporting Standards.

These financial statements of PrimePort Timaru Limited are for the year ended 30 June 2009. The financial statements were authorised for issue by the Board on 25 August 2009.

MEASUREMENT BASE

The financial statements are presented in New Zealand dollars. The accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on a historical cost basis are followed by the group, with the exception that the following assets and liabilities are stated at their fair value: derivative financial instruments, investment property, financial instruments held for trading, and operational land. Non-current assets held for sale are valued at the lower of carrying amount and fair value less costs to sell.

USE OF ESTIMATES & JUDGEMENTS

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period on which the estimate is revised and in any future periods affected. Our key assumptions are outlined in the following accounting policies.

SPECIFIC ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

A: BASIS OF CONSOLIDATION

The financial statements are for PrimePort Timaru Limited. The financial statements show no investment in subsidiaries as no share capital has been issued for the non-trading subsidiaries.

B: OPERATIONAL PROPERTY, PLANT AND EQUIPMENT

Except for land and capital dredging all owned items of property, plant and equipment are initially recorded at cost less depreciation and impairment losses. Initial cost includes the purchase consideration and those costs directly attributable in bringing the asset to the location and condition necessary for its intended use. Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future benefits or service potential will flow and the cost of the item can be measured reliably. Costs cease to be capitalised when substantially all the activities necessary to bring an asset to the location and condition for its intended use are complete.

Operational land is stated at valuation as determined annually. The basis of valuation is fair value as determined by an independent registered valuer. Any increase in value of land is recognised directly in equity unless it offsets a previous decrease in value recognised in the statement of financial performance, in which case it is recognised in the statement of financial performance. A decrease in value relating to land is recognised directly in equity unless it exceeds the increase previously recognised in equity in which case it is recognised in the statement of financial performance.

C: DEPRECIATION

Depreciation is calculated on a straight line basis to allocate the cost of an asset, less any residual value, over its useful life. The estimated useful lives of property, plant and equipment are as follows:

Land	Indefinite
Foreshore, sidings and breakwaters	Indefinite
Capital dredging	Indefinite
Wharves	20 - 50 years
Floating plant	10 - 15 years
Buildings and roading	20 - 50 years
Plant, machinery and equipment	2 - 25 years

D: PORT RELATED INVESTMENT PROPERTIES

Land and buildings held to earn rental income or for capital appreciation or both are deemed port related investment property. This includes land held for a currently undetermined use that is not owner-occupied property or for short term sale.

Port related investment property is valued at the end of each financial year. Valuation is at fair value as determined by an independent valuer. They are recorded at valuation and are not subject to annual depreciation. Variation in the value is recorded in the statement of financial performance.

E: DREDGING

Dredging expenditure is categorised into maintenance dredging and capital dredging.

Maintenance dredging is expenditure incurred to restore the channel to a previous condition and depth. On average the Port dredges the channel every 10 months. At the completion of maintenance dredging the channel has an average service potential of 10 months. Maintenance dredging expenditure is capitalised and amortised evenly over this period.

Capital dredging is expenditure which deepens or extends either the channel or the swing basin. This expenditure is not amortised as our maintenance programme ensures that channel and swing basin depth remains at dredged levels.

All dredging is reviewed for impairment when it is felt by management that events occurring may have diminished the depth of any previous dredging.

F: TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method less any provision for impairment.

G: NON-CURRENT ASSETS INTENDED FOR SALE

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction within the next financial year. Non current assets held for sale are valued at the lower of carrying amount and fair value less costs to sell.

Any impairment losses for write-downs of non-current assets held for sale are recognised in the statement of financial performance. Non-current assets held for sale are not depreciated or amortised while they are classified as held for sale.

H: INVENTORY

All inventory on hand is recorded at cost price, less any impairment losses.

I: TAXATION

Taxation comprises current tax and deferred tax.

Current taxation is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using rates that have been enacted at balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences. Deferred tax liabilities are generally recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised.

Current tax and deferred tax is charged or credited to the statement of financial performance except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

J: FOREIGN CURRENCIES

Transactions in foreign currencies are converted at the New Zealand rate of exchange ruling at the date of the transaction. Transactions covered by foreign currency forward exchange contracts are measured and reported at the forward rates specified in those contracts.

At balance date foreign monetary assets and liabilities are translated at the closing rate, and exchange variations arising from these translations are included in the statement of financial performance.

K: FINANCIAL INSTRUMENTS

The group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from its activities. Derivative financial instruments are stated at fair value. The gain or loss on re-measurement to fair value is recognised in the statement of financial performance. However, where the derivatives qualify for hedge accounting, any change in fair value is recognised in the Balance Sheet (see accounting policy 'o')

The fair value of interest derivatives is based on market factors the issuer believes to be relevant and in accordance with their policies. The fair value of forward exchange derivatives is their present value of the quoted forward price.

Non-derivative financial instruments comprise bank deposits (m), receivables and prepayments (f), borrowings (r), and accounts payable (t). Financial assets and liabilities are measured in accordance with their respective policies identified in parenthesis.

Financial instruments are recognised once the group becomes a party to the contractual provisions of the instrument. Financial instruments are derecognised once the contractual rights expire or are transferred to another party without retaining control or substantially all risks or rewards associated with the instruments. Fair values are determined at balance date when required.

L: GOODS AND SERVICES TAX (GST)

All items in the financial statements are exclusive of GST, with the exception of receivables and payables, which are stated as GST inclusive. Where GST is not recoverable as an input tax, it is recognised as part of the related asset or expense.

M: STATEMENT OF CASH FLOWS

Cash and cash equivalents includes cash in hand, funds within our cheque account, deposits held on call with banks, and bank overdrafts.

Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment and investments.

Financing activities are those activities that result in changes in the size and composition of the capital structure of PrimePort Timaru Limited. This includes both equity and debt. Dividends paid are included in financing activities. Loans raised and paid are netted off when they are part of the roll over of money market borrowings covered in the group's long-term finance facilities.

Operating activities includes all transactions and other events that are not investing or financing.

GST component of operating activities reflects the net GST paid and received with the Inland Revenue Department. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

N: EMPLOYEE ENTITLEMENTS

Provision is made in respect of the Company's liability for annual leave, long service leave and sick leave. The key leave provisions have been calculated on an actual entitlement basis at current rates of pay. Long service leave accrued for but not yet earned and sick leave provisions have been estimated based on management assumptions of expected tenure of employment for long service and estimated sick days taken over normal entitlements for sick leave. Obligations for contributions to Kiwisaver and superannuation schemes are recognised as an expense in the statement of financial performance as incurred. All employer contributions made are to defined contribution schemes.

O: HEDGING

Where a derivative financial instrument is designated as a cash flow hedge that is a hedge of the exposure to variability in cash flows that is (i) attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecast transaction and (ii) could affect profit or loss, the effective part of any movement in fair value is recognised directly in equity. When the forecasted transaction subsequently results in a non-financial asset or liability the associated gains or losses are included in the carrying value of the non-financial asset or liability. If the hedge subsequently results in a financial asset or liability the associated gains or losses are reclassified into the statement of financial performance in the same period.

P: IMPAIRMENT

The carrying amount of the groups assets are reviewed each balance date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated. If the estimated recoverable amount of an asset is less than its carrying amount, the asset is written down to its estimated recoverable amount and an impairment loss is recognised in the statement of financial performance.

Estimated recoverable amount of receivables is calculated as the present value of estimated cash flows discounted at their original effective interest rate. Receivables with short duration are not discounted. Other assets estimated recoverable amount is the greater of fair value less costs to sell and value in use. Value in use is determined by estimating future cash flows from the use and ultimate disposal of the asset and discounting these to their present value using a pre-tax discount rate that reflects current market rates and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Impairment losses are reversed when there is a change in the estimates used to determine the recoverable amount.

Q: DIVIDENDS

Dividends are recognised as a liability in the period in which they are declared.

R: INTEREST BEARING BORROWINGS

Interest-bearing borrowings are recognised initially at fair value less any transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised costs with any difference between cost and redemption value being recognised in the statement of financial performance over the period of the borrowings on an effective interest rate.
All borrowing costs are recognised as an expense in the period in which they are incurred.

S: PROVISIONS

A provision is recognised when the company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market rates and where appropriate, the risks specific to the liability.

T: TRADE AND OTHER PAYABLES

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

U: REVENUE

Revenue from the rendering of services is recognised in the income statement at the stage of completion of transactions at balance date. Revenue from sale of goods is recognised when ownership is transferred.

Rental and sub-lease revenue are deemed as operating leases. Revenue from these is recognised on a straight line basis over the term of the lease.

No revenue is recognised if there are significant uncertainties regarding recovery of consideration due.

V: EXPENSES

Operating lease payments are recognised in the statement of financial performance on a straight line basis over the term of the lease.

All borrowing costs are recognised as an expense in the period they are incurred using the effective interest rate method.

W: LEASES

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset. Financial leases are recognised as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum base payments. The amount recognised as an asset is depreciated over its useful life.

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line based over the term.

X: CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash in hand, funds within our cheque account, deposits held at call with banks, and bank overdrafts.

CHANGES IN ACCOUNTING POLICIES

All policies have been applied on a consistent basis with the previous year.

2. TAXATION

	2009 $000	2008 $000
Profit before taxation and port investment property valuations	1,815	2,168
Port investment property revaluations	454	497
Profit before taxation	2,269	2,665
Prima facie taxation at 30% (2008 33%)	681	879
Plus/(Less) taxation effect of:		
Non-taxable income	(124)	(207)
Deferred tax effect of tax rate change to 30%	-	(27)
Prior period adjustment	(1)	(84)
	556	**561**
The taxation charge is represented by:		
Current taxation	329	843
Current tax recognised in equity	120	82
Deferred taxation	114	(356)
Prior period adjustment	(7)	(8)
	556	**561**

	LONG TERM ASSETS	EMPLOYEE ENTITLEMENTS	OTHER	TOTAL
Deferred tax liability				
Balance at 1 July 2007	**(853)**	**221**	**84**	**(548)**
Charge to income	379	(12)	(11)	356
Charge to equity	-	-	-	-
Balance at 30 June 2008	**(474)**	**209**	**73**	**(192)**
Charge to income	(127)	(2)	15	(114)
Charge to equity	-	-	-	-
Balance at 30 June 2009	**(601)**	**207**	**88**	**(306)**

	2009 $000	2008 $000
Imputation credit account		
Opening balance	3,488	3,086
Tax paid	249	599
Imputation credits attached to dividends paid	-	(197)
	3,737	**3,488**

3. RECONCILIATION OF CASH FLOW WITH OPERATING SURPLUS

	2009 $000	2008 $000
Profit after taxation	1,713	2,104
Depreciation	3,288	3,134
Investment property revaluation	(454)	(497)
Movements in deferred tax	114	(356)
Movements in deferred tax - hedging impact on reserves	121	82
Surplus on disposal of fixed assets	(109)	(390)
Dredging amortisation	(289)	-
	4,384	**4,077**
Working capital movements		
(Increase) / Decrease in accounts receivable	(275)	605
(Increase) / Decrease in inventory	(10)	22
Increase / (Decrease) in trade and other payables	(664)	1,085
Increase / (Decrease) in tax payable	71	236
Net cash flow from operating activities	**3,506**	**6,025**

4. RETAINED EARNINGS

Opening balance	39,021	37,317
Profit after tax	1,713	2,104
Less dividends paid	-	(400)
Closing balance	**40,734**	**39,021**

5. RESERVES

Opening balance	16,637	18,054
Operational land	(1,592)	(1,231)
Financial instrument hedging	(281)	(186)
Closing balance	**14,764**	**16,637**
Reserves are represented by:		
Operational land	15,236	16,828
Financial instrument hedging	(674)	(273)
Tax effect of hedging	202	82
	14,764	**16,637**

6. PAID IN SHARE CAPITAL

The company has on issue 10,000,000 (2008 10,000,000) fully paid shares. All shares have equal voting rights and share equally in dividends and any distribution. No dividend was paid during this financial year. In the previous year an ordinary dividend of 4.0 cents per share was paid. These dividends were all fully imputed.

7. OPERATIONAL FIXED ASSETS

2009	PLANT AND EQUIPMENT	FREEHOLD BUILDING	WHARVES	BREAKWATER/ CHANNEL	IMPROVEMENTS TO LAND	FREEHOLD LAND AT VALUATION	TOTAL
Balance as at 1 July 2008							
At fair value						18,098	18,098
At cost	26,424	3,400	9,014	4,612	1,148		44,598
Accumulated depreciation	(14,978)	(951)	(2,371)	(299)	(213)		(18,812)
	11,446	**2,449**	**6,643**	**4,313**	**935**	**18,098**	**43,884**
Additions	7,878	23	3,907				11,808
Dredging				1,735			1,735
Revaluation						(1,592)	(1,592)
Disposal- cost	(6)						(6)
Disposal- accumulated depreciation	5						5
Dredging expenses				(1,446)			(1,446)
Depreciation expenses	(2,603)	(109)	(512)		(64)		(3,288)
Movement to 30 June 2009	**5,274**	**(86)**	**3,395**	**289**	**(64)**	**(1,592)**	**7,216**
Balance as at 30 June 2009						16,506	16,506
At fair value	34,296	3,423	12,921	4,901	1,148		56,689
At cost	(17,576)	(1,060)	(2,883)	(299)	(277)		(22,095)
Accumulated depreciation	**16,720**	**2,363**	**10,038**	**4,602**	**871**	**16,506**	**51,100**

Comparatives for 2008	PLANT AND EQUIPMENT	FREEHOLD BUILDING	WHARVES	BREAKWATER/ CHANNEL	IMPROVEMENTS TO LAND	FREEHOLD LAND AT VALUATION	TOTAL
Balance as at 1 July 2007							
At fair value						19,329	19,329
At cost	31,624	3,184	8,269	3,952	929		47,958
Accumulated depreciation	(17,042)	(850)	(2,054)	(299)	(156)		(20,401)
	14,582	**2,334**	**6,215**	**3,653**	**773**	**19,329**	**46,886**
Additions	419	216	745		219		1,599
Dredging				1,780			1,780
Revaluation						(1,231)	(1,231)
Disposal- cost	(5,619)						(5,619)
Disposal- accumulated depreciation	4,723						4,723
Dredging expenses				(1,120)			(1,120)
Depreciation expenses	(2,659)	(101)	(317)		(57)		(3,134)
Movement to 30 June 2008	**(3,136)**	**115**	**428**	**660**	**162**	**(1,231)**	**(3,002)**
Balance as at 30 June 2008							
At fair value						18,098	18,098
At cost	26,424	3,400	9,014	4,612	1,148		44,598
Accumulated depreciation	(14,978)	(951)	(2,371)	(299)	(213)		(18,812)
	11,446	**2,449**	**6,643**	**4,313**	**935**	**18,098**	**43,884**

Land held by the company has been independently valued as at 30 June for the 2009 financial year by GR Sellars FNZIV, FNZPI, a registered valuer with Fright Aubrey Limited . The valuation is based on fair value which is equivalent to freehold land value.

Operational fixed assets, other than land, which form part of the Port infrastructure are stated at cost or at the value they were acquired from the Timaru Harbour Board in 1988. The carrying amount that would have been recognised had the assets been carried under the cost model for freehold land is $1,270,000.

There were no impairment losses during the year.

There are no operational fixed assets where title is restricted.

8. PORT RELATED INVESTMENT PROPERTIES

	2009 $000	2008 $000
Opening balance	23,366	22,869
Revaluation	454	497
Closing balance	**23,820**	**23,366**
Investment Properties are represented by:		
Land at valuation	21,706	21,394
Building at valuation	2,114	1,972
	23,820	**23,366**

Investment property held by the Company was independently valued as at 30 June for the 2009 financial year by GR Sellars FNZIV, FNZPI, a registered valuer with Fright Aubrey Limited. The valuation is based on fair value. The valuations have been completed by an experienced valuer with extensive market knowledge in the types of investment property owned by PrimePort Timaru Limited.

Where property is leased as land and buildings generally on short lease terms , the property has been valued at freehold land value. Where land is subject to a ground lease, the property has been valued at the lessor's interest in the land.

There are no investment properties where title is restricted. There are no current contractual obligations to purchase, construct or develop investment property. There are also no current contractual obligations for repairs, maintenance or enhancements to any investment property.

9. INVESTMENTS IN SUBSIDIARIES

All subsidiaries are non trading, and have no assets and liabilities.

10. TRADE AND OTHER RECEIVABLES

	2009	2008
Trade debtors	2,187	1,893
Prepayments	107	126
	2,294	**2,019**

Trade debtors are shown net of impairment losses arising from the likely non payment of a small number of customers.
As at 30 June 2009 all overdue receivables had been assessed for impairment and appropriate provisions applied.
The ageing of receivables for the group and parent are as follows:

	2009			2008		
	GROSS	IMPAIRMENT	NET	GROSS	IMPAIRMENT	NET
	$000	$000	$000	$000	$000	$000
Not past due - under 30 days	1,785	-	1,785	1,348	-	1,348
Past due - 30 to 60 days	378	-	378	505	-	505
Past due - 60 to 90 days	8	-	8	23	(6)	17
Past due - over 90 days	71	(55)	16	52	(29)	23
	2,242	**(55)**	**2,187**	**1,928**	**(35)**	**1,893**

The provision for impairment has been determined on an analysis of bad debts in previous periods and review of specific debtors. The movement in the provision for impairment is as follows:

	2009 $000	2008 $000
Balance as 1 July	35	17
Additional provisions made during the year	40	36
Trade debtors written off during period	(20)	(18)
Balance as 30 June	**55**	**35**

11. MONEY MARKET LOANS

Repayable as follows:		
Beyond five years	**9,000**	**4,250**

MONEY MARKET

The company has arranged money market facilities with Bank of New Zealand for a maximum amount of $13 million (2008 $24million) to 2022, to date $9 million has been drawn. This facility decreased to $13 million in 2009, and reduces annually by $1,000,000. Maturity dates of interest rate instruments within this long term facility are:

Within one year	2,500	-
Two to three years	2,000	-
Three to four years	4,500	2,000
Four to five years	-	2,250

SECURITY

Security for the above loans is by way of a negative pledge agreement between the Bank of New Zealand and PrimePort Timaru Limited.

LIQUIDITY RISK

Liquidity risk is the risk that PrimePort will have difficulty raising funds to meet commitments as they fall due. PrimePort's short term liquidity is managed by ensuring that there is sufficient committed financing facilities to cover at least $1 million in excess of the anticipated peak borrowing requirement as determined by cash flow forecasts. The maximum amount that can be drawn down against our borrowing facility is $13 million (2008 $24 million). There are no restrictions on this with the exception of the negative pledge.

12. FINANCIAL INSTRUMENTS

RISK MANAGEMENT

PrimePort Timaru Limited is exposed to business risks that include market and liquidity risks. Information used to measure and manage risk includes staff experience, market commentary, strategic planning, financial planning and forecasting, financial reporting, operating and management systems, and risk management audits from external consultants.

INTEREST RATE RISK

The financial instruments at reporting date which are exposed to interest rate risk consist of bank deposits, bank overdraft, interest rate swaps and wholesale money market borrowings. The company manages its interest rate risk by using interest rate hedging instruments. A summary of interest rates are as follows:

	EFFECTIVE INTEREST RATE 30/06/2009
Bank overdraft	10.45%
Money market	3.55%-9.60%

The $9,000,000 money market borrowing is on fixed interest rates for up to 44 month terms at interest rates between 3.55% and 9.60%.

The average interest rate on borrowings at year end is 7.58%.

PrimePorts treasury policy requires set limits for interest rate maturity profile. Hedging instruments are used to manage this profile which is based on projected borrowing requirements. As at balance date 2,500,000 of borrowings are at call. They are therefore sensitive to interest rate movements. The impact of this is regarded as immaterial at balance date.

The company has variable rate long term borrowings to fund ongoing activities. Swaps have been entered to manage interest rate fluctuation risks. The principal or contract amounts of interest rate swaps outstanding at 30 June are as follows:

	2009 $000	2008 $000
Interest rate swaps:		
Two to three years	2,000	-
Three to four years	4,500	2,000
Four to five years	-	4,500

FAIR VALUE

The carrying value of the company's financial assets and liabilities are recorded at estimated fair value as described in the accounting policies and notes. The financial instrument hedging reserve included through other reserves and trade and other payables for interest rate swaps are -$472,000 (2008 -$191,000). A negative number represents a negative reserve.

CREDIT RISK

Financial instruments which potentially subject the company to credit risk consist principally of bank deposits and accounts receivable. No collateral is required in respect of these assets. Only reputable financial institutions are used for bank deposits. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The maximum exposure to credit risk at the 30 June 2009 is equal to the carrying amount of these financial assets. The company continuously monitors the credit quality of its major customers and does not anticipate non-performance by those customers. Due to the nature of the business, the company is exposed to a concentration of credit risk. As at 30 June 2009 44% (2008 18%) of trade receivables were due from one customer which provides 32% (2008 24%)of the company's revenue. These receivables are considered fully recoverable.

CURRENCY RISK

PrimePort Timaru Limited has exposure to foreign exchange risk as a result of transactions denominated in foreign currencies, arising from normal trading activities. PrimePort Timaru Limited uses foreign currency forward exchange contracts to manage these exposures. At balance date the principal or contract amounts of foreign currency forward exchange contracts were nil (2008 US$3,120,000). The mark to market value of the foreign forward exchange contracts as at 30 June 2009 included in trade and other payables were nil (2008 -$171,000). A negative number represents a negative reserve. PrimePorts treasury policy allows for currency management to be restricted to hedging underlying business exposures only.

CASH FLOW HEDGING

Cash flow hedges cover:

Foreign exchange - purchase of tug in US dollars took place within the financial year which was recognised in operational fixed assets. Foreign exchange hedging was taken up so that the value of plant purchased was fixed based on an expected delivery date avoiding any exchange fluctuations. PrimePort treasury policy provides that all purchases of items in foreign currency with an equivalent at spot rate greater than NZ$100,000 are to be hedged.

Interest rate swaps - managing interest rate risks up to 44 months with the impact of the hedge taken up in the income statement as they occur.

Interest rate swaps are taken up to lock in interest rates over future periods avoiding any interest rate fluctuations. Our hedging at balance date matched physical borrowings.

13. BANK OVERDRAFTS

The bank overdraft facility of $200,000 is secured by way of a negative pledge.
The current interest rate at balance date is 10.45% per annum. This is a floating rate set by the Bank.

14. TRADE AND OTHER PAYABLES

	2009 $000	2008 $000
Trade creditors	474	330
Financial instrument	674	273
Other accrued expenses	1,420	1,599
	2,568	**2,202**

Trade creditors are non-interest bearing and are normally settled on a 30 day basis, therefore the carrying value approximates their fair value.

15. EMPLOYEE ENTITLEMENTS

Accrued pay	273	360
Redundancy provision	-	383
Accrued leave provision	677	745
Long service provision	33	46
Sick leave provision	4	24
	987	**1,558**

16. RELATED PARTY TRANSACTIONS

Timaru District Holdings Limited is the major shareholder of PrimePort Timaru Limited. Timaru District Holdings Limited is a wholly owned subsidiary of the Timaru District Council. No dividend (2008 $285,701) was paid to Timaru District Holdings Limited in 2009.

Directors of PrimePort Timaru Limited own 39% of shares in Port Industry Holdings Limited via three shareholdings in this group giving them an effective 11% holding of the company. No dividend (2008 $114,299) was paid to Port Industry Holdings Limited in 2009.

During the year PrimePort Timaru Limited leased land to Timaru Wool Dumpers Limited, The Central Stockfeed Company Limited and DC Turnbull & Co Limited , companies in which Mr AG Turnbull is a director and also a director of PrimePort Timaru Limited. The leases amounted to $103,652 (2008 $75,839)of revenue from rentals and as at balance date $25,842 (2008 $18,263) had been paid in advance. DC Turnbull & Co Limited also purchased other services from PrimePort Timaru Limited that amounted to $48,758 (2008 $39,118) of total operations revenue. PrimePort Timaru Limited purchased services from Turnbull Stevedoring Limited, a company in which Mr AG Turnbull is also a manager, that amounted to $88,037 (2008 $65,972) of total operating expenses.

During the year PrimePort Timaru Limited purchased services from the Timaru District Council. The services amounted to $350,621 (2008 $300,289) of total operating expenses. A large percentage of this relates to rates which is recovered from lessees and are netted off in the accounts.

The outstanding balances owed by related parties at 30 June 2009 are:

The Central Stockfeed Company	$1,481 (2008 $1,424)	Timaru Wool Dumpers Limited	$1,866 (2008 $1,784)
DC Turnbull & Co Ltd.	$960 (2008 $980)	Timaru District Council	Nil (2008 $676)

There were no outstanding balances owed to related parties at 30 June 2009.

No related party debts have been written off or forgiven during the year.

Remuneration paid to key management personnel totalled $1,060,000 (2008 $1,155,000). Key management personnel include Directors, Chief Executive and the remaining members of the management team. All remuneration is classified as salaries and other short-term employee benefits.

17. CONTINGENT ASSETS AND LIABILITIES

No contingent assets exist at balance date. (2008 Nil) PrimePort has a contingent liability relating to a pricing dispute with a large customer. Management in conjunction with the board is confident the appropriate process has been followed to claim price increases and that it will be settled in favour of PrimePort. The amount under dispute is $862,000. (2008 Nil).

18. OPERATIONAL FIXED ASSETS UNDER CONSTRUCTION

Operational fixed assets under construction are those assets whose activities to bring the asset to the location and condition for its intended use are not complete. The $43,000 relates to No. 1 Extension upgrading. (2008 $4,412,000 predominantly relates to the new tug purchase and North Mole upgrade completed in the 2009 financial year.)

19. COMMITMENTS

	2009 $000	2008 $000
Capital commitments	-	5,700

There is no capital commitment at end of 2009. The commitments in 2008 mainly relate to the tug purchase and North Mole sheet pilling project, both were completed in 2009.

Operating lease commitments		
Non cancellable operating lease payables:		
Not later than 1 year	1,284	1,302
Later than one year but not later than two years	1,268	1,283
Later than two years but not later than five years	3,778	3,786
Later than five years	7,451	9,890
	13,781	**16,261**

Operating lease commitments are based on current rentals being paid. In relation to our significant leases, rentals can be increased up to every 3 years based on CPI increments with market reviews on renewal dates. PrimePort Timaru has the right of first refusal to purchase property. Terms of these leases are up to 15 years usually followed by three further periods of six years. The operating lease commitments do not include PrimePort Timaru Limited's sub lease of the South Beach Dairy Store. If this was netted off the commitment for 2009 would read:

Non cancellable operating lease payables:		
Not later than 1 year	331	349
Later than one year but not later than two years	315	330
Later than two years but not later than five years	2,269	1,324
Later than five years	7,451	9,890
	10,366	**11,893**

20. INVENTORY

Inventory includes consumable stocks, timber and fuel. Purchases made during the year not held in inventory at year end are included in port operations expenditure. Inventory at year end is recorded at cost price, less any impairment losses. $118,000 of spare parts were deemed to be impaired because of their age, in 2009. There is no inventory where title is restricted.

21. PROPERTY INTENDED FOR SALE

There is no property intended for sale.

22. PROPERTY RENTALS

	2009 $000	2008 $000
Port related investment rentals	2,213	1,943
Other property rentals	185	13
	2,398	**1,956**

Yields currently range from 6-8% on freehold land value determined at the time of rent review for port related investment land leases. Ground lease terms and conditions vary widely with a number of perpetually renewable leases. Rent review terms also vary between 2 years to 21 years. Direct operating expenses relating to port related investment properties amounts to $1,496,000 (2008 $1,351,000). Included in these figures are $27,000 (2008 $34,000) of direct operating expenses arising from investment property that did not generate rental income during the year.

Operating lease receivables:		
Non cancellable operating lease receivables		
Not later than one year	2,219	1,757
Later than one year but not later than two years	2,075	1,577
Later than two years but not later than five years	3,706	3,765
Later than five years	7,981	3,877
	15,981	**10,976**

23. FINANCIAL ASSETS & LIABILITIES

The carrying amount of financial assets and liabilities are as follows:

Cash & cash equivalents	1,046	62
Trade & other receivables	2,294	2,019
Total loans and receivables	**3,340**	**2,081**
Trade & other payables	2,568	2,202
Employee entitlements	987	1,558
Money market loans	9,000	4,250
Total financial liabilities measured at cost	**12,555**	**8,010**

24. CAPITAL MANAGEMENT

PrimePorts capital is its equity, which comprises of issued shares, retained earnings and revaluation reserves. Equity is represented by net assets. Section 5 of the Port Companies Act 1988 states that the principal objective of every port company shall be to operate as a successful business. PrimePorts principal objective is to operate as a successful business, exploiting opportunities and managing risk thereby ensuring the maintenance and growth in equity. PrimePort manages its equity as a by-product of prudently managing risks, revenues, expenses, assets, liabilities and general financial dealings to ensure it achieves its objectives and purpose, whilst remaining a going concern. These financial statements have been prepared on a going concern basis and the Directors assessment is that PrimePort Timaru Limited will continue to operate as a going concern.

25. STAFF EXPENSES

The staff expense in 2009 includes no redundancy payments (2008 $458,000). Included in staff expenses are employer contributions for employee superannuation funds. Payments for the year amounted to $190,000 (2008 $237,000).

26. EVENTS AFTER BALANCE DATE

It was announced in August that Fonterra and Lyttelton port had signed a deal that would see 80% of Fonterra cargo exported from Lyttelton rather than Timaru. This represents 40% of our container trade. Even allowing this could have impact on profitability in our container part of the business, based on the information to hand at the time the accounts have been signed, an estimate on the impact of future years profits cannot be made. Directors and managements view is that the company is still a going concern and there remains no indication of impairment of PrimePort's assets at this date, however this will be considered again for the 2010 financial year. The directors are not aware of the existence of any other post balance date events.

27. NZIFRS ISSUED BUT NOT YET EFFECTIVE

The following new standards have not been applied in the 2009 financial reporting standards.

NZ IAS 23 Borrowing Costs (revised 2007):
NZ IAS 23 mandates the capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. This becomes effective for reporting periods after 1 January 2009. This will be applied from 2009/10 financial year with any impacts expected to be minor as our forecasted capital plan does not include any qualifying assets at this stage.

NZ IFRS 8 Operating Segments:
NZ IFRS 8 wider scope could mean PrimePort Timaru Limited will need to report on operating segments. This becomes effective for reporting periods after 1 January 2009. This would require additional disclosures based around internal reporting to the board to be included within the financial statements. PrimePort will disclose two operating segments, port operation and property if applicable.

NZ IAS 1 Presentation of Financial Statements:
NZ IAS 1 amends the titles of financial statements effective after 1 January 2009. These changes have been applied this year with the exception of the Statement of Comprehensive Income, where a Statement of Financial Performance and Statement of Changes in Equity was presented.

NZ IFRS 7 Financial Instruments Disclosures:
NZ IFRS 7 requires enhanced disclosures about fair value measurements and liquidity risk. This becomes effective for reporting periods after 1 January 2009. This will be applied from 2009/10 financial year with any impact expected to be minor at this stage.

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

AUDIT REPORT

TO THE READERS OF PRIMEPORT TIMARU LIMITED's FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

The Auditor-General is the auditor of PrimePort Timaru Limited (the company). The Auditor-General has appointed me, John Mackey, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the company, for the year ended 30 June 2009.

Unqualified Opinion

In our opinion:

- The financial statements of the company on pages 14 to 29:
  - comply with generally accepted accounting practice in New Zealand; and
  - give a true and fair view of:
    - the company's financial position as at 30 June 2009; and
    - the results of operations and cash flows for the year ended on that date.
- Based on our examination the company kept proper accounting records.

The audit was completed on 25 August 2009, and is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and the Auditor, and explain our independence.

Basis of Opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Board of Directors;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements.

We evaluated the overall adequacy of the presentation of information in the financial statements. We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the Board of Directors and the Auditor

The Board of Directors is responsible for preparing the financial statements in accordance with generally accepted accounting practice in New Zealand. The financial statements must give a true and fair view of the financial position of the company as at 30 June 2009 and give a true and fair view of the results of its operations and cash flows for the year ended on that date. The Board of Directors' responsibilities arise from the Port Companies Act 1988 and the Financial Reporting Act 1993.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 19 of the Port Companies Act 1988.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

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

John Mackey
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand

Matters Relating to the Electronic Presentation of the Audited Financial Statements

This audit report relates to the financial statements of PrimePort Timaru Limited for the year ended 30 June 2009 included on the PrimePort Timaru Limited's website. The PrimePort Timaru Limited's Board of Directors is responsible for the maintenance and integrity of the PrimePort Timaru Limited's website. We have not been engaged to report on the integrity of the PrimePort Timaru Limited's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 25 August 2009 to confirm the information included in the audited financial statements presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

STATUTORY INFORMATION FOR THE YEAR ENDED 30 JUNE 2009

PRINCIPAL OPERATIONS

PrimePort Timaru Limited operates a commercial port and its activities include ship handling, cargo handling, transit storage and ancillary services to the shipping and freight industries.
The company provides quality services to shipping and freight businesses at its centrally located multipurpose and bulk handling port. There has been no material change in the nature of the company's business during the year.

CHANGES IN ACCOUNTING POLICIES

All policies have been applied on a consistent basis with the previous year.

AUDITORS

On their behalf, the Office of the Auditor-General has appointed Audit New Zealand to undertake the audit of the company.

DIRECTORS

In accordance with the constitution, Messrs RH Gower and SG McAuley retire at the 2009 Annual Meeting. Mr Gower and Mr McAuley, being eligible, offer themselves for re-election.

DIRECTORS AND REMUNERATION

Authorised and paid Directors Fees

N.J. Gormack	$22,000
R.H. Gower	$22,000
J. Isles	$22,000
S.G. McAuley	$39,000
J.M.W. Rolleston	$25,000
A.G. Turnbull	$22,000

DISCLOSURE OF INTEREST BY DIRECTORS

The following entries were recorded in the interests' registers of the company and its subsidiaries:

A. GENERAL DISCLOSURES

Mr. N.J. Gormack
Director – GSG Capital Partners Ltd
Director – Klondyke Fresh Ltd
Director – Opuha Water Ltd
Shareholder – GSG Capital Partners Ltd
Shareholder – Klondyke Fresh Ltd
Partner – Hubbard Churcher & Co

Mr. R.H. Gower
Director – Gower Management Group Limited and its subsidiaries
Director – Tomorrow's Manukau Properties Limited
Director – Ports of Auckland Ltd
Director – CER Group Limited
Director – RLV No3 Ltd
Director – RLV No4 Ltd
Shareholder – Gower Management Group Limited and its subsidiaries
Shareholder – CER Group Limited

Mr. J. Isles
Chairman – Interweave Fabrics Ltd
Dep Chair – Medical Assurance Group
Director – PSIS Ltd
Director – Woolyarns Ltd
Director – Miti Partners Ltd
Member – Development West Coast Advisory Body
Member – Electricity Commission Rulings Panel

Mr. S.G. McAuley
Chairman – Coolpak Cool Stores Ltd
Director – Port Dairy Stores Timaru Ltd
Director – McAuley Property Ltd
Director – Hilton Leasing Ltd
Shareholder – Hilton Leasing Ltd
Shareholder – Port Industry Holdings Ltd
Trustee – McAuley Family Trust

Mr. J.M.W. Rolleston
Director – South Pacific Sera Ltd
Director – Program Management Ltd
Director – Natural Producers Company Ltd
Shareholder – Port Industry Holdings Ltd
Shareholder – Natural Producers Company Ltd

Mr. A.G. Turnbull
Chairman – DC Turnbull & Co Ltd
Chairman – Tapley Swift Shipping Agencies Ltd
Director – Timaru Wool Dumpers Ltd
Director – Port Dairy Stores Timaru Ltd
Director – Jaegar Ltd
Director – Canterbury Wool Dumpers Ltd
Director – The Central Stockfeed Company Ltd
Manager – Turnbull Stevedoring Ltd
Shareholder – Port Industry Holdings Ltd

B. SPECIFIC DISCLOSURES

Mr AG Turnbull gave notice that DC Turnbull & Co Ltd, The Central Stockfeed Company Ltd and Timaru Wool Dumpers Ltd lease land from the company.

C. DIRECTORS' INDEMNITY AND INSURANCE

The company has insured all its directors against liabilities to other parties (except the company or a related party of the company) that may arise from their positions as directors. The insurance does not cover liabilities arising from criminal actions.

D. SHARE DEALINGS BY DIRECTORS

Nil.

E. USE OF COMPANY INFORMATION

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

EMPLOYEES' REMUNERATION

During the year the following numbers of employees received remuneration of at least $100,000:

PRIMEPORT TIMARU LTD	NUMBER OF EMPLOYEES
$270,001 - $280,000	1
$260,001 - $270,000	1
$200,001 - $210,000	1
$180,001 - $190,000	2
$160,001 - $170,000	1
$140,001 - $150,000	1
$130,001 - $140,000	3
$100,000 - $110,000	1

DONATIONS

During the year the company made no donations.

AUDITORS' REMUNERATION

During the year, the following amounts were payable to the auditors of the company and its subsidiaries:

	AUDIT WORK
PrimePort Timaru Ltd	$46,500

REVIEW OF PAST YEAR

The review of activities of the company during the financial year is contained in the Chairman and Chief Executive's review.

DIVIDEND

Directors recommend that no dividend be declared.

STATE OF AFFAIRS

The directors are of the opinion that the state of affairs of the company is satisfactory.

STATEMENT OF CORPORATE INTENT PERFORMANCE

It is the directors' view that objectives have been met this year with the exception of:

- *Dividends (proposed) per share – no dividends are proposed as a result of the current economic conditions.*
- *Net Assets per share – operational land revaluations did not meet expected levels.*
- *Lost time injury frequency rate –staff and management remain committed to maintaining high safety standards. Stevedoring incidents have reduced over the past year. A large percentage of the increase relates to one incident that required long periods off work.*

	Objective / Outcome	Target	Achieved
(a)	To continue the expansion of profitable cargo volume through the Port being the preferred South Island Port in selected segments.		
	Cargo tonnage	*1,327,000*	*Yes*
	Vessel arrivals	*321*	*Yes*
(b)	To manage and operate PrimePort Timaru Ltd to enhance shareholder wealth through continuously improving performance.		
	Earnings (after tax) per share	*$0.11*	*Yes*
	Dividends (proposed) per share	*$0.02*	*No*
	Net assets per share	*$6.70*	*No*
	Return (after tax) on total assets	*1.36%*	*Yes*
	Return (after tax) on shareholders funds	*1.64%*	*Yes*
	Ratio of shareholders funds to total assets	*0.83*	*Yes*
	Return (pre-tax profit) on shareholders funds	*2.15%*	*Yes*
(c)	To provide a high level of service to customers		
	Customer invoices received from vessel delays	*Nil*	*Yes*
(d)	To employ the best people and develop staff to their full potential in a safe working environment.		
	Lost time injury frequency rate	*4.5*	*No*
(e)	To ensure activities are effectively communicated to stakeholders		
	Monthly reports	*12*	*Yes*
	Chairman/Chief Executive meet with Holdings Board	*1*	*Yes*
	Press articles in Timaru Herald	*12*	*Yes*
(f)	To accept responsibility as a user of the coastline and recognise the importance of the environment for future generations.		
	Incidents leading to pollution of harbour	*Nil*	*Yes*
	Compliance with all resource consent conditions	*All*	*Yes*
	Compliance with NZ Maritime Safety Standards	*All*	*Yes*

DIRECTORY

BOARD OF DIRECTORS

Chairman	S.G. McAuley
Directors	N.J. Gormack
	R.H. Gower
	J. Isles
	J.M.W. Rolleston
	A.G. Turnbull

MANAGEMENT

Chief Executive	J.W. Boys
Finance Manager	J.D. Cannell
Business Development Manager	D.J. Cowie
Marine Manager	Captain P. McNeil
Operations Manager	K.W. Michel

SHAREHOLDERS as at 30 June 2009

Timaru District Holdings Ltd (71.4%)

Port Industry Holdings Ltd (28.6%)

SOLICITORS

Raymond Sullivan McGlashan – Timaru

Buddle Findlay – Christchurch

AUDITORS

Audit New Zealand
for the Office of the Auditor-General

BANKERS

Bank of New Zealand

REGISTERED OFFICE

Marine Parade,
Timaru
New Zealand

PO Box 544
Timaru
New Zealand

Telephone +64 3 684 4199
Facsimile +64 3 684 0351
Website www.primeport.co.nz

OUR MISSION
Customers First

The Directors are pleased to present the Annual Report of PrimePort Timaru Limited for the year ended 30 June 2009. For and on behalf of the Board of Directors.

S. G. McAuley
Chairman
25 August 2009

J. M. W. Rolleston
Director
25 August 2009

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