2012 ANNUAL REPORT

PRIMEPORT
TIMARU

Contents

CHAIRMAN AND CHIEF EXECUTIVE'S REVIEW 2012/2013

OVERVIEW

The 2012 year was a tough one operationally with storms, higher than expected tug maintenance and reduced container numbers. To cap off this challenging year, we were advised in early July 2012 that our key container shipping lines were taking Timaru out of their schedule. This will change the future direction of the Port. The multipurpose Swire service will continue, but the Port will move to a new business model with focus on its core breakbulk trades. This will reduce revenue by $7 million, but strengthen returns. The company will restructure accordingly.

We are very proud of our staff and it is with deep regret that this change means so many of such a committed team cannot be part of the reformed business. The staff change will have impact across most parts of the company with reductions in management, administration and in operations which were principally required to support containers.

The decision by the container lines to leave follows Fonterra's decision 3 years before to push all cargo from the Region to the Port of Lyttelton. The issues around this have been well canvassed in the media and by commentators.

This attention on the container business should not overshadow the other trades which have excellent support from our customers. PrimePort appreciates the great commitment from log exporters who have held volumes close to the record 300,000 JAS last year. Fertiliser and stockfeed importers recognise Timaru's ideal storage and distribution location with indications of growth next year. The Port was pleased to report Chevron's decision to reopen storage facilities in Timaru. Chevron and Z Energy are both making large investments to upgrade their facilities at the Port. The fishing industry and many other trades continue to underpin the success of the Port.

The loss of a dedicated container line will in fact create opportunities to further develop land and utilise facilities to enhance these breakbulk services or coastal alternatives.

Our balance sheet adds further strength. At balance date PrimePort had net funds of over $1 million. This has been a deliberate policy by the Board and management to enable future response to opportunity and to be prudent to "weather" turbulent years as now experienced.

Cash flow remained positive and has increased compared to our previous year despite the challenging environment. The Board has assessed the carrying value of those assets principally relating to the container trade in light of the reduced income generating contribution from those assets. The Board has resolved to impair the value of those assets by $10.1 million, in compliance with accounting standards. The impairment is not a cash entry but is accounted through the profit and loss and will reduce the Company's asset and shareholder values by a corresponding amount.

Profit for the year before impairment, taxation, and port investment revaluations was $277,000. This was below budget reflecting greater storm activity and the required dredging plus additional costs arising from both tugs being put through survey.

As a summary of trade, containers decreased 33% to 33,000 TEU's and total breakbulk cargo decreased from 989,000 tonnes to 931,000 tonnes. Logs and fertiliser levels were down on last years' high levels, but a return to growth is predicted.

Port investment property revaluations decreased by $246,000 compared to last year's increase of $215,000. Operational land values decreased $1.1 million from last year.

Taking all these factors into account, the Board is very disappointed to report an after tax loss of $7,403,000 compared to last year's profit of $633,000.

OUR PEOPLE

To all staff, the Board records a huge thank you. We appreciated your dedication to the business and your professionalism especially over the past three months. It was not an easy time during the year, or in fact the previous three years as container numbers declined, but your commitment, flexibility and focus on service has been second to none.

PrimePort Timaru had a staff of approximately 75 full time equivalent staff covering a multitude of activity and conditions. With the new structure this number will be reduced to around 30 people, with services now more concentrated on marine and infrastructure activity. The restructure will retain a core operations group to preserve a wide set of skills.

The restructure is the most difficult part of the transition to a new business model. The company will endeavour to support staff through this process.

To those people that are leaving, it has been a privilege to have worked with you.

It is also appropriate to record the great loyalty and support by many suppliers who will be equally impacted by the container trade decision. Their staff members have been largely integrated into our team. We can only record our thanks.

FINANCIAL

We report a 2012 year net profit before tax, investment property revaluations and impairment of operating fixed assets of $277,000, versus $2,083,000 in 2011. This operating result incorporates reduced trade, higher than expected tug maintenance costs and more storms in the previous year than typical with consequential high dredge costs. An after tax loss of $7,403,000 with impairment and lower property valuations compares to last year's profit of $1,622,000.

The impairment of operating fixed assets of $10.1 million is a substantive item but reflects the accounting policy to review the carrying amount of the company's assets each balance date. The Shipping Line announcement was made soon after balance date but the Directors consider it is prudent to take this into account at this time to reflect the true status at balance date. Although similar margins are predicted, the cashflow of the company going forward will be less and will support a lower asset base. This $10.1 million adjustment is a non-cash expense and does not have any impact on current cash balances. Total equity levels reduce to $59.7 million from last year's $68.7 million accordingly. The majority of the assets written down were used for the container business.

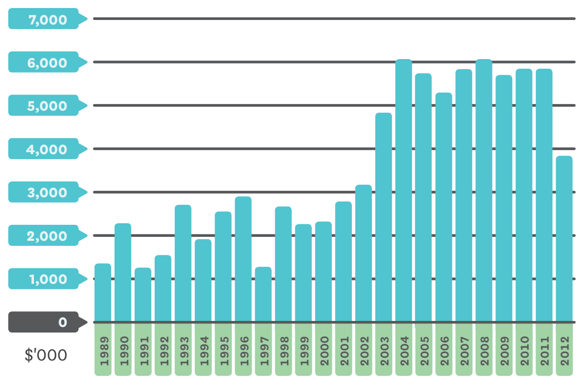
Port operational revenue decreased from $17.4 million to $16.3 million in 2012 because of reduced container numbers.

Net cash flows from operating activities increased from $3.5 million to $4.1 million as operating disbursements decreased from the previous year.

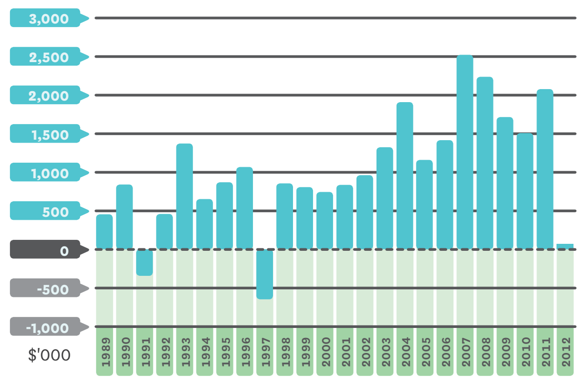
Operating expenses before impairment amounted to $19.1 million compared to $17.9 million last year. Payments to suppliers were similar but the $1.2 million increase was principally a result of increases in dredging. The actual dredging cost was down from last year ($1,303,000 verses the $2,034,000) but as these costs are amortised over 10 months, most of last year's expense compounded the costs taken up this year as shown in the statement of comprehensive income.

Earnings before interest, tax, depreciation and amortisation (EBITDA) dropped from recent high levels but still reflect positive cash flows being generated.

EBITDA USING NORMAL PORT OPERATING PROFITS



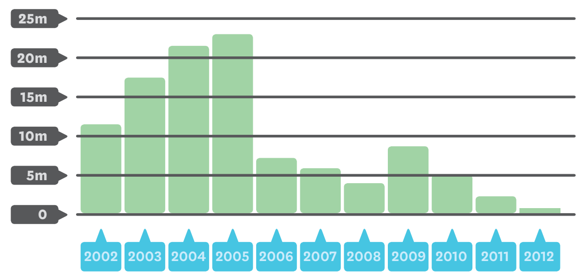
NORMAL PORT OPERATING PROFITS



The normal port operating profit since port deregulation shows the trend in profitability over the past 24 years. This clearly shows that 2012 operating profit was poor but did remain just above a break-even.

Financing costs of only $252,000 were down on last year due to reduced borrowings. Borrowing reduced to only $1,000,000 from $2,500,000 last year reflecting the strong cash flows the port generates. The borrowings graph illustrates the positive impact of these cash flows over the past decade.

BORROWINGS



The taxation benefit of $2.7 million attributed to the impairment creates a large variance from the taxation expense of $636,000 last year. This also means that the business now has a deferred taxation asset of $1.9M. This asset will be realised as the company's' future profits reverse this over time. Once again any movement relating to the impairment entries are non-cash. Tax payable of $158,000 sitting in current liabilities shows that we did produce a taxable profit for the year.

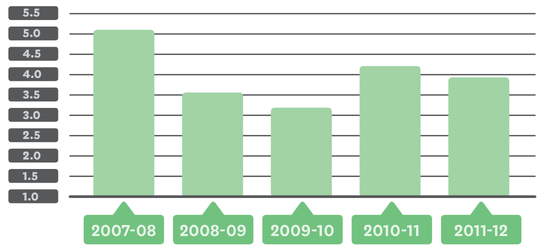
Overall the PrimePort Timaru balance sheet is judged to remain in a very strong position and ready to take up future investment opportunities as they arise.

PRIMEPORT OPERATIONS

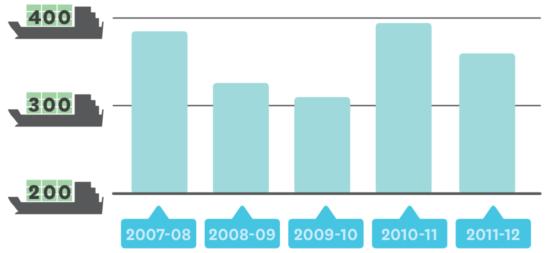
SHIPS

The gross registered vessel tonnage at 3.9 million GRT was down 6% on last year. Ship numbers were down to 361, of which 89% were piloted. Last year we saw 393 vessels of which 91% were piloted.

GROSS REGISTERED TONNES (MILLIONS)



SHIP NUMBERS



CARGO

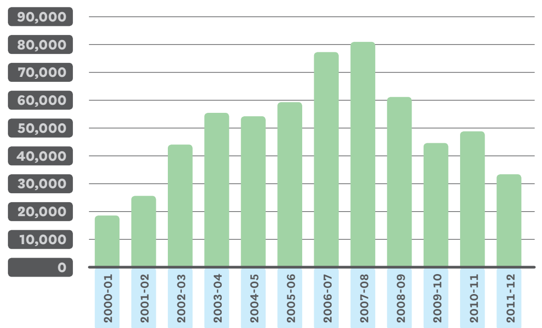
Non-containerised cargo handled through the Port in 2012 was the equivalent of 932,000 tonnes, 6% down on the previous year.

Containers handled through the Port in 2012 decreased from 49,125 TEUs to only 33,010. This level of containers was last seen in 2002.

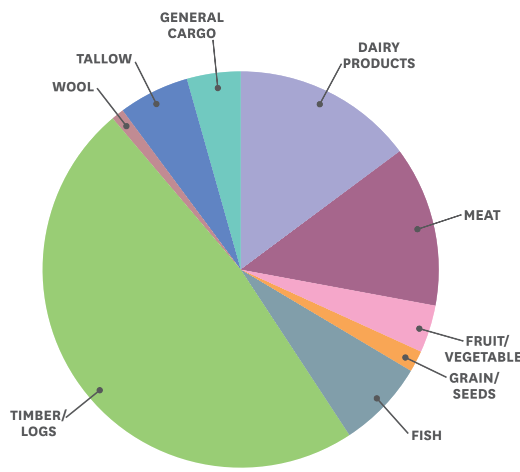
The combined cargo tonnage across the wharves was 1,263,000 down 14% compared to last year.

The pie charts show our export cargo mix in tonnes for this year compared with the 2007 mix.

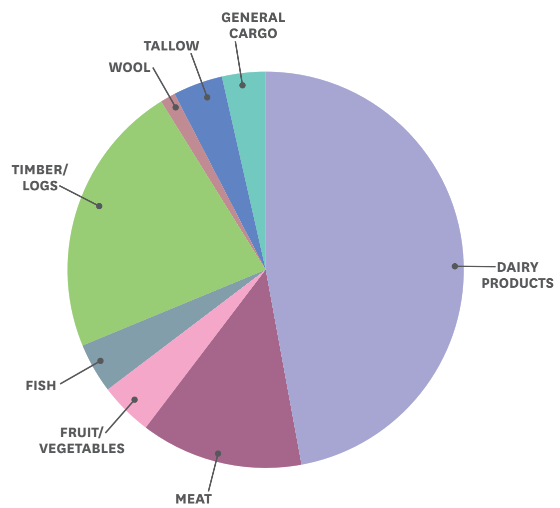
CONTAINER VOLUME (TEU'S)



EXPORT CARGO MIX 2012



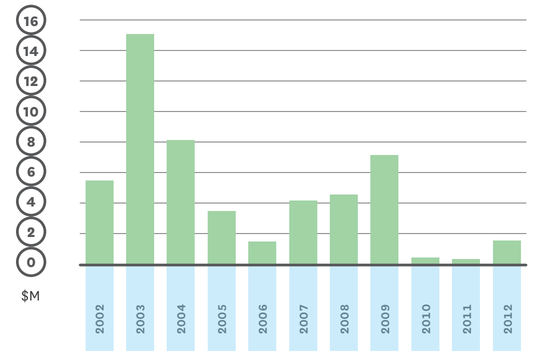
EXPORT CARGO MIX 2007



CAPITAL DEVELOPMENT

Capital expenditure levels were once again conservative and well below depreciation levels. $1.8M was incurred this financial year versus $600,000 last year. Much of it related to upgrades to wharves and hardstands. Two forklifts were sold in the financial year and now will not be replaced. Our marine plant remains well maintained and services our shipping traffic well. A new management role was created during the year to focus on infrastructure maintenance. This focus and capital expenditure will be retained within the new business model.

CAPITAL EXPENDITURE



PROPERTY

All land was revalued with an overall decrease in property value of $1.7 million. This reflects a $1.1 million decrease in operational land value and a $600,000 decrease in investment land. Investment property is now valued at $24.6 million, including $2.3 million for buildings.

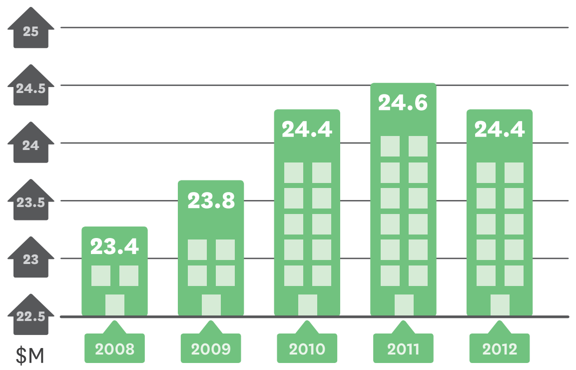
Port Property values have been well supported in the past but these adjustments reflect conservatism in the wider market, and a valuer perception that a cut in container trade will slow investment.

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

Both Operational and Investment property revaluation reserves included in equity amounts to $37.0 million, contributing $3.70 per share to net asset value.

The port manages 64.4 hectares under 44 property titles. Close to 50% of it is deemed operation land with the balance deemed as investment. PrimePort manages 58 leases. Property will remain an important element of the business going forward, recognising that significant land area within the Port environs is still available for development.

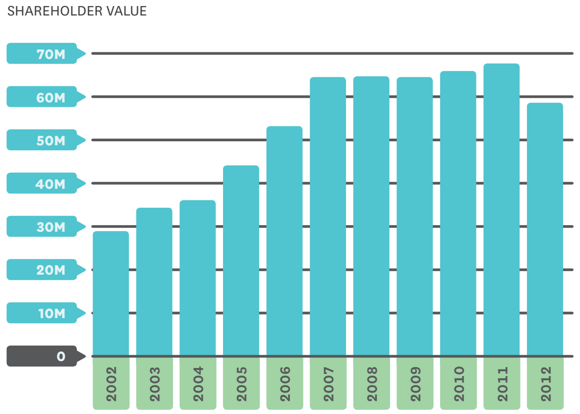
PORT INVESTMENT PROPERTY VALUATIONS



PRIMEPORT SHAREHOLDERS

A dividend of $450,000 was paid this financial year from last year's profits but Directors are disappointed that it has been necessary to write down $10.1 million of shareholders' funds. As a consequence, shareholder funds decreased to $59.8 million from $68.7 million at previous balance date. This now represents a value of just under $6 per share.

Taking a longer view and even accounting for this write down the outcome remains positive with the value doubling since 2002. ($29.9 million to $59.8 million).



There have been no changes in shareholding during the year.

The company continues to maintain a close relationship with its shareholders whose ongoing support especially in the current environment is appreciated.

DIRECTORS

Messrs Roger Gower and Sid McAuley both retire by rotation at the Annual General Meeting. Mr Gower has been re-nominated by Timaru District Holdings Ltd. Mr McAuley has advised he will not be seeking reappointment but has offered to remain on the Board until a new Director is appointed. An appointment process for this position has commenced.

The Board recognises the huge contribution made by Mr McAuley since his appointment in 1997 and period as Chairman from 2005 to 2011. The company records its special thanks.

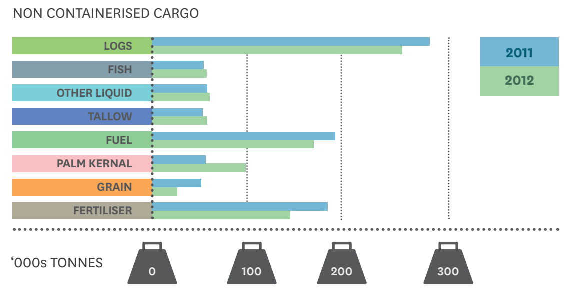
OUTLOOK

OUR BUSINESS

PrimePort Timaru will have a new business model but its strategic location and customer focus remains. We now have more flexibility with space in the future. The port remains centered at the heart of South Island's export production with extensive port side land and unparalleled access to both State Highway One and the Main Trunk Rail line. Imports to service this community and Canterbury at large are equally important as exports with Timaru's ideal location and storage. Land development opportunities with direct access to the Port enhance these options.

Breakbulk of all forms, solid and liquid, continue to underpin the company with a focus on growth.

The non containerised cargo graph highlights the bulk activity over the past two years. The comparison shows some small reductions, but we are confident this will be reversed in future years. Land use throughout our cargo catchment is intensifying with greater emphasis on stockfeed. Fuel use will continue to increase to support industry growth and transport.



Work that we have recently completed indicates that export volumes from the North Otago, South Canterbury and Canterbury region should double in the coming 15 years, keeping PrimePort in the middle of a vibrant, growing and efficient export producing region. The port is confident that it will capture a share of this growth even if this is to exclude container throughput.

The logic of a container trade being reconstructed via Coastal shipping also remains given the very large volumes that are generated on PrimePort's doorstep. It is expected over 60,000 teu will continue to be handled directly by others within the Port environment. It is also possible that International lines as well as Swire shipping will recognise the service void that has been created. In restructuring the business, retention of essential plant at least in the short term will remain. A small operations team with wide ranging skills will be preserved although a return to full stevedoring by the Port itself is not envisaged. The marine capability will not be affected.

We remain fully engaged with Holcim cement who last year deferred a final commitment to build a new cement plant at Weston. PrimePort will provide the coastal link for this trade. We are confident that a positive decision will be made but understand that the project is being deferred until the world's economic climate encourages new investment.

OUTLOOK

We have said before that "the Port and Shipping sector in New Zealand remains dynamic, with changes expected but no clear perspective how this change will evolve". We now know how it will affect us!

This will be an unsettling period for staff over the next few months but the company does have a solid future. It will look different but with a revised structure we are in a position to look at a long and profitable future.

There are other business cases and partnerships involved in our infrastructure that underpin agriculture and the port's longevity. Logs will still be shipped out, incoming goods include stock food, palm oil, fuels, fertiliser and specific heavy lift items. PrimePort still has some of the largest storage area of any port in New Zealand. The many fishing companies that use us as their base will continue.

Holcim remain a strong customer for the future.

When the time is right coastal services remain a logical solution that could again include containers.

We are very positive about what the future holds for PrimePort but note it will not be an easy journey over the next year. Our balance sheet is strong and the small team of employees is focused on keeping PrimePort a strong regional port.

Roger Gower CHAIRMAN

Jeremy Boys CHIEF EXECUTIVE

PRIMEPORT TIMARU LTD
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012

	NOTE	2012 $000	2011 $000
OPERATING REVENUE			
Port operational		16,339	17,381
Property rentals	22	2,827	2,595
Surplus on disposal of operational fixed assets		216	-
		19,382	**19,976**
OPERATING EXPENDITURE			
Staff	25	5,528	5,206
Port operating		6,049	5,865
Depreciation	7	3,537	3,425
Finance		252	485
Dredging		2,047	1,357
Impairment of operating fixed assets	7	10,100	-
Director fees		186	152
Operating leases		1,444	1,308
Audit services - Audit		52	50
Bad debts incurred	10	10	199
Doubtful debts		-	(159)
Loss on disposal of operational fixed assets		-	5
		29,205	**17,893**
Operating profit/(loss) before tax and port investment property revaluations		**(9,823)**	**2,083**
Port investment property revaluations	8	(246)	215
Profit/(loss) before tax		**(10,069)**	**2,298**
Taxation	2	2,666	(636)
Profit/(loss) for the year	3	**(7,403)**	**1,662**
Other comprehensive income			
Operating land revaluations	7	(1,144)	54
Financial instrument hedging	5	83	139
Income tax relating to financial instrument hedging	5	(26)	(42)
Other comprehensive income for the year	5	**(1,087)**	**151**
Total comprehensive income for year attributable to equity holders		**(8,490)**	**1,813**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012

	NOTE	ISSUED SHARES	HEDGING RESERVE	REVALUATIONS	RETAINED EARNINGS	TOTAL
Equity at the beginning of the year 2011		10,000	(86)	15,741	43,029	68,684
Total comprehensive income for year attributable to equity holders	4+5	-	57	(1,144)	(7,403)	(8,490)
Distributions to shareholders	6	-	-	-	(450)	(450)
Equity at the end of the year 2012		**10,000**	**(29)**	**14,597**	**35,176**	**59,744**
Comparatives for 2011						
Equity at the beginning of the year 2010		10,000	(183)	15,687	41,367	66,871
Total comprehensive income for year attributable to equity holders	4+5	-	97	54	1,662	1,813
Distributions to shareholders	6	-	-	-	-	-
Equity at the end of the year 2011		**10,000**	**(86)**	**15,741**	**43,029**	**68,684**

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

PRIMEPORT TIMARU LTD
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012

	NOTE	2012 $000	2011 $000
EQUITY			
Issued shares	6	10,000	10,000
Retained earnings	4	35,176	43,029
Revaluation reserve	5	14,568	15,655
TOTAL EQUITY		**59,744**	**68,684**
REPRESENTED BY			
LONG TERM ASSETS			
Operational fixed assets	7	32,471	45,904
Operational fixed assets under construction	18	301	-
Port related investment properties	8	24,396	24,642
Deferred taxation	2	1,927	-
TOTAL LONG TERM ASSETS		**59,095**	**70,546**
CURRENT ASSETS			
Cash and cash equivalents	12	2,111	1,322
Trade and other receivables	10	1,827	3,578
Inventory	20	402	356
TOTAL CURRENT ASSETS		**4,340**	**5,256**
TOTAL ASSETS		**63,435**	**75,802**
TERM LIABILITIES			
Money market loans	11+12	**1,000**	**2,500**
DEFERRED TAXATION	2	**-**	**871**
CURRENT LIABILITIES			
Trade and other payables	14	1,792	2,715
Employee entitlements	15	741	688
Tax payable		158	344
TOTAL CURRENT LIABILITIES		**2,691**	**3,747**
TOTAL LIABILITIES		**3,691**	**7,118**
NET ASSETS		**59,744**	**68,684**

For and on behalf of the
Board of Directors.
23 August 2012

Roger Gower
Chairman

J.M.W. Rolleston
Director

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

PRIMEPORT TIMARU LTD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2012

	NOTE	2012 $000	2011 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Sources			
Cash received from customers		**19,098**	**19,581**
Disbursements			
Payments to suppliers		7,784	7,686
Payments to employees		5,475	5,143
Net GST paid		(92)	84
Income tax		343	643
Interest on borrowing		211	528
Dredging		1,303	2,034
		15,024	**16,118**
Net cash from operating activities	3	**4,074**	**3,463**
CASH FLOWS FROM INVESTING ACTIVITIES			
Sources			
Proceeds from disposal of fixed assets		307	8
Proceeds from sale of investment property		-	165
		307	**173**
Disbursements			
Purchase of fixed assets		**1,642**	**962**
Net cash used in investing activities		**(1,335)**	**(789)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Sources			
Loans raised		-	-
Disbursements			
Loans repaid		1,500	3,000
Dividends paid		450	-
		1,950	3,000
Net cash used in financing activities		**(1,950)**	**(3,000)**
NET INCREASE (DECREASE) IN CASH		**789**	**(326)**
Opening cash and cash equivalents balances		1,322	1,648
CLOSING CASH AND CASH EQUIVALENTS BALANCES		**2,111**	**1,322**
Represented by			
Cash and cash equivalents		2,111	1,322

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

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 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 Reporting 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.

These financial statements of PrimePort Timaru Limited are for the year ended 30 June 2012. The financial statements were authorised for issue by the Board on 23 August 2012.

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 or decrease in the value of land is recognised directly in other comprehensive income and is accumulated to an asset revaluation reserve account in equity for that asset. Where this would result in a debit balance in the relevant asset revaluation reserve, the balance is not recognised in other comprehensive income but is recognised in profit or loss. Any subsequent increase on revaluation that reverses a decrease recognised in the profit or loss, will be recognised first in the profit or loss up to the amount previously expensed and then recognised in other comprehensive income.

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 recognised in the profit or loss.

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 recorded as a prepayment 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 profit or loss. Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have previously been recognised. 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 or substantively 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 recognised against the profit or loss except when it relates to items charged or credited directly to equity or other comprehensive income, in which case the tax is dealt with in equity or other comprehensive income respectively.

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 profit or loss.

K: FINANCIAL INSTRUMENTS

The Company 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 profit or loss. Where the derivatives qualify for hedge accounting, they are accounted for as set out in 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 Company 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 on 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 Company'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 profit or loss 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 that were recognised in other comprehensive income are reclassified into the profit or loss in the same period. However, if it is expected that all or a portion of a loss recognised in other comprehensive income will not be recovered in one or more future periods, the amount that is not expected to be recovered is reclassified to the profit or loss.

P: IMPAIRMENT

The carrying amount of the Company's 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 not carried at devalued amount, is less than its carrying amount, the asset is written down to its estimated recoverable amount and an impairment loss is recognised in profit or loss.

For revalued assets the impairment loss is recognised against the revaluation reserve for that asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in profit or loss. 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.

For assets not carried at revalued amounts, the reversal of an impairment is recognised in the profit or loss.

The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for that asset was previously recognised in profit or loss, a reversal of the impairment loss is recognised in profit or loss.

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 profit or loss over the period of the borrowings on an effective interest rate. Except for borrowing costs that are capitalised on qualifying assets with a commencement date on or after 1 July 2010, all other borrowing costs are recognised as an expense in the period in which they are incurred. A qualifying asset is defined as a separate asset where the construction period exceeds twelve months and costs in excess of one million dollars.

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 profit or loss at the stage of completion of transactions at balance date. Revenue from sale of goods is recognised when ownership is transferred.

Property leases and sub-leases 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 profit or loss on a straight line basis over the term of the lease.

All borrowing costs except for borrowing costs related to a qualifying asset 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 basis over the term.

X: CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on 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 with the exception of dredging. Maintenance dredging is now recorded as a prepayment rather than capitalised. There is no impact on profitability. Unamortised dredging in 2011 of $744,000 was included in operational fixed assets and is now recorded as a prepayment in current assets. There is no unamortised dredging as at June 2012.

2. TAXATION

	2012 $000	2011 $000
Profit/(loss) before taxation and port investment property revaluations	(9,823)	2,083
Port investment property revaluations	(246)	215
Profit before taxation	(10,069)	2,298
Tax at 28% (2011 30%)	(2,819)	689
Plus/(Less) tax effect of:		
Non-taxable income	151	(64)
Non-deductible expenditure	2	4
Deferred tax effect on tax rate change to 28%	-	(2)
Prior year adjustment	-	9
	(2,666)	**636**
Components of taxation:		
Current taxation	158	566
Deferred taxation	(2,824)	63
Deferred tax effect on tax rate change to 28%	-	(2)
Prior year adjustment	-	9
	(2,666)	**636**

DEFERRED TAX LIABILITY	LONG TERM ASSETS	EMPLOYEE ENTITLEMENTS	OTHER	TOTAL
Balance at 1 July 2010	(1,149)	121	85	(943)
Charge to profit or loss	(169)	10	89	(70)
Adjustments to deferred tax in prior periods	-	-	184	184
Charge to comprehensive income	-	-	(42)	(42)
Balance at 30 June 2011	**(1,318)**	**131**	**316**	**(871)**
Charge to profit or loss	3,053	24	(253)	2,824
Charge to comprehensive income	-	-	(26)	(26)
Balance at 30 June 2012	**1,735**	**155**	**37**	**1,927**

The utilisation of the deferred tax asset of $1,927,000 is dependent on future taxable profits. This asset has been mainly created from the impairment of operational fixed assets because of the expected cash flow impacts on the port from losing their dedicated container line customers from September 2012. The profit forecasts without this container business indicate accounting profits over the next five years that exceed tax depreciation levels on those assets that have been impaired. It is the Directors view that this deferred tax asset will be utilised over the next 5 to 10 years.

	2012	2011
Imputation credit account		
Opening balance	5,034	4,285
Tax paid	157	749
Imputation credits attached to dividends paid	(193)	-
	4,998	**5,034**

3. RECONCILIATION OF CASH FLOW WITH OPERATING SURPLUS

	2012 $000	2011 $000
Profit/(loss) after taxation	(7,403)	1,662
Depreciation	3,537	3,425
Investment property revaluation	246	(215)
Impairment of operating fixed assets	10,100	-
Movements in deferred tax	(2,797)	(72)
Movements in deferred tax - hedging impact on reserves	(26)	(42)
Loss / (Surplus) on disposal of long term assets	(176)	5
	3,481	**4,763**
WORKING CAPITAL MOVEMENTS RELATING TO CASH FROM OPERATING ACTIVITIES		
(Increase) / Decrease in accounts receivable	1,751	(1,812)
(Increase) / Decrease in inventory	(46)	(134)
Increase / (Decrease) in trade and other payables	(926)	539
Increase / (Decrease) in tax payable	(186)	107
Net cash flow from operating activities	**4,074**	**3,463**

4. RETAINED EARNINGS

	2012	2011
Opening balance	43,029	41,367
Profit after tax	(7,403)	1,662
Less dividends paid	(450)	-
Closing balance	**35,176**	**43,029**

5. RESERVES

	2012	2011
Opening balance	15,655	15,504
Other comprehensive income	(1,087)	151
Closing balance	**14,568**	**15,655**
RESERVES ARE REPRESENTED BY:		
Operational land	14,597	15,741
Financial instrument hedging	(40)	(123)
Tax effect of hedging	11	37
	14,568	**15,655**

6. PAID IN SHARE CAPITAL

The company has on issue 10,000,000 (2011 10,000,000) fully paid shares. All shares have equal voting rights and share equally in dividends and any distribution. A dividend of $450,000 (2011 nil) was paid during this financial year.

7. OPERATIONAL FIXED ASSETS

	PLANT & EQUIPMENT	FREEHOLD BUILDING	WHARVES	BREAKWATER /CHANNEL	IMPROVEMENTS TO LAND	FREEHOLD LAND AT VALUATION	TOTAL
2012							
Balance as at 1 July 2011							
At fair value						17,044	17,044
At cost	35,128	3,474	13,419	4,612	1,148		57,781
Accumulated depreciation	(22,800)	(1,284)	(4,133)	(299)	(405)		(28,921)
	12,328	**2,190**	**9,286**	**4,313**	**743**	**17,044**	**45,904**
Additions	880	76	146	205		171	1,478
Revaluation						(1,144)	(1,144)
Disposal- cost	(1,044)						(1,044)
Disposal- accumulated depreciation	914						914
Impairment	(2,163)	(330)	(7,191)		(416)		(10,100)
Depreciation expense	(2,673)	(137)	(663)		(64)		(3,537)
Movement to 30 June 2012	**(4,086)**	**(391)**	**(7,708)**	**205**	**(480)**	**(973)**	**(13,433)**
Balance as at 30 June 2012							
At fair value						16,071	16,071
At cost	34,964	3,550	13,565	4,817	1,148		58,044
Accumulated impairment	(2,163)	(330)	(7,191)		(416)		(10,100)
Accumulated depreciation	(24,559)	(1,421)	(4,796)	(299)	(469)		(31,544)
	8,242	**1,799**	**1,578**	**4,518**	**263**	**16,071**	**32,471**
COMPARATIVES FOR 2011							
Balance as at 1 July 2010							
At fair value						16,957	16,957
At cost	34,338	3,426	13,337	4,612	1,148		56,861
Accumulated depreciation	(20,227)	(1,160)	(3,494)	(299)	(341)		(25,521)
	14,111	**2,266**	**9,843**	**4,313**	**807**	**16,957**	**48,297**
Additions	815	48	127			33	1,023
Revaluation						54	54
Disposal- cost	(25)		(45)				(70)
Disposal- accumulated depreciation	12		13				25
Depreciation expense	(2,585)	(124)	(652)		(64)		(3,425)
Movement to 30 June 2011	**(1,783)**	**(76)**	**(557)**	**-**	**(64)**	**87**	**(2,393)**
Balance as at 30 June 2011							
At fair value						17,044	17,044
At cost	35,128	3,474	13,419	4,612	1,148		57,781
Accumulated depreciation	(22,800)	(1,284)	(4,133)	(299)	(405)		(28,921)
	12,328	**2,190**	**9,286**	**4,313**	**743**	**17,044**	**45,904**

Land held by the company has been independently valued as at 30 June for the 2012 financial year by GR Sellars FNZIV, FNZPI, a registered valuer with Colliers International. 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 $1,475,000.

There was $10,100,000 (2011 nil) of impairment losses during the year. Operating fixed assets have been impaired because of reduced cash flow projections as a result of our large container line customers ceasing to call in Timaru from September 2012. There are no operational fixed assets where title is restricted.

8. PORT RELATED INVESTMENT PROPERTIES

	2012 $000	2011 $000
Opening balance	24,642	24,427
Revaluation	(246)	215
Closing balance	**24,396**	**24,642**
Investment Properties are represented by:		
Land at valuation	22,055	22,594
Building at valuation	2,341	2,048
	24,396	**24,642**

Investment property held by the Company was independently valued as at 30 June for the 2012 financial year by GR Sellars FNZIV, FNZPI, a registered valuer with Colliers International. 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

	2012	2011
Trade debtors	1,669	2,712
Prepayments	158	866
	1,827	**3,578**

Trade debtors are shown net of impairment losses arising from the likely non payment of a small number of customers. As at 30 June 2012 all overdue receivables had been assessed for impairment and appropriate provisions applied. The ageing of receivables are as follows:

	2012			2011		
	GROSS	IMPAIRMENT	NET	GROSS	IMPAIRMENT	NET
	$000	$000	$000	$000	$000	$000
Not past due - under 30 days	1,426		1,426	2,126		2,126
Past due - 30 to 60 days	198		198	507		507
Past due - 60 to 90 days	40		40	35		35
Past due - over 90 days	16	(11)	5	55	(11)	44
	1,680	**(11)**	**1,669**	**2,723**	**(11)**	**2,712**

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:

	2012 $000	2011 $000
Balance as 1 July	11	170
Additional provisions made during the year	10	40
Trade debtors written off during period	(10)	(199)
Balance as 30 June	**11**	**11**

11. MONEY MARKET LOANS

Repayable as follows:		
Four to five years	**1,000**	**2,500**

MONEY MARKET

The company has arranged money market facilities with Bank of New Zealand for a maximum amount of $5 million (2011 $6 million) to 2017, to date $1 million has been drawn. This facility decreases to $4 million in 2013, and reduces annually by $1,000,000. Maturity dates of interest rate instruments within this long term facility are:

Within one year	1,000	1,000
One to two years	-	1,500
	1,000	**2,500**

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 $5 million (2011 $6 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 30/06/2012
Bank overdraft	10.80%
Money market	10.25%

The $1,000,000 money market borrowing is on a fixed interest rate. The fixed term borrowing is for an 8 month term at an interest rate of 10.25%. The average interest rate on borrowings at year end is 10.25%.

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 no borrowings are at call (2011 $1,000,000). There is no sensitivity to interest rate movements.

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:

	2012 $000	2011 $000
Interest rate swaps		
Within one year	1,000	-
One to two years	-	1,500

DEPOSITS

At balance date there is $1,500,000 on deposit at call. They are therefore sensitive to interest rate movements. The impact of this is regarded as immaterial at balance date.

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 -$40,000 (2011 -$123,000). A negative number represents a negative reserve. The Mark to Market valuation is determinated by the bank at close of business at balance date.

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 2012 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 2012 19% (2011 31%) of trade receivables were due from one customer which provides 15% (2011 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 (2011 nil). The mark to market value of the foreign forward exchange contracts as at 30 June 2012 included in trade and other payables were nil (2011 nil). PrimePorts treasury policy provides for currency management to be restricted to hedging underlying business exposures only.

CASH FLOW HEDGING

Cash flow hedges cover:

Foreign exchange – No significant foreign exchange transaction took place in the financial year. 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. There were no material foreign exchange hedging transactions in 2012.

Interest rate swaps – managing interest rate risks up to 8 months with the impact of the hedge taken up in the profit or loss 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 10.80% per annum (2011 10.80%). This is a floating rate set by the Bank.

14. TRADE AND OTHER PAYABLES

	2012 $000	2011 $000
Trade creditors	187	316
Interest rate swaps	40	123
Provisions	100	-
Other accrued expenses	1,465	2,276
	1,792	**2,715**

Trade creditors are non-interest bearing and are normally settled on a 30 day basis, therefore the carrying value approximates their fair value. The fair value of interest rate swaps has been determined by calculating the expected cashflows under the terms of the swaps and discounting to present values, using observable inputs. The inputs into the valuation model are from independently sourced market parameters such as interest rate yield curves. Most market parameters are implied from instrument prices.

15. EMPLOYEE ENTITLEMENTS

Accrued pay	171	171
Accrued leave provision	557	499
Long service provision	-	6
Sick leave provision	13	12
	741	**688**

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. A dividend of $321,412 (2011 nil) was paid to Timaru District Holdings Limited in 2012.

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. A dividend of $128,588 (2011 nil) was paid to Port Industry Holdings Limited in 2012.

During the year PrimePort Timaru Limited leased land to Timaru Wool Storage 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 $113,197 (2011 $116,875) of revenue from rentals and as at balance date $28,222 (2011 $28,222) had been paid in advance. DC Turnbull & Co Limited also purchased other services from PrimePort Timaru Limited that amounted to $103,623 (2011 $51,445) 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 $37,598 (2011 $53,739) of total operating expenses. PrimePort Timaru Limited purchased other services from HC Partners LP, a company in which Mr NJ Gormack was a director, that amounted to $35,275 (2011 $15,625).

During the year PrimePort Timaru Limited purchased services from the Timaru District Council. The services amounted to $342,326 (2011 $356,283) 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 2012 are:

The Central Stockfeed Company	nil (2011 $1,927)
Timaru Wool Dumpers Limited	nil (2011 $2,590)
DC Turnbull & Co Ltd.	$101,278 (2011 $1,398)

The outstanding balances owed to related parties at 30 June 2012 is:

Timaru District Council	$15,569 (2011 nil)

These balances have been paid since balance date. No related party debts have been written off or forgiven during the year (2011 Nil).

Remuneration paid to key management personnel totalled $1,356,570 (2011 $992,503). 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 (2011 nil). No contingent liabilities exist at balance date (2011 $1,744,000).

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. At balance date the amount of operational fixed assets under construction were $301,000 (2011 $nil).

19. COMMITMENTS

	2012 $000	2011 $000
Capital commitments	-	234

OPERATING LEASE COMMITMENTS

Non-cancellable operating lease payables:		
Not later than 1 year	1,433	1,433
Later than 1 year but not later than two years	1,433	1,433
Later than 2 years but not later than five years	4,300	4,301
Later than 5 years	4,180	5,613
	11,346	**12,780**

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 Limited 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 2012 would read:

Non-cancellable operating lease payables:		
Not later than 1 year	699	181
Later than 1 year but not later than two years	1,434	699
Later than 2 years but not later than five years	4,300	4,301
Later than 5 years	4,180	5,613
	10,613	**10,794**

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. There is no inventory where title is restricted.

21. PROPERTY INTENDED FOR SALE

There is no property intended for sale.

22. PROPERTY RENTALS

	2012 $000	2011 $000
Port related investment rentals	2,719	2,519
Other property rentals	108	76
	2,827	**2,595**

Yields currently range from 7-7.25% 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 1 year to 21 years. Direct operating expenses relating to port related investment properties amounts to $1,662,000 (2011 $1,625,000). Included in these figures are $17,848 (2011 $15,000) 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	1,918	2,686
Later than one year but not later than two years	1,214	1,928
Later than two years but not later than five years	2,821	2,940
Later than five years	7,846	8,139
	13,799	**15,693**

23. FINANCIAL ASSETS & LIABILITIES

The carrying amount of financial assets and liabilities are as follows:		
Cash & cash equivalents	2,111	1,322
Trade & other receivables	1,669	2,712
Total loans and receivables	**3,780**	**4,034**
Trade & other payables	1,752	2,592
Money market loans	1,000	2,500
Total financial liabilities measured at cost	**2,752**	**5,092**
Interest rate swaps	40	123
Total derivative liabilities	**40**	**123**

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. The company has complied with its bank covenants which include maintaining shareholder funds at a minimum level to total tangible assets.

25. STAFF EXPENSES

The staff expense in 2012 includes no redundancy payments (2011 nil). Included in staff expenses are employer contributions for employee superannuation funds. Payments for the year amounted to $195,000 (2011 $168,000).

26. EVENTS AFTER BALANCE DATE

The directors are not aware of the existence of any post balance date events with the exception of a restructuring taking place as a result of our large container customers announcing to cease calling at Timaru from September 2012. The cost of restructuring has not been finalised but is expected to be between $600,000 - $800,000 which will be recognised in the Statement of Comprehensive Income in the 2013 financial year.

27. NZIFRS ISSUED BUT NOT YET EFFECTIVE

The following new standards have not been applied in the 2012 financial reporting standards.

NZ IFRS 9 Financial Instruments:
NZ IFRS 9 aim is to be principle based and to simplify the treatment of financial instruments. All financial assets are required to be classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Financial assets are initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs and subsequently measured at amortised cost or fair value. This becomes effective for reporting periods beginning after 1 January 2013 with any impact expected to be minor at this stage.

IFRS 13 Fair Value Measurement:
IFRS 13 establishes a single framework for measuring fair value where that is required by other standards, and applies to both financial and non-financial items measured at fair value. This becomes effective for reporting periods beginning after 1 January 2013 with any impact expected to be minor at this stage.

Audit New Zealand

Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of
PrimePort Timaru Limited's
financial statements
for the year ended 30 June 2012

The AuditorGeneral 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 on her behalf.

We have audited the financial statements of the company on pages 14 to 29, that comprise the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

Opinion

Financial statements

In our opinion the financial statements of the company on pages 14 to 29:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the company's:
  - financial position as at 30 June 2012; and
  - financial performance and cash flows for the year ended on that date.

Other legal requirements

In accordance with the Financial Reporting Act 1993 we report that, in our opinion, proper accounting records have been kept by the company as far as appears from an examination of those records.

Our audit was completed on 23 August 2012. This 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 our responsibilities, and explain our independence.

Basis of Opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the company's financial statements that give a true and fair view of the matters to which they relate. We consider internal control 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 company's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of all disclosures in the financial statements; and
- the overall presentation of the financial statements.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements. In accordance with the Financial Reporting Act 1993, we report that we have obtained all the information and explanations we have required. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board of Directors

The Board of Directors is responsible for preparing financial statements that:

- comply with generally accepted accounting practice in New Zealand; and
- give a true and fair view of the company's financial position, financial performance and cash flows.

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

The Board of Directors' responsibilities arise from the Financial Reporting Act 1993 and the Port Companies Act 1988.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit. Our 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 New Zealand Institute of Chartered Accountants.

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 2012 included on PrimePort Timaru Limited's website. PrimePort Timaru Limited's Board is responsible for the maintenance and integrity of PrimePort Timaru Limited's website. We have not been engaged to report on the integrity of 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 the related audit report dated 23 August 2012 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 2012

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 with the exception of dredging. Maintenance dredging is now recorded as a prepayment rather than capitalised. There is no impact on profitability. Unamortised dredging in 2011 of $744,000 included in operational fixed assets is now recorded as a prepayment in current assets. There is no unamortised dredging as at June 2012.

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 2012 Annual Meeting. Mr Gower being eligible offers himself for re-election. The appointment process to replace Mr McAuley was underway at the time of publishing.

DIRECTORS AND REMUNERATION
Authorised and paid Directors Fees

N.J. Gormack	$26,000
R.H. Gower (Chairman)	$49,834
J. Isles	$26,000
S.G. McAuley	$26,333
J.M.W. Rolleston (Deputy Chairman)	$31,833
A.G. Turnbull	$26,000

DISCLOSURE OF INTEREST BY DIRECTORS

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

A. GENERAL DISCLOSURES

Mr. N.J. Gormack

Director	- Klondyke Fresh Ltd
Director	- Opuha Water Ltd
Director	- Quantum Advantage Ltd
Shareholder	- Klondyke Fresh Ltd
Shareholder	- Quantum Advantage Ltd

Mr. R.H. Gower

Director	- Gower Management Group Limited and its subsidiaries
Director	- Aquaflow Bionomics
Director	- Orion Minerals Group Ltd
Director	- RLV No4 Ltd
Director	- New Zealand Food Innovation Auckland Ltd
Shareholder	- Gower Management Group Limited and its subsidiaries

Mr. J. Isles

Chairman	- Interweave Fabrics Ltd
Dep Chair	- Medical Assurance Group
Director	- PSIS Ltd
Director	- Woolyarns Ltd
Director	- Miti Partners Ltd
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
Shareholder	- Port Industry Holdings Ltd

Mr. A.G. Turnbull

Chairman	- DC Turnbull & Co Ltd
Chairman	- Tapley Swift Shipping Agencies Ltd
Director	- Timaru Wool Storage Ltd
Director	- Port Dairy Stores Timaru Ltd
Director	- Jaegar 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 Storage 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
$280,001 - $290,000	1
$260,001 - $270,000	1
$220,001 - $230,000	1
$200,001 - $210,000	1
$170,001 - $180,000	1
$160,001 - $170,000	1
$140,001 - $150,000	1
$130,001 - $140,000	1
$120,001 - $130,000	1
$110,001 - $120,000	3
$100,001 - $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:

	AUDIT WORK
PrimePort Timaru Ltd	$51,766

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 have declared that there be no dividend.

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:

- *Cargo tonnage –Container levels falling below budget meant that our cargo target was not obtained.*
- *The objectives in (b) below were not met with the exception of 'Ratio of shareholder funds to total assets' because of the poor operating result through reduced containers and the impairment of operational fixed assets as a result of losing large container line customers.*
- *Lost time injury frequency rate –staff and management remain committed to maintaining high safety standards. A large percentage of the increase relates to one incident that required long periods off work.*
- *Incidents leading to pollution of harbour –There was one incident where a fishing vessel leaked oil. This was no fault of the port and Environment Canterbury was notified. The fishing company involved contained the spill quickly with clean up procedures proving very effective.*

	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	*1,357,000*	*No*
	Vessel arrivals	*351*	*Yes*
(b)	To manage and operate PrimePort Timaru Ltd to enhance shareholder wealth through continuously improving performance.		
	Earnings (after tax) per share	*$0.04*	*No*
	Dividends (proposed) per share	*$0.011*	*No*
	Net assets per share	*$6.84*	*No*
	Return (after tax) on total assets	*0.50%*	*No*
	Return (after tax) on shareholders funds	*0.54%*	*No*
	Ratio of shareholders funds to total assets	*0.92*	*Yes*
	Return (pre-tax profit) on shareholders funds	*0.76%*	*No*
(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	*1.00*	*No*
(e)	To ensure activities are effectively communicated to stakeholders		
	Monthly reports	*12*	*Yes*
	Chairman/Chief Executive meet with Holdings Board	*2*	*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*	*No*
	Compliance with all resource consent conditions	*Yes*	*Yes*
	Compliance with NZ Maritime Safety Standards	*Yes*	*Yes*

DIRECTORY

BOARD OF DIRECTORS

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

SHAREHOLDERS as at 30 June 2012

Timaru District Holdings Ltd (71.4%)

Port Industry Holdings Ltd (28.6%

AUDITORS

Audit New Zealand
for the Office of the Auditor-General

REGISTERED OFFICE

Marine Parade,
Timaru
New Zealand

PO Box 544
Timaru
New Zealand

Telephone +64 3 687 2700
Facsimile +64 3 687 2709
Website www.primeport.co.nz

MANAGEMENT

Chief Executive	J. Boys
Infrastructure Manager	R. Welbourn
Marine Manager	K. Wilson
Finance Manager	J. Cannell
Business Development Manager	D. Cowie
Operations Manager	K. Michel
Terminal Manager	M. Babbington

SOLICITORS

Raymond Sullivan McGlashan - Timaru

Buddle Findlay - Christchurch

BANKERS

Bank of New Zealand

OUR MISSION

Customers First

The Directors are pleased to present the Annual Report of PrimePort Timaru Limited for the year ended 30 June 2012.

For and on behalf of the Board of Directors.

R. H. Gower
Chairman
23 August 2012

J. M. W. Rolleston
Director
23 August 2012

PRIMEPORT TIMARU

PrimePort Timaru

PO Box 544
Timaru 7490
New Zealand
Telephone +64 3 687 2700
Facsimile +64 3 687 2709

www.primeport.co.nz