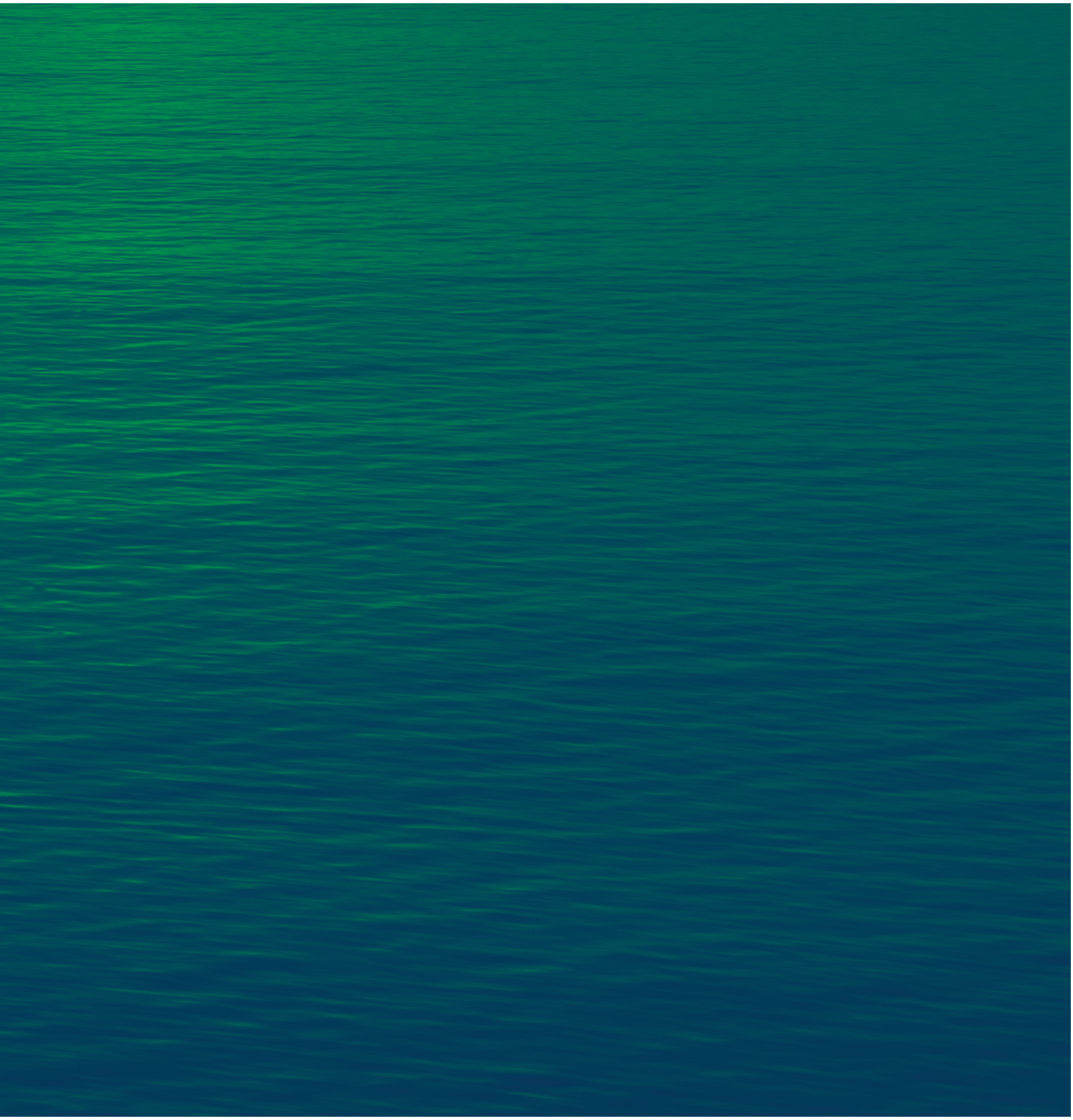
ANNUAL REPORT 2013

PrimePort
TIMARU



INTRODUCTION

PrimePort has had another challenging year but ended with a very positive announcement post balance date – a proposed alliance with Port of Tauranga.

We focus first on this announcement before reviewing the year.

The proposed alliance with Port of Tauranga is subject to a public consultation process by the Timaru District Council that will not be completed until after the close off of this report. A final decision is expected on or before 8th October 2013.

With the proviso that the alliance with Port of Tauranga is still to be approved, we make the following observations.

AN ALLIANCE WITH PORT OF TAURANGA – WHAT DOES IT MEAN?

Key elements of the proposal are:

- Port of Tauranga will acquire a 50% shareholding of PrimePort Timaru to become the joint venture partner with Timaru District Holdings Ltd (TDHL)
- TDHL will acquire full ownership of the investment property at the Port
- Port of Tauranga will operate the container terminal under a long term lease arrangement.

Other elements of the transaction mean that the current minority owner, Port Industry Holdings Ltd (PIHL), will sell all shares, and Port of Tauranga will buy the container plant assets, including the cranes and forklifts.

The amount paid by Tauranga for the 50% stake in PrimePort and the container assets but excluding the investment property will be $21.6 million.

PrimePort will still manage and operate all aspects of the Port, including breakbulk such as logs, fertiliser, fuel and all marine work. The only exception is the container terminal, which will be operated by Tauranga, but agreements would be put in place for PrimePort to support this as well.

It is a deal that combines the capability of Port of Tauranga, New Zealand's largest and most efficient port, with PrimePort's strategic position and huge commercial potential in the South Island. It has the capacity to open exciting new doors to exporters, in South Canterbury and the wider Region, and to create a paradigm shift in the way freight is moved in New Zealand.

In our view the most important reality is that only one port in NZ is big ship capable or will be within the next year or two, as a dredging programme is completed. Port of Tauranga will have spent close to $200 million in this period to be in this position. This is effectively, the only game in town and we are excited that we might be part of it.

Underscoring the proposition is the setting up of a coastal service that links the two ports directly. Exact plans are still to evolve but exporters and importers will have a service that will be weekly or better, with all the advantages of a local port and the additional benefits of choice and efficiency that big ships bring.

The vision is long term. Our end customers are the shopping public in a London supermarket or downtown Shanghai. It's not enough that the product is competitively priced, which of course this arrangement ensures, but they also need to see the "tick" on carbon footprint. No other mode of transport is more carbon efficient than a coastal feeder and the integration of large ships amplifies this gain. It is a story all exporters can sell internationally.

Other elements should not be forgotten. A strong PrimePort provides infrastructural resilience, something well proved during the Christchurch earthquakes.

PrimePort retains the capacity to grow. We already have consents in place to dredge to 14m, something other ports are still pursuing. We have consents in place to extend our main wharf and unique capacity, with land holdings, to be owned by TDHL, to expand.

Taking a national perspective, we believe the proposed alliance provides the best use of investment capital – there is no need to replicate huge investment in big ship capability around the country.

Commentary has been aimed at the container trade but the proposed alliance with Port of Tauranga can bring benefits for all our customers. Our customers in breakbulk, in many cases, are the same. We expect to have the opportunity to offer them a new dimension.

The consultation process will be completed in early October with new arrangements to be put in place by December this year, if approved.

OVERVIEW

At year's commencement in July 2012, the main shipping lines Maersk and Hamburg Sud announced they would no longer call at Timaru, and these services stopped in September 2012, ending a very long relationship with both lines.

PrimePort was forced to embark on another significant restructure, the third in three years. At the same time we re-engaged with Mediterranean Shipping Line (MSC) and in October 2012 we were pleased to announce that the weekly Capricorn service would call at Timaru to maintain a comprehensive container service for our exporters in the Region.

Overall container throughput for the year reached only 22,000 TEU (twenty foot equivalents) which was clearly suboptimal but by outsourcing some work the port was able to retain a sensible business model. The support by MSC is well recognised by the Port and our exporters.

During this period China Navigation Company trading as Swire Shipping and with whom the Port has been a partner for over 15 years introduced new ships into the service with increased frequency. These ships are larger and purpose designed to suit the multipurpose cargo in NZ with some of the world's most advanced technology and carbon efficiency.

Nippon Yusen Kaisha (NYK) shipping line have also introduced a multipurpose service through the Port after balance date.

In another post balance date announcement, Holcim advised it will be shelving it's plans to build a new cement plant at Weston which would have used PrimePort as the main distribution point. While this remains an option for the longer term, PrimePort is now engaged as one of several Ports to be considered as an import solution.

It has therefore been a tough year for staff who have shown great resilience and a proud commitment to continue offering excellent service. We were sad to farewell those in operational, administration and management teams as we scaled back to a total team of just 40 staff.

The year end operational profit before tax, restructuring costs and investment property revaluations is $2,092,000 which compares with $277,000 last year and judged a positive outcome given the challenges.

It reflects strong support by our breakbulk customers particularly in logs, fertiliser and fuel who recognise Timaru as an ideal distribution point. These customers continue to invest in the Port and infrastructure.

As a summary of trade, container throughput dropped from 33,000 to 22,000 TEU, log and fish volumes reduced to a small extent, but fertiliser, fuel and general breakbulk increased. Overall tonnage was equivalent to last year at 940,000T (excluding containers).

Operational land values increased by $331,000 compared to last year's decrease of $1.1 million. Port investment property revaluations increased by $902,000 from last year.

Our balance sheet adds further strength. At balance date PrimePort had no borrowings and cash in the bank of over $1 million.

Overall the Board is pleased to report an after tax profit of $1,686,000 compared to last year's loss of $7,403,000 which accounted for a $10.1 million write down in the business.

OUR PEOPLE

Again, the Board records a huge thank you to staff. It has been another challenging year where through restructuring staff numbers have reduced to 40 from 75 at the beginning of last year. The team continue to demonstrate great resilience with a positive culture to do all things well. Each person has a skill set that would rival most in the country. The company and our stakeholders appreciated your dedication and enthusiasm.

It has been pleasing in the end to announce the proposed alliance with Port of Tauranga which sets the tone for a much more positive outlook for our staff going forward, something that is well deserved.

DIRECTOR CHANGE

During the year Sid McAuley retired from the Board. The Chairman on behalf of the Board acknowledged Mr McAuley's huge contribution during his 16 year tenure.

Philip Wareing was appointed to the Board in February 2013. The Chairman welcomed Mr Wareing and acknowledged the experience he would bring to the Board.

Messrs Nigel Gormack and Andrew Turnbull retire at the 2013 Annual Meeting. Mr Gormack and Mr Turnbull being eligible, offer themselves for re-election.

FINANCIAL

We report a 2013 year net profit before tax, restructuring costs, investment property revaluations and impairment of operating fixed assets of $2,092,000, versus $277,000 in 2012. An after tax profit of $1,686,000 compares to last year's loss of $7,403,000, which included an impairment expense of $10.1 million and a property valuation decrease of $1.1 million.

Port operational revenue decreased from $16.3 million to $12.7 million in 2013 due to reduced container numbers.

Net cash flows from operating activities decreased from $4.1 million to $2.5 million due to the purchase of fixed assets during the year, the repayment of the loan and lower cash from operating activities.

Operating expenses amounted to $14.6 million compared to $19.1 million before impairment last year.

Port operational expenditure was down from last year due to a combination of factors. This included reduced depreciation of $1,748,000, compared to the previous year ($3,537,000) as a result of a large impairment of $10.1 million reducing operating fixed asset values; dredging costs of $632,000 compared to $2,047,000 the previous year and reduced direct costs associated with lower container volume.

Earnings before interest, tax, depreciation and amortisation (EBITDA) was similar to last year but down on previous high levels. Earnings still reflect positive cash flows.

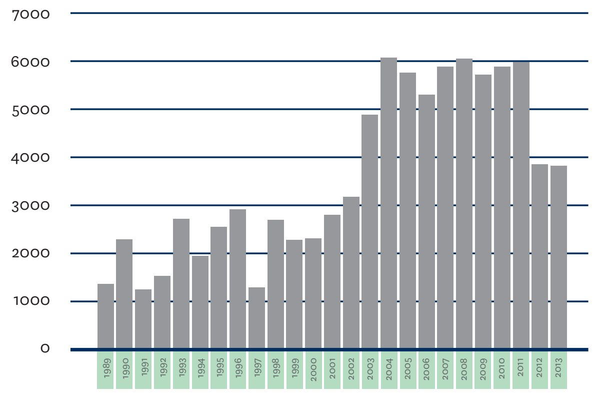
The normal port operating profit since port deregulation shows the trend in profitability over the past 25 years. This clearly shows that the 2013 operating profit was a comparatively good result.

Financing costs of only $87,000 were down on last year due to reduced borrowings. Borrowing reduced to nil from $1,000,000 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.

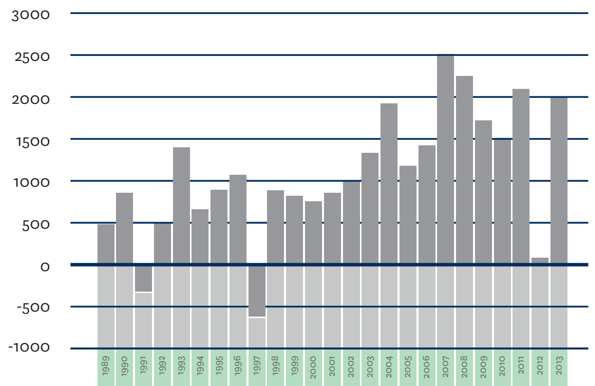
The taxation expense of $552,000 compares to last year's tax benefit of $2.7 million, which was a result of the impairment of operating fixed assets. This also means that the deferred taxation asset has decreased to $1.3M from $1.9M the previous year. This asset will be realised as the company's' future profits reverse this, over time.

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.

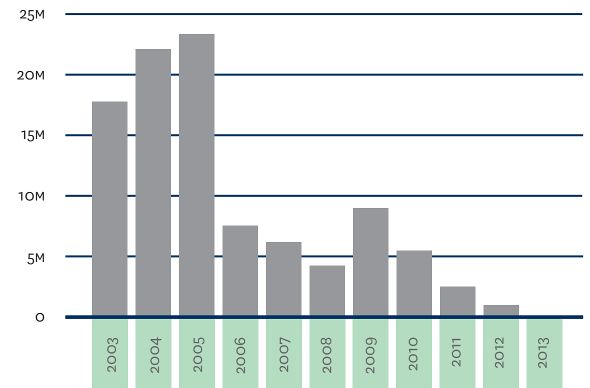
EBITDA USING NORMAL PORT OPERATING PROFITS



NORMAL PORT OPERATING PROFITS



BORROWINGS

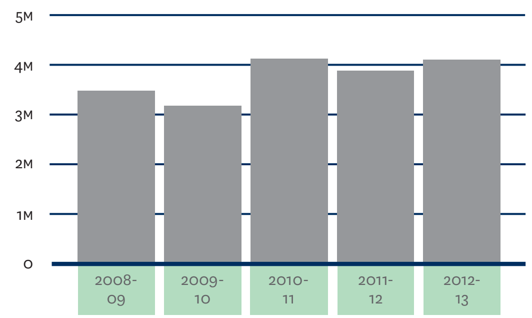


PRIMEPORT OPERATIONS

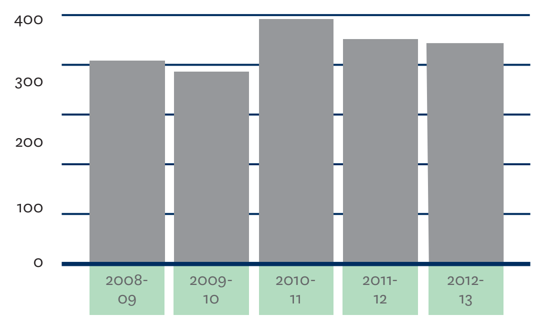
SHIPS

The gross registered vessel tonnage at 4.1 million GRT was up 5% on last year as a result of increased vessel size. Ship numbers were down to 355, of which 85% were piloted. Last year we saw 361 vessels of which 89% were piloted.

GROSS REGISTERED TONNES



SHIP NUMBERS



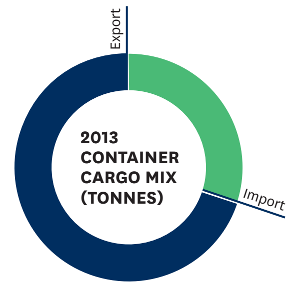
CARGO

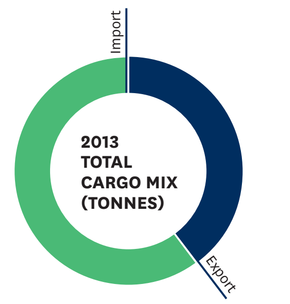
Non-containerised cargo handled through the Port in 2013 was the equivalent of 940,000 tonnes, 1% up on the previous year.

Containers handled through the Port in 2013 decreased from 33,000 TEUs to only 22,000. This level of containers was last seen in 2001.

The combined cargo tonnage across the wharves was 1,140,000 down 10% compared to last year, again attributable to reduced container volume.

The pie charts and cargo graphs show our key cargo statistics for total tonnage for the year.





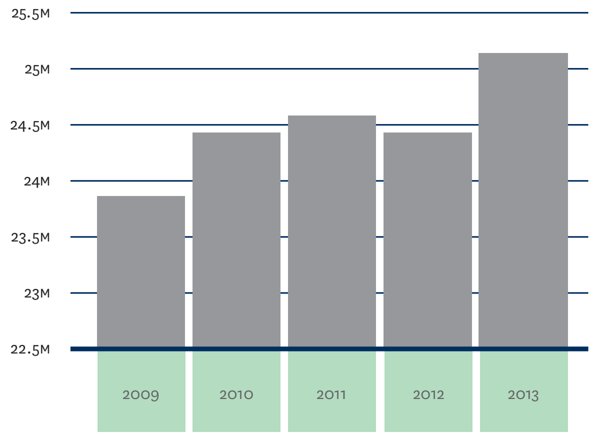
PROPERTY

All land was revalued with an overall increase of $0.9 million over last year made up of an increase of $331,000 in operational land and $602,000 in investment property land. The independent valuation assessed operational land at similar values as last year but accounted for an increased area. The investment property has been assessed at $25.3 million including $2.6 million for buildings, reflecting an improved capitilisation rate in the market.

The Investment property valuation graph illustrates the 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 $38.3 million, contributing $3.83 per share to net asset value.

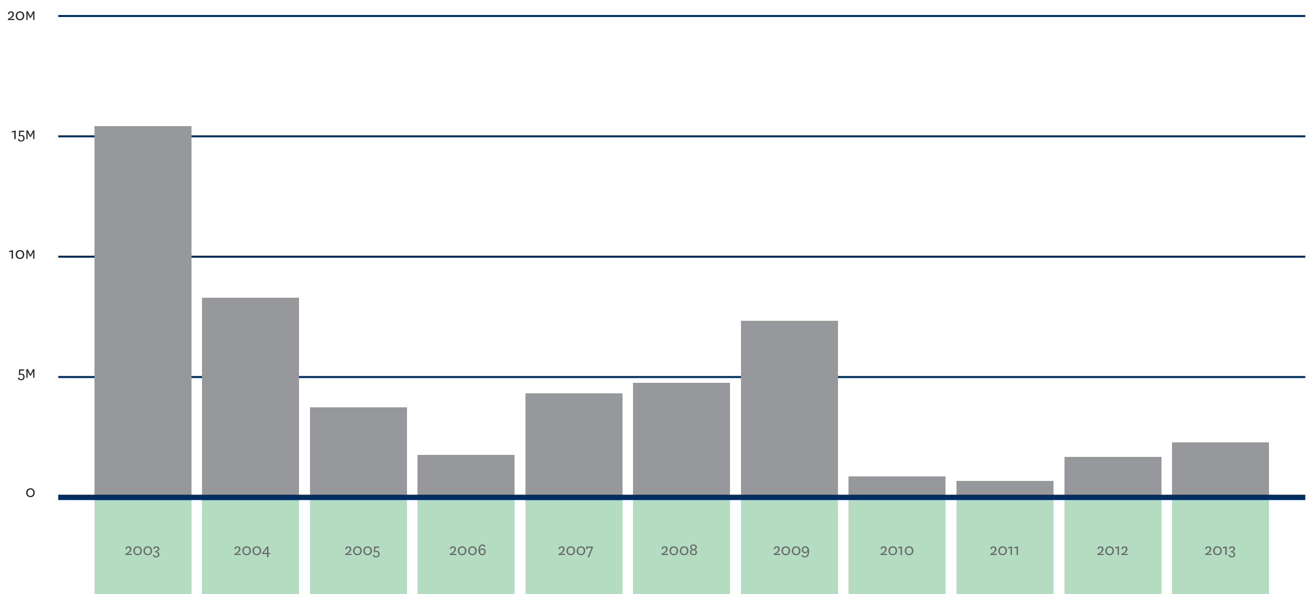
PORT INVESTMENT PROPERTY VALUATIONS



CAPITAL DEVELOPMENT

Capital expenditure levels were higher than the previous year. Capital expenditure, including work in progress of $2.4M, was incurred this financial year versus $1.8M last year. A large portion of it related to the purchase of a new forklift and upgrades to wharves and hardstands. Two forklifts were sold during the financial year. Our marine plant remains well maintained and services our shipping traffic well.

CAPITAL EXPENDITURE



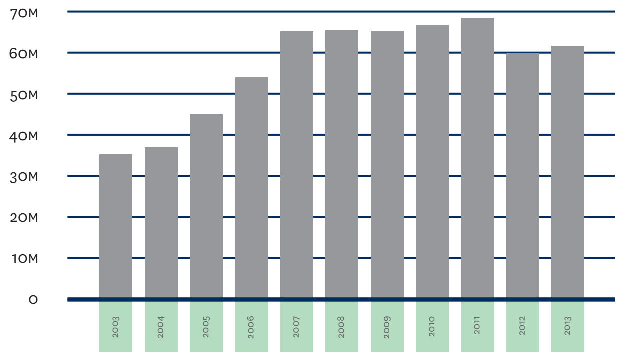
PRIMEPORT SHAREHOLDERS

Shareholder funds increased to $61.8 million from $59.7 million at previous balance date. This now represents a value of $6.18 per share.

There have been no changes in shareholding during the year.

The company continues to maintain a close relationship with its shareholders and worked closely to achieve strong support for the alliance with Port of Tauranga. The planned shareholder changes will be the most substantive in the Port's recent history.

SHAREHOLDER VALUE



OUTLOOK

OUR BUSINESS

In our report last year we noted "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". The proposed alliance with Port of Tauranga would make this a reality and opens up a whole new range of possibilities for the Port and Region to grow and expand.

It will take time to build these initiatives but we look forward to sharing a very exciting blue highway ahead with our staff, stakeholders and of course our customers.

Roger Gower
CHAIRMAN

Jeremy Boys
CHIEF EXECUTIVE

PRIMEPORT TIMARU LTD
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2013

	NOTE	2013 $000	2012 $000
OPERATING REVENUE			
Port operational		12,664	16,339
Property rentals	22	3,144	2,827
Surplus on disposal of operational fixed assets		106	216
		15,914	**19,382**
OPERATING EXPENDITURE			
Staff	25	5,269	5,528
Port operating		5,156	6,049
Depreciation	7	1,748	3,537
Finance		87	252
Dredging		632	2,047
Impairment of operating fixed assets	7	-	10,100
Director fees		185	186
Operating leases		1,448	1,444
Audit services - Audit		53	52
Bad debts incurred	10	-	10
Doubtful debts		-	-
Loss on disposal of operational fixed assets		-	-
		14,578	**29,205**
OPERATING PROFIT/(LOSS) BEFORE TAX AND PORT INVESTMENT PROPERTY REVALUATIONS		**1,336**	**(9,823)**
Port investment property revaluations	8	902	(246)
PROFIT/(LOSS) BEFORE TAX		**2,238**	**(10,069)**
Taxation	2	(552)	2,666
PROFIT/(LOSS) FOR THE YEAR	3	**1,686**	**(7,403)**
OTHER COMPREHENSIVE INCOME			
Operating land revaluations	7	331	(1,144)
Financial instrument hedging	5	40	83
Income tax relating to financial instrument hedging	5	(11)	(26)
OTHER COMPREHENSIVE INCOME FOR THE YEAR	5	**360**	**(1,087)**
TOTAL COMPREHENSIVE INCOME FOR YEAR ATTRIBUTABLE TO EQUITY HOLDERS		**2,046**	**(8,490)**

PRIMEPORT TIMARU LTD
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013

	NOTE	ISSUED SHARES	HEDGING RESERVE	REVALUATIONS	RETAINED EARNINGS	TOTAL
Equity at the beginning of the year 2012		10,000	(29)	14,597	35,176	59,744
Total comprehensive income for year attributable to equity holders	4+5	-	29	331	1,686	2,046
Distributions to shareholders	6	-	-	-	-	-
EQUITY AT THE END OF THE YEAR 2013		**10,000**	**-**	**14,928**	**36,862**	**61,790**
Comparatives for 2012						
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**

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 2013

	NOTE	2013 $000	2012 $000
EQUITY			
Issued shares	6	10,000	10,000
Retained earnings	4	36,862	35,176
Revaluation reserve	5	14,928	14,568
TOTAL EQUITY		**61,790**	**59,744**
REPRESENTED BY LONG TERM ASSETS			
Operational fixed assets	7	33,060	32,471
Operational fixed assets under construction	18	646	301
Port related investment properties	8	25,298	24,396
Deferred taxation	2	1,288	1,927
TOTAL LONG TERM ASSETS		**60,292**	**59,095**
CURRENT ASSETS			
Cash and cash equivalents	12	1,309	2,111
Trade and other receivables	10	1,383	1,827
Inventory	20	511	402
TOTAL CURRENT ASSETS		**3,203**	**4,340**
TOTAL ASSETS		**63,495**	**63,435**
TERM LIABILITIES			
Money market loans	11+12	-	**1,000**
DEFERRED TAXATION		-	-
CURRENT LIABILITIES			
Trade and other payables	14	1,441	1,792
Employee entitlements	15	505	741
Tax payable/(receivable)		(241)	158
TOTAL CURRENT LIABILITIES		**1,705**	**2,691**
TOTAL LIABILITIES		**1,705**	**3,691**
NET ASSETS		**61,790**	**59,744**

For and on behalf of the Board of Directors.
22 August 2013

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 2013

	NOTE	2013 $000	2012 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
SOURCES			
Cash received from customers		**16,170**	**19,098**
DISBURSEMENTS			
Payments to suppliers		6,889	7,784
Payments to employees		5,505	5,475
Net GST paid		164	(92)
Income tax		323	343
Interest on borrowing		127	211
Dredging		632	1,303
		13,640	**15,024**
NET CASH FROM OPERATING ACTIVITIES	3	**2,530**	**4,074**
CASH FLOWS FROM INVESTING ACTIVITIES			
SOURCES			
Proceeds from disposal of fixed assets		140	307
Proceeds from sale of investment property		-	-
		140	**307**
DISBURSEMENTS			
Purchase of fixed assets		2,472	1,642
NET CASH USED IN INVESTING ACTIVITIES		**(2,332)**	**(1,335)**
CASH FLOWS FROM FINANCING ACTIVITIES			
SOURCES			
Loans raised		-	-
DISBURSEMENTS			
Loans repaid		1,000	1,500
Dividends paid		-	450
		1,000	1,950
NET CASH USED IN FINANCING ACTIVITIES		**(1,000)**	**(1,950)**
NET INCREASE (DECREASE) IN CASH		**(802)**	**789**
Opening cash and cash equivalents balances		2,111	**1,322**
CLOSING CASH AND CASH EQUIVALENTS BALANCES		**1,309**	**2,111**
REPRESENTED BY			
Cash and cash equivalents		1,309	2,111

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

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 2013. The financial statements were authorised for issue by the Board on 22 August 2013.

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 2012, 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.

2. TAXATION

	2013 $000	2012 $000
Profit/(loss) before taxation and port investment property revaluations	1,336	(9,823)
Port investment property revaluations	903	(246)
Profit before taxation	2,239	(10,069)
Tax at 28%	627	(2,819)
Plus/(Less) tax effect of:		
Non-taxable income	(253)	151
Non-deductible expenditure	24	2
Prior year adjustment	154	-
	552	(2,666)
Components of taxation:		
Current taxation	(61)	158
Deferred taxation	459	(2,824)
Prior year adjustment	154	-
Deferred tax effect on tax rate change to 28%	552	(2,666)
Prior year adjustment		

DEFERRED TAX LIABILITY	LONG TERM ASSETS	EMPLOYEE ENTITLEMENTS	OTHER	HEDGE RESERVE	TOTAL
BALANCE AT 1 JULY 2011	(1,318)	131	316	-	(871)
Credit/(Charge) to profit or loss	3,053	24	(253)	-	2,824
Credit/(Charge) to comprehensive income	-	-	(26)	-	(26)
BALANCE AT 30 JUNE 2012	**1,735**	155	37	-	1,927
Credit/(Charge) to profit or loss	**(428)**	(10)	**(33)**	11	(460)
Prior year adjustment	(154)	(14)	-	-	(168)
Credit/(Charge) to comprehensive income	-	-	-	(11)	(11)
BALANCE AT 30 JUNE 2013	**1,153**	**131**	**4**	-	**1,288**

The utilisation of the deferred tax asset of $1,288,000 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.

IMPUTATION CREDIT ACCOUNT		
Imputation credits available for use in subsequent reporting periods	**5,178**	**4,998**

3. RECONCILIATION OF CASH FLOW WITH OPERATING SURPLUS

	2013 $000	2012 $000
Profit/(loss) after taxation	1,686	(7,403)
Depreciation	1,748	3,537
Investment property revaluation	(902)	246
Impairment of operating fixed assets	-	10,100
Movements in deferred tax	639	(2,797)
Movements in deferred tax - hedging impact on reserves	(11)	(26)
Loss / (Surplus) on disposal of long term assets	(106)	(176)
	3,054	**3,481**
WORKING CAPITAL MOVEMENTS RELATING TO CASH FROM OPERATING ACTIVITIES		
(Increase) / Decrease in accounts receivable	444	1,751
(Increase) / Decrease in inventory	(109)	(46)
Increase / (Decrease) in trade and other payables and employee entitlements	(460)	(926)
Increase / (Decrease) in tax payable	(399)	(186)
Net cash flow from operating activities	**2,530**	**4,074**

4. RETAINED EARNINGS

Opening balance	35,176	43,029
Profit after tax	1,686	(7,403)
Less dividends paid	-	(450)
Closing balance	**36,862**	**35,176**

5. RESERVED

Opening balance	14,568	15,655
Other comprehensive income	360	(1,087)
Closing balance	**14,928**	**14,568**
RESERVES ARE REPRESENTED BY:		
Operational land	14,928	14,597
Financial instrument hedging	-	(40)
Tax effect of hedging	-	11
	14,928	**14,568**

6. PAID IN SHARE CAPITAL

The company has on issue 10,000,000 (2012 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 (2012 $450,000).

7. OPERATING FIXED ASSETS

2013	PLANT & EQUIPMENT	FREEHOLD BUILDING	WHARVES	BREAKWATER /CHANNEL	IMPROVEMENTS TO LAND	FREEHOLD LAND AT VALUATION	TOTAL
	$000	$000	$000	$000	$000	$000	$000
BALANCE AS AT 1 JULY 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**
Additions	864	2	843	330			2,039
Revaluation						331	331
Disposal- cost	(135)						(135)
Disposal- accumulated depreciation	102						102
Impairment							-
Depreciation expense	(1,461)	(107)	(154)		(26)		(1,748)
MOVEMENT TO 30 JUNE 2013	(630)	(105)	689	330	(26)	331	589
BALANCE AS AT 30 JUNE 2013							
At fair value						16,402	16,402
At cost	35,693	3,552	14,408	5,147	1,148		59,948
Accumulated impairment	(2,163)	(330)	(7,191)		(416)		(10,100)
Accumulated depreciation	(25,918)	(1,528)	(4,950)	(299)	(495)		(33,190)
	7,612	**1,694**	**2,267**	**4,848**	**237**	**16,402**	**33,060**

COMPARATIVES FOR 2012	PLANT & EQUIPMENT	FREEHOLD BUILDING	WHARVES	BREAKWATER /CHANNEL	IMPROVEMENTS TO LAND	FREEHOLD LAND AT VALUATION	TOTAL
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**

Operational land held by the company has been independently valued as at 30 June for the 2013 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 were no impairment losses during the year (2012 $10,100,000). There are no operational fixed assets where title is restricted.

8. PORT RELATED INVESTMENT PROPERTIES

	2013 $000	2012 $000
Opening balance	24,396	24,642
Revaluation	902	(246)
Closing balance	**25,298**	**24,396**
Investment Properties are represented by:		
Land at valuation	22,657	22,055
Building at valuation	2,641	2,341
	25,298	**24,396**

Investment property held by the Company was independently valued as at 30 June for the 2013 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

	2013	2012
Trade debtors	1,247	1,669
Prepayments	136	158
	1,383	**1,827**

Trade debtors are shown net of impairment losses arising from the likely non payment of a small number of customers. As at 30 June 2013 all overdue receivables had been assessed for impairment and appropriate provisions applied. The ageing of receivables are as follows:

	2013			2012		
	GROSS	IMPAIRMENT	NET	GROSS	IMPAIRMENT	NET
	$000	$000	$000	$000	$000	$000
Not past due - under 30 days	1,066		1,066	1,426		1,426
Past due - 30 to 60 days	116		116	198		198
Past due - 60 to 90 days	5		5	40		40
Past due - over 90 days	71	(11)	60	16	(11)	5
	1,258	**(11)**	**1,247**	**1,680**	**(11)**	**1,669**

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:

	2013 $000	2012 $000
Balance as 1 July	11	11
Additional provisions made during the year	-	10
Trade debtors written off during period	-	(10)
Balance as 30 June	**11**	**11**

11. MONEY MARKET LOANS

	2013 $000	2012 $000
Repayable as follows:		
Four to five years	-	**1,000**

MONEY MARKET

The company has arranged money market facilities with Bank of New Zealand for a maximum amount of $4 million (2012 $5 million) to 2017, to date $nil has been drawn. This facility decreases to $3 million in 2014, and reduces annually by $1,000,000. Maturity dates of interest rate instruments within this long term facility are:

	2013 $000	2012 $000
Within one year	-	1,000
	-	**1,000**

SECURITY

Security for the above loans is by way of a negative pledge agreement between 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 $4 million (2012 $5 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, strategicplanning, 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 a 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%
There were no money market borrowings at reporting date.	

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 (2012 nil). There is no sensitivity to interest rate movements.

The company has variable rate long term borrowings to fund ongoing activities. As at balance date no 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:

	2013 $000	2012 $000
Interest rate swaps		
Within one year	-	1,000
One to two years	-	-

DEPOSITS

At balance date there is $nil on deposit at call.

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 $nil (2012 -$40,000). A negative number represents a negative reserve. The Mark to Market valuation is determined 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 2013 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 2013 29% (2012 19%) of trade receivables were due from one customer which provides 15% (2012 15%) 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 (2012 nil). The mark to market value of the foreign forward exchange contracts as at 30 June 2013 included in trade and other payables were nil (2012 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 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 2013.

INTEREST RATE SWAPS – as at balance date no interest rate swaps had been entered.

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 (2012 10.80%). This is a floating rate set by the Bank.

14. TRADE AND OTHER PAYABLES

	2013 $000	2012 $000
Trade creditors	447	187
Interest rate swaps	-	40
Provisions	-	100
Other accrued expenses	994	1,465
	1,441	**1,792**

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

	2013 $000	2012 $000
Accrued pay	177	171
Accrued leave provision	318	557
Long service provision	-	-
Sick leave provision	10	13
	505	**741**

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 (2012 $321,412) was paid to Timaru District Holdings Limited in 2013.

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 (2012 $128,588) was paid to Port Industry Holdings Limited in 2013.

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 (2012 $113,197) of revenue from rentals and as at balance date $28,979 (2012 $28,222) had been paid in advance. DC Turnbull & Co Limited also purchased other services from PrimePort Timaru Limited that amounted to $7,053 (2012 $103,623) 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 $19,675 (2012 $37,598) of total operating expenses. PrimePort Timaru Limited leased land to Philip Wareing Limited in which Mr PW Wareing is a director and also a director of PrimePort Timaru Limited. The lease amounted to $6,667 of revenue from rentals. Philip Wareing Limited also purchased other services from PrimePort Timaru Limited that amounted to $22,752 of total operations revenue.

During the year PrimePort Timaru Limited purchased services from the Timaru District Council. The services amounted to $385,188 (2012 $342,326) 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 2013 ARE:

The Central Stockfeed Company	$2,121 (2012 nil)	Timaru Wool Storage Limited	$2,814 (2012 nil)
DC Turnbull & Co Ltd.	$1,420 (2012 $101,278)	Philip Wareing Limited	$3,788

THE OUTSTANDING BALANCES OWED TO RELATED PARTIES AT 30 JUNE 2013 IS:

Timaru District Council	$16,843 (2012 $15,569)

These balances have been paid since balance date. No related party debts have been written off or forgiven during the year (2012 nil).

Total key management personnel compensation totalled $1,801,394 (2012 $1,372,792). This included salaries and other short-term employee benefits $1,409,813 (2012 $1,353,775), superannuation benefits $22,498 (2012 $19,017) and termination benefits $ 369,083 (2012 nil). 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 (2012 nil).
No contingent liabilities exist at balance date (2012 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. At balance date the amount of operational fixed assets under construction were $646,000 (2012 $301,000).

19. COMMITMENTS

	2013 $000	2012 $000
Capital commitments	58	-

The commitments relate to marine equipment and software ordered late in the financial year (2012 nil).

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	4,300
Later than 5 years	2,747	4,180
	9,913	**11,346**

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 2013 would read:

Non-cancellable operating lease payables:		
Not later than 1 year	73	699
Later than 1 year but not later than two years	643	1,434
Later than 2 years but not later than five years	4,301	4,300
Later than 5 years	2,747	4,180
	7,764	**10,613**

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

A property transfer is incorporated in the proposal agreement between PrimePort Timaru Limited shareholders and Port of Tauranga. This relates to the proposed acquisition of investment property by Timaru District Holdings Limited excluding certain properties being retained by PrimePort Timaru Limited.

22. PROPERTY RENTALS

	2013 $000	2012 $000
Port related investment rentals	2,930	2,719
Other property rentals	214	108
	3,144	**2,827**

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 $1,752,000 (2012 $1,662,000). Included in these figures are $18,998 (2012 $17,848) 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:

	2013 $000	2012 $000
Not later than one year	2,739	1,918
Later than one year but not later than two years	1,817	1,214
Later than two years but not later than five years	2,486	2,821
Later than five years	7,469	7,846
	14,511	**13,799**

23. FINANCIAL ASSETS AND LIABILITIES

THE CARRYING AMOUNT OF FINANCIAL ASSETS AND LIABILITIES ARE AS FOLLOWS:

	2013 $000	2012 $000
Cash & cash equivalents	1,309	2,111
Trade & other receivables	1,247	1,669
Total loans and receivables	**2,556**	**3,780**
Trade & other payables	1,441	1,752
Money market loans	-	1,000
Total financial liabilities measured at cost	**1,441**	**2,752**
Interest rate swaps	-	40
Total derivative liabilities	**-**	**40**

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 2013 includes redundancy payments of $756,000 (2012 nil). Included in staff expenses are employer contributions for employee superannuation funds. Payments for the year amounted to $183,000 (2012 $195,000).

26. EVENTS AFTER BALANCE DATE

Port of Tauranga have offered to purchase 50% of PrimePort Timaru Limited. The details are described in the Chairman and Chief Executive review. Acceptance of the proposed agreement remains subject to a public consultation process.

27. NZIFRS ISSUES BUT NOT YET EFFECTIVE

The following new standards have not been applied in the 2013 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.

INDEPENDENT AUDITOR'S REPORT

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

To the readers of
PrimePort Timaru Limited's
financial statements
for the year ended 30 June 2013

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 on her behalf.

We have audited the financial statements of the company on pages 16 to 31, that comprise the statement of financial position as at 30 June 2013, 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 on the financial statements

In our opinion the financial statements of the company on pages 16 to 31:

- 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 2013; 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 22 August 2013. 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, in our judgement, are likely to influence readers' 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 External Reporting Board.

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

STATUTORY INFORMATION FOR THE YEAR ENDED 30 JUNE 2013

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

During the year Mr SG McAuley retired from the Board.
Mr PW Wareing was appointed to the Board in February.

In accordance with the constitution, Messrs NJ Gormack and AG Turnbull retire at the 2013 Annual Meeting. Mr Gormack and Mr Turnbull being eligible, offer themselves for re-election.

DIRECTORS AND REMUNERATION

Authorised and paid Directors Fees

NJ Gormack	$26,000
RH Gower (Chairman)	$52,000
J Isles	$26,000
SG McAuley	$17,000
JMW Rolleston (Deputy Chairman)	$30,000
AG Turnbull	$26,000
PW Wareing	$9,000

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

Mr. P.W. Wareing

Director	- Philip Wareing Ltd
Director	- NZ Express Transport Ltd
Shareholder	- Philip Wareing 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
$360,001 – $370,000	1
$350,001 – $360,000	1
$270,001 – $280,000	1
$220,001 – $230,000	1
$180,001 – $190,000	3
$160,001 – $170,000	1
$150,001 – $160,000	1
$130,001 – $140,000	1
$120,001 – $130,000	2
$110,001 – $120,000	1
$100,001 – $110,000	5

This includes redundancy payments made to 7 employees.

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	$52,675

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.*
- *Dividends (proposed) per share – a decision on dividend payments was deferred while changes in ownership were investigated.*
- *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 extended 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	*1,158,000*	*No*
	Vessel arrivals	*331*	*Yes*
(b)	To manage and operate PrimePort Timaru Ltd to enhance shareholder wealth through continuously improving performance.		
	Earnings (after tax) per share	*$0.08*	*Yes*
	Dividends (proposed) per share	*$0.018*	*No*
	Net assets per share	*$5.98*	*Yes*
	Return (after tax) on total assets	*0.04%*	*Yes*
	Return (after tax) on shareholders funds	*0.04%*	*Yes*
	Ratio of shareholders funds to total assets	*0.97*	*Yes*
	Return (pre-tax profit) on shareholders funds	*0.06%*	*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	*1.50*	*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*	*Yes*
	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
	J.M.W. Rolleston
	A.G. Turnbull
	P. W. Wareing

MANAGEMENT

Chief Executive	J. Boys
Accountant	N. Donaldson
Infrastructure Manager/Terminal Manager	R. Welbourn
Marine Manager	K. Wilson
Operations/HSQE Manager	K. Michel

SHAREHOLDERS as at 30 June 2013

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

MISSION

OUR MISSION
CUSTOMERS FIRST

The Directors are pleased to present the Annual Report of PrimePort Timaru Limited for the year ended 30 June 2013.

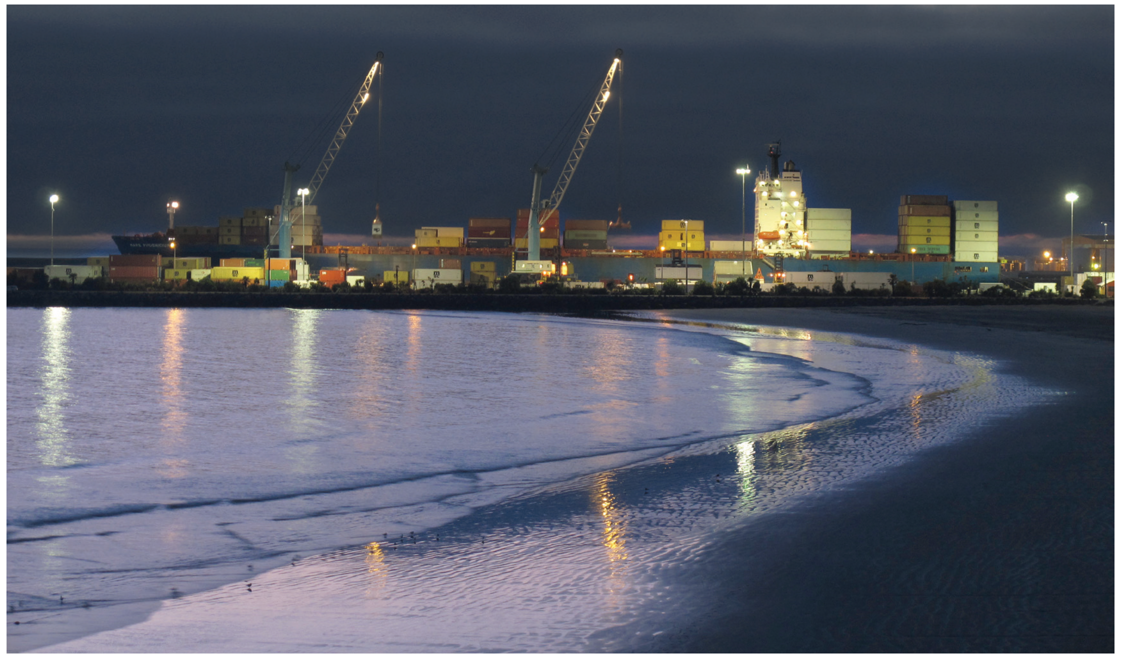
For and on behalf of the Board of Directors.

Roger Gower
CHAIRMAN

22 AUGUST 2013

J.M.W. Rolleston
DIRECTOR

22 AUGUST 2013



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