

PrimePort Timaru Annual Report 2021



PRIMEPORT
TIMARU

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Chairman and Chief Executive's Review

2020/2021



PrimePort Timaru upgraded Evans Bay Log Yard.

PrimePort Timaru Limited has had a successful year despite the ongoing challenge posed by the Covid-19 pandemic.

As a strategic freight and logistics hub for the South Island, we perform a vital role in connecting our community to the world. Importers and exporters rely on us to provide the reliable and resilient infrastructure and services they need, especially in an increasingly chaotic international supply chain.

Our Team has performed outstandingly, and we are grateful for the ongoing support of our customers, service providers, business partners, stakeholders, and shareholders.



Marine Officer on board Tug Titan.

Highlights and Challenges

Almost complete at June 2021 were two major infrastructure upgrades – the \$5.2 million No. 1 Wharf rebuild and the \$9.0 million yard sealing and stormwater upgrade of the Evans Bay Log Yard. We also welcomed our second new tug, Titan, from China in February 2021.

We remain confident of the long term prospects for PrimePort Timaru Limited and will continue our extensive asset rejuvenation programme over the next few years. We are making significant investments in new plant, wharf upgrades and other infrastructure improvements. The programme will position PrimePort Timaru Limited well for the future and ensures we will continue to be a resilient and reliable facility and operation for our customers and community.

Our partnership with Port of Tauranga Limited goes from strength to strength. Timaru Container Terminal Limited, now a 100% owned subsidiary of Port of Tauranga Limited, had a record year and continues to be an important source of income for PrimePort Timaru Limited.

We also saw bulk cargo at record volumes of 1.83 million tonnes due largely to strong log exports and cement imports.

To top off the successful year, the PrimePort Timaru Limited Team was humbled to be named finalists in two categories of the local Business Excellence Awards.

Our People

Our highly skilled and stable workforce remains steady at 50 full time employees and 16 casual employees. Staff turnover is very low.

The Board of Directors and Leadership Team were unchanged during the year. Our Health, Safety & Security Manager, Steve Wills, stood down from his role in July 2021 after announcing his intentions last year. Recruitment of his successor is under way.

Last year we reevaluated our values framework and agreed on four core values to guide the team and organisation in the future. They are:

- Teamwork**
We build a positive team and family spirit
- Adaptable**
We have the courage and resourcefulness to make things happen
- Care**
We genuinely care
- Kaitiaki**
We are the custodians of the future

These values are well embedded and frequently referenced in our day to day activities. There is a twice yearly award and recognition programme to acknowledge our Team's commitment to them.

We have launched a "Wellbeing in the Workplace" programme for our Team, with the aid of Annette Beautrais, a well known and respected local expert on wellbeing and mental health. With her guidance, workplace wellbeing champions within the Team will drive this programme forward.



Board



Roger Gower
Chairman



Steve Gray
Director



Damon Odey
Director



David Pilkington
Director



Tony Reynish
Director



Onno Mulder
Director

Leadership Team



Phil Melhopt
Chief Executive



Nick Donaldson
Finance Manager



Kevin Beeby
Operations Manager



Ben Kleinjan
Port Engineering Manager



Steve Wills
Health, Safety &
Security Manager



Grant Bicknell
Marine Manager

Our Safety

The PrimePort Timaru Limited Team remains vigilant towards its role in keeping Covid-19 out of our community. All our frontline workers are vaccinated and are tested weekly or fortnightly depending on their role. They wear PPE appropriate to their work, are careful and mindful of the procedures to reduce potential exposure at the border and our facilities undergo frequent cleaning.

The Port Users Health & Safety Forum met three times during the year and is a well attended medium for the many organisations operating at the Port to discuss safety and security issues.

“Stop, Think, Act” is our Team’s key safety message. Critical risk identification, control and mitigation is our major focus. We had three lost time injuries during the year, resulting in 10 cumulative days off work. Thankfully, the workers involved have all recovered fully from their injuries.

Thank you to all of our Team for their support and hard work in what has been a busy, challenging and rewarding year.



Workmen pouring concrete on the No. 1 Wharf rebuild.

Our Financial Performance

PrimePort Timaru Limited reported an after tax profit of \$6.5 million, a 15.5% increase on the previous year. Total revenue increased 8.7% or \$2.1 million on the back of increased bulk trade volumes and increased rental income.

During the year an additional \$11.2 million was borrowed to fund the extensive capital expenditure programme.

Staff costs were down 2.3% on the previous year, reflecting previous organisational changes.

Port operational costs were up \$383,000 or 2.4% on the previous year due to increases in trade volumes, dredging, depreciation and other cost increases.

Our Operations

PrimePort Timaru Limited’s strategic alliance with Port of Tauranga Limited allows Timaru to be used as a marshalling point for South Island cargo going to or from the international hub Port at Tauranga.

PrimePort is also a key import Port for the Mid and South Canterbury regions. It is the South Island cement terminal for Holcim (New Zealand) Limited.

For the year ended June 2021, bulk cargo volumes hit a new record of 1.83 million tonnes, a 17.6% increase on the previous year and 5.5% ahead of the previous record in 2018.

This was despite a 5.0% decrease in ship visits. The decline in vessel numbers and rise in cargo volumes reflects an ongoing trend to larger volumes per shipment, especially for log exports and stock feed imports as our customers readjust to the new supply chain reality.

Log exports rebounded strongly with solid demand from China, after last year’s decline in prices and volumes. Cement imports also increased.

Fertiliser and fuel imports were up on last year, while stock feed imports fell due to high commodity prices and a reasonable season for pasture growth.

Our partner Timaru Container Terminal Limited, operated by Port of Tauranga Limited, set a new record in container volumes. The terminal handled 93,891 TEUs*, a 16% increase, despite the disruptions in international container networks due to the ongoing impacts of Covid-19.

The transition to a feeder and hub model continues, with Maersk’s Southern Star service replaced with the Sirius feeder service during the year. The OC1 liner service continued to call at the container terminal.

The Dong Won 701 fishing trawler, extensively damaged by fire in April 2018, was prepared for disposal at sea. With the approval of the Environmental Protection Agency, the ship finally departed PrimePort Timaru Limited in early July 2021 and was towed to her final resting place 40 kilometres off the Otago coast.

EBITDA



AFTER TAX PROFIT



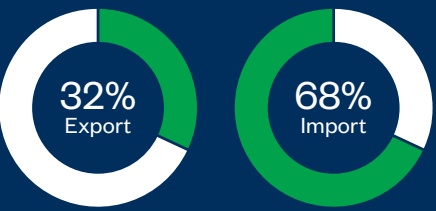
TOTAL EQUITY



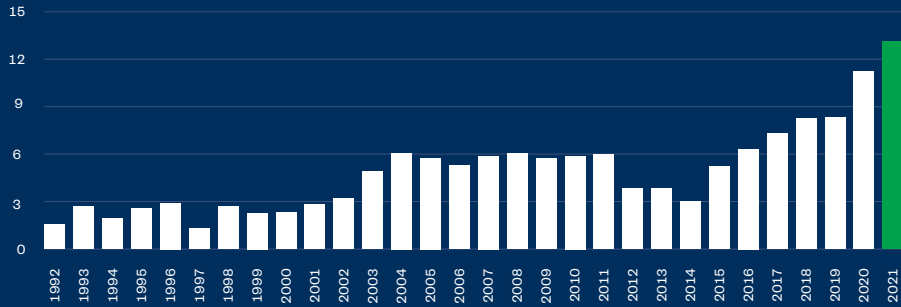
TOTAL ASSETS



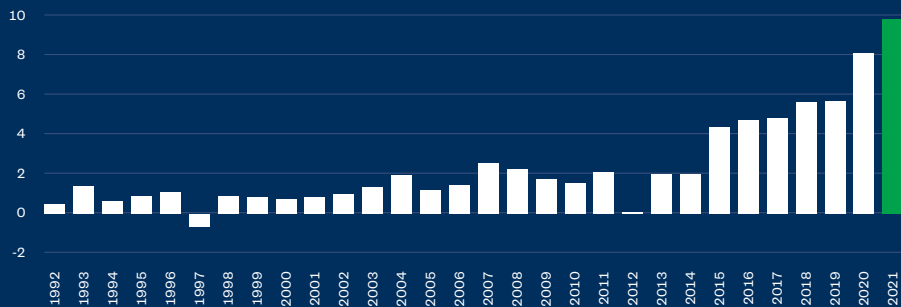
2021 Total Cargo Mix (Tonnes)



EBITDA Using Normal Port Operating Profits (\$M)

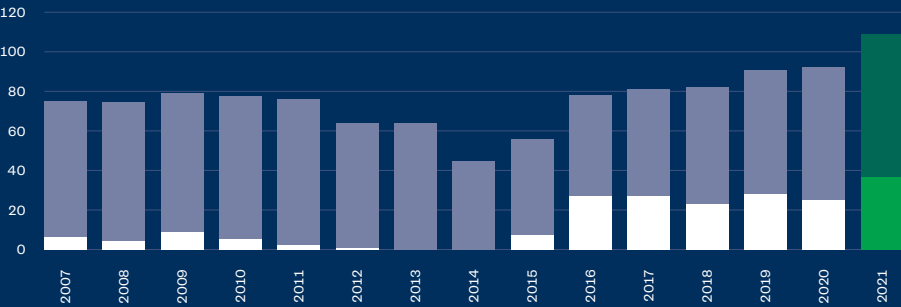


Normal Port Operating Profits (\$M)

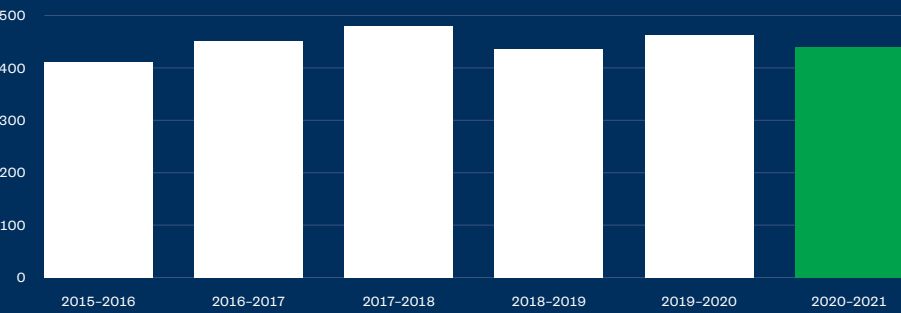


Total Assets & Borrowings (\$M)

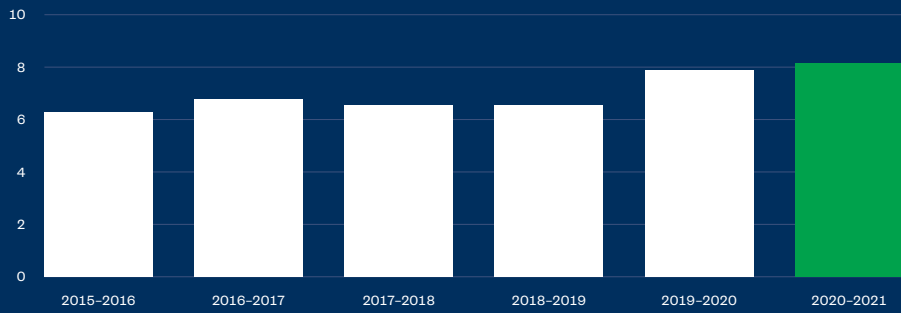
Total Assets
Borrowings



Ship Numbers



Ships Gross Registered Tonnes (M)



1 TEUs = twenty foot equivalent units, a standard measure of shipping containers



Our Infrastructure and Property

PrimePort is now several years into an extensive infrastructure renewal and capacity investment programme.



Above image:
Bulk vessel unloading fertiliser on the upgraded No. 1 Wharf.

Below image:
Operations in the upgraded Evans Bay Log Yard.

A rebuild of the No. 1 Wharf, that began in 2018, was completed in July 2021 and the wharf is now back in full operational use, with logs once again able to be loaded from this wharf. The \$5.2 million rebuild included the replacement of half of the wharf piles, the construction of 320 linear metres of new concrete and steel reinforced deck, new wharf edge bollards and 15 flush mounted storm bollards for use by visiting cruise ships (when they return).

It was a big undertaking and we thank our repairs and maintenance Team, contractors Fulton Hogan and Thompson Engineering, and our patient customers for their support and contribution to the project.

The Evans Bay Log Yard upgrade was almost completed at June 2021, with 4.5 hectares being raised and sealed with asphalt. The \$9.0 million upgrade included a stormwater management system and the installation of six light towers. It has significantly improved

the operational efficiency, safety and biosecurity performance of the facility.

With these two projects almost successfully complete at June 2021, our attention now turns to the North Mole timber wharf. Our contractors Fulton Hogan will take a similar approach to the No. 1 Wharf rebuild and will replace the deck with concrete. The works are scheduled to ensure continuity of terminal operations and minimal disruption to Port Users.

As well as the land based infrastructure, our marine floating plant has also been upgraded. During the year, we took ownership of Tug Titan, a 60 tonne bollard pull Rampart design ASD tug built at Choy Lee Shipyards in China. Tug Titan is a sister ship to Tug Hinewai, which arrived at PrimePort Timaru Limited in January 2019. PrimePort Timaru Limited's Marine Team is proud of the purchases and pleased with the navigational safety, resilience and reliability of the new acquisitions.

Our Environment



PrimePort Timaru's Eastern Extension Breakwater with seals relaxing in the foreground.

PrimePort Timaru Limited expects all Port Users to meet the highest environmental standards in air and water quality, dust and noise minimisation and spill avoidance. We also seek to protect the biodiversity of our natural environment.

We are pleased that our largest container shipping line has managed to reduce noise through retrofitting suppressors to the generator exhaust systems of its vessels.

The Evans Bay Log Yard upgrade has vastly improved the environmental performance of log export operations by minimising dust and better managing stormwater. The upgrade has also ensured our log exporters can meet international biosecurity requirements for pathogens, organic matter and insect contamination.

We have applied for resource consent to build a new wharf at Evans Bay. We are consulting with Arowhenua Runanga and the Department of Conservation to ensure the environment and local wildlife are protected and are working through the final stages of the consent application with Environment Canterbury.

PrimePort Timaru Limited commissioned an independent energy efficiency audit during the year that looked at options for energy savings and carbon emission reductions. We are looking at renewable electricity generation options at the Port. We are changing our lighting towers to LED bulbs to reduce power use. Our Pilot Launch Kiwa has been fitted with propeller modifications during the year to reduce diesel consumption by up to 20%. We will continue to seek other carbon emission reduction opportunities.

Our Community

PrimePort Timaru Limited owns and operates the Port for our community. Our shareholders are Port of Tauranga Limited and Timaru District Holdings Limited, which invests in PrimePort Timaru Limited on behalf of local ratepayers.

PrimePort Timaru Limited is fortunate to have strong support from our local community and we return that support through the sponsorship of local events.

Timaru's weather was kind for the sixth annual PrimePort Ocean Swim in January 2021. This year, swimmers had the option of a 5 kilometre circuit as well as the traditional 1.5 kilometre and 2.5 kilometre races.

We also continued our lead sponsorship of the PrimePort Timaru Christmas Parade, one of the biggest events on the community calendar. As always, there was a great turnout of families in Timaru's Stafford Street for Santa's Day Out.

PrimePort Timaru Limited was honoured to sponsor the first ever "Global Exporter" category at the annual Chamber of Commerce Business Excellence Awards. PrimePort Timaru Limited itself was a finalist in the Large Business and Business Innovation categories in the awards.

Competitors at the start of the PrimePort Timaru Ocean Swim.



Our Thanks

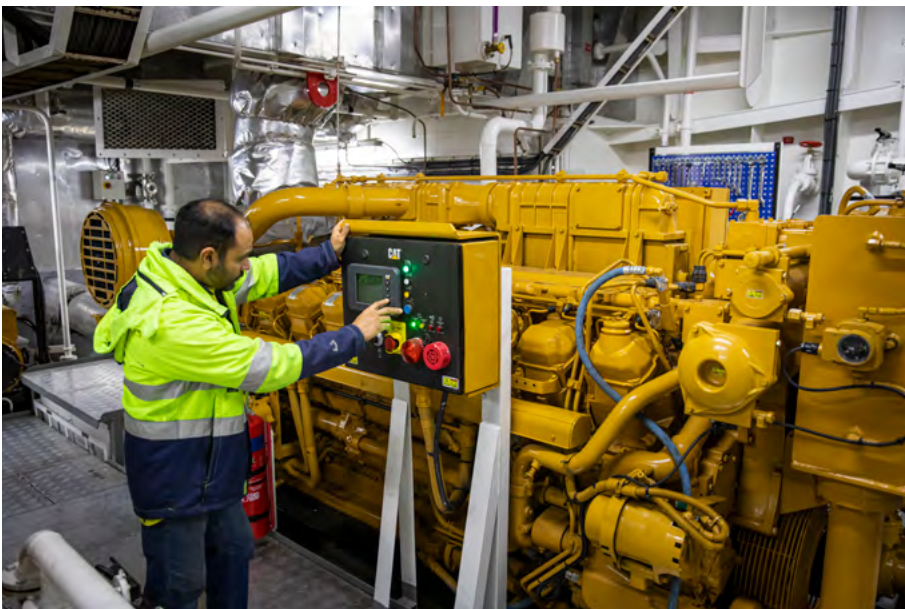
Once again, we thank our community, our customers, our suppliers, our shareholders and, of course, our employees and their families.

Together we can be proud of our Port and confident of a bright future for PrimePort Timaru Limited.

Pilots boarding an inbound container vessel.



Chief Engineer working in Tug Titan's engine room.



PrimePort Timaru Limited

Statement of Comprehensive Income

for the year ended 30 June 2021

	Note	2021 \$000	2020 \$000
Operating revenue	18	26,291	24,189
Operating expenditure			
Staff		6,435	6,587
Port operating		4,775	4,621
Depreciation and amortisation	6,20	2,417	2,195
Finance		974	1,023
Dredging		1,645	1,412
Director fees		250	250
Operating leases		10	13
Audit services – audit		66	65
Loss on disposal of asset held for sale		–	23
		16,572	16,189
Operating profit/(loss) before tax		9,719	7,999
Profit/(loss) before tax		9,719	7,999
Taxation	2	(3,227)	(2,376)
Profit/(loss) for the year		6,492	5,623
Other comprehensive income			
Financial instrument hedging	4	912	(741)
Income tax relating to financial instrument hedging	4	(255)	208
Leases	20	–	(9)
Other comprehensive income for the year		657	(542)
Total comprehensive income for the year attributable to equity holders		7,149	5,081

PrimePort Timaru Limited

Statement of Changes in Equity

for the year ended 30 June 2021

	Note	Issued Shares	Hedging Reserve	Re- valuations	Retained Earnings	Total
Equity at the beginning of the year		8,450	(1,447)	20,807	33,527	61,337
Total comprehensive income for year attributable to equity holders		–	657	–	6,492	7,149
Distributions - dividends paid		–	–	–	(1,700)	(1,700)
Equity at the end of the year 2021	3,4,5	8,450	(790)	20,807	38,319	66,786
Comparatives for 2020						
Equity at the beginning of the year		8,450	(914)	20,807	29,613	57,956
Total comprehensive income for year attributable to equity holders		–	(533)	–	5,614	5,081
Distributions - dividends paid		–	–	–	(1,700)	(1,700)
Equity at the end of the year 2020	3,4,5	8,450	(1,447)	20,807	33,527	61,337

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

PrimePort Timaru Limited

Statement of Financial Position

as at 30 June 2021

	Note	2021 \$000	2020 \$000
Equity			
Issued shares	5	8,450	8,450
Retained earnings	3	38,319	33,527
Reserves	4	20,017	19,360
Total equity		66,786	61,337
Represented by long term assets			
Operational fixed assets	6	87,865	81,743
Intangible assets	6	–	46
Operational fixed assets under construction	15	16,322	3,952
Right of use assets	20	115	129
Deferred taxation	2	137	1,030
Total long term assets		104,439	86,900
Current assets			
Cash and cash equivalents		702	793
Trade and other receivables	7	2,551	3,318
Inventory	17	817	917
Total current assets		4,070	5,028
Total assets		108,509	91,928
Term liabilities			
Money market loans	8	35,418	25,000
Leases	20	81	95
Derivative financial instruments	9	691	1,634
Current liabilities			
Money market loans	8	800	–
Trade and other payables	11	2,446	1,470
Employee entitlements	12	716	782
Tax payable/(receivable)		1,119	1,186
Leases	20	44	47
Derivative financial instruments	9	408	377
Total current liabilities		5,533	3,862
Total liabilities		41,723	30,591
Net assets		66,786	61,337

For and on behalf of the Board of Directors
25 August 2021

Roger Gower
Chairman

Steve Gray
Director

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

PrimePort Timaru Limited

Statement of Cash Flows
for the year ended 30 June 2021

	2021 \$000	2020 \$000
Cash flows from operating activities		
Sources		
Cash received from customers	26,843	23,679
Disbursements		
Payments to suppliers	(4,946)	(5,324)
Payments to employees	(6,293)	(6,534)
Net GST movements	(237)	(70)
Income tax	(2,657)	(1,686)
Finance cost payments	(957)	(1,029)
Dredging	(1,722)	(1,816)
	(16,812)	(16,459)
Net cash inflow from operating activities	10,031	7,220
Cash flows from investing activities		
Sources		
Proceeds from disposal of fixed assets	-	1,977
Disbursements		
Purchase of fixed assets	(19,556)	(4,459)
Total net cash used in investing activities	(19,556)	(2,482)
Cash flows from financing activities		
Sources		
Loans raised	11,718	2,500
Disbursements		
Loans repaid	(500)	(5,500)
Dividends paid	(1,700)	(1,700)
Lease liabilities paid	(84)	(53)
	(2,284)	(7,253)
Net cash from/(used) in financing activities	9,434	(4,753)
Net increase/(decrease) in cash held	(91)	(15)
Opening cash and cash equivalents balances	793	808
Closing cash and cash equivalents balances	702	793
Represented by		
Cash and cash equivalents	702	793

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



Log vessel being loaded
on the No. 1 Extension Wharf.

PrimePort Timaru Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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 and domiciled in New Zealand.

Statement of Compliance

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

The Company is a profit-oriented 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 2021. The financial statements were authorised for issue by the Board on 25 August 2021.

The Company has adopted External Reporting Board Standard A1 Accounting Standards Framework (For-profit Entities Update) (XRB A1). XRB A1 establishes a for-profit tier structure and outlines which suite of accounting standards entities in different tiers must follow. The Company is eligible and has elected to report in accordance with Tier 2 For-profit Accounting Standards (NZ IFRS RDR).

Basis of Preparation

The financial statements have been prepared on the going concern basis, and the accounting policies have been applied consistently throughout the year.

Standards and Interpretations Issued

PrimePort Timaru Limited has applied all new and revised accounting standards and interruptions that are effective in the year. This did not result in a material impact on the financial statements.

Changes in Accounting Policies and Disclosures

The accounting policies detailed have been applied in the preparation of these financial statements for the year ended 30 June 2021 and have been consistently applied throughout the year.

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 and 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. 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.

C. Goods & Services Tax

All items in the financial statements are exclusive of Goods & Services Tax (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.

D. 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 important loss for that asset was previously recognised in profit or loss, a reversal of the impairment loss is recognised in profit or loss.

E. Dividends

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

F. 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.

G. 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.

2. Taxation

	2021 NZ\$000	2020 NZ\$000
Profit/(loss) before taxation and port investment property revaluations	9,719	7,999
Profit before taxation	9,719	7,999
Tax at 28%	2,721	2,240
Plus/(less) tax effect of: Prior year adjustment	506	136
	3,227	2,376
Components of taxation: Current taxation	2,589	2,166
Deferred taxation	638	220
	3,227	2,376

Deferred tax asset/(liability)	Long Term Assets	Finance Leases	Employee Entitle- ments	Other	Hedge Reserve	Total
Balance at 1 July 2019	565	-	183	(66)	356	1,038
Credit/(charge) to profit or loss	(119)	-	1	(102)	-	(220)
Credit/(charge) to comprehensive income	-	4	-	-	208	212
Balance at 30 June 2020	446	4	184	(168)	564	1,030
Credit/(charge) to profit or loss	(618)	(1)	(14)	(5)	-	(638)
Credit/(charge) to comprehensive income	-	-	-	-	(255)	(255)
Balance at 30 June 2021	(172)	3	170	(173)	309	137

Following the reintroduction of tax depreciation on buildings, which takes effect from 1 July 2020, PrimePort has updated its deferred tax calculations for the year ended 30 June 2021. The change is reflected within the "Long Term Assets" category of the deferred tax balance.

Policies

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.

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.

3. Retained Earnings

	2021 NZ\$000	2020 NZ\$000
Opening balance	33,527	29,613
Profit after tax	6,492	5,623
Leases	-	(9)
Less dividends paid	(1,700)	(1,700)
Closing balance	38,319	33,527

4. Reserves

	2021 NZ\$000	2020 NZ\$000
Reserves are represented by:		
Asset revaluation reserve	20,807	19,893
Cash flow hedge reserve	(790)	(533)
	20,017	19,360

(a) Asset Revaluation Reserve

	2021 NZ\$000	2020 NZ\$000
Opening balance	20,807	20,807
Closing balance	20,807	20,807

(b) Cash Flow Hedge Reserve

	2021 NZ\$000	2020 NZ\$000
Opening balance	(1,447)	(914)
Financial instrument hedging	912	(741)
Tax effect of financial instrument hedging	(255)	208
Closing balance	(790)	(1,447)

5. Share Capital

	2021 NZ\$000	2020 NZ\$000
Ordinary shares	8,450	8,450
Opening balance	8,450	8,450
Closing balance	8,450	8,450

All shares have equal voting rights and share equally in dividends and any distribution. Dividends of \$1,700,000 were paid during this financial year (2020 \$1,700,000).

6. Operational Fixed Assets

	Plant & Equip-ment	Freehold Building	Wharves	Break-water / Channel	Improve-ment to Land	Freehold Land at Valuation	Total
Balance as at 1 July 2020							
At fair value						29,485	29,485
At cost	29,542	9,810	39,873	8,758	1,781		89,764
Accumulated impairment	(3,771)	(472)	(7,191)		(416)		(11,850)
Accumulated depreciation	(13,573)	(2,904)	(8,133)	(312)	(734)		(25,656)
	12,198	6,434	24,549	8,446	631	29,485	81,743
Additions	7,881			470	81		8,432
Depreciation expense	(1,423)	(238)	(608)	(11)	(30)		(2,310)
Movement to 30 June 2021	6,458	(238)	(608)	459	51	-	6,122
Balance as at 30 June 2021							
At fair value						29,485	29,485
At cost	37,423	9,810	39,873	9,228	1,862		98,196
Accumulated impairment	(3,771)	(472)	(7,191)		(416)		(11,850)
Accumulated depreciation	(14,996)	(3,142)	(8,741)	(323)	(764)		(27,966)
	18,656	6,196	23,941	8,905	682	29,485	87,865
Comparatives for 2020							
Balance as at 1 July 2019							
At fair value						29,485	29,485
At cost	30,433	9,796	39,639	8,758	1,781		90,407
Accumulated impairment	(5,771)	(472)	(7,191)		(416)		(13,850)
Accumulated depreciation	(12,387)	(2,663)	(7,523)	(301)	(695)		(23,569)
	12,275	6,661	24,925	8,457	670	29,485	82,473
Additions	1,109	14	234				1,357
Disposal – cost	(2,000)						(2,000)
Disposal – accumulated impairment	2,000						2,000
Depreciation expense	(1,186)	(241)	(610)	(11)	(39)		(2,087)
Movement to 30 June 2020	(77)	(227)	(376)	(11)	(39)	-	(730)
Balance as at 30 June 2020							
At fair value						29,485	29,485
At cost	29,542	9,810	39,873	8,758	1,781		89,764
Accumulated impairment	(3,771)	(472)	(7,191)		(416)		(11,850)
Accumulated depreciation	(12,573)	(2,904)	(8,133)	(312)	(734)		(25,656)
	12,198	6,434	24,549	8,446	631	29,485	81,743

Total depreciation, as detailed in the Statement of Comprehensive Income, includes 2,309,000 (depreciation expense), 46,000 (amortisation expense) and 62,000 (Note 20 Leases: depreciation charge of right-of-use assets).

Operational land held by the company has been independently reviewed as at 30 June 2021 by GR Sellars FNZIV, FNZPI, a registered valuer with Colliers International. The review of the land values assessed for financial reporting purposes as at 30 June 2021 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.

There are no operational fixed assets where title is restricted.

(a) Intangible Assets

	NZ\$000	NZ\$000
Cost		
Balance at 1 July 2019	154	154
Balance at 30 June 2020	154	154
Balance at 30 June 2021	154	154
Accumulated Amortisation and Impairment Losses		
Balance at 1 July 2019	(46)	(46)
Amortisation expense	(62)	(62)
Balance at 30 June 2020	(108)	(108)
Amortisation expense	(46)	(46)
Balance at 30 June 2021	(154)	(154)

Carrying Amounts

Net book value as at 30 June 2020	46	46
Net book value as at 30 June 2021	-	-

Amortisation is recognised on a straight line basis over the estimated useful lives of one to 10 years of finite intangible assets, from the date they are available for use.

Policies

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 three yearly. 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.

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	Wharves	10 – 67 years
Sidings and breakwaters	Indefinite	Floating plant	2.5 – 17 years
Capital dredging	Indefinite	Buildings	7 – 50 years
Improvements	10 – 50 years	Plant, machinery and equipment	1.5 – 50 years

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.

Intangible Assets

Intangible assets acquired by PrimePort Timaru Limited, which have a finite useful life are amortised on a straight line basis over their estimated useful lives of one to 10 years.

Subsequent to initial recognition, intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses.

7. Trade & Other Receivables

	2021 NZ\$000	2020 NZ\$000
Trade debtors	1,848	2,500
Prepayments	703	818
	2,551	3,318

The company measures the provision for expected credit losses (ECL) using the simplified approach to measuring ECL, which uses a lifetime loss allowance for all trade receivables. The company determines lifetime expected credit losses using a provision matrix of trade receivables that is applied customers with shared credit risk characteristics. Groupings are based on customer, trading terms and ageing.

Trade debtors are shown net of impairment losses arising from the likely non payment of a small number of customers. As at 30 June 2021 all overdue receivables had been assessed for impairment and appropriate provisions applied. The ageing of receivables are as follows:

	2021			2020		
	Gross NZ\$000	Impairment NZ\$000	Net NZ\$000	Gross NZ\$000	Impairment NZ\$000	Net NZ\$000
Not past due – under 30 days	1,649		1,649	2,078		2,078
Past due – 30 to 60 days	61		61	349		349
Past due – 60 to 90 days	145		145	81		81
Past due – over 90 days	4	(11)	(7)	3	(11)	(8)
	1,859	(11)	1,848	2,511	(11)	2,500

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:

	2021 NZ\$000	2020 NZ\$000
Balance as 1 July	11	11
Balance as 30 June	11	11

Policies

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.

PrimePort Timaru Limited invoices for services as they are performed. They are non interest bearing and have payment terms of generally 30 days from the date of invoice.

The provision for Expected Credit Loss represents impairment losses on contracts with customers.

PrimePort Timaru Limited measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses. The allowance is estimated by reference to past default experience of the debtor, an analysis of the debtor's current financial position as well as forward looking information. PrimePort Timaru Limited writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. None of the trade receivables that have been written off are subject to enforcement activities.

8. Money Market Loans

	2021 NZ\$000	2020 NZ\$000
Current facility ends as follows:		
Less than one year	800	-
One to two years	35,418	-
Two to three years	-	25,000
	36,218	25,000

Money Market

The company has arranged money market facilities with Bank of New Zealand for a maximum amount of \$46.0 million (2020 \$30.0 million). The \$4.5 million facility ends in December 2021. At balance date \$800,000 was drawn on the facility. Subsequent to balance date PrimePort Timaru Limited has renewed the \$4.5 million facility until September 2022 and therefore, \$800,000 is shown as a current liability in the Statement of Financial Position at balance date. The \$25.5 million facility ends in September 2022. The \$8.0 million CARL facility for capital expenditure ends in August 2022 and \$8.0 million CARL facility to support a new tug and wharf upgrades ends in January 2023. To date \$36.2 million has been drawn.

Maturity dates of interest rate instruments within the facility are:

	2021 NZ\$000	2020 NZ\$000
Within one year	15,218	14,000
One to two years	3,000	-
Two to three years	-	3,000
Three to four years	5,000	-
Four to five years	6,000	5,000
Five to six years	7,000	-
Six to seven years	-	3,000
	36,218	25,000

Security

Security for the above loans is by way of a registered mortgage over the property situated at Hayes Street, Timaru and a negative pledge agreement between Bank of New Zealand and PrimePort Timaru Limited.

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.

Policies

Money Market Loans

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 2020, 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 whether the construction period exceeds twelve months and costs in excess of one million dollars.

9. Financial Instruments

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 \$46.0 million (2020 \$30.0 million). There are no restrictions on this with the exception of a registered mortgage over the property situated at Hayes Street, Timaru and a negative pledge.

Interest Rate Risk

The financial instruments at reporting date which are exposed to interest rate risk consist of a bank overdraft, interest rate swaps, forward exchange contracts and wholesale money market borrowings. The company manages its interest rate risk by using interest rate hedging instruments. Interest rate risk is the risk of financial loss, or impairment to cash flows in current or future periods, due to adverse movements in interest rates on borrowings or investments. The company uses interest rate derivatives to manage its exposure to variable interest rate risk by converting variable rate debt to fixed rate debt. The total nominal value of interest rate derivatives outstanding is \$21.0 million. The average interest rate on interest rate derivatives is 2.61%.

There were \$36.2 million of money market borrowings at reporting date (2020 \$25.0 million).

PrimePort’s 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 \$15.2 million was at call (2020 \$10.0 million).

As at balance date five swaps for a total of \$21.0 million (2020 \$19.0 million) have been entered to manage interest rate fluctuation risks.

The following table details outstanding interest rate swaps as at the reporting date:

	Contracted fixed interest rates %	Notional principal swap amounts		Carrying value asset/(liability)	
		2021	2020	2021	2020
		NZ\$000	NZ\$000	NZ\$000	NZ\$000
Swap maturity dates					
February 2021	3.13	-	4,000	-	(77)
June 2023	1.71	3,000	3,000	(57)	(133)
October 2024	2.64	5,000	5,000	(262)	(506)
March 2026	1.23	6,000	-	21	-
December 2026	3.44	3,000	3,000	(329)	(579)
February 2027	3.49	4,000	4,000	(457)	(716)
		21,000	19,000	(1,083)	(2,011)

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 note. PrimePort Timaru Limited carries certain financial assets and financial liabilities at fair value. In accordance with NZ IFRS 13 – Fair Value Measurement, PrimePort Timaru Limited uses various methods in estimating the fair value of its financial instruments.

The company’s interest rate swaps and foreign exchange contracts are valued in accordance with the Level 2 valuation category.

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 2021 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.

The company recognises an allowance for the expected credit losses (ECL) for all financial assets. ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the company expects to receive discounted at an approximation of the original effective interest rate.

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. PrimePort’s treasury policy provides for currency management to be restricted to hedging underlying business exposures only. At balance date the principal or contract amounts of foreign currency forward exchange contracts were \$369,637 (2020 nil). The carrying value asset/(liability) of the foreign currency forward exchange contracts shown in the Statement of Financial Position at year end was (\$15,494) and nil in 2020.

Cash Flow Hedging

Cash flow hedges cover:

- Foreign exchange – foreign exchange contracts were taken out in the 2018 financial year to purchase a tug in United States dollars for delivery in January 2019. PrimePort Timaru Limited’s Treasury Policy provides that purchases of items in foreign currency with an equivalent at spot rate greater than NZ\$250,000 are to be hedged.
- Interest rate swaps – as at balance date five interest rate swaps had been entered into.

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in the cash flow hedge reserve to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the Statement of Comprehensive Income.

The hedging ratio is 1:1 and is determined by the quantity of the hedging instrument and hedged item. The notional amount of the hedging instrument will match the designated amount of the hedged item.

Sources of hedge ineffectiveness are:

- Material changes in credit risk that affect the hedging instrument but do not affect the hedged item.
- Drawn liabilities that fall below the hedging amount, causing the hedge ratio to exceed 100%.

If the hedging instrument no longer meets the criteria for hedge accounting, expires, or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in the hedging reserve remains there until the highly probable forecast transaction, upon which the hedging was based, occurs. When the hedged item is a non financial asset, the amount recognised in the hedging reserve is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in the hedging reserve is transferred to the Statement of Comprehensive Income in the same period that the hedged item affects the Statement of Comprehensive Income.

	2021 NZ\$000	2020 NZ\$000
Financial assets & liabilities		
The carrying amount of financial assets and liabilities are as follows:		
Cash & cash equivalents	702	793
Trade debtors	1,848	2,500
Total loans and receivables	2,550	3,293
Trade & other payables	2,446	1,268
GST	10	344
Money market loans	36,218	25,000
Total financial liabilities measured at cost	38,674	26,612
Derivative financial instruments	408	377
Total financial liabilities measured at fair value	408	377

Policies

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.

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 account, they are accounted for as set out in policies.

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, receivables and prepayments, borrowings, and accounts payable. Financial assets and liabilities are measured in accordance with their respective policies.

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 associated with the instruments. Fair values are determined at balance date when required.

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.

10. 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 3.37% per annum (2020 3.95%). This is a floating rate set by the Bank.

11. Trade & Other Payables

	2021 NZ\$000	2020 NZ\$000
Trade creditors	113	127
Other accrued expenses	2,333	1,343
	2,446	1,470

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

Policies

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

12. Employee Entitlements

	2021 NZ\$000	2020 NZ\$000
Accrued pay	124	204
Accrued leave provision	562	550
Long service provision	8	6
Sick leave provision	22	22
	716	782

Policies

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.

13. Related Party Transactions

Timaru District Holdings Limited is a shareholder of PrimePort Timaru Limited. Timaru District Holdings Limited is a wholly owned subsidiary of the Timaru District Council. A dividend of \$850,000 (2020 \$850,000) was paid to Timaru District Holdings Limited during this financial year. During the year PrimePort Timaru Limited leased land and buildings from Timaru District Holdings Limited. This amounted to \$79,769 including outgoings (2020 \$64,689). Other services amounted to nil (2020 nil). During the year PrimePort Timaru Limited provided services to Timaru District Council amounting to nil (2020 \$1,007). PrimePort Timaru Limited provided services to Timaru District Holdings Limited during the year that amounted to \$1,114 (2020 nil).

Port of Tauranga Limited is a shareholder of PrimePort Timaru Limited. A dividend of \$850,000 (2020 \$850,000) was paid to Port of Tauranga Limited during this financial year. During the year PrimePort Timaru Limited purchased services from Port of Tauranga Limited, that amounted to nil (2020 \$40,736).

PrimePort Timaru Limited provided services to Parr and Company Limited and Air & Power Industrial Limited, companies in which Mr D J Odey is a director and also a director of PrimePort Timaru Limited. The services amounted to \$130 (2020 nil) and nil (2020 nil) respectively. During the year PrimePort Timaru Limited leased land to Odey Fishing Company Limited, a family business of Mr D J Odey. The lease amounted to \$5,000 (2020 \$5,000). Other services amounted to \$5,162 (2020 \$5,085).

PrimePort Timaru Limited leased land to Timaru Container Terminal Limited, a 100% owned subsidiary of Port of Tauranga Limited, a shareholder of PrimePort Timaru Limited. The lease amounted to \$1,433,286 (2020 \$1,250,000). Other services amounted to \$2,469,532 (2020 \$2,387,292).

During the year PrimePort Timaru Limited purchased services from Parr and Company Limited and Air & Power Industrial Limited, companies in which Mr D J Odey is a director and also a director of PrimePort Timaru Limited. The services amounted to \$50,695 (2020 \$142,109) and nil (2020 nil) respectively. Mr N J G Donaldson is Finance Manager of PrimePort Timaru Limited and also a director of Parr and Company Limited. During the year PrimePort Timaru Limited purchased services from City Care Limited, a company in which Mr C N O Van Florenstein Mulder was Chief Executive Officer for part of the year and also a director of PrimePort Timaru Limited. The services amounted to \$36,741 (2020 \$46,248) for the year.

During the year PrimePort Timaru Limited purchased services from the Timaru District Council. The services amounted to \$198,815 (2020 \$208,654) of total operating expenses. Of the total operating expenses \$187,715 (2020 \$177,761) relates to rates.

During the year PrimePort Timaru Limited purchased services from Timaru Container Terminal Limited. The services amounted to \$988 (2020 \$3,268).

The outstanding balances owed by related parties at 30 June 2021 are:

- Timaru Container Terminal Limited \$256,598 (2020 \$251,463)
- Odey Fishing Company Limited \$1,491 (2020 \$1,462)

The outstanding balances owed to related parties at 30 June 2021 are:

- Timaru District Council \$4,508 (2020 \$6,234)
- Port of Tauranga Limited nil (2020 \$3,904)
- Timaru District Holdings Limited \$5,917 (2020 \$5,077)
- Parr and Company Limited \$1,075 (2020 \$2,471)
- City Care Limited \$2,331 (2020 \$2,689)

These balances have been paid since balance date. No related party debts have been written off or forgiven during the year (2020 nil).

Total key management personnel compensation totalled \$1,517,387 (2020 \$1,492,641). 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.

14. Contingent Assets & Liabilities

No contingent assets exist at balance date (2020 nil).

No contingent liabilities exist at balance date (2020 \$250,000).

15. Operational Fixed Assets Under Construction

	2021 NZ\$000	2020 NZ\$000
Operational Fixed Assets Under Construction	16,322	3,952

Operational fixed assets under construction are those assets whose activities to bring the asset to the location and condition for its intended use are not complete. The 2021 balance represents the capital investment ab balance date associated with No. 1 Wharf Upgrades, North Mole Wharf improvements and upgrades, Log Yard sealing and preliminary costs for the Evans Bay Wharf Project.

16. Commitments

	2021 NZ\$000	2020 NZ\$000
Capital commitments	2,870	6,715

The commitments relate to the North Mole Wharf improvements and upgrades during the financial year.

Operating Lease Commitments

Non cancellable operating lease payables:

	2021 NZ\$000	2020 NZ\$000
Not later than 1 year	13	11
Later than 1 year but not later than two years	13	12
Later than 2 years but not later than five years	24	3
	51	26

Operating lease commitments are based on current rentals being paid.

17. Inventory

	2021 NZ\$000	2020 NZ\$000
Inventory	817	917

Inventory includes consumable stocks, timber and fuel. Inventory is measured using FIFO. 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.

Policies

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

18. Revenue

	2021 NZ\$000	2020 NZ\$000
Port Operations	23,554	21,722
Other property rentals	2,737	2,467
	26,291	24,189

Revenue from Contracts with Customers

The above revenue includes the following amounts, which are revenue from contracts with customers.

	2021 NZ\$000	2020 NZ\$000
Revenue from port operational contracts	20,604	18,954
Revenue from maintenance recovery contracts	665	500
Revenue from licence agreements	2,285	2,268
	23,554	21,722

All revenue from contract with customers is measured over time. No revenue is measured at point of time.

Rental Revenue

Yields currently range from 7-7.25% on freehold land value determined at the time of rent review for port related land leases. Leases are a range of land and buildings to a number of customers. A number of leases include rights of renewal for further periods. Ground lease terms and conditions vary between 1 year to 25 years. Direct operating expenses relating to port related properties amounts to \$516,000 (2020 \$359,000).

Operating Lease Receivables

Non cancellable operating lease receivables

	2021 NZ\$000	2020 NZ\$000
Not later than one year	2,456	1,558
Later than one year but not later than two years	2,281	1,558
Later than two years but not later than five years	5,378	4,401
Later than five years	4,783	5,992
	14,898	13,509

Policies

Revenue from contracts with customers is recognised in revenue when control of a good or service transfers to a customer. Port Operations revenue mainly consists of wharfage, marine services, wharf licence fees and maintenance services. Revenue is recognised as the services are provided by the Port and consumed by the customer simultaneously. Progress towards complete satisfaction is measured based on percentage of completion of the service performed, being quantity of goods moved for wharfage, time at berth for marine services, months provided of wharf availability (out of total months per the contract) for wharf licence fees and months of maintenance services provided for maintenance revenue (out of total months per the contract).

Wharf licence fee revenue is payable monthly in advance. All other revenue from contracts with customers has payment terms of within 30 days from the date of invoice.

Rental income from property is recognised in revenue on a straight line basis over the term of the lease (Note this is not revenue under NZ IFRS 15).

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

19. Staff Expenses

There were redundancy payments included in staff expenses in 2021 of nil (2020 \$40,505). Included in staff expenses are employer contributions for employee superannuation funds. Payments for the year amounted to \$262,713 (2020 \$277,618).

20. Leases

For applicable leases, right of use assets include leases related to buildings and land. Also, included are low-value assets that are not shown as sort-term leases and are referenced in Note 18 as operating lease commitments (photocopiers).

- (i) Amounts recognised in the statement of Financial Position.

The Statement of Financial Position shows the following amounts relating to leases:

	2021 NZ\$000	2020 NZ\$000
Right-of-use assets		
Properties	115	129
	115	129
Lease Liabilities		
Current	44	47
Non-current	81	95
	125	142

Additions to the right-of-use assets during the year were nil.

- (ii) Amounts recognised in the Statement of Comprehensive Income

The Statement of Comprehensive Income shows the following amounts relating to leases:

	2021 NZ\$000	2020 NZ\$000
Depreciation charge of right-of-use assets		
Properties	62	45
	62	45
Interest expense (included in finance expenditure)	8	8
Expense relating to low-value assets that are not shown as short-term leases (included in other expenditure)	13	13

The total cash outflow for leases in 2021 was \$82,451 (2020 \$65,940).

Policies

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.

The Company's property rental contracts are typically made for fixed periods of one to six years but may have extension options as described below.

From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

- Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:
- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
 - variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
 - amounts expected to be payable by the Company under residual value guarantees;
 - the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
 - payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

- To determine the incremental borrowing rate, the Company:
- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received; and
 - makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

- Right-of-use assets are measured at cost comprising the following:
- the amount of the initial measurement of lease liability;
 - any lease payments made at or before the commencement date less any lease incentives received;
 - any initial direct costs; and
 - restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. Right-of-use assets are not revalued.

Payments associated with leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise office equipment.

21. EVENTS AFTER BALANCE DATE

The directors are not aware of the existence of any post balance date events.

22. EFFECTS OF COVID-19

The company is a strategic freight and logistics hub at its centrally located multipurpose and bulk handling Port for the South Island of New Zealand. The company provided essential Port services throughout the COVID-19 pandemic related lockdown.

The company operates a commercial Port, and its activities include ship handling, cargo handling, transit storage, property and ancillary services to the shipping and freight industries. The impact on the operations of the company has been minimal. There has been little impact on income in the current year due to COVID-19.

Overall, there has not been any financial impact on the company in the current year.

Subsequent to balance date, on 17 August 2021 further outbreak of COVID-19 meant that New Zealand was put into Alert Level 4 lockdown again. Despite the country going into lockdown again, the financial and operational impact on the company is expected to be minimal in the next financial year.

Independent Auditor's Report

To the readers of PrimePort Timaru Limited's financial statements for the year ended 30 June 2021

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 his behalf.

Opinion

We have audited the financial statements of the Company on pages 16 to 35, that comprise the statement of financial position as at 30 June 2021, 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.

In our opinion, the financial statements of the Company:

- present fairly, in all material respects:
 - its financial position as at 30 June 2021; and
 - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime.

Our audit was completed on 25 August 2021. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible on behalf of the Company for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

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

In preparing the financial statements, the Board of Directors is responsible on behalf of the Company for assessing the Company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to liquidate the Company or to cease operations, or there is no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Port Companies Act 1988.

Responsibilities of the Auditor for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements.

We did not evaluate the security and controls over the electronic publication of the financial statements.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit 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.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- We evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 2 to 15 and pages 40 to 43, but does not include the financial statements, and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the Company in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards 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 2021

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.

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

There were no changes to the Board of Directors during the year.

Directors and Remuneration — Authorised and paid Directors Fees

R.H. Gower (Chairman)	\$69,000
S.G. Gray	\$41,000
D.J. Odey	\$35,000
D.A. Pilkington	\$35,000
A.P. Reynish	\$35,000
C.N.O. Van Florenstein Mulder	\$35,000

Disclosure of Interest by Directors

The following current director’s disclosures were recorded in the interests’ registers of the company:

(a) General Disclosures		
Mr R.H. Gower		
Director	Arno Investments Limited	
Director	Roger Gower & Associates Limited	
Shareholder	Arno Investments Limited	
Shareholder	Roger Gower & Associates Limited	
Trustee	Apprentice Training Trust	
Mr S.G. Gray		
Chairman	Quality Marshalling (Mount Maunganui) Limited	
Chairman	Timaru Container Terminal Limited	
Director	Coda GP Limited	
Director	Ruakura Inland Port GP Limited	
Director	MetroBox Limited	
Shareholder	Port of Tauranga Limited	
Mr D.J. Odey		
Director	Parr and Company Limited	
Director	Air & Power Industrial Limited	
Director	Yedo Investments Limited	
Shareholder	Parr and Company Limited	
Shareholder	Air & Power Industrial Limited	
Shareholder	Yedo Investments Limited	
Family Business	Odey Fishing Company Limited	
Mr D.A. Pilkington		
Chairman	Douglas Pharmaceuticals Limited*	
Chairman	Port of Tauranga Limited	
Chairman	Rangatira Limited	
Director	Excelsa Associates Limited	
Director	Northport Limited	
Shareholder	Excelsa Associates Ltd	
Shareholder	Marsden Maritime Holdings Limited	
Shareholder	Port of Tauranga Limited	
Shareholder	Rangatira Limited	
Trustee	New Zealand Community Trust	
Mr A.P. Reynish		
Director	Port Nelson Limited	
Director	Quality Marshalling (Mount Maunganui) Limited	
Director	Timaru Container Terminal Limited	
Director	Ruakura Inland Port GP Limited	
Shareholder	Port of Tauranga Limited	
Mr C.N.O. Van Florenstein Mulder		
Director	Mulder Consultants Limited	
Director	InfraCore Limited	
Director	Southern Lakes English College Limited	
Shareholder	Mulder Consultants Limited	
Chief Executive	Southern Institute of Technology Limited	
Chief Executive	City Care Limited (resigned during the year)	

(b) Specific Disclosures
Nil.

(c) Directors’ and Officers Liability Insurance
The company has insured all its directors and officers against liabilities to other parties (except the company or a related party of the company) that may arise from their positions as directors and officers. 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:

Remuneration	Number of Employees
\$390,001 – \$400,000	1
\$270,001 – \$280,000	1
\$260,001 – \$270,000	2
\$190,001 – \$200,000	2
\$180,001 – \$190,000	1
\$170,001 – \$180,000	2
\$160,001 – \$170,000	1
\$150,001 – \$160,000	1
\$130,001 – \$140,000	4
\$120,001 – \$130,000	5
\$100,001 – \$110,000	2

Donations

During the year the company made donations of \$2,532.

Auditors’ Remuneration

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

Audit of the Financial Statements	
PrimePort Timaru Limited	\$66,284

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 declared dividends of \$1,700,000 to be paid during the financial year.

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.

Objective/Outcome	Target	Achieved
(a) To manage and operate PrimePort Timaru Ltd to enhance shareholder wealth through continuously improving performance.		
Earnings (after tax) per share	\$0.57	Yes
Dividends (proposed) per share	\$0.00	Yes
Net Assets per share	\$7.62	Yes
Return (after tax) on total assets	4.31%	Yes
Return (after tax) on shareholders funds	7.52%	Yes
Ratio of shareholders funds to total assets	0.57	Yes
(b) To employ the best people and develop staff to their full potential in a safe working environment.		
Lost time injury frequency rate	3.00	Yes
(c) 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

* Includes Subsidiary Companies

Directory

Board of Directors

R.H. Gower	Chairman
S.G. Gray	Director
D.J. Odey	Director
D.A. Pilkington	Director
A.P. Reynish	Director
C.N.O. Van Florenstein Mulder	Director

Leadership Team

P.R. Melhopt	Chief Executive
N.J.G. Donaldson	Finance Manager
K.P. Beeby	Operations Manager
B.J. Kleinjan	Port Engineering Manager
S.A. Wills	Health, Safety and Security Manager
G.C. Bicknell	Marine Manager

Shareholders

as at 30 June 2021

Timaru District Holdings Limited	50%
Port of Tauranga Limited	50%

Solicitors

Buddle Findlay Christchurch
Oceanlaw New Zealand Nelson

Auditors

Audit New Zealand for the Office of the Auditor-General

Bankers

Bank of New Zealand

Registered Office

Marine Parade
Timaru, 7910
New Zealand

PO Box 544
Timaru, 7940
New Zealand

Telephone
+64 3 687 2700

Website
www.primeport.co.nz

The Directors are pleased to present the Annual Report of PrimePort Timaru Limited for the year ended 30 June 2021.

For and on behalf of the Board of Directors.



Roger Gower
Chairman
25 August 2021



Steve Gray
Director
25 August 2021

Our Purpose

Connecting our region to the world.

PrimePort Timaru Annual Report 2021

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