2014 ANNUAL REPORT

PrimePort
TIMARU

CHAIRMAN AND CHIEF EXECUTIVE'S REVIEW 2013/2014

INTRODUCTION

PrimePort has had a very positive year with many significant announcements that include a change in shareholding. The underlying business has also performed well with a net profit before tax[1] of $2,235,000, versus $2,092,000 in 2013.

The announcements made during the year represent a step change for the company, re-establishing PrimePort as the central hub for the South Island.

We are pleased to describe these in order:

- **Alliance with Port of Tauranga**
- **Port of Tauranga and Kotahi announce 10 year agreement**
- **Holcim select PrimePort as import Port in South Island**
- **Strong underlying business**

[1] Excluding restructuring costs, investment property revaluations and impairment of operating fixed assets.

ALLIANCE WITH PORT OF TAURANGA

The alliance with Port of Tauranga became effective on 1st December 2013, with three key elements:

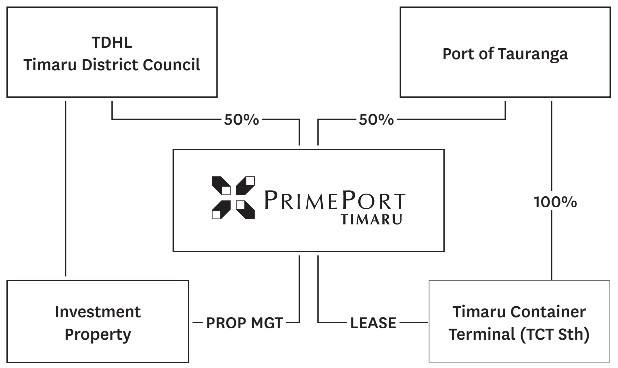
- Port of Tauranga acquired a 50% shareholding of PrimePort Timaru to become the joint venture partner with Timaru District Holdings Limited (TDHL)
- TDHL acquired full ownership of the majority of investment property at the Port
- Port of Tauranga now operates the container terminal under a long term lease arrangement. Port of Tauranga acquired the container cranes and forklifts.

The change in balance sheet reflects the $22.1 million sale of investment property to TDHL.

PrimePort 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 is now operated by Port of Tauranga, but agreements were put in place for PrimePort to support this as well.

The statement in last year's report to explain the Port of Tauranga share purchase foreshadowed the more recent Port of Tauranga / Kotahi[2] agreement by saying "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".

The recent ten year freight agreement recently announced by Kotahi and Maersk and by Port of Tauranga is the prize generated from our alliance that will provide huge benefit to the South Canterbury Region as described below.



PORT OF TAURANGA AND KOTAHI ANNOUNCEMENT

On 26th June 2014 a joint announcement was made by Port of Tauranga, Kotahi[2] and Maersk Line that they had reached a ten year agreement which incorporated major benefits for PrimePort and the Region.

The new arrangements are founded on the following:

- Kotahi has committed to provide up to 1.8 million TEU[3] export cargo containers to the Port of Tauranga over the next 10 years, commencing 1 August 2014;
- Kotahi has committed significant export cargo to Timaru Container Terminal (TCTS), for the next 10 years commencing 1 August 2014;
- The Port of Tauranga has committed to investment in infrastructure to enable visits from the larger 6,500 TEU container ships within the next few years;
- Port of Tauranga will, subject to certain conditions, issue shares to Kotahi and Kotahi will take a stake in TCTS; and
- Kotahi has committed to provide up to 2.5 million TEU export cargo containers to Maersk Line for the next 10 years, commencing 1 August 2014.
- In Timaru, Kotahi has agreed to commit export traffic to Port of Tauranga subsidiary TCTS, which holds a 35 year lease over the 10 hectares of terminal operating area at PrimePort Timaru. Although not specifically announced it is expected that container throughput at Timaru will build back to the higher volumes experienced in 2008 when throughput was 80,000 TEU. Kotahi will get a 49.9% shareholding in TCTS. Operations at TCTS will be managed under a management contract with Port of Tauranga. Also as a result, TCTS plans to invest in Port infrastructure including purchase of another mobile harbour crane to handle the increased container traffic. The terminal will operate 3 Liebherr LHM 500/550 mobile harbour cranes as soon as this third crane arrives.
- Maersk have introduced their weekly "Northern Star" service from Wednesday 13th August and this is now operating with the other two main services out of Timaru; the MSC Capricorn and Swire North Asia.

HOLCIM (NZ) ANNOUNCEMENT

In June 2014, Holcim confirmed their intention to set up an import operation in Ports of Auckland and Timaru. This will replace the manufacturing facility at Westport.

At PrimePort, Holcim will invest approximately $50 million to build a 30,000T storage dome with modern loading and load out facilities. PrimePort will rebuild No2 wharf to handle the import ships and the coastal feeder ships that will supply the South Island and lower North Island, with an overall volume expected to grow from 350,000T per year.

Agreements are being finalised but these facilities are targeted for completion by the end of 2015.

[2]Kotahi is a freight management partnership between major freight owners, initially set up by Fonterra and Silver Fern Farms.
[3]Twenty-foot equivalent unit

SHAREHOLDER / DIRECTOR / MANAGEMENT CHANGE

SHAREHOLDER

In order to achieve a 50:50 joint venture between TDHL and Port of Tauranga, existing shareholders within the minority shareholding Port Industry Holdings Limited (PIHL) relinquished their shares. Most of these shareholders had an ownership that dated back 15 years and have been quiet but emphatic supporters of the Port especially when times were challenging. We wish to record the company's appreciation for this steadfast support that enabled our alliance with Port of Tauranga to take place.

DIRECTORS

The structural change brought about by the alliance with Port of Tauranga also meant a change in directors in November 2013.

John Isles and John Rolleston resigned having joined the Port in 1999 and 1998 respectively.

It is also with regret that we record that Andrew Turnbull died on 9 November 2013. Andrew had been a Director for 15 years. PrimePort has had a long history with the Turnbull family, and our sympathy remains with the family for his untimely death. His name had been synonymous with wise counsel built on his experience in the shipping and rural sectors.

We recognise the excellent support of these directors to successfully lead the Port from early times when it was finding its feet as a commercial entity to create a strong regional presence in the dynamic world of Ports and Shipping.

PrimePort welcomed the Port of Tauranga appointees, Messrs Pilkington, Baylis and Cairns to the Board in November 2013.

CHIEF EXECUTIVE

Jeremy Boys recently announced his resignation from PrimePort after 13 years. When Jeremy first joined the Port container trade had just recommenced and a major infrastructure programme was about to be launched.

Jeremy guided the Port to grow successfully with strong customer relations and to build a new container terminal. The decision in 2009 by Fonterra to realign Port choices away from Timaru created a different leadership challenge that Jeremy responded to very ably. He was instrumental in creating the new alliance with Port of Tauranga and he leaves with best wishes from the Board.

A selection process for a new Chief Executive is well advanced.

As the business enters a growth phase the Company also expects to expand the management team to include the role of Commercial Manger.

AN OVERVIEW OF 2013/14

The year-end operational profit before tax, restructuring costs, investment property revaluations and impairment is $2,235,000, which compares with $2,092,000 last year.

It reflects strong support by our breakbulk customers particularly in logs, fertiliser, stock feed 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, grain and fish volumes reduced to a small extent, but logs, fertiliser and stock feed increased significantly. Overall tonnage at 1,270,300T (excluding containers) was higher than last year.

Operational land values increased by $571,000 compared to last year's increase of $331,000. Port investment property revaluations increased by $98,000 from last year.

Our balance sheet adds further strength. At balance date PrimePort had no borrowings and cash in the bank of over $4 million.

OUR PEOPLE

Again, the Board records a huge thank you to staff. It has been another challenging year where total staff numbers of only 40 have maintained excellent service as the Port again grows.

The alliance with the Port of Tauranga sets the tone for a much more positive outlook for our staff going forward, something that is well deserved. The new entities that have set up in Timaru as a result will create a wide range of additional employment opportunities.

FINANCIAL

We report a 2014 year after tax profit of $1,887,000 compared to last year's profit of $1,686,000.

Port operational revenue was equivalent to last year at $12.6 million.

Net cash flows from operating activities decreased from $2.5 million to $1.9 million due to dredging campaigns and lower cash from operating activities.

Operating expenses amounted to $14.0 million compared to $14.6 million last year.

Earnings before interest, tax, depreciation and amortisation (EBITDA) on adjusted profits (after adjusting for the gain on sale of assets and impairment of operating fixed assets) was down at $2,991,000 compared to last year due to restructuring costs being adjusted for last year. Earnings still reflect positive operating cash flows.

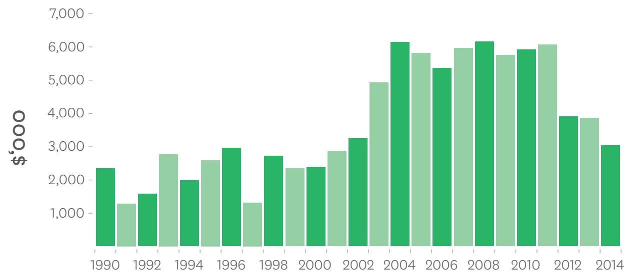
The normal port operating profit since port deregulation shows the trend in profitability over the past 25 years, and that the 2014 operating profit was a positive result.

Financing costs of only $52,000 were down on last year due to reduced borrowings. Borrowings were nil reflecting the strong operating cash flows the Port generates. The borrowings graph illustrates the positive impact of these cash flows over the past decade.

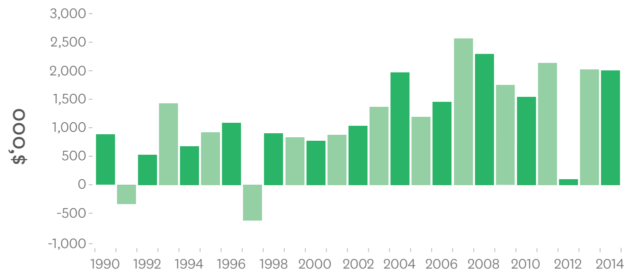
The taxation expense of $304,000 compares to last year's tax expense of $552,000. The deferred taxation asset has increased to $1.9 million from $1.3 million the previous year due to the sale of the investment property sold to TDHL. This asset will be realised as the company's future profits reverse this, over time.

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

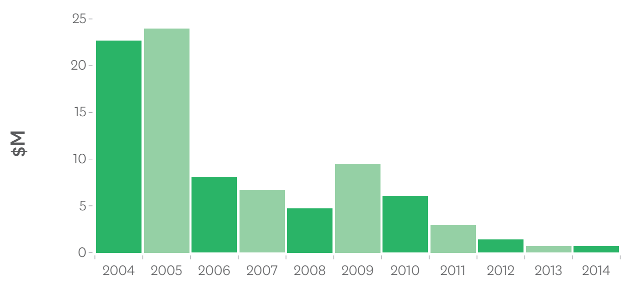
EBITDA Using Normal Port Operating Profits

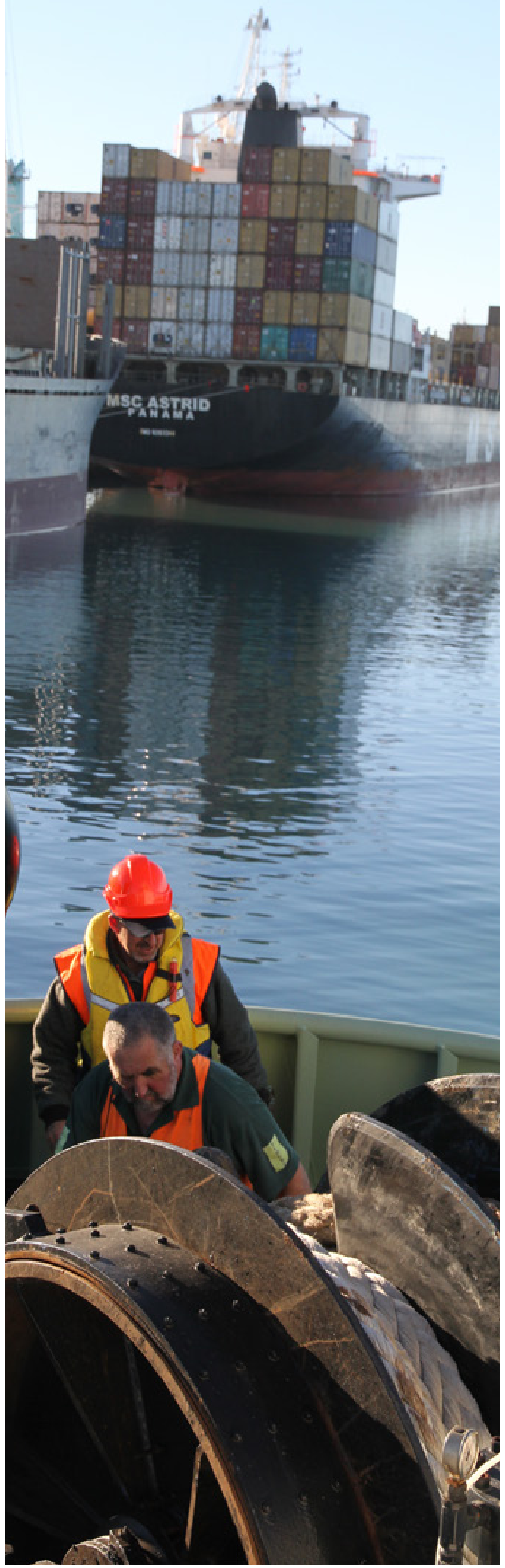


Normal Port Operating Profits



Borrowings



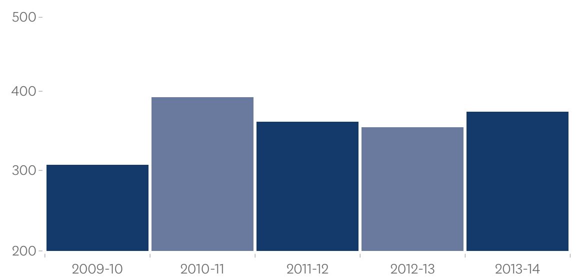


PRIMEPORT OPERATIONS

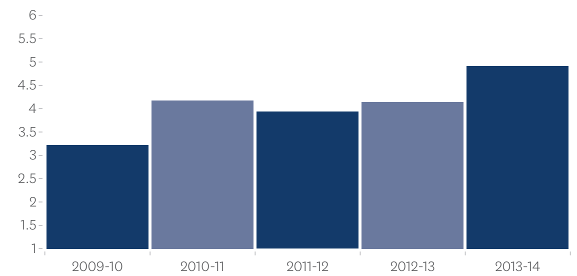
SHIPS

The gross registered vessel tonnage at 4.88 million GRT was up 19% on last year as a result of increased vessel size. Ship numbers were up to 374, of which 87% were piloted. Last year we saw 355 vessels of which 85% were piloted.

Ship Numbers



Gross Registered Tonnes (Millions)

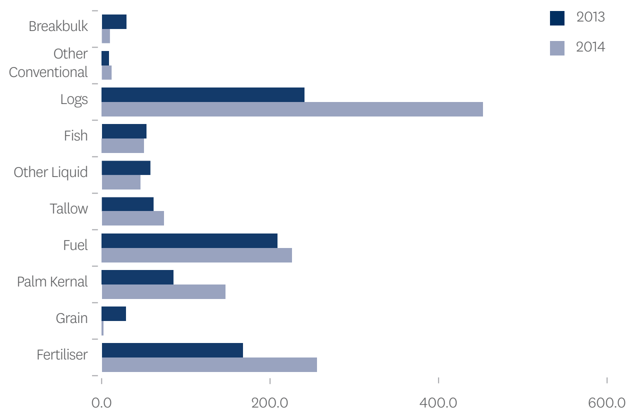


CARGO

Non-containerised cargo handled through the Port in 2014 was 1,270,300 tonnes, 35% up on the previous year.

The 2014 cargo graph and pie chart shows our key cargo statistics for total tonnage for the year.

Non Containerised Cargo - ‘000s Tonnes

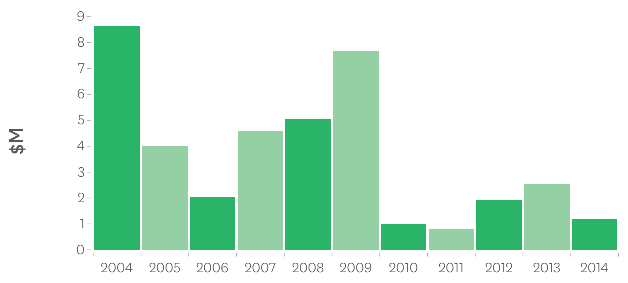


The alliance with the Port of Tauranga sets the tone for a much more positive outlook for our staff going forward, something that is well deserved. The new entities that have set up in Timaru as a result will create a wide range of additional employment opportunities.

CAPITAL DEVELOPMENT

Capital expenditure levels were lower than the previous year. Capital expenditure, including work in progress of $1.04 million, was incurred this financial year versus $2.4 million last year. A large portion of it related to the Evans Bay log yard reclamation and upgrades to wharves.

Capital Expenditure



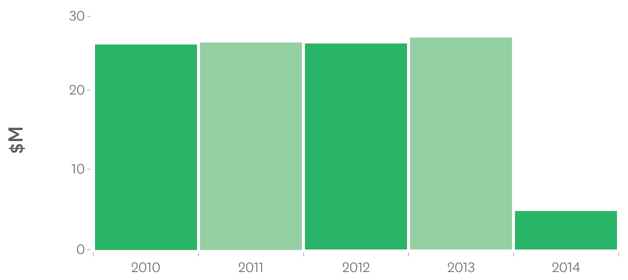
PROPERTY

All land was revalued with an overall increase of $0.67 million over last year made up of an increase of $571,000 in operational land and $98,000 in investment property land.

As a result of the sale of 50% of Primeport Timaru to Port of Tauranga in November 2013, the majority of investment property was sold to Timaru District Holdings Limited for a value of $22.1 million. The remaining investment property has been assessed at $3.3 million, see note 8 Port Related Investment Properties.

The graph shows a reduction in investment property valuations in 2014 attributable to the sale of the majority of investment property sold to Timaru District Holdings Limited.

Port Investment Property Valuations



PRIMEPORT SHAREHOLDERS

Shareholder funds decreased to $42.2 million from $61.8 million at previous balance date. This now represents a value of $5.00 per share.

The reduction in shareholder funds is a result of the sale of 50% of PrimePort Timaru to Port of Tauranga. This involved the sale of investment property to Timaru District Holdings Limited. At the same time PrimePort Timaru repurchased a total of 1,549,798 shares from Timaru District Holdings Limited and Port Industry Holdings Limited through a share buyback as part of the change in ownership, see note 6 Share Capital. This resulted in total share capital of $8,450,202 at balance date.

The company continues to maintain a close relationship with its shareholders.

Shareholder Value

OUTLOOK - OUR BUSINESS

The Port is embarking on another exciting growth phase within its history. The container business with the alliance with Port of Tauranga will immediately return to its highest volumes and breakbulk is expected to continue its steady rise with the support of many customers. Holcim has committed to a long term cement import facility that will anchor a new relationship for 25 years and beyond.

This step change will also usher in a new and expanded leadership team to guide PrimePort as it consolidates its place as the prime central hub in the South Island.

Roger Gower
CHAIRMAN

Jeremy Boys
CHIEF EXECUTIVE

PRIMEPORT TIMARU LTD
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

	NOTE	2014 $000	2013 $000
OPERATING REVENUE			
Port operational		12,640	12,664
Property rentals	22	3,116	3,144
Interest revenue		61	-
Surplus on disposal of operational fixed assets		270	106
		16,087	**15,914**
OPERATING EXPENDITURE			
Staff	25	4,452	5,269
Port operating		5,639	5,156
Depreciation	7	974	1,748
Finance		52	87
Dredging		917	632
Impairment of operating fixed assets	7	142	-
Director fees		185	185
Operating leases		1,578	1,448
Audit services - Audit		55	53
Bad debts incurred	10	-	-
Doubtful debts		-	-
		13,994	**14,578**
Operating profit/(loss) before tax and port investment property revaluations		**2,093**	**1,336**
Port investment property revaluations	8	98	902
Profit/(loss) before tax		**2,191**	**2,238**
Taxation	2	(304)	(552)
Profit/(loss) for the year	**3**	**1,887**	**1,686**
Other comprehensive income			
Operating land revaluations	7	571	331
Financial instrument hedging	5	-	40
Income tax relating to financial instrument hedging	5	-	(11)
Other comprehensive income for the year	5	**571**	**360**
Total comprehensive income for year attributable to equity holders		**2,458**	**2,046**

PRIMEPORT TIMARU LTD
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

	NOTE	ISSUED SHARES	HEDGING RESERVE	REVALUATIONS	RETAINED EARNINGS	TOTAL
Equity at the beginning of the year 2013		10,000	-	14,928	36,862	61,790
Total comprehensive income for year attributable to equity holders	4+5	-	-	571	1,887	2,458
Distributions - share buyback	4+6	(1,550)	-	-	(7,950)	(9,500)
Distributions - dividends paid	4+6	-	-	-	(12,577)	(12,577)
Equity at the end of the year 2014		**8,450**	**-**	**15,499**	**18,222**	**42,171**
Comparatives for 2013						
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**

PRIMEPORT TIMARU LTD
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	NOTE	2014 $000	2013 $000
EQUITY			
Issued shares	6	8,450	10,000
Retained earnings	4	18,222	36,862
Revaluation reserve	5	15,499	14,928
TOTAL EQUITY		**42,171**	**61,790**
REPRESENTED BY LONG TERM ASSETS			
Operational fixed assets	7	31,825	33,060
Operational fixed assets under construction	18	562	646
Port related investment properties	8	3,267	25,298
Deferred taxation	2	1,861	1,288
TOTAL LONG TERM ASSETS		**37,515**	**60,292**
CURRENT ASSETS			
Cash and cash equivalents	12	4,483	1,309
Trade and other receivables	10	1,926	1,383
Inventory	20	399	511
TOTAL CURRENT ASSETS		**6,808**	**3,203**
TOTAL ASSETS		**44,323**	**63,495**
TERM LIABILITIES			
Money market loans	11+12	-	-
DEFERRED TAXATION		-	-
CURRENT LIABILITIES			
Trade and other payables	14	1,239	1,441
Employee entitlements	15	569	505
Tax payable		344	(241)
TOTAL CURRENT LIABILITIES		**2,152**	**1,705**
TOTAL LIABILITIES		**2,152**	**1,705**
NET ASSETS		**42,171**	**61,790**

For and on behalf of the
Board of Directors.
15 August 2014

Roger Gower
Chairman

Nigel Gormack
Director

PRIMEPORT TIMARU LTD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014

	NOTE	2014 $000	2013 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Sources			
Cash received from customers		15,473	16,170
Interest received		56	-
Disbursements			
Payments to suppliers		7,396	6,889
Payments to employees		4,388	5,505
Net GST paid		41	164
Income tax		311	323
Interest on borrowing		52	127
Dredging		1,398	632
		13,586	**13,640**
Net cash from operating activities	3	**1,943**	**2,530**
CASH FLOWS FROM INVESTING ACTIVITIES			
Sources			
Proceeds from disposal of fixed assets		24,149	140
Proceeds from sale of investment property		-	-
Disbursements			
Purchase of fixed assets		841	2,472
Net cash used in investing activities		**23,308**	**(2,332)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Sources			
Loans raised		-	-
Disbursements			
Loans repaid		-	1,000
Share buyback		9,500	-
Dividends paid		12,577	-
		22,077	**1,000**
Net cash used in financing activities		**(22,077)**	**(1,000)**
NET INCREASE (DECREASE) IN CASH		**3,174**	**(802)**
Opening cash and cash equivalents balances		1,309	2,111
CLOSING CASH AND CASH EQUIVALENTS BALANCES		**4,483**	**1,309**
Represented by			
Cash and cash equivalents		4,483	1,309

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

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 Financial 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 2014. The financial statements were authorised for issue by the Board on 15 August 2014.

New standards first applied in the period

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). There were no other impacts on the current or prior year financial statements of the Company.

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.

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

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 2013, 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

	2014 $000	2013 $000
Profit/(loss) before taxation and port investment property revaluations	2,093	1,336
Port investment property revaluations	98	903
Profit before taxation	2,191	2,239
Tax at 28%	613	627
Plus/(Less) tax effect of:		
Non-taxable income	(28)	(253)
Non-deductible expenditure	113	24
Prior year adjustment	122	154
Release of overprovision of deferred tax provided under NZ IAS 12	(516)	-
	304	**552**
Components of taxation:		
Current taxation	752	(61)
Deferred taxation	(570)	459
Prior year adjustment	122	154
	304	**552**

DEFERRED TAX LIABILITY	LONG TERM ASSETS	EMPLOYEE ENTITLEMENTS	OTHER	HEDGE RESERVE	TOTAL
Balance at 1 July 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**
Credit/(Charge) to profit or loss	134	25	(4)	-	155
Prior year adjustment	418	-	-	-	418
Credit/(Charge) to comprehensive income	-	-	-	-	-
Balance at 30 June 2014	**1,705**	**156**	**-**	**-**	**1,861**

The utilisation of the deferred tax asset of $1,861,000 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.

	2014	2013
Imputation credit account		
Imputation credits available for use in subsequent reporting periods.	**599**	**5,178**

3. RECONCILIATION OF CASH FLOW WITH OPERATING SURPLUS

	2014 $000	2013 $000
Profit/(loss) after taxation	1,887	1,686
Depreciation	974	1,748
Impairment of assets	142	-
Investment property revaluation	(98)	(902)
Movements in deferred tax	(573)	639
Movements in deferred tax - hedging impact on reserves	-	(11)
Loss / (Surplus) on disposal of long term assets	(270)	(106)
	2,062	**3,054**
WORKING CAPITAL MOVEMENTS RELATING TO CASH FROM OPERATING ACTIVITIES		
(Increase) / Decrease in accounts receivable	(543)	444
(Increase) / Decrease in inventory	112	(109)
Increase / (Decrease) in trade and other payables and employee entitlements	(273)	(460)
Increase / (Decrease) in tax payable	585	(399)
Net cash flow from operating activities	**1,943**	**2,530**

4. RETAINED EARNINGS

	2014	2013
Opening balance	36,862	35,176
Profit after tax	1,887	1,686
Less share buyback	(7,950)	-
Less dividends paid	(12,577)	-
Closing balance	**18,222**	**36,862**

5. RESERVES

	2014	2013
Opening balance	14,928	14,568
Other comprehensive income	571	360
Closing balance	**15,499**	**14,928**
Reserves are represented by:		
Operational land	15,499	14,928
Financial instrument hedging	-	-
Tax effect of hedging	-	-
	15,499	**14,928**

6. PAID IN SHARE CAPITAL

	2014	2013
Ordinary Shares	8,450	10,000
At 1 July 2012	10,000	10,000
At 30 June 2013	10,000	10,000
Share buyback	(1,550)	-
At 30 June 2014	**8,450**	**10,000**

During the year, the authorised share capital was decreased by $1,550,000 for a value of $9,500,000 through a share buyback. All shares have equal voting rights and share equally in dividends and any distribution. Dividends of $12,576,800 were paid during this financial year (2013 nil).

7. OPERATIONAL FIXED ASSETS

	PLANT & EQUIPMENT	FREEHOLD BUILDING	WHARVES	BREAKWATER /CHANNEL	IMPROVEMENTS TO LAND	FREEHOLD LAND AT VALUATION	TOTAL
2014							
Balance as at 1 July 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**
Additions	249	789	196			47	1,281
Revaluation						571	571
Disposal- cost	(16,408)	(11)				(73)	(16,492)
Disposal- accumulated depreciation	14,518	4					14,522
Impairment		(142)					(142)
Depreciation expense	(645)	(145)	(159)		(26)		(975)
Movement to 30 June 2014	**(2,286)**	**495**	**37**	**-**	**(26)**	**545**	**(1,235)**
Balance as at 30 June 2014							
At fair value						16,947	16,947
At cost	19,534	4,330	14,604	5,147	1,148		44,763
Accumulated impairment	(2,163)	(472)	(7,191)		(416)		(10,242)
Accumulated depreciation	(12,045)	(1,669)	(5,109)	(299)	(521)		(19,643)
	5,326	**2,189**	**2,304**	**4,848**	**211**	**16,947**	**31,825**
COMPARATIVES FOR 2013							
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
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**

Operational land held by the company has been independently valued as at 30 June 2014 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 $1,448,000.

There was $142,000 (2013 nil) of impairment losses during the year. There are no operational fixed assets where title is restricted.

8. PORT RELATED INVESTMENT PROPERTIES

	2014 $000	2013 $000
Opening balance	25,298	24,396
Revaluation	98	902
Disposals / Transfers	(22,129)	-
Closing balance	**3,267**	**25,298**
Investment Properties are represented by:		
Land at valuation	3,267	22,657
Building at valuation	-	2,641
	3,267	**25,298**

Investment property held by the Company was independently valued as at 30 June 2014 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. In determining fair value Mr Sellars has used the rental capitalisation approach. This method uses significant unobservable inputs (level 3 as defined by NZ IFRS 13). This method is based upon assumptions including future rental income and appropriate discount rates.

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

	2014	2013
Trade debtors	1,263	1,247
Prepayments	663	136
	1,926	**1,383**

Trade debtors are shown net of impairment losses arising from the likely non payment of a small number of customers. As at 30 June 2014 all overdue receivables had been assessed for impairment and appropriate provisions applied. The ageing of receivables are as follows:

	2014			2013		
	GROSS	IMPAIRMENT	NET	GROSS	IMPAIRMENT	NET
	$000	**$000**	**$000**	**$000**	**$000**	**$000**
Not past due - under 30 days	1,205		1,205	1,066		1,066
Past due - 30 to 60 days	65		65	116		116
Past due - 60 to 90 days	2		2	5		5
Past due - over 90 days	2	(11)	(9)	71	(11)	60
	1,274	**(11)**	**1,263**	**1,258**	**(11)**	**1,247**

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:

	2014	2013
Balance as 1 July	11	11
Additional provisions made during the year	-	-
Trade debtors written off during period	-	-
Balance as 30 June	**11**	**11**

11. MONEY MARKET LOANS

MONEY MARKET

The company has arranged money market facilities with Bank of New Zealand for a maximum amount of $3 million (2013 $4 million) to 2017, to date $nil has been drawn. This facility decreases to $2 million in 2015, and reduces annually by $1,000,000. Maturity dates of interest rate instruments within this long term facility are:

	2014 $000	2013 $000
Within one year	-	-

SECURITY

Security for the above loans is by way of 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.

12. 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 $3 million (2013 $4 million). There are no restrictions on this with the exception of the 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 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 30/06/2014
Bank overdraft	10.95%

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 (2013 nil). There is no sensitivity to interest rate movements.

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 nil.

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

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The following table provides the fair value measurement hierarchy for PrimePort's assets and liabilities:

2014	FINANCIAL ASSETS	DATE OF VALUATION	TOTAL	QUOTED PRICES IN ACTIVE MARKETS	SIGNIFICANT OBSERVABLE INPUTS	SIGNIFICANT UNOBSERVABLE INPUTS
				Level 1	Level 2	Level 3
			$000	$000	$000	$000
Freehold land at valuation (Note 7)		30 June 2014	16,947		16,947	
Investment Properties (Note 8)		30 June 2014	3,267			3,267

2013	FINANCIAL ASSETS	DATE OF VALUATION	TOTAL	QUOTED PRICES IN ACTIVE MARKETS	SIGNIFICANT OBSERVABLE INPUTS	SIGNIFICANT UNOBSERVABLE INPUTS
				Level 1	Level 2	Level 3
			$000	$000	$000	$000
Freehold land at valuation (Note 7)		30 June 2013	16,402		16,402	
Investment Properties (Note 8)		30 June 2013	25,298			25,298

There are no financial liabilities carried at fair value as at 30 June 2014 (2013 nil).

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 2014 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 2014 23% (2013 29%) of trade receivables were due from one customer which provides 11% (2013 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 (2013 nil). The mark to market value of the foreign forward exchange contracts as at 30 June 2014 included in trade and other payables were nil (2013 nil). PrimePorts treasury policy provides for currency management to be restricted to hedging underlying business exposures only.

CASH FLOW HEDGING

Cash flow hedges cover:

Foreign exchange – No significant foreign exchange transaction took place in the financial year. PrimePort treasury policy provides that all purchases of items in foreign currency with an equivalent at spot rate greater than NZ$100,000 are to be hedged. There were no material foreign exchange hedging transactions in 2014.

Interest rate swaps – as at balance date no interest rate swaps had been entered into.

FINANCIAL ASSETS & LIABILITIES

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

	2014 $000	2013 $000
Cash & cash equivalents	1,427	1,309
Term investment	3,055	-
Trade & other receivables	1,264	1,247
Total loans and receivables	**5,746**	**2,556**
Trade & other payables	1,239	1,441
Money market loans	-	-
Total financial liabilities measured at cost	**1,239**	**1,441**

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 10.95% per annum (2013 10.80%). This is a floating rate set by the Bank.

14. TRADE AND OTHER PAYABLES

Trade creditors	464	447
Other accrued expenses	775	994
	1,239	**1,441**

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

15. EMPLOYEE ENTITLEMENTS

Accrued pay	109	177
Accrued leave provision	450	318
Long service provision	-	-
Sick leave provision	10	10
	569	**505**

16. 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. PrimePort Timaru Limited repurchased 15% of Timaru District Holdings Limited's shareholding (1,106,945 shares) through a share buyback. PrimePort Timaru Limited sold investment property with a value of $22,076,800 to Timaru District Holdings Limited. A dividend of $8,982,997 (2013 nil) was paid to Timaru District Holdings Limited during this financial year. PrimePort Timaru Limited provides property management services to Timaru District Holdings Limited; this amounted to $42,500 for the year (2013 nil).

Prior to 29 November 2013 directors of PrimePort Timaru Limited owned 39% of shares in Port Industry Holdings Limited via three shareholdings in this group giving them an effective 11% holding of the company. PrimePort Timaru Limited repurchased 15% of Port Industry Holdings Limited's shareholding (442,853 shares) through a share buyback. A dividend of $3,593,803 (2013 nil) was paid to Port Industry Holdings Limited during this financial year.

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 was a director and also a director of PrimePort Timaru Limited up to the date of his passing on 9 November 2013. The leases amounted to $65,711 (2013 $113,197) of revenue from rentals. DC Turnbull & Co Limited also purchased other services from PrimePort Timaru Limited that amounted to $11,347 (2013 $7,053) of total operations revenue. 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 $8,000 (2013 $6,667) of revenue from rentals. Philip Wareing Limited also purchased other services from PrimePort Timaru Limited that amounted to $75,452 (2013 $22,752) of total operations revenue.

From 1 December 2013 PrimePort Timaru Limited leased land to Timaru Container Terminal Limited, a wholly owned subsidiary of Port of Tauranga Limited, a shareholder of PrimePort Timaru Limited. The lease amounted to $364,583 (2013 nil).

During the year PrimePort Timaru Limited purchased services from the Timaru District Council. The services amounted to $265,535 (2013 $385,188) 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 2014 are:

Philip Wareing Limited	$4,777 (2013 $3,788)
Timaru Container Terminal Limited	$136,041 (2013 nil)
Timaru District Holdings Limited	$50,661 (2013 nil)

The outstanding balances owed to related parties at 30 June 2014 is:

Timaru District Council	$481 (2013 $16,843)
Timaru District Holdings Limited	$33,199 (2013 nil)

These balances have been paid since balance date. No related party debts have been written off or forgiven during the year (2013 nil).

Total key management personnel compensation totalled $1,150,553 (2013 $1,801,394). This included salaries and other short-term employee benefits $1,122,067 (2013 $1,409,813), superannuation benefits $28,486 (2013 $22,498) and termination benefits of nil (2013 $369,083). 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 (2013 nil). No contingent liabilities exist at balance date (2013 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 $562,000 (2013 $646,000).

19. COMMITMENTS

	2014 $000	2013 $000
Capital commitments	332	58

The commitments relate to the grain facility demolition and electronic equipment ordered late in the financial year (2013 $58,000)

OPERATING LEASE COMMITMENTS

Non-cancellable operating lease payables:		
Not later than 1 year	1,440	1,433
Later than 1 year but not later than two years	1,435	1,433
Later than 2 years but not later than five years	4,300	4,300
Later than 5 years	1,314	2,747
	8,489	**9,913**

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 2014 would read:

Non-cancellable operating lease payables:		
Not later than 1 year	643	73
Later than 1 year but not later than two years	1,435	643
Later than 2 years but not later than five years	4,299	4,301
Later than 5 years	1,314	2,747
	7,691	**7,764**

20. INVENTORY

Inventory includes consumable stocks, timber and fuel. Purchases made during the year not held in inventory at year end are included in port operations expenditure. Inventory at year end is recorded at cost price, less any impairment losses. There is no inventory where title is restricted.

21. PROPERTY INTENDED FOR SALE

There is no property intended for sale.

22. PROPERTY RENTALS

Port related investment rentals	2,969	2,930
Other property rentals	147	214
	3,116	**3,144**

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 between 1 year to 25 years. Direct operating expenses relating to port related investment properties amounts to $1,637,000 (2013 $1,752,000). Included in these figures are $8,262 (2013 $18,998) of direct operating expenses arising from investment property that did not generate rental income during the year.

OPERATING LEASE RECEIVABLES

Non-cancellable operating lease receivables:		
Not later than one year	977	2,739
Later than one year but not later than two years	117	1,817
Later than two years but not later than five years	281	2,486
Later than five years	320	7,469
	1,695	**14,511**

23. MAJOR TRANSACTION

The sale of 50% of PrimePort Timaru Limited to Port of Tauranga Limited occurred on 29 November 2013. This major transaction involved three main components; the sale of investment property to Timaru District Holdings Limited, which is a wholly owned subsidiary of the Timaru District Council, see note 8 Port Related Investment Properties. PrimePort Timaru Limited repurchased a total of 1,549,798 shares from Timaru District Holdings Limited and Port Industry Holdings Limited through a share buyback as part of the change in ownership. The subsequent purchase of 50% shares by Port of Tauranga Limited, see note 6 Share Capital and long term lease of the North Mole container terminal and sale of the container terminal assets to Timaru Container Terminal Limited, a wholly owned subsidiary of Port of Tauranga Limited.

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

There were no redundancy payments included in staff expense in 2014 (2013 $756,000).
Included in staff expenses are employer contributions for employee superannuation funds.
Payments for the year amounted to $182,000 (2013 $183,000).

26. EVENTS AFTER BALANCE DATE

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

27. NZIFRS ISSUED BUT NOT YET EFFECTIVE

The following standards and amendments to existing standards have been published and are mandatory for accounting periods beginning on or after 1 January 2015, but the Company has not early adopted them:

(i) NZ IFRS 9 Financial Instruments - Classification and Measurement

(ii) NZ IFRS 15 - Revenue from Contracts with Customers

(iii) Amendments to NZ IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Liabilities

(iv) Amendments to NZ IFRS 10, 11 and 12 and NZ IAS 27 Investment Entities

(v) Amendments to NZ IAD 36 Recoverable Amount Disclosures for Non-Financial Assets

(vi) Amendments to NZ IAS 39 Novation of Derivatives and Continuation of Hedge Accounting

(vii) NZ IFRIC 21 Levies

The company expects to adopt these new or amended standards and interpretations in the period that application of the standard is required, however they are not expected to have a significant impact on the company's financial statements.

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of
PrimePort Timaru Limited's
financial statements
for the year ended 30 June 2014

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 14 to 29, that comprise the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

Opinion

Financial statements

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

- comply with generally accepted accounting practice in New Zealand; and
- give a true and fair view of the company's:
    - financial position as at 30 June 2014; 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 15 August 2014. 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. Also we did not evaluate the security and controls over the electronic publication 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 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 is also responsible for the publication of the financial statements, whether in printed or electronic form.

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 2014

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. On 29 November 2013 the sale of 50% of PrimePort Timaru Limited to Port of Tauranga Limited occurred. This major transaction involved the sale of investment property to Timaru District Holdings Limited, a wholly owned subsidiary of the Timaru District Council and long term lease of the North Mole container terminal and sale of container terminal assets to Timaru Container Terminal Limited, a wholly owned subsidiary of Port of Tauranga Limited.

CHANGES IN ACCOUNTING POLICIES

All policies have been applied on a consistent basis with the previous year. A new accounting standards framework has come into effect for profit oriented entities. The effect of these is explained in the accounting polices section of the annual report.

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 J Isles and Mr JMW Rolleston retired from the Board. Mr AG Turnbull was a director up to the date of his passing on 9 November 2013. Mr AW Baylis, Mr MC Cairns and Mr DA Pilkington were appointed to the Board in November.

DIRECTORS AND REMUNERATION

Authorised and paid Directors Fees

AW Baylis (appointed 29 November 2013)	$15,200
MC Cairns (appointed 29 November 2013)	$15,200
NJ Gormack	$26,000
RH Gower (Chairman)	$52,000
J Isles (ceased as a director 29 November 2013)	$11,000
DA Pilkington (appointed 29 November 2013)	$15,200
JMW Rolleston (ceased as a director 29 November 2013)	$13,000
AG Turnbull (ceased as a director 9 November 2013)	$11,000
PW Wareing	$26,000

DISCLOSURE OF INTEREST BY DIRECTORS

The following current or former director's entries were recorded in the interests' registers of the company:

A. GENERAL DISCLOSURES

Mr. N.J. Gormack

Director	– Opuha Water Ltd
Director	– Quantum Advantage Ltd
Shareholder	– Quantum Advantage Ltd
Secretary	– Rangitata South Irrigation Ltd
Secretary	– Hunter Downs Irrigation
Director	– The Greenvale Group 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 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. J.M.W. Rolleston

Director	– South Pacific Sera Ltd
Director	– Program Management Ltd
Shareholder	– Port Industry Holdings Ltd

Mr A.W. Baylis

Chairman	– Blackhead Quarries Ltd
Chairman	– Dairy Holdings Ltd**
Director	– Edincorp Equities Ltd
Director	– Edincorp Business Services Ltd
Director	– Port of Tauranga Ltd
Director	– Tenby Estate Ltd
Director	– Melbourne St Developments Ltd
Director	– Palmer & Son Ltd
Director	– Palmer Oliver Holdings Ltd

** Includes Subsidiary Companies

Mr P.W. Wareing

Director	– Philip Wareing Ltd
Director	– NZ Express Transport Ltd
Shareholder	– Philip Wareing Ltd

Mr D.A. Pilkington

Chairman	– Port of Tauranga Ltd
Chairman	– Hellers Ltd
Chairman	– Rangatira Ltd
Director	– Excelsa Associates Ltd
Shareholder	– Excelsa Associates Ltd
Director	– Aragorn Ltd
Director	– Douglas Pharmaceuticals Ltd
Director	– Northport Ltd
Director	– Tuatara Brewing Company Ltd
Director	– ZESPRI Group Ltd
Chairman	– Restaurant Brands New Zealand Ltd
Director	– Ballance Agri-Nutrients Ltd
Trustee	– New Zealand Community Trust

Mr M.C. Cairns

Chief Executive	– Port of Tauranga Ltd
Director	– Northport Ltd
Director	– North Tugz Ltd
Director	– Quality Marshalling Ltd
Director	– Meridian Ltd
Director	– Port of Tauranga Trustee Ltd

B. SPECIFIC DISCLOSURES

During the period served as a director, Mr AG Turnbull gave notice that DC Turnbull & Co Limited, The Central Stockfeed Company Limited and Timaru Wool Storage Limited 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

Former directors who were shareholders in PrimePort Timaru Limited sold their indirect shareholdings as part of the share buyback and investment by Port of Tauranga Limited, which occurred on 29 November 2013.

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
$290,001 - $300,000	1
$210,001 - $220,000	3
$190,001 - $200,000	1
$160,001 - $170,000	1
$150,001 - $160,000	1
$140,001 - $150,000	1
$130,001 - $140,000	1
$120,001 - $130,000	1
$100,001 - $110,000	3

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 OF THE FINANCIAL STATEMENTS
PrimePort Timaru Ltd	$54,814

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 $12,576,800 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 with the exception of:

Lost time injury frequency rate – staff and management remain committed to maintaining high safety standards. The percentage increase relates to two incidents that required 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	*1,043,100*	*Yes*
	Vessel arrivals	*330*	*Yes*
(b)	To manage and operate PrimePort Timaru Ltd to enhance shareholder wealth through continuously improving performance.		
	Earnings (after tax) per share	*$0.09*	*Yes*
	Dividends (proposed) per share	*$0.00*	*Yes*
	Net Assets per share	*$4.83*	*Yes*
	Return (after tax) on total assets	*1.92%*	*Yes*
	Return (after tax) on shareholders funds	*1.94%*	*Yes*
	Ratio of shareholders funds to total assets	*0.99*	*Yes*
	Return (pre-tax profit) on shareholders funds	*2.70%*	*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	A.W. Baylis
	M.C. Cairns
	N. J. Gormack
	D.A. Pilkington
	P.W. Wareing

MANAGEMENT

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

SHAREHOLDERS AS AT 30 JUNE 2014

Timaru District Holdings Ltd (50%)

Port of Tauranga Ltd (50%)

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

OUR MISSION
CUSTOMERS FIRST

The Directors are pleased to present the Annual Report of PrimePort Timaru Limited for the year ended 30 June 2014.
For and on behalf of the Board of Directors.

R. H. Gower
Chairman
15 August 2014

N. J. Gormack
Director
15 August 2014

PRIMEPORT TIMARU

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