PrimePort Timaru Annual Report

2020

Pilot Launch *Kiwa*.

Highlights and challenges

PrimePort Timaru Limited's strength and resilience came to the fore in 2020, as New Zealand and the world battled the Covid-19 pandemic.

Seabourn Encore on arrival.

PrimePort Timaru Limited is a strategic freight and logistics hub for the South Island of New Zealand.

Notwithstanding a decrease in cargo volumes due to a sharp drop in log exports and the cessation of non-essential operations during the Level 4 lockdown, we managed to increase profits in a challenging year. The impact of the lockdown meant we were not able to progress our upgrades and maintenance at the rate planned and this will need to be caught up.

We will keep building our capability, capacity, and resilience as we grow our business for the benefit of our community, our customers, and our other stakeholders. Our plans ensure PrimePort Timaru Limited is able to serve its customers well into the future in a safe, economical and environmentally sustainable way.

PrimePort Timaru Limited provided essential Port services throughout the pandemic related lockdown and our staff and business partners are to be commended for their efforts on site, at sea and at home.

Our ability to shift to remote working without a hiccup was enabled by careful and thorough planning over the past two years to prepare for any major emergency. A significant contract for the sealing of the log yard was let during the lockdown period, testament to the planning and capability of our wider team.

Our extensive programme of replacement, repairs and maintenance of key wharf assets continues at pace. The projects completed during the year include:

- A $2 million project on No. 1 Wharf to install five sets of onshore storm bollards, renovate piles, beams, fenders and install a new concrete deck on the western end of the wharf.
- Two sets of new 100 tonne bollards at the North Mole to widen the operational windows for our largest vessels visiting during high winds.
- The development and commissioning of innovative fiberglass composite pile jacket technology to repair deteriorated wooden piles on the North Mole.
- Advanced our projects to replace the timber deck on the North Mole with concrete and develop four hectares of sealed log storage yard.

A significant new customer, Timaru Oil Services Limited, completed construction of their new fuel tank farm on land adjacent to the Port and owned by our shareholder Timaru District Holdings Limited. The facility received its first shipment, of 24 million litres of petroleum products, in June 2020.

We welcomed the return of cruise ships and the addition of bulk cargo handling to the No. 2 Wharf.

Our diversity of cargos and customers helped us weather much of the direct impact of the Covid-19 outbreak and the downturn in the log export market to China.

We remain confident for the long term prospects for PrimePort Timaru Limited. Our feasibility planning for a new multipurpose berth at Evans Bay, to the east of the existing wharves, continues and we have started Stage 1, with the sealing of the log yard underway

Our People

Our team members played a vital role in their community as they worked through the restrictions imposed through the Covid-19 lockdowns.

Our frontline team stepped out of the safety of their bubbles to keep Port operations going and essential goods moving. Others worked tirelessly from home, often on laptops at their kitchen tables, to keep the back office functions and other processes operating.

We thank our entire team, our suppliers and other business partners for their ongoing efforts during the pandemic.

Our workforce numbers 50 fulltime employees compared to 56 the previous year. The decrease follows a review of the inhouse repairs and maintenance team during the year, which saw the team reduced by half. The inhouse team now focuses on specialised wharf maintenance, while larger construction projects will be managed by external contracts.

PrimePort Timaru Limited's success is due to a dedicated team of highly skilled individuals.

Our Board of Directors and Leadership Team remain unchanged and, combined with very low staff turnover, this stability helped us weather the uncertainties of the pandemic. The team re-evaluated our values framework during the year and agreed on four core values to guide the team and organisation into 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

Our Port Users Health & Safety Forum has met three times in the past 12 months, including just prior to lockdown with a focus on public health and pandemic planning.

Critical risk identification, control and mitigation remains a key focus. Unfortunately, we had three lost time injuries during the year. All were non-serious and involved musculoskeletal strains or slips and trips.

Our team members' support and enthusiasm has been much appreciated in what has been a challenging, yet rewarding, year.

Above image:

PrimePort Timaru's Leadership Team.

Roger Gower
Chairman

Steve Gray
Director

Damon Odey
Director

David Pilkington
Director

Tony Reynish
Director

Onno Mulder
Director

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

Container vessel working alongside North Mole container terminal.

EBITDA
35%
11.240 TO MILLION

AFTER TAX PROFIT
39%
5.623 TO MILLION

TOTAL EQUITY
6%
61.337 TO MILLION

TOTAL ASSETS
2%
91.928 TO MILLION

PrimePort Timaru Limited owns and operates a significant regional asset on behalf of our community. Our shareholders are Port of Tauranga Limited and Timaru District Holdings Limited.

The latter invests in PrimePort Timaru Limited on behalf of local ratepayers and owns a portfolio of investment properties surrounding the Port.

Our Financial Performance

PrimePort Timaru Limited made an after tax profit of $5.6 million, an increase of $1.6 million on the previous year.

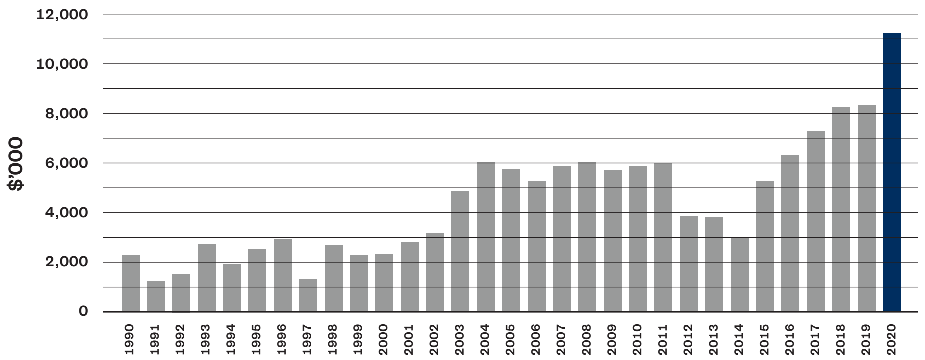
The main drivers were reduced spending on operations and maintenance due to the Covid-19 lockdown, increased revenue, and the capitalisation of major wharf upgrades.

Total revenue increased 5.6% to $24.2 million, due to increased marine income, somewhat offset by a 10.2% drop in bulk trade volumes.

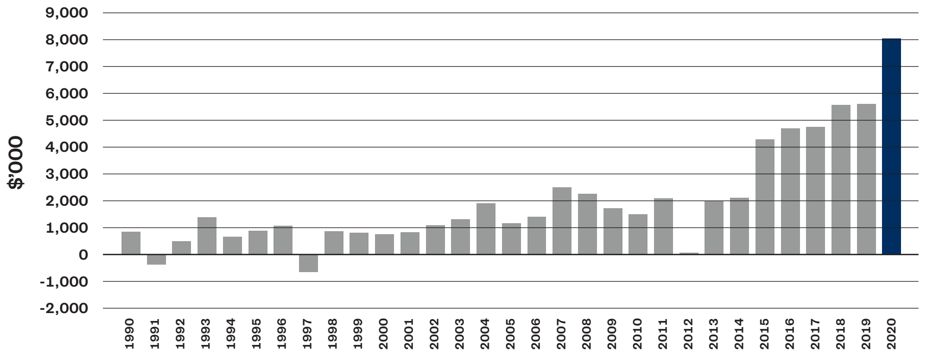
Our operating costs were down $1.5 million or nearly a quarter on the previous year. This was due to the minimal maintenance works undertaken during the lockdown, the capitalisation of major wharf upgrades and the absence of dry docking for any floating plant.

Staff costs decreased 1.8% due to the Covid-19 lockdown, as maintenance crews were reduced in numbers and only base salaries and wages were paid.

Depreciation and amortisation charges increased 28% on the previous year due to the addition of capital items such as our new $8 million tug, Hinewai, delivered in 2019.



EBITDA Using Normal Port Operating Profits



Normal Port Operating Profits

Our Operations

Bulk cargo volumes decreased 10.2% to 1.55 million tonnes. This was mainly due to a significant decrease in export log volumes. An increase in log supply from Central Europe to China, New Zealand's biggest export market, saw prices and volumes decline early in the financial year. This drop in demand was exacerbated by the Covid-19 lockdowns in China, and then New Zealand. The forestry industry was deemed non-essential which curtailed log exports during New Zealand's Level 4 lockdown, with shipments halted from Timaru. Log exports have rebounded since the Level 4 lockdown.

Stock feed imports increased 5.2% in volume as farmers bought in feed to cope with the impact of drought conditions. The dry season also contributed to a 9% drop in annual fertiliser imports.

Overall, ship visits increased 6.2% to 463 for the year, including additional calls from the Pacifica coastal vessel for six months.

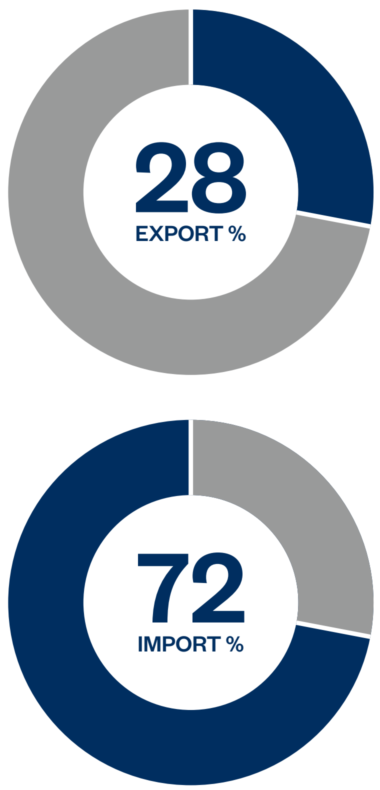
Our partner Timaru Container Terminal Limited saw a small upturn in volumes, increasing by 1,400 TEUs to 80,000 TEUs. A direct connection with Port of Tauranga, New Zealand's hub Port for international big ship services, is provided through both the Southern Star and OC1 services calling weekly at the Timaru terminal. Our ongoing investment in capacity has ensured we can accommodate Maersk's larger Rio Class vessels.

We were very pleased to welcome cruise ships back to Timaru in early 2020. The rebuilt No. 1 Wharf West and new shore bollards were put to good use with a call from the Seabourn Encore in February 2020, followed by three other cruise ships, before the Covid-19 pandemic brought the cruise season to a premature end.

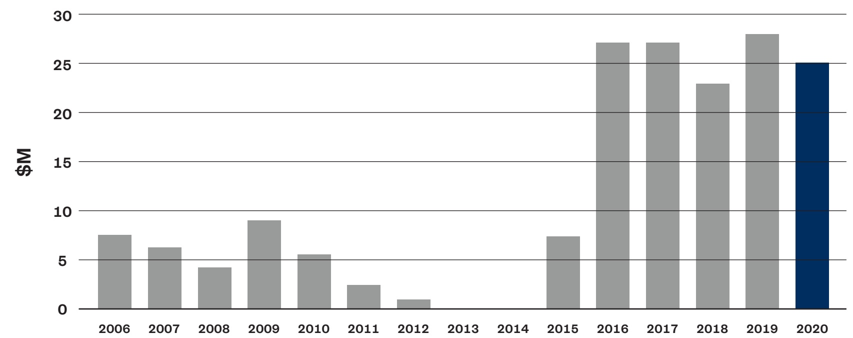
The Environmental Protection Agency gave consent for the 80 metre Dong Won 701 to be disposed of at sea. The vessel, which is in Port, was extensively damaged by fire in April 2018, and will be sunk offshore once her owners complete the removal of hazardous materials and make her safe.

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.

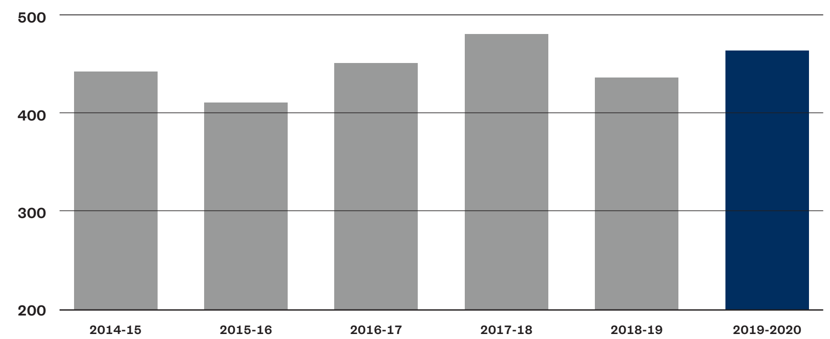
PrimePort Timaru Limited is also a key import Port for the mid and south Canterbury regions, and is strategically located close to Christchurch. The Port is the South Island cement terminal for Holcim (New Zealand) Limited.



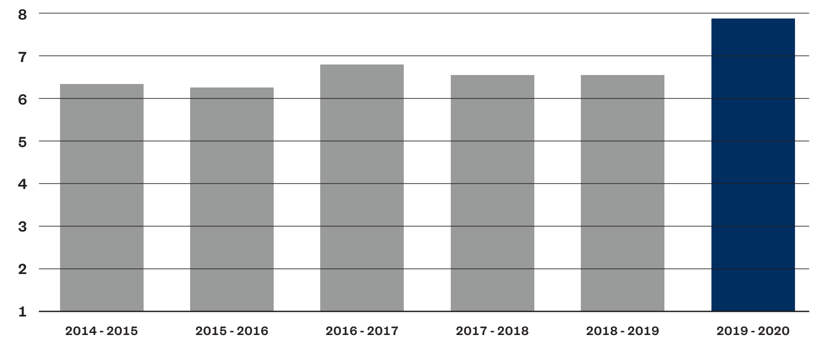
2020 Total Cargo Mix (Tonnes)



Borrowings



Ship Numbers



Ships Gross Registered Tonnes (Millions)

Swire vessels alongside container terminal.

PrimePort Timaru Limited is strategically located in South Canterbury, close to major primary producers and with direct state highway and main trunk rail connections.

Our investment in capacity, including last year's channel widening and purchase of Tug Hinewai, allows us to accommodate the larger Maersk container vessels, now calling twice weekly.

Our Property and Infrastructure

Above image:
Log yard sealing project.

Images left:
Workmen upgrading wharves.

The first stage of the No. 1 Wharf renewal is complete, with 217 metres of the west end of the berth now rebuilt. Five sets of 90 tonne flush mounted bollards have also been installed. The upgraded berth and bollards were utilised by the four cruise ships that visited over the summer.

Plans are well advanced to replace the North Mole's timber deck with concrete. This will be undertaken once solutions are developed to repair, replace, and upgrade the existing wooden piles. Fiberglass composite pile jackets were successfully trialled, along with a new method for replacing old wooden piles that are embedded in the rock batter. The project will improve the container wharf's capacity and extends its life another two decades.

We have upgraded the existing four bulk cargo hoppers and commissioned two new hoppers, allowing the discharge of two bulk vessels simultaneously.

Local company Rooney Earthmoving Limited was awarded the contract for the $8 million upgrade of the Port's log storage yard. Four hectares are being sealed and a new stormwater management system is being installed. The project is due for completion in February 2021.

The Hayes Street warehouses owned by PrimePort Timaru Limited are a key strategic asset for the Port. The 16,000m² storage buildings have now all been returned to their original use as wool stores after stints as storage for palm kernel, milk powder pallets and general cargo.

Competitors at the start of the PrimePort Timaru Ocean Swim.

Our town is very supportive of PrimePort Timaru Limited and we seek to give back through the sponsorship of key local events.

Our Community

The brave and the bold turned out in near perfect conditions for the fifth annual PrimePort Timaru Ocean Swim in January 2020. Swimmers took to the harbour for either a 1.5 kilometre or 2.5 kilometre race. A 5 kilometre option to test the endurance of our best open water swimmers is being considered for the 2021 event.

We continued our support as the lead sponsor of the PrimePort Timaru Christmas Parade, one of the most popular events on the Timaru community calendar.

PrimePort Timaru Limited expects all Port Users to meet the highest environmental standards. Our environmental management plan seeks to improve air and water quality, minimise dust and noise, and avoid spills. We also protect the biodiversity of the harbour.

Our Environment

PrimePort Timaru Limited has been working with shipping lines to ensure noise from visiting vessels is minimised by using generator exhaust suppressors.

Dust is suppressed through cargo handling procedures and sealing of wharf storage areas. Our log storage yard sealing project will make cargo handling cleaner and help ensure we can meet international and New Zealand biosecurity regulations for pathogens, organic matter and insect contamination.

We also look out for the wildlife that lives in and around the Port. In June 2020, a sperm whale became disoriented and was stranded in nearby Caroline Bay on an outgoing tide. We assisted the Department of Conservation and Coastguard in the whale's support and ultimate re-floating. After nine hours, he was free and was last seen two kilometres off the coast, heading out to sea.

We are seeing increasing numbers of New Zealand fur seals around the Port and have established penguin nesting rock bunds to keep the local penguins from setting up home in operational areas.

Our carbon emissions have been measured for Scope 1, 2 and 3. Diesel used by our Pilot Launch and tugs is the biggest source of emissions and a small increase was noted from the previous year. We will develop emission reduction strategies over the next year.

PrimePort Timaru staff assisting with a whale rescue at Caroline Bay.

Thank you.

It just remains for us
to thank our community,
our customers,
our suppliers,
our shareholders
and, of course,
our employees and their
families.

We remain confident
of a bright future for
PrimePort Timaru Limited.

Tasman Fuels new
tank farm facility.

PrimePort Timaru Limited

Statement of Comprehensive Income

for the year ended 30 June 2020

	Note	2020 $000	2019 $000
Operating revenue	20	**24,189**	**22,917**
Operating expenditure			
Staff		6,587	6,707
Port operating		4,621	6,142
Depreciation and amortisation	7+23	2,195	1,711
Finance		1,023	1,018
Dredging		1,412	1,351
Director fees		250	245
Operating leases		13	65
Audit services - audit		65	60
Loss on disposal of asset held for sale		23	-
		16,189	**17,299**
Operating profit/(loss) before tax		**7,999**	**5,618**
Profit /(loss) before tax		**7,999**	**5,618**
Taxation	2	(2,376)	(1,576)
Profit /(loss) for the year	3	**5,623**	**4,042**
Other comprehensive income			
Operating land revaluations	7	-	1,983
Financial instrument hedging	5	(741)	(1,162)
Income tax relating to financial instrument hedging	5	208	325
Leases	23	(9)	-
Other comprehensive income for the year		**(542)**	**1,146**
Total comprehensive income for the year attributable to equity holders		**5,081**	**5,188**

PrimePort Timaru Limited

Statement of Changes in Equity

for the year ended 30 June 2020

	Note	Issued Shares	Hedging Reserve	Revaluations	Retained Earnings	Total
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	4+5+6	**8,450**	**(1,447)**	**20,807**	**33,527**	**61,337**
Comparatives for 2019						
Equity at the beginning of the year		8,450	(77)	18,824	26,871	54,068
Total comprehensive income for year attributable to equity holders		-	(837)	1,983	4,042	5,188
Distributions - dividends paid		-	-	-	(1,300)	(1,300)
Equity at the end of the year 2019	4+5+6	**8,450**	**(914)**	**20,807**	**29,613**	**57,956**

PrimePort Timaru Limited

Statement of Financial Position

as at 30 June 2020

	Note	2020 $000	2019 $000
Equity			
Issued shares	6	8,450	8,450
Retained earnings	4	33,527	29,613
Reserves	5	19,360	19,893
Total equity		**61,337**	**57,956**
Represented by long term assets			
Operational fixed assets	7	81,743	82,473
Intangible assets	7	46	108
Operational fixed assets under construction	17	3,952	1,119
Right of use assets	23	129	-
Deferred taxation	2	1,030	1,038
Total long term assets		**86,900**	**84,738**
Current assets			
Cash and cash equivalents		793	808
Trade and other receivables	9	3,318	2,313
Assets classified as held for sale	7	-	2,000
Inventory	19	917	349
Total current assets		**5,028**	**5,470**
Total assets		**91,928**	**90,208**
Term liabilities			
Money market loans	10	25,000	2,500
Leases	24	95	-
Derivative financial instruments	11	1,634	1,092
Current liabilities			
Money market loans	10	-	25,500
Trade and other payables	13	1,470	1,553
Employee entitlements	14	782	715
Tax payable/(receivable)		1,186	715
Leases	23	47	-
Derivative financial instruments	11	377	177
Total current liabilities		**3,862**	**28,660**
Total liabilities		**30,591**	**32,252**
Net assets		**61,337**	**57,956**

For and on behalf of the Board of Directors
3 September 2020

Roger Gower
Chairman

Steve Gray
Director

PrimePort Timaru Limited

Statement of Cash Flows

for the year ended 30 June 2020

	Note	2020 $000	2019 $000
Cash flows from operating activities			
Sources			
Cash received from customers		23,679	23,063
Disbursements			
Payments to suppliers		(5,324)	(6,559)
Payments to employees		(6,534)	(6,573)
Net GST movements		(70)	(16)
Income tax		(1,686)	(1,366)
Finance cost payments		(1,029)	(1,019)
Dredging		(1,816)	(673)
		(16,459)	(16,206)
Net cash inflow from operating activities	3	**7,220**	**6,857**
Cash flows from investing activities			
Sources			
Proceeds from disposal of fixed assets		1,977	7
Disbursements			
Purchase of fixed assets		(4,459)	(11,584)
Total net cash used in investing activities		**(2,482)**	**(11,577)**
Cash flows from financing activities			
Sources			
Loans raised		2,500	7,000
Disbursements			
Loans repaid	3	(5,500)	(2,000)
Dividends paid		(1,700)	(1,300)
Lease liabilities paid		(53)	-
		(7,253)	(3,300)
Net cash from/(used) in financing activities		**(4,753)**	**3,700**
Net increase/(decrease) in cash held		**(15)**	**(1,020)**
Opening cash and cash equivalents balances		808	1,828
Closing cash and cash equivalents balances		**793**	**808**
Represented by			
Cash and cash equivalents		793	808

Fertiliser discharge into hopper.

Skandi support tugs alongside No. 1 Wharf.

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

Notes to the Financial Statements

for the year ended 30 June 2020

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 2020. The financial statements were authorised for issue by the Board on 3 September 2020.

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).

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 2020 and have been consistently applied throughout the year.

New Standards and Interpretations Adopted

In the current year, PrimePort Timaru Limited has applied NZ IFRS 16 Leases, effective 1 July 2019.

The company has adopted NZ IFRS 16 retrospectively from 1 July 2019 but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening Statement of Financial Position on 1 July 2019.

On adoption of NZ IFRS 16, the company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of NZ IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessees' incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 5%. The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. At 1 July 2019 a credit arose to retained earnings of $12,000.

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

	2020 $000	2019 $000
Profit/(loss) before taxation and port investment property revaluations	7,999	5,618
Port investment property revaluations	-	-
Profit before taxation	7,999	5,618
Tax at 28%	2,240	1,573
Plus/(less) tax effect of:		
Non-taxable income	-	-
Prior year adjustment	136	3
	2,376	**1,576**
Components of taxation:		
Current taxation	2,156	1,552
Deferred taxation	220	24
	2,376	**1,576**

Deferred tax asset/(liability)	Long Term Assets	Finance Leases	Employee Entitlements	Other	Hedge Reserve	Total
Balance at 1 July 2018	**801**	**-**	**157**	**(252)**	**30**	**736**
Credit/(charge) to profit or loss	(236)	-	(26)	186	-	(24)
Credit/(charge to comprehensive income	-	-	-	-	326	326
Balance at 30 June 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**

	2020 $000	2019 $000
Imputation credit account		
Imputation credits available for use in subsequent report periods	**5,542**	**3,552**

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 ending 30 June 2020. 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.

3. Reconciliation of Cash Flow with Operating Surplus

	2020	2019
Profit/(loss) after taxation	5,623	4,042
Depreciation	2,195	1,711
Investment property revaluation	-	-
Movements in deferred tax	216	23
Loss/(surplus) on disposal of long term assets	23	(7)
	8,057	**5,769**
Working capital movements relating to cash from operating activities		
(Increase)/decrease in accounts receivable	(1,004)	1,081
(Increase)/decrease in inventory	(568)	85
Increase/(decrease) in trade and other payables and employee entitlements	264	(265)
Increase/(decrease) in tax payable	471	187
Net cash flow from operating activities	**7,220**	**6,857**

Changes in liabilities arising from financing activities	2019	Cash Flows	Non Cash Changes			2020
	Opening		Acquisitions	Foreign Exchange	Fair Value	Closing
	$000	$000	$000	$000	$000	$000
Long term borrowings	28,000	(5,500)	2,500	-	-	25,000
	28,000	**(5,500)**	**2,500**	**-**	**-**	**25,000**

Policies

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.

4. Retained Earnings

	2020 $000	2019 $000
Opening balance	29,613	26,871
Profit after tax	5,623	4,042
Leases	(9)	-
Less dividends paid	(1,700)	(1,300)
Closing balance	**33,527**	**29,613**

5. Reserves

Reserves are represented by:		
Asset revaluation reserve	19,893	20,807
Cash flow hedge reserve	(533)	(914)
	19,360	**19,893**

5(a). Asset Revaluation Reserve

Opening balance	20,807	18,824
Revaluation increase	-	1,983
Closing balance	**20,807**	**20,807**

5(b). Cash Flow Hedge Reserve

Opening balance	(914)	(77)
Financial instrument hedging	(741)	(1,162)
Tax effect of financial instrument hedging	208	325
Closing balance	**(1,447)**	**(914)**

6. Share Capital

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 (2019 $1,300,000).

7. Operational Fixed Assets

2020	Plant and Equipment	Freehold Building	Wharves	Breakwater/ Channel	Improvements to Land	Freehold Land at Valuation	Total
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	(13,573)	(2,904)	(8,133)	(312)	(734)	-	(25,656)
	12,198	**6,434**	**24,549**	**8,446**	**631**	**29,485**	**81,743**
Comparatives for 2019							
Balance as at 1 July 2018							
At fair value	-	-	-	-	-	23,580	23,580
At cost	21,091	9,826	39,639	6,450	1,689	-	78,695
Accumulated impairment	(3,771)	(472)	(7,191)	-	(416)	-	(11,850)
Accumulated depreciation	(11,628)	(2,444)	(6,908)	(299)	(657)	-	(21,936)
	5,692	**6,910**	**25,540**	**6,151**	**616**	**23,580**	**68,489**
Additions	9,321	23	-	2,308	92	-	11,744
Revaluation	-	-	-	-	-	1,983	1,983
Reclassifications from investment property	-	-	-	-	-	3,922	3,922
Reclassifications to assets held for sale	(2,000)	-	-	-	-	-	(2,000)
Disposal – cost	21	(53)	-	-	-	-	(32)
Disposal – accumulated depreciation	12	20	-	-	-	-	32
Depreciation expense	(771)	(239)	(615)	(2)	(38)	-	(1,665)
Movement to 30 June 2019	**6,583**	**(249)**	**(615)**	**2,306**	**54**	**5,905**	**13,984**
Balance as at 30 June 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**

Total depreciation, as detailed in the Statement of Comprehensive Income, includes 2,087,000 (depreciation expense), 62,000 (amortisation expense) and 45,500 (Note 23 Leases: depreciation charge of right-of-use assets).

Operational land held by the company has been independently reviewed as at 30 June 2020 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 2020 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.

7(a). Intangible Assets

	Computer Software $000	Total $000
Cost		
Balance at 1 July 2018	-	-
Additions	154	154
Balance at 30 June 2019	**154**	**154**
Additions	-	-
Balance at 30 June 2020	**154**	**154**
Accumulated Amortisation and Impairment Losses		
Balance at 1 July 2018	-	-
Amortisation expense	(46)	(46)
Balance at 30 June 2019	**(46)**	**(46)**
Amortisation expense	(62)	(62)
Balance at 30 June 2020	**(108)**	**(108)**
Carrying Amounts		
Net book value as at 30 June 2019	**108**	**108**
Net book value as at 30 June 2020	**46**	**46**

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
Sidings and breakwaters	Indefinite
Capital dredging	Indefinite
Improvements	10 – 50 years
Wharves	14 – 50 years
Floating plant	10 – 15 years
Buildings	7 – 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.

8. Investment Properties

	2020 $000	2019 $000
Opening balance	-	3,922
Revaluation increase	-	-
Reclassifications to property, plant, and equipment	-	(3,922)
Closing balance	**-**	**-**

Policies

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

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.

9. Trade and Other Receivables

Trade debtors	2,500	1,898
Allowance for impairment of receivables	-	-
Prepayments	818	415
	3,318	**2,313**

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 to 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 2020 all overdue receivables had been assessed for impairment and appropriate provisions applied. The ageing of receivables are as follows:

	2020			2019		
	Gross $000	Impairment $000	Net $000	Gross $000	Impairment $000	Net $000
Not past due - under 30 days	2,078	-	2,078	1,765	-	1,765
Past due - 30 to 60 days	349	-	349	116	-	116
Past due - 60 to 90 days	81	-	81	1	-	1
Past due - over 90 days	3	(11)	(8)	27	(11)	16
	2,511	**(11)**	**2,500**	**1,909**	**(11)**	**1,898**

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:

	2020 $000	2019 $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.

10. Money Market Loans

	2020 $000	2019 $000
Current facility ends as follows:		
Less than one year	-	25,500
One to two years	-	-
Two to three years	25,000	2,500
	25,000	**28,000**

Money Market

The company has arranged money market facilities with Bank of New Zealand for a maximum amount of $30.0 million (2019 $30.0 million). The $25.5 million facility ends in September 2022. The $4.5 million facility ends in December 2021. To date $25.0 million has been drawn.

Maturity dates of interest rate instruments within the facility are:

Within one year	14,000	16,000
One to two years	-	4,000
Two to three years	3,000	-
Three to four years	-	3,000
Four to five years	5,000	5,000
Five to six years	-	-
Six to seven years	3,000	-
	25,000	**28,000**

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 2019, 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.

11. Financial Instruments

Liquidity Risk

Liquidity risks is the risk that PrimePort Timaru Limited will have difficulty raising funds to meet commitments as they fall due. PrimePort Timaru Limited'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 $30.0 million (2019 $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 $19.0 million. The average interest rate derivatives is 2.90%.

There were $25.0 million of money market borrowings at reporting date (2019 $28.0 million).

PrimePort Timaru Limited'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 $10.0 million was at call (2019 $13.0 million).

As at balance date five swaps for a total of $19.0 million (2019 $22.0 million) have been entered to manage interest rate fluctuation risks including two swaps that are forward starting (indicated by an asterisk) below.

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)	
		2020	2019	2020	2019
	%	$000	$000	$000	$000
Swap maturity dates					
December 2019	3.00	-	3,000	-	(21)
February 2021	3.13	4,000	4,000	(77)	(119)
June 2023	1.71	3,000	3,000	(133)	(41)
October 2024	2.64	5,000	5,000	(506)	(313)
December 2026	3.44	3,000	3,000	(579)	(373)
February 2027*	3.49	4,000	4,000	(716)	(414)
		19,000	**22,000**	**(2,011)**	**(1,281)**

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 methods comprise:

Level 1 – Quotes 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 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 30 June 2020 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.

For trade receivables, the Company applies a simplified approach in calculating ECL. Therefore, the Company does not track changes in credit risk, but instead, recognises a loss allowance based on lifetime ECL at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience.

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 Timaru Limited'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 nil (2019 $388,500). The carrying value asset/(liability) of the foreign currency forward exchange contracts shown in the Statement of Financial Position at year end was nil (2019 $12,000).

Cash Flow Hedging

Cash flow hedges cover:

Foreign exchange – 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.

	2020 $000	2019 $000
Financial assets and liabilities		
The carrying amount of financial assets and liabilities are as follows:		
Cash and cash equivalents	793	808
Trade debtors	2,500	1,898
Total loans and receivables	**3,293**	**2,706**
Trade and other payables	1,268	1,553
GST	344	319
Money market loans	25,000	28,000
Total financial liabilities measured at cost	**26,612**	**29,872**
Derivative financial instruments	377	177
Total financial liabilities measured at fair value	**377**	**177**

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.

12. 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 3.95% per annum (2019 4.72%). This is a floating rate set by the Bank.

13. Trade and Other Payables

	2020 $000	2019 $000
Trade creditors	127	139
Other accrued expenses	1,343	1,414
	1,470	**1,553**

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.

14. Employee Entitlements

Accrued pay	204	164
Accrued leave provision	550	468
Long service provision	6	39
Sick leave provision	22	44
	782	**715**

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.

15. 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 (2019 $650,000) 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 $64,689 including outgoings (2019 $62,078). Other services amounted to nil (2019 nil). During the year PrimePort Timaru Limited provided services to Timaru District Council amounting to $1,007 (2019 nil).

Port of Tauranga Limited is a shareholder of PrimePort Timaru Limited. A dividend of $850,000 (2019 $650,000) 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 $40,736 (2019 $35,532).

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 nil (2019 $130) and nil (2019 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 (2019 $5,000). Other services amounted to $5,085 (2019 $4,606).

PrimePort Timaru Limited leased land to Timaru Container Terminal Limited, a 50.10% owned subsidiary of Port of Tauranga Limited, a shareholder of PrimePort Timaru Limited. The lease amounted to $1,250,000 (2019 $1,250,000). Other services amounted to $2,387,292 (2019 $1,770,562).

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 $142,109 (2019 $174,530) and nil (2019 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 is Chief Executive Officer and also a director of PrimePort Timaru Limited. The services amounted to $46,248 (2019 $62,055) for the year.

During the year PrimePort Timaru Limited purchased services from the Timaru District Council. The services amounted to $208,654 (2019 $165,894) of total operating expenses. Of the total operating expenses, $177,761 (2019 $163,194) relates to rates.

During the year PrimePort Timaru Limited purchased services from Timaru Container Terminal Limited. The services amounted to $3,268 (2019 $2,658).

The outstanding balances owed by related parties at 30 June 2020 are:

Timaru Container Terminal Limited	$251,463 (2019 $209,648)
Parr and Company Limited	nil (2019 $90)
Odey Fishing Company Limited	$1,462 (2019 $1,329)
Port of Tauranga Limited	nil (2019 $1,651)

The outstanding balances owed to related parties at 30 June 2020 are:

Timaru District Council	$6,234 (2019 $3,860)
Port of Tauranga Limited	$3,904 (2019 $3,827)
Timaru District Holdings Limited	$5,077 (2019 $2,414)
Parr and Company Limited	$2,471 (2019 $10,979)
City Care Limited	$2,689 (2019 $6,287)

These balances have been paid since balance date. No related party debts have been written off or forgiven during the year (2019 nil).

Total key management personnel compensation totalled $1,492,641 (2019 $1,543,608). This included salaries and other short-term employee benefits $1,433,869 (2019 $1,497,784), superannuation benefits $58,822 (2019 $45,824) and termination benefits of nil (2019 nil). Key management personnel include Directors, Chief Executive and the remaining members of the management team. All remuneration is classified as salaries and other short-term employee benefits.

16. Contingent Assets and Liabilities

No contingent assets exist at balance date (2019 nil).

The following contingent liability exists at balance date (2019 nil) as a result of the Dong Won 701 catching fire and the burnt out vessel being laid up at PrimePort Timaru Limited since 9 April 2018. There is a risk that if the owners abandon the vessel in the future, PrimePort Timaru Limited is left with the cost to dispose of the vessel.

There is no liability of PrimePort Timaru Limited owed to the vessel owners.

The contingent liability arises as a result of the vessel needing to be laid up at PrimePort Timaru Limited potentially until December 2021, while its owners comply with preparation and cleaning conditions of the dumping permit issued by the Environment Protection Authority.

At the current time the vessel owner is paying its berthage fees as they fall due, however due to the long layup period, PrimePort Timaru Limited are seeking (currently still in negotiations) from owners and insurers an indemnity agreement that provides for an advance payment on berthage fees ($250,000 as security for what could be in excess of $500,000 in berthage fees if the vessel stays until December 2021) and a P & I Club letter of indemnity for up to $15,000,000 (as per standard terms and conditions) for any issues that may arise if the vessel or owners cause any loss to PrimePort Timaru Limited arising from the vessel or the clean-up work to be undertaken.

Reimbursement of any losses covered under the proposed indemnity agreement are expected to be high as the P & I Club in question is reputable and P & I Club letters of undertaking are held as good security in the Maritime law and Insurance communities worldwide.

The financial effect as regards outlay on PrimePort Timaru Limited will likely only be in respect of legal fees to enforce any claim for berthage or loss caused by the vessel including enforcing undertaking of the P & I Club.

17. Operational Fixed Assets Under Construction

	2020 $000	2019 $000
Operational Fixed Assets Under Construction	**3,952**	**1,119**

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 2020 balance represents the capital investment at 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.

18. Commitments

Capital commitments	**6,715**	**389**

The commitments relate to the log yard upgrade during the financial year (2019 $389,000).

Operating lease commitments		
Non cancellable operating lease payables:		
Not later than one year	11	41
Later than one year but not later than two years	12	41
Later than two years but not later than five years	3	29
	26	**111**

Operating lease commitments are based on current rentals being paid.

19. Inventory

Inventory	**917**	**349**

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.

20. Revenue

	2020 $000	2019 $000
Port Operations	21,722	20,326
Port related investment rentals	-	-
Other property rentals	2,467	2,584
Gain on sale of assets	-	7
	24,189	**22,917**

Revenue from contracts with customers

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

Revenue from port operational contracts	18,954	17,594
Revenue from maintenance recovery contracts	500	500
Revenue from licence agreements	2,268	2,232
	21,722	**20,326**

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 one year to 25 years. Direct operating expenses relating to Port related properties amounts to $359,000 (2019 $242,000).

Operating lease receivables		
Non cancellable operating lease receivables:		
Not later than one year	1,558	2,020
Later than one year but not later than two years	1,558	1,558
Later than two years but not later than five years	4,401	4,511
Later than five years	5,992	7,444
	13,509	**15,533**

Policies

Revenue from contracts with customers is recognised in revenue when control of a good or service transfers to a customer. The Port Operations revenue mainly consists of wharfage, marine services, wharf licence feeds and maintenance services. Revenue is recognised over time as the services are produced 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.

21. Capital Management

PrimePort Timaru Limited's capital is its equity, which comprises of issued shares, retained earnings, hedge reserve 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. PrimePort Timaru Limited's principal objective is to operate as a successful business, exploiting opportunities and managing risk thereby ensuring the maintenance and growth in equity. PrimePort Timaru Limited 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.

22. Staff Expenses

There were redundancy payments included in staff expenses in 2020 of $40,505 (2019 nil). Included in staff expenses are employer contributions for employee superannuation funds. Payments for the year amounted to $277,618 (2019 $270,707).

23. 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 short-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:

	2020 $000	2019 $000
Right-of-use assets		
Properties	129	-
	129	**-**
Lease Liabilities		
Current	47	-
Non-current	95	-
	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:

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

The total cash outflow for leases in 2020 was $65,940.

This note explains the impact of the adoption of NZ IFRS 16 Leases on the financial statements.

(i) Practical expedients applied

In applying NZ IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- applying a single discount rate for a portfolio of leases with reasonably similar characteristics;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

(ii) Measurement of lease liabilities

	2020 $000	2019 $000
Operating lease commitments disclosed as at 30 June 2019	110	-
Discounted using the lessee's incremental borrowing rate at the date of initial application	(5)	-
Recognition of leases not previously included	117	-
Leases treated as low value	(37)	-
Other minor adjustments	1	-
Lease liability recognised as at 1 July 2019	**187**	**-**
Of which are:		
Current lease liabilities	45	-
Non-current lease liabilities	142	-
	187	**-**

(iii) Lessor accounting

PrimePort Timaru Limited did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of NZ IFRS 16.

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.

Until the 2020 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases, as above. 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.

24. Events after Balance date

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

25. Effects of Covid-19

On 11 March 2020, the World Health Organisation declared the Covid-19 outbreak a pandemic and the New Zealand Government declared a National State of Emergency two weeks later. New Zealand was put into Alert Level 4 lockdown from 26 March 2020 to 27 April 2020 and remained in lockdown at Alert Level 3 until 13 May 2020.

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, and the impact 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 2020

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 17 to 37, that comprise the statement of financial position as at 30 June 2020, 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 2020; and
  - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand[1] in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime.

Our audit was completed on 3 September 2020. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw attention to the impact of Covid-19 on the Company. 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.

Emphasis of matter – Impact of Covid-19

Without modifying our opinion, we draw attention to the disclosures about the impact of Covid-19 on the Company as set out in note 25 on page 37 to the financial statements.

[1] Section 16(3)(b) of the Port Companies Act 1988 require Port Companies to prepare financial statements in accordance with generally accepted accounting practice.

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 and the Companies Act 1993.

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 and 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 1 to 16, and 44 to 48 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

Operations in PrimePort Timaru log yard.

San Granit unloading operations on No. 1 Wharf.

Statutory Information for the Year Ended 30 June 2020

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

Apart from the changes associated with the new accounting standard, NZ IFRS 16 Leases, all accounting policies detailed have been applied in the preparation of these financial statements for the year ended 30 June 2020 on a consistent basis throughout the 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 entries 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

Director	Coda GP Limited
Director	Quality Marshalling (Mount Maunganui) Limited
Director	Timaru Container Terminal 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
Director	Timaru District Holdings Limited (resigned during the year)
Mayor	Timaru District Council (resigned during the year)

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	Northport 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
Shareholder	Port of Tauranga Limited

Mr C. N. O. Van Florenstein Mulder

Chief Executive	City Care Ltd

** Includes Subsidiary Companies

(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			No. of Employees
$390,001	-	$400,000	1
$300,001	-	$310,000	1
$260,001	-	$270,000	1
$250,001	-	$260,000	1
$190,001	-	$200,000	1
$170,001	-	$180,000	1
$160,001	-	$170,000	3
$140,001	-	$150,000	1
$130,001	-	$140,000	4
$120,001	-	$130,000	4
$110,001	-	$120,000	5
$100,001	-	$110,000	1

Donations

During the year the company made donations of $1,500.

Auditors' Remuneration

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

	Audit of the Financial Statements
PrimePort Timaru Limited	$64,381

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 with the exception of:

Lost time injury frequency rate
Staff and management remain committed to maintaining high safety standards. The percentage increase relates to five incidents that required periods off work.

Objective/Outcome	Target	Achieved
(a) To manage and operate PrimePort Timaru Limited to enhance shareholder wealth through continuously improving performance.		
Earnings (after tax) per share	**$0.47**	**Yes**
Dividends (proposed) per share	**$0.00**	**Yes**
Net Assets per share	**$7.01**	**Yes**
Return (after tax) on total assets	**4.16%**	**Yes**
Return (after tax) on shareholders funds	**6.66%**	**Yes**
Ratio of shareholders funds to total assets	**0.62**	**Yes**
(b) To employ the best people and develop staff to their full potential in a safe working environment.		
Lost time injury frequency rate	**2.00**	**No**
(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**

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

Shareholders

as at 30 June 2020

Timaru District Holdings Limited **50%**

Port of Tauranga Limited **50%**

Auditors

Audit New Zealand for the
Office of the Auditor-General

Registered Office

Marine Parade
Timaru 7910
New Zealand

PO Box 544
Timaru 7940
New Zealand

+64 3 687 2700
www.primeport.co.nz

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 & Security Manager

G. C. Bicknell
Marine Manager

Solicitors

Buddle Findlay
Christchurch

Oceanlaw New Zealand
Nelson

Bankers

Bank of New Zealand

The Directors are pleased to present the Annual Report of PrimePort Timaru Limited for the year ended 30 June 2020.

For and on behalf of the Board of Directors.

Roger Gower
Chairman

3 September 2020

Steve Gray
Director

3 September 2020

Our purpose

Connecting our region to the world.