

PrimePort Timaru Annual Report 2022



PRIMEPORT
TIMARU

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Fuel tanker, *Forever Glory*, on arrival.

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Chairman and Chief Executive's Review

2021/2022



Fertiliser ship, *Belle Stella*, alongside No. 1 Wharf.

Through unprecedented times of uncertainty, PrimePort Timaru Limited remains a steady ship fully capable of connecting people and places in New Zealand and globally.

We play a critical role in the central South Island freight and logistics chain, as a key infrastructure partner for our importers and exporters.

Not only have we weathered the storm of COVID-19 and the related supply chain disruptions – the likes of which the logistics business has rarely seen – we have taken this opportunity to further develop our capability and capacity. We are more resilient now than we have ever been before.

The challenges of late make it all the more satisfying for the team at PrimePort to be recording another outstanding year for the company.

However, we know we could not do the work we do without our community's support, and the Board, Leadership Team and staff are grateful for the trust placed in us.

Before we know it, we will be marking the 10 year anniversary of Timaru District Holdings Limited and Port of Tauranga Limited partnering at the company's helm. We value our warm relationship with our joint venture partner Port of Tauranga Limited and have been pleased to see it go from strength to strength.

On the ground, work continues to upgrade wharf facilities and to improve other infrastructure. This significant investment in improving our assets helps to ensure the port remains resilient and reliable and can meet the needs of its customers in future.

Highlights and Challenges

The health and safety of our people remained the top priority for PrimePort. One lost time injury during the year resulted in three days off work for that staff member.

The ongoing threat of COVID-19 was well managed by the team, with only a minimal impact on operations and no disruption to services.

A record bulk trade volume was achieved with 2.07 million tonnes moving across the wharves, which resulted in a 7.8% increase in total revenue.

We are thrilled to have been selected as the construction port for the rebuild of Antarctica's Scott Base and look forward to the build programme getting underway.

The shift towards a feeder and hub container shipping model received support through Maersk's commitment to a coastal shipping service. It will see two 2,500 TEU¹ capacity vessels stopping weekly in Timaru, opening up more options for South Canterbury's exporters and importers.

After three years spent languishing at the port, the fire-damaged fishing trawler Dong Won 701 was finally stripped of all harmful materials and sent to her watery grave off the Otago coast.

Meanwhile, progress has continued on the North Mole wharf during the year with the laying of 1,500m² of new concrete deck as well as related structural repairs.

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

Our People

Staff numbers total 52 full time employees and 15 casual employees.

This year saw staff working in bubbles or from home for lengthy periods due to the threat of COVID-19. Around 40% of PrimePort staff have had COVID-19 since the spread of the Omicron variant in the wider community, although we have managed to avoid any disruption to operations as a result of the pandemic.

Membership of our Board of Directors remained stable throughout the year.

However, after serving nine years on the board of PrimePort, David Pilkington, Port of Tauranga Limited appointed director, retired on 31 July 2022. Timaru District Holdings Limited appointee, Onno Mulder, completed his term as director on 30 June 2022, having served four years. We thank David and Onno for their valuable contribution to the company.

Our success as a port comes down to our people and their wellbeing remains top of mind. We are fortunate to have a committed, stable workforce and turnover remains very low.

The Leadership Team saw just the one change, with Niel Meyer joining as Safety & Environmental Manager. In May 2022, Grant Bicknell, Marine Manager advised he was moving on from PrimePort. Andrew Pye has since been appointed as PrimePort's new Marine Manager and he joined the team on 25 August 2022.

In 2020, the organisation established a set of values pillars to guide it in its work – Teamwork, Adaptable, Care and Kaitiaki. These are now fully embedded and are referenced frequently in our day-to-day activities.

The Port Users Health & Safety Forum took its work online this year, meeting twice virtually. The forum continues to be popular with Port Users and is a useful and important platform for stakeholders to discuss safety and security concerns.

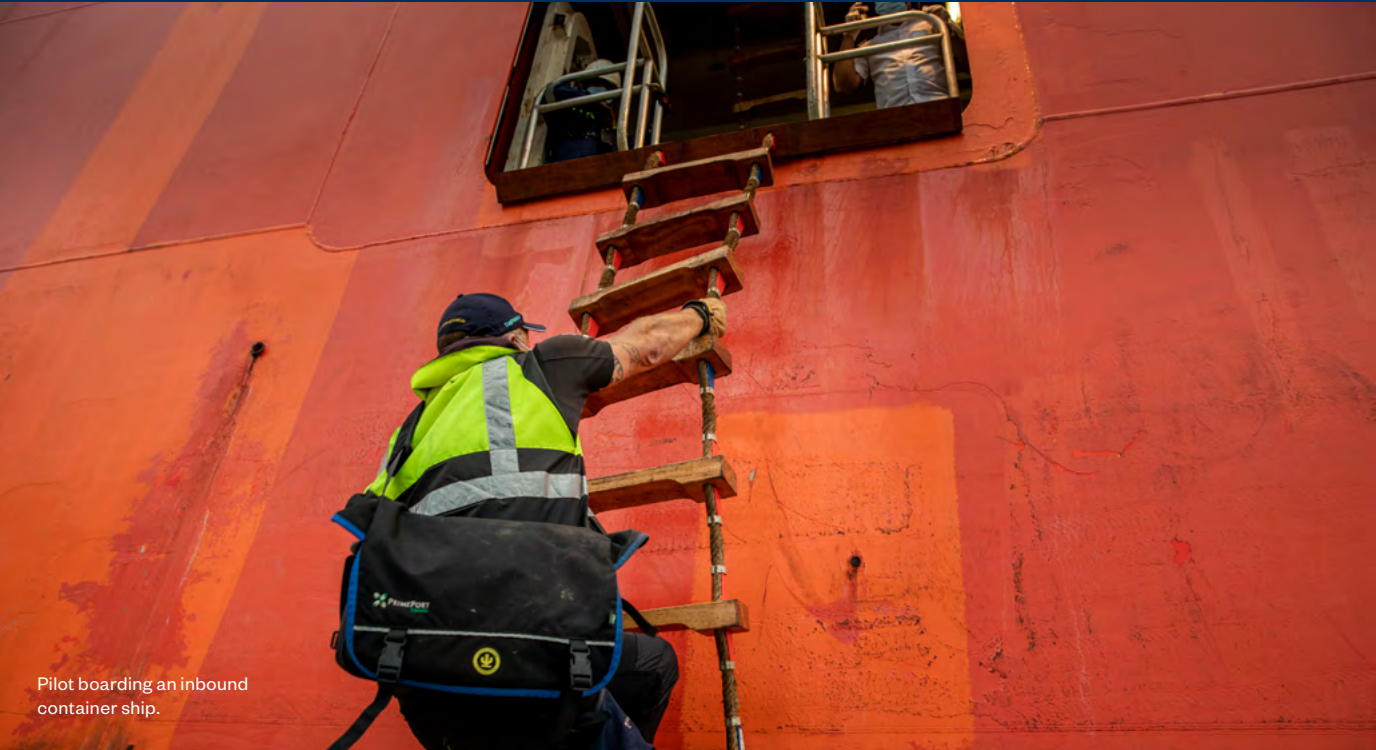
Safety continues to be the top priority. The key message "Stop Think Act" is constantly reinforced with the team.

There is also a major focus on identifying the port's critical risks and making sure effective controls are in place.

Simulators are used by the PrimePort Marine Team to improve navigation safety and efficiency at the port. They allow staff to practice more difficult manoeuvring techniques replicating real world conditions and the local operating environment.

We worked hard to keep our people safe during the year, however there was one Lost Time Injury resulting in three days off work. The worker has fully recovered from his injury, with no long term effects.

PrimePort would like to thank its staff for their support and hard work in what has been another challenging but rewarding year.



Pilot boarding an inbound container ship.

Board



Roger Gower
Chairman



Steve Gray
Director



Damon Odey
Director



David Pilkington
Director



Tony Reynish
Director



Onno Mulder
Director

Leadership Team



Phil Melhopt
Chief Executive



Nick Donaldson
Finance Manager



Kevin Beeby
Operations Manager




Ben Kleinjan
Port Engineering Manager



Niel Meyer
Safety & Environmental
Manager



Grant Bicknell
Marine Manager



“PrimePort would like to thank its staff for their support and hard work in what has been another challenging but rewarding year.”

Our Financial Performance

PrimePort’s total revenue rose 7.8% or \$2.06 million on the back of increased bulk trade volumes. However, a rise in port operational costs of 15.3% (\$2.5 million) resulted in a \$476,000 or 4.9% fall in operating profit before tax.

Cost pressures include increasing staff costs, higher depreciation and finance costs associated with capital purchases,

as well rising repairs and maintenance costs including a five-yearly dry docking of Tug Te Maru.

PrimePort’s after tax profit is \$7.3 million, which was up 13.2% on last year helped by a prior period tax adjustment.

Our Operations

PrimePort had another busy year wharfside with bulk trades hitting a record and cargo volumes trending upwards.

Ships numbered 432, down 1.8% on the previous year. The small decline reflects a tendency towards increased cargo volumes per shipment, particularly for log exports and stock feed imports.

Bulk trades set a record of 2.07 million tonnes, up 13.3% up on the previous year’s record. Fertiliser, stock feeds, fuel and cement were all up on last year between 13.0% and 49.0%.

Log volumes fell slightly on last year, down 6.4%, due to a weaker market in China as well as the comparatively high costs of ocean freight. After a period of market stability, we have seen a return to cyclical ups and downs in log export markets.

Timaru Container Terminal Limited saw volumes fall to 76,819 TEUs, down 18% on the previous year’s record of 93,891 TEUs. Supply chain disruptions had caused a spike in container volumes in the previous year.

In November 2021, Antarctica New Zealand announced it had selected PrimePort as the construction site for its rebuild of Scott Base. PrimePort is thrilled to play such an important role in the next generation of New Zealand’s Antarctic research.

Service changes during the year saw the OC1 liner discontinue its Timaru call, with the service replaced by the smaller container vessels of the Sirius and Polaris services. These are helping see greater numbers of transhipped containers make their way to New Zealand ports, which aligns with the move to a feeder and hub shipping model.

The port has been able to expand its operating parameters through simulations. This includes a recent extension allowing for 287 metre vessels to visit Timaru. With the cruise season fast-approaching, the Holland America Line’s Vista class cruise vessel is now able to call at PrimePort.

COVID-19 once again put a halt to planned cruise ship visits for the year. However, New Zealand’s borders have now reopened and cruising holidays are back in demand. PrimePort is excited to have 12 cruise ship visits scheduled for the 2022/23 season, with the first call set down for December 2022.

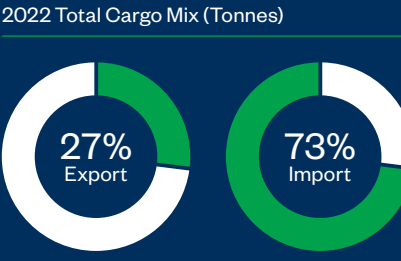
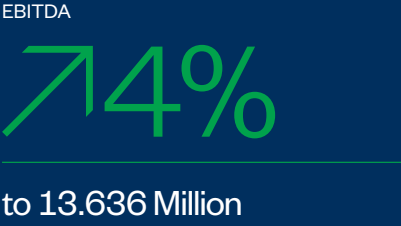
Our support vessels and equipment were kept busy throughout the year.

Tug Hinewai was chartered to assist an operation for oil and gas company OMV off the Taranaki bight in early January 2022. She helped to tow the rig Valaris Gorilla VII from the float-off site at Admiralty Bay and position it at the Māui B platform.

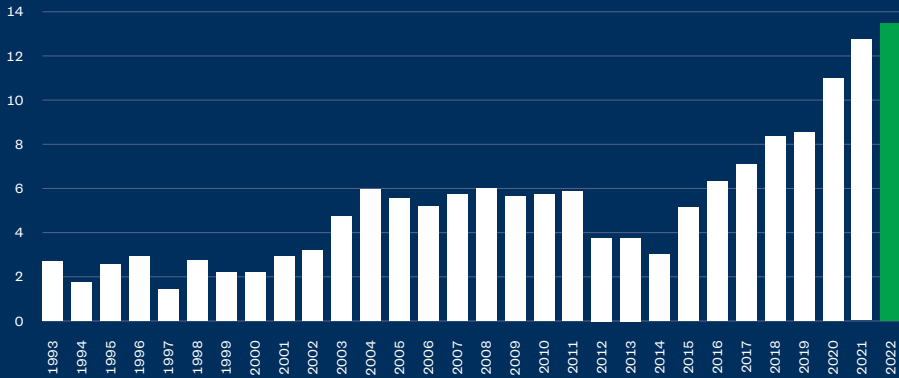
The trailer suction dredge, Albatros, came into her own in July 2021, when a storm carried 80,000m³ of material in to the harbour. She quickly restored the depth to our channel, minimising disruption to our customers. Albatros returned in February 2022 to carry out further maintenance dredging.

Meanwhile, also in February 2022, Tug Te Maru’s five-yearly drydocking at the Lyttelton Graving Dock was a success. Excellent work was carried out by marine specialists Stark Bros Limited and she remains in excellent condition for her age, performing her job well.

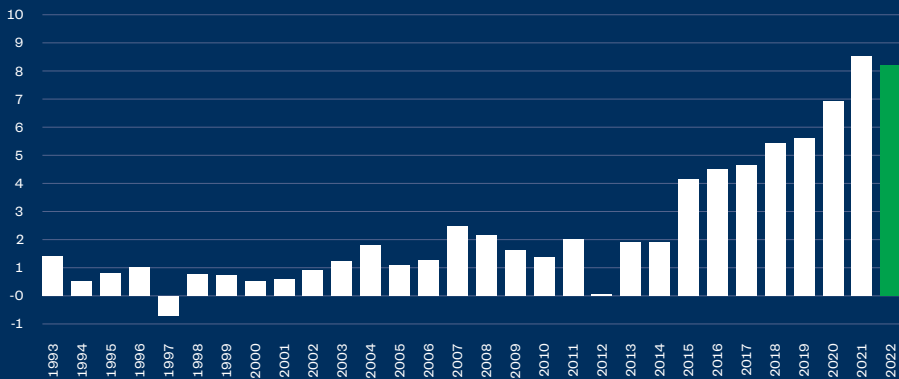
Tug Te Maru helped to escort the fire-damaged Dong Won 701 fishing trawler to its final resting place 40 kilometres off the Otago coast, on 3 July 2021. The Environmental Protection Agency had approved the disposal of the trawler after she suffered extensive fire damage in 2018.



EBITDA Using Normal Port Operating Profits (\$M)

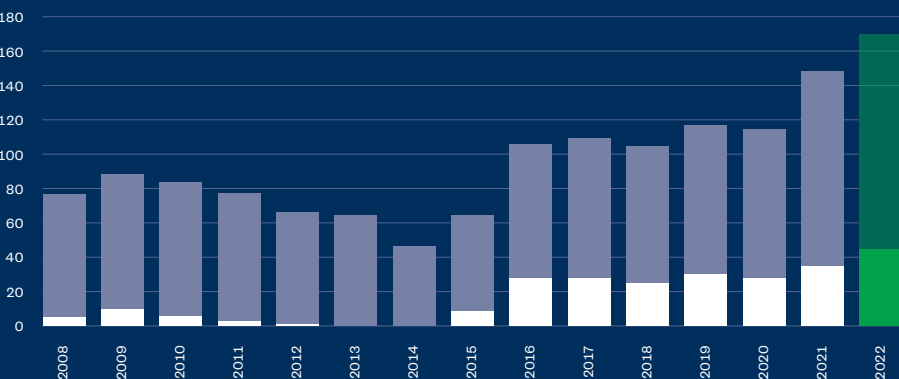


Normal Port Operating Profits (\$M)

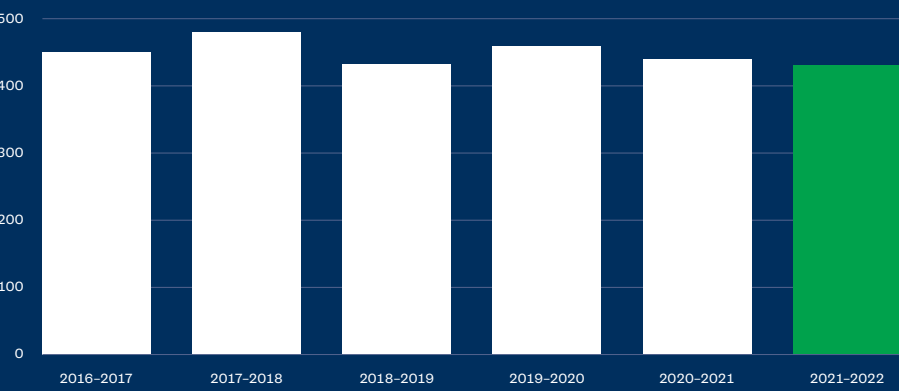


Total Assets & Borrowings (\$M)

Total Assets
Borrowings



Ship Numbers





Our Infrastructure and Property

PrimePort Timaru Limited is following through on its commitment to improve its assets ensuring it offers reliable services for its customers in future.

Above image:
Pile driving on North Mole Wharf.

Below image:
Contractors undertaking pile and beam upgrades on North Mole Wharf.

The North Mole wharf upgrade is in full swing with contractor Fulton Hogan Limited now 13 months into the project. A 12-man team has constructed 1,500m² (120 lineal metres) of the new 330mm thick concrete deck. The upgrade also extends to timber beam and structural steel beam replacements. The project as a whole is substantial, requiring the upgrade of 390 lineal metres of wharf.

The container terminal area at the North Mole has also been a priority area, undergoing several upgrades during the year. Contractors Rooney Earthmoving Limited and Thompsons Engineering Limited were brought on board to construct a replacement 1,000m² quarantine washdown facility, a new heavy-duty hardstand, and other upgrades to services such as power, water, stormwater and LED lighting. The improvements have increased reefer capacity to 630 points.

PrimePort's own Repairs & Maintenance Team have concentrated their efforts on upgrades to the No. 3 Wharf northern berth and to pile replacements on No. 1 Extension Wharf. The latter of the two is scheduled for significant pile replacements and deck upgrades in the coming years.

During the year, Rooney Earthmoving Limited and Thompson Engineering Limited built a 450m² steel building at the log yard,

which is home to a state-of-the-art robotic log scaling machine. The machine uses digital imaging to record the individual diameters and cubic metre measurements of each individual log, while on truck. The technology greatly improves log scaling efficiency and operational safety at the site.

To further protect the marine environment, construction is underway of an all-purpose washdown facility in the log yard, which will be used for cleaning plant and equipment associated with log exports and other bulk product handling.

Harbour protection works continued under and on the water throughout the year, with a dredging campaign and further extension of the Eastern Breakwater.

A seismic assessment of PrimePort's Hayes Street buildings revealed deficiencies in the portion built in the 1950s. 33 timber columns were subsequently replaced with steel columns to strengthen the building.



New Zealand spotted shags in the port.

Our Environment

Kaitiakitanga is a notion deeply embedded in PrimePort’s philosophy and we will continue to strive to improve our way of working for the sake of the environment.

We are delighted to see the performance of the log export operations has been greatly improved by the log yard sealing project, which now sees dust and stormwater management systems in place. Further improvements this year include the construction of the washdown facility. It utilises sediment and grease traps to help keep harmful substances out of the environment.

PrimePort undertook consultation with Arowhenua Rūnanga and the Department of Conservation and was subsequently granted resource consent by Environment Canterbury for the construction of a new wharf at Evans Bay. The consent includes several important environmental and wildlife protection conditions.

The rebuilt quarantine washdown facility, on the North Mole, has been described as one of the best in New Zealand. The facility includes sophisticated trade waste and stormwater switching values which ensures any harmful materials are kept out of our marine environment.

In line with PrimePort’s efforts to reduce its energy usage and improve efficiency, 10 LED light towers have been installed around the port in the past year. In time, all metal-halide light towers around the port will be swapped out to LED.

Our harbour and its surrounds are well-known for their native fauna. Little blue penguin, southern black back gulls, spotted shags, and white-fronted terns are frequent visitors, as are native mammals including New Zealand fur seals and Hector’s dolphins. We take care to make sure our operations do not interfere with our native species. Little blue penguins are kept safe from our operations through the installation of penguin-proof fencing around the log yard operations.

Our Community

We are proud to support our community in the same way they support us in the work we do. Our shareholders are Port of Tauranga Limited and Timaru District Holdings Limited, which invests in PrimePort Timaru Limited on behalf of local ratepayers.

The weather played ball allowing the seventh annual PrimePort Ocean Swim to go ahead in January 2022, with 71 keen swimmers hitting the water. The event offered options for all levels, including a 500m, a 1.5km, 2.5km and a 5km long course.

We are proud to continue our support of the PrimePort Timaru Christmas Parade as the lead sponsor for this iconic event. COVID-19 led to its cancellation in 2021, and we are hopeful this year's event will go ahead without a hitch.

PrimePort was also once again pleased to sponsor the Global Exporter category at the annual Chamber of Commerce Business Excellence Awards.

Competitors at the PrimePort Timaru Ocean Swim.



Our Thanks

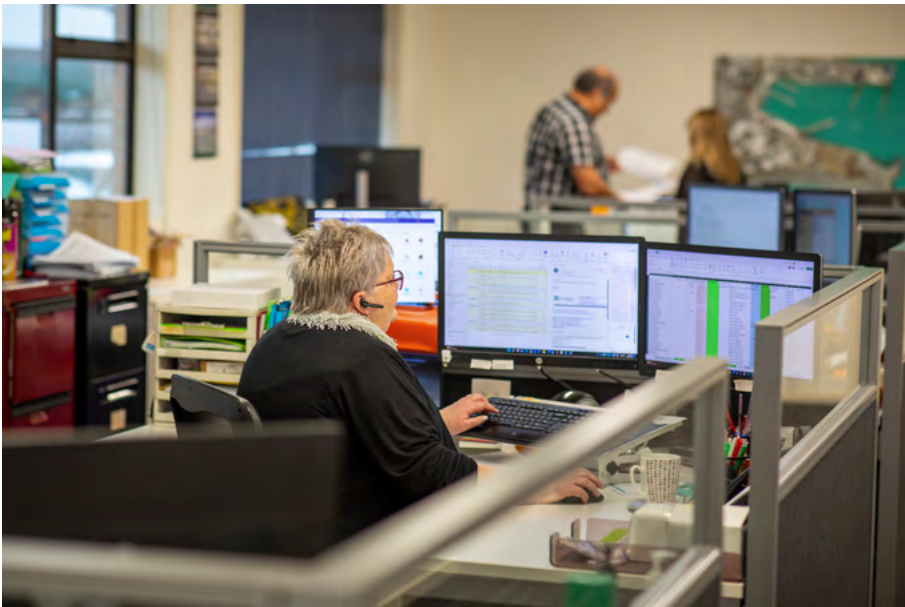
Once again, we thank our community, our customers, our suppliers, our shareholders and, of course, our employees and their families.

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

Staff and customers on a Log Yard tour.



PrimePort Timaru administration staff.



PrimePort Timaru Limited

Statement of Comprehensive Income

for the year ended 30 June 2022

	Note	2022 \$000	2021 \$000
Operating revenue	18	28,350	26,291
Operating expenditure			
Staff		6,921	6,435
Port operating		5,786	4,775
Depreciation and amortisation	6,20	2,926	2,417
Finance		1,467	974
Dredging		1,661	1,645
Director fees		259	250
Operating leases		19	10
Audit services – audit		68	66
		19,107	16,572
Operating profit/(loss) before tax		9,243	9,719
Profit/(loss) before tax		9,243	9,719
Taxation	2	(1,897)	(3,227)
Profit/(loss) for the year		7,347	6,492
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Operating land revaluations	6	5,585	-
Financial instrument hedging	4	2,389	912
Income tax relating to financial instrument hedging	4	(668)	(255)
Other comprehensive income for the year		7,306	657
Total comprehensive income for the year attributable to equity holders		14,653	7,149

PrimePort Timaru Limited

Statement of Changes in Equity

for the year ended 30 June 2022

	Note	Issued Shares	Hedging Reserve	Re- valuations	Retained Earnings	Total
Equity at the beginning of the year		8,450	(790)	20,807	38,319	66,786
Total comprehensive income for year attributable to equity holders		-	1,721	5,585	7,347	14,653
Distributions - dividends paid		-	-	-	(2,500)	(2,500)
Equity at the end of the year 2022	3,4,5	8,450	931	26,392	43,166	78,939
Comparatives for 2021						
Equity at the beginning of the year		8,450	(1,447)	20,807	33,527	61,337
Total comprehensive income for year attributable to equity holders		-	657	-	6,492	7,149
Distributions - dividends paid		-	-	-	(1,700)	(1,700)
Equity at the end of the year 2021	3,4,5	8,450	(790)	20,807	38,319	66,786

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

PrimePort Timaru Limited

Statement of Financial Position

as at 30 June 2022

	Note	2022 \$000	2021 \$000
Equity			
Issued shares	5	8,450	8,450
Retained earnings	3	43,166	38,319
Reserves	4	27,323	20,017
Total equity		78,939	66,786
Represented by long term assets			
Operational fixed assets	6	105,316	87,865
Operational fixed assets under construction	15	14,662	16,322
Right of use assets	20	159	115
Deferred taxation	2	73	137
Derivative financial instruments	9	1,037	-
Total long term assets		121,247	104,439
Current assets			
Cash and cash equivalents		1,671	702
Trade and other receivables	7	2,810	2,551
Inventory	17	733	817
Derivative financial instruments	9	253	-
Total current assets		5,467	4,070
Total assets		126,714	108,509
Term liabilities			
Money market loans	8	42,300	35,418
Leases	20	101	81
Derivative financial instruments	9	-	691
Current liabilities			
Money market loans	8	-	800
Trade and other payables	11	3,669	2,446
Employee entitlements	12	785	716
Tax payable/(receivable)		848	1,119
Leases	20	72	44
Derivative financial instruments	9	-	408
Total current liabilities		5,374	5,533
Total liabilities		47,775	41,723
Net assets		78,939	66,786

For and on behalf of the Board of Directors
26 August 2022

Roger Gower
Chairman

Steve Gray
Director

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

PrimePort Timaru Limited

Statement of Cash Flows

for the year ended 30 June 2022

	2022 \$000	2021 \$000
Cash flows from operating activities		
Sources		
Cash received from customers	27,613	26,843
Other revenue received	275	-
Disbursements		
Payments to suppliers	(5,952)	(4,946)
Payments to employees	(6,852)	(6,293)
Net GST movements	314	(237)
Income tax	(2,771)	(2,657)
Finance cost payments	(1,378)	(957)
Dredging	(1,372)	(1,722)
	(18,011)	(16,812)
Net cash inflow from operating activities	9,877	10,031
Cash flows from investing activities		
Sources		
Receipt of government grant	500	-
Disbursements		
Purchase of fixed assets	(12,897)	(19,556)
Total net cash used in investing activities	(12,397)	(19,556)
Cash flows from financing activities		
Sources		
Loans raised	9,969	11,718
Disbursements		
Loans repaid	(3,887)	(500)
Dividends paid	(2,500)	(1,700)
Lease liabilities paid	(93)	(84)
	(6,480)	(2,284)
Net cash from/(used) in financing activities	3,489	9,434
Net increase/(decrease) in cash held	969	(91)
Opening cash and cash equivalents balances	702	793
Closing cash and cash equivalents balances	1,671	702
Represented by		
Cash and cash equivalents	1,671	702

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



Tug Titan.

PrimePort Timaru Limited

Notes to the Financial Statements

for the year ended 30 June 2022

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 2022. The financial statements were authorised for issue by the Board on 26 August 2022.

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) on the basis that it does not have public accountability and is not a large for-profit public sector entity.

Basis of Preparation

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

Standards and Interpretations Issued

There were no new standards applied in the current year.

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 2022 and have been consistently applied throughout the year.

Measurement Base

The financial statements are presented in New Zealand dollars. The accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on a historical cost basis are followed by the group, with the exception that the following assets and liabilities are stated at their fair value: derivative financial instruments, 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 it's 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.

H. Government Grants

Government grants received on capital expenditure are generally deducted in arriving at the carrying amount of the asset purchased. Grants for revenue expenditure are netted against the cost incurred by the Company. Where retention of a government grant is dependent on the Company satisfying certain criteria, it is initially recognised as a deferred local government grant. When the criteria for retention have been satisfied, the deferred local government grant balance is released to the consolidated statement of comprehensive income or netted against the asset purchased.

2. Taxation

	2022 NZ\$000	2021 NZ\$000
Profit/(loss) before taxation	9,243	9,719
Profit before taxation	9,243	9,719
Tax at 28%	2,588	2,721
Plus/(less) tax effect of:	1	-
Prior year adjustment	(692)	506
	1,897	3,227
Components of taxation:		
Current taxation	2,502	2,589
Deferred taxation	(606)	638
	1,897	3,227

Deferred tax asset/(liability)	Long Term Assets	Finance Leases	Employee Entitle- ments	Other	Hedge Reserve	Total
Balance at 1 July 2020	446	4	184	(168)	564	1,030
Credit/(charge) to profit or loss	(618)	(1)	(14)	(5)	-	(638)
Credit/(charge) to comprehensive income	-	-	-	-	(255)	(255)
Balance at 30 June 2021	(172)	3	170	(173)	309	137
Credit/(charge) to profit or loss	572	1	12	22	-	606
Credit/(charge) to comprehensive income	-	-	-	-	(670)	(670)
Balance at 30 June 2022	400	4	182	(151)	(361)	73

Following the reintroduction of tax depreciation on buildings, which took effect from 1 July 2020, PrimePort has updated its deferred tax calculations for the year ended 30 June 2022. The change is reflected within the "Long Term Assets" category of the deferred tax balance.

Policies

Taxation comprises current tax and deferred tax.

Current taxation is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using rates that have been enacted or substantively enacted at balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences. Deferred tax liabilities are generally recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised.

Current tax and deferred tax is recognised against the profit or loss except when it relates to items charged or credited directly to equity or other comprehensive income, in which case the tax is dealt with in equity or other comprehensive income respectively.

Statement of Cash Flows

Cash and cash equivalents includes cash on hand, funds within our cheque account, deposits held on call with banks, and bank overdrafts.

Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment and investments.

Financing activities are those activities that result in changes in the size and composition of the capital structure of PrimePort Timaru Limited. This includes both equity and debt. Dividends paid are included in financing activities. Loans raised and paid are netted off when they are part of the roll-over of money market borrowings covered in the Company's long-term finance facilities.

Operating activities includes all transactions and other events that are not investing or financing.

GST component of operating activities reflects the net GST paid and received with the Inland Revenue Department. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

3. Retained Earnings

	2022 NZ\$000	2021 NZ\$000
Opening balance	38,319	33,527
Profit after tax	7,347	6,492
Less dividends paid	(2,500)	(1,700)
Closing balance	43,166	38,319

4. Reserves

	2022 NZ\$000	2021 NZ\$000
Reserves are represented by:		
Asset revaluation reserve	26,392	20,807
Cash flow hedge reserve	931	(790)
	27,323	20,017

(a) Asset Revaluation Reserve

	2022 NZ\$000	2021 NZ\$000
Opening balance	20,807	20,807
Revaluation increase	5,585	-
Closing balance	26,392	20,807

(b) Cash Flow Hedge Reserve

	2022 NZ\$000	2021 NZ\$000
Opening balance	(790)	(1,447)
Financial instrument hedging	2,389	912
Tax effect of financial instrument hedging	(668)	(255)
Closing balance	931	(790)

5. Share Capital

	2022 NZ\$000	2021 NZ\$000
Ordinary shares	8,450	8,450
Opening balance	8,450	8,450
Closing balance	8,450	8,450

All authorised shares are issued at \$1.00 per share, have equal voting rights and share equally in dividends and any distribution. Dividends of \$2,500,000 at \$0.30 per share were paid during this financial year (2021 \$1,700,000 at \$0.20 per share).

6. Operational Fixed Assets

	Plant & Equip-ment	Freehold Building	Wharves	Break-water / Channel	Improve-ment to Land	Freehold Land at Valuation	Total
Balance as at 1 July 2021							
At fair value						29,485	29,485
At cost	37,423	9,810	39,873	9,228	1,862		98,196
Accumulated impairment	(3,771)	(472)	(7,191)		(416)		(11,850)
Accumulated depreciation	(14,996)	(3,142)	(8,741)	(323)	(764)		(27,966)
	18,656	6,196	23,941	8,905	682	29,485	87,865
Additions	1,010		4,459	194	9,059		14,722
Revaluation						5,585	5,585
Depreciation expense	(1,767)	(236)	(669)	(10)	(174)		(2,856)
Movement to 30 June 2022	(757)	(236)	3,790	184	8,885	5,585	17,451
Balance as at 30 June 2022							
At fair value						35,070	35,070
At cost	38,433	9,810	44,332	9,422	10,921		112,918
Accumulated impairment	(3,771)	(472)	(7,191)		(416)		(11,850)
Accumulated depreciation	(16,763)	(3,378)	(9,410)	(333)	(938)		(30,822)
	17,899	5,960	27,731	9,089	9,567	35,070	105,316
Comparatives for 2021							
Balance as at 1 July 2020							
At fair value						29,485	29,485
At cost	29,542	9,810	39,873	8,758	1,781		89,764
Accumulated impairment	(3,771)	(472)	(7,191)		(416)		(11,850)
Accumulated depreciation	(13,573)	(2,904)	(8,133)	(312)	(734)		(25,656)
	12,198	6,434	24,549	8,446	631	29,485	81,743
Additions	7,881			470	81		8,432
Depreciation expense	(1,423)	(238)	(608)	(11)	(30)		(2,310)
Movement to 30 June 2021	6,458	(238)	(608)	459	51	-	6,122
Balance as at 30 June 2021							
At fair value						29,485	29,485
At cost	37,423	9,810	39,873	9,228	1,862		98,196
Accumulated impairment	(3,771)	(472)	(7,191)		(416)		(11,850)
Accumulated depreciation	(14,996)	(3,142)	(8,741)	(323)	(764)		(27,966)
	18,656	6,196	23,941	8,905	682	29,485	87,865

Total depreciation, as detailed in the Statement of Comprehensive Income, includes 2,856,500 (depreciation expense) and 69,000 (Note 20 Leases: depreciation charge of right-of-use assets).

Operational land held by the company has been independently reviewed as at 30 June 2022 by Gary Sellars FNZIV, FPINZ, a registered valuer with Colliers. The review of the land values assessed for financial reporting purposes as at 30 June 2022 is based on fair value which is equivalent to freehold land value. Land is valued using the direct sales comparison or capitalisation method, depending on whether the land constitutes leasehold land.

Operational fixed assets, other than land, which form part of the port infrastructure are stated at cost or at the value they were acquired from the Timaru Harbour Board in 1988.

There are no operational fixed assets where title is restricted.

(a) Intangible Assets

	Computer Software NZ\$000	NZ\$000
Cost		
Balance at 1 July 2020	154	154
Balance at 30 June 2021	154	154
Balance at 30 June 2022	154	154
Accumulated Amortisation and Impairment Losses		
Balance at 1 July 2020	(108)	(108)
Amortisation expense	(46)	(46)
Balance at 30 June 2021	(154)	(154)
Amortisation expense	-	-
Balance at 30 June 2022	(154)	(154)
Carrying Amounts		
Net book value as at 30 June 2021	-	-
Net book value as at 30 June 2022	-	-

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

Policies

Operational Property, Plant and Equipment

Except for land and capital dredging all owned items of property, plant and equipment are initially recorded at cost less depreciation and impairment losses. Initial cost includes the purchase consideration and those costs directly attributable in bringing the asset to the location and condition necessary for its intended use. Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future benefits or service potential will flow and the cost of the item can be measured reliably. Costs cease to be capitalised when substantially all the activities necessary to bring an asset to the location and condition for its intended use are complete.

Operational land is stated at valuation as determined three yearly. The basis of valuation is fair value as determined by an independent registered valuer. Any increase or decrease in the value of land is recognised directly in other comprehensive income and is accumulated to an asset revaluation reserve account in equity for that asset. Where this would result in a debit balance in the relevant asset revaluation reserve, the balance is not recognised in other comprehensive income but is recognised in profit or loss. Any subsequent increase on revaluation that reverses a decrease recognised in the profit or loss, will be recognised first in the profit or loss up to the amount previously expensed and then recognised in other comprehensive income.

Depreciation

Depreciation is calculated on a straight line basis to allocate the cost of an asset, less any residual value, over its useful life. The estimated useful lives of property, plant and equipment are as follows:

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

Non-Current Assets Intended for Sale

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction within the next financial year. Non-current assets held for sale are valued at the lower of carrying amount and fair value less costs to sell.

Any impairment losses for write-downs of non-current assets held for sale are recognised in the profit or loss. Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have previously been recognised. Non-current assets held for sale are not depreciated or amortised while they are classified as held for sale.

Intangible Assets

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

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

7. Trade & Other Receivables

	2022 NZ\$000	2021 NZ\$000
Trade debtors	2,392	1,848
Prepayments	418	703
	2,810	2,551

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 2022 all overdue receivables had been assessed for impairment and appropriate provisions applied. The ageing of receivables are as follows:

	2022			2021		
	Gross NZ\$000	Impairment NZ\$000	Net NZ\$000	Gross NZ\$000	Impairment NZ\$000	Net NZ\$000
Not past due – under 30 days	2,177		2,177	1,649		1,649
Past due – 30 to 60 days	94		94	61		61
Past due – 60 to 90 days	130		130	145		145
Past due – over 90 days	2	(11)	(9)	4	(11)	(7)
	2,403	(11)	2,392	1,859	(11)	1,848

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:

	2022 NZ\$000	2021 NZ\$000
Balance as 1 July	11	11
Balance as 30 June	11	11

Policies

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method less any provision for impairment.

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

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

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

8. Money Market Loans

	2022 NZ\$000	2021 NZ\$000
Current facility ends as follows:		
Less than one year	-	800
One to two years	24,000	35,418
Two to three years	18,300	-
	42,300	36,218

Money Market

The company has arranged money market facilities with Bank of New Zealand for a maximum amount of \$48.0 million (2021 \$46.0 million). The money market loans include two \$24.0 million Customised Average Rate Loan (CARL) facilities. The two year \$24.0 million CARL facility for working capital ends in June 2024. At balance date \$24.0 million was drawn on the facility. The three year \$24.0 million CARL facility to support working capital ends in June 2025. At balance date \$18.3 million was drawn on the facility. To date \$42.3 million has been drawn.

Maturity dates of interest rate instruments within the facility are:

	2022 NZ\$000	2021 NZ\$000
Within one year	20,300	15,218
One to two years	-	3,000
Two to three years	5,000	-
Three to four years	6,000	5,000
Four to five years	7,000	6,000
Five to six years	-	7,000
Six to seven years	4,000	-
	42,300	36,218

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, all other borrowing costs are recognised as an expense in the period in which they are incurred. A qualifying asset is defined as a separate asset whether the construction period exceeds twelve months and costs in excess of one million dollars.

9. Financial Instruments

Liquidity Risk

Liquidity risk is the risk that PrimePort will have difficulty raising funds to meet commitments as they fall due. PrimePort's short term liquidity is managed by ensuring that there is sufficient committed financing facilities to cover at least \$1 million in excess of the anticipated peak borrowing requirement as determined by cash flow forecasts. The maximum amount that can be drawn down against our borrowing facility is \$48.0 million (2021 \$46.0 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 \$28.0 million. The average interest rate on interest rate derivatives is 2.60%.

There were \$42.3 million of money market borrowings at reporting date (2021 \$36.2 million).

PrimePort's Treasury Policy requires set limits for interest rate maturity profile. Hedging instruments are used to manage this profile which is based on projected borrowing requirements. As at balance date \$17.3 million was at call (2021 \$15.2 million).

As at balance date seven swaps for a total of \$28.0 million (2021 \$21.0 million) have been entered to manage interest rate fluctuation risks including one swap that is 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)	
		2022 NZ\$000	2021 NZ\$000	2022 NZ\$000	2021 NZ\$000
Swap maturity dates					
June 2023	1.71	3,000	3,000	57	(57)
October 2024	2.64	5,000	5,000	152	(262)
March 2026	1.23	6,000	6,000	588	21
December 2026	3.44	3,000	3,000	70	(329)
February 2027	3.49	4,000	4,000	88	(457)
June 2028*	2.46	3,000	-	212	-
December 2028	3.48	4,000	-	123	-
		28,000	21,000	1,290	(1,083)

Fair Value

The carrying value of the company's financial assets and liabilities are recorded at estimated fair value as described in the accounting policies and note. PrimePort Timaru Limited carries certain financial assets and financial liabilities at fair value. In accordance with NZ IFRS 13 – Fair Value Measurement, PrimePort Timaru Limited uses various methods in estimating the fair value of its financial instruments.

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

Credit Risk

Financial instruments which potentially subject the company to credit risk consist principally of bank deposits, accounts receivable, and derivative assets. 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 2022 is equal to the carrying amount of these financial assets. The company continuously monitors the credit quality of its major customers and does not anticipate non-performance by those customers.

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

Currency Risk

PrimePort Timaru Limited has exposure to foreign exchange risk as a result of transactions denominated in foreign currencies, arising from normal trading activities. PrimePort Timaru Limited uses foreign currency forward exchange contracts to manage these exposures. PrimePort's Treasury Policy provides for currency management to be restricted to hedging underlying business exposures only. At balance date the principal or contract amounts of foreign currency forward exchange contracts were nil (2021 \$369,637). The carrying value asset/(liability) of the foreign currency forward exchange contracts shown in the Statement of Financial Position at year end were nil and (\$15,494) in 2021.

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. As at balance date no foreign exchange contracts had been hedged.
- Interest rate swaps – as at balance date seven 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.

	2022 NZ\$000	2021 NZ\$000
Financial assets & liabilities		
The carrying amount of financial assets and liabilities are as follows:		
Cash & cash equivalents	1,671	702
Trade debtors	2,392	1,848
Total financial assets at amortised cost	4,063	2,550
Trade & other payables	3,669	2,446
Money market loans	42,300	36,218
Total financial liabilities measured at amortised cost	45,969	38,664
Derivative financial instruments	1,290	(1,099)
Total financial assets/(liabilities) measured at fair value	1,290	(1,099)

Policies

Foreign Currencies

Transactions in foreign currencies are converted at the New Zealand rate of exchange ruling at the date of the transaction. Transactions covered by foreign currency forward exchange contracts are measured and reported at the forward rates specified in those contracts.

At balance date foreign monetary assets and liabilities are translated at the closing rate and exchange variations arising from these translations are included in the profit or loss.

Financial Instruments

The Company uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from its activities. Derivative financial instruments are stated at fair value. The gain or loss on re-measurement to fair value is recognised in the profit or loss. Where the derivatives qualify for hedge account, they are accounted for as set out in policies.

The fair value of interest derivatives is based on market factors the issuer believes to be relevant and in accordance with their policies. The fair value of forward exchange derivatives is their present value of the quoted forward price.

Non-derivative financial instruments comprise bank deposits, receivables and prepayments, borrowings, and accounts payable. Financial assets and liabilities are measured in accordance with their respective policies.

Financial instruments are recognised once the Company becomes a party to the contractual provisions of the instrument. Financial instruments are derecognised once the contractual rights expire or are transferred to another party without retaining control or substantially all risks associated with the instruments. Fair values are determined at balance date when required.

Hedging

Where a derivative financial instrument is designated as a cash flow hedge that is a hedge of the exposure to variability in cash flows that is:

- (i) attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecast transaction; and
- (ii) could affect profit or loss, the effective part of any movement in fair value is recognised directly in equity.

When the forecasted transaction subsequently results in a non-financial asset or liability the associated gains or losses are included in the carrying value of the non-financial asset or liability. If the hedge subsequently results in a financial asset or liability the associated gains or losses that were recognised in other comprehensive income are reclassified into the profit or loss in the same period. However, if it is expected that all or a portion of a loss recognised in other comprehensive income will not be recovered in one or more future periods, the amount that is not expected to be recovered is reclassified to the profit or loss.

10. Bank Overdrafts

The bank overdraft facility of \$200,000 is secured by way of a negative pledge.

The current interest rate at balance date is 5.60% per annum (2021 3.37%). This is a floating rate set by the Bank.

11. Trade & Other Payables

	2022 NZ\$000	2021 NZ\$000
Trade creditors	109	113
Other accrued expenses	3,060	2,333
Deferred local government grant	500	-
	3,669	2,446

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

Policies

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

12. Employee Entitlements

	2022 NZ\$000	2021 NZ\$000
Accrued pay	131	124
Accrued leave provision	638	562
Long service provision	10	8
Sick leave provision	6	22
	785	716

Policies

Provision is made in respect of the Company’s liability for annual leave, long service leave and sick leave. The key leave provisions have been calculated on an actual entitlement basis at current rates of pay. Long service leave accrued for but not yet earned and sick leave provisions have been estimated based on management assumptions of expected tenure of employment for long service and estimated sick days taken over normal entitlements for sick leave. Obligations for contributions to KiwiSaver and superannuation schemes are recognised as an expense in the profit or loss as incurred. All employer contributions made are to defined contribution schemes.

13. Related Party Transactions

Timaru District Holdings Limited is a shareholder of PrimePort Timaru Limited. Timaru District Holdings Limited is a wholly owned subsidiary of the Timaru District Council. A dividend of \$1,250,000 (2021 \$850,000) was paid to Timaru District Holdings Limited during this financial year. During the year PrimePort Timaru Limited leased land and buildings from Timaru District Holdings Limited. This amounted to \$89,047, including outgoings (2021 \$79,769). Other services amounted to nil (2021 nil). During the year PrimePort Timaru Limited received \$500,000 from Timaru District Council, being the first tranche of a grant for \$1,500,000 for investment into port infrastructure for the Scott Base Redevelopment Project (2021 nil). PrimePort Timaru Limited provided services to Timaru District Holdings Limited during the year that amounted to nil (2021 \$1,114).

Port of Tauranga Limited is a shareholder of PrimePort Timaru Limited. A dividend of \$1,250,000 (2021 \$850,000) was paid to Port of Tauranga Limited during this financial year. During the year PrimePort Timaru Limited provided services to Port of Tauranga Limited, that amounted to \$29,500 (2021 nil).

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 \$8,183 (2021 \$130) and nil (2021 nil) respectively. This included a lease of land and buildings for \$8,000 (2021 nil). During the year PrimePort Timaru Limited leased land and buildings to Odey Fishing Company Limited, a family business of Mr D J Odey. The lease amounted to \$833 (2021 \$5,000). Other services amounted to \$5,317 (2021 \$5,162).

PrimePort Timaru Limited leased land to Timaru Container Terminal Limited, a 100% owned subsidiary of Port of Tauranga Limited, a shareholder of PrimePort Timaru Limited. The lease amounted to \$1,343,381 (2021 \$1,433,286). Other services amounted to \$1,692,685 (2021 \$2,469,532).

PrimePort Timaru Limited provided services to Quality Marshalling (Mount Maunganui) Limited, a 100% owned subsidiary of Port of Tauranga Limited, a shareholder of PrimePort Timaru Limited. The services amounted to \$104 (2021 \$14,453).

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 \$31,104 (2021 \$50,695) and nil (2021 nil) respectively. Mr N J G Donaldson is Finance Manager of PrimePort Timaru Limited and also a director of Parr and Company Limited. During the year PrimePort Timaru Limited purchased services from City Care Limited, a company in which Mr C N O Van Florenstein Mulder was Chief Executive Officer for part of the previous year and also a director of PrimePort Timaru Limited. The services amounted to \$7,432 (2021 \$36,741) for the year.

During the year PrimePort Timaru Limited purchased services from the Timaru District Council. The services amounted to \$273,320 (2021 \$198,815) of total operating expenses. Of the total operating expenses \$253,383 (2021 \$187,715) relates to rates.

During the year PrimePort Timaru Limited purchased services from Timaru Container Terminal Limited. The services amounted to \$25,429 (2021 \$988).

The outstanding balances owed by related parties at 30 June 2022 are:

- Timaru Container Terminal Limited \$179,300 (2021 \$256,598)
- Parr and Company Limited \$920 (2021 nil))
- Odey Fishing Company Limited \$1,521 (2021 \$1,491)
- Port of Tauranga Limited nil (2021 nil)
- Quality Marshalling (Mount Maunganui) Limited nil (2021 \$34)

The outstanding balances owed to related parties at 30 June 2022 are:

- Timaru District Council \$6,554 (2021 \$4,508)
- Port of Tauranga Limited nil (2021 nil)
- Timaru District Holdings Limited \$6,453 (2021 \$5,917)
- Parr and Company Limited \$5,982 (2021 \$1,075)
- City Care Limited nil (2021 \$2,331)

These balances have been paid since balance date. No related party debts have been written off or forgiven during the year (2021 nil).

Total key management personnel compensation totalled \$1,585,293 (2021 \$1,517,387). Key management personnel include Directors, Chief Executive and the remaining members of the management team. All remuneration is classified as salaries and other short-term employee benefits.

14. Contingent Assets & Liabilities

No contingent assets exist at balance date (2021 nil).

No contingent liabilities exist at balance date (2021 nil).

15. Operational Fixed Assets Under Construction

	2022 NZ\$000	2021 NZ\$000
Operational Fixed Assets Under Construction	14,662	16,322

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 2022 balance represents the capital investment at balance date associated with North Mole Wharf improvements and upgrades, Log Yard improvements and Evans Bay Reclamation.

16. Commitments

	2022 NZ\$000	2021 NZ\$000
Capital commitments	788	2,870

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

Operating Lease Commitments

Non cancellable operating lease payables:

	2022 NZ\$000	2021 NZ\$000
Not later than 1 year	13	13
Later than 1 year but not later than two years	13	13
Later than 2 years but not later than five years	11	24
	38	51

Operating lease commitments are based on current rentals being paid.

17. Inventory

	2022 NZ\$000	2021 NZ\$000
Inventory	733	817

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

Policies

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

18. Revenue

	2022 NZ\$000	2021 NZ\$000
Port Operations	25,370	23,554
Other property rentals	2,705	2,737
Other income	275	-
	28,350	26,291

Revenue from Contracts with Customers

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

	2022 NZ\$000	2021 NZ\$000
Revenue from port operational contracts	22,456	20,604
Revenue from maintenance recovery contracts	560	665
Revenue from licence agreements	2,354	2,285
	25,370	23,554

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

Rental Revenue

Yields currently range from 5.50-5.75% on freehold land value determined at the time of rent review for port related land leases. Leases are a range of land and buildings to a number of customers. A number of leases include rights of renewal for further periods. Ground lease terms and conditions vary between 1 year to 25 years. Direct operating expenses relating to port related properties amounts to \$345,000 (2021 \$516,000).

Operating Lease Receivables

Non cancellable operating lease receivables

	2022 NZ\$000	2021 NZ\$000
Not later than one year	2,281	2,456
Later than one year but not later than two years	2,222	2,281
Later than two years but not later than five years	4,586	5,378
Later than five years	3,353	4,783
	12,442	14,898

Policies

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

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

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

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

19. Staff Expenses

There were no redundancy payments included in staff expenses in 2022 (2021 nil). Included in staff expenses are employer contributions for employee superannuation funds. Payments for the year amounted to \$278,554 (2021 \$262,713).

20. Leases

For applicable leases, right of use assets include leases related to buildings and land. Also, included are low-value assets that are not shown as short-term leases and are referenced in Note 16 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:

	2022 NZ\$000	2021 NZ\$000
Right-of-use assets		
Properties	159	115
	159	115
Lease Liabilities		
Current	72	44
Non-current	101	81
	173	125

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:

	2022 NZ\$000	2021 NZ\$000
Depreciation charge of right-of-use assets		
Properties	69	62
	69	62
Interest expense (included in finance expenditure)	10	8
Expense relating to low-value assets that are not shown as short-term leases (included in other expenditure)	13	13

The total cash outflow for leases in 2022 was \$88,500 (2021 \$82,451).

Policies

At inception of a contract, the Company assesses whether a contract is a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

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

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

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

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

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

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

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

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

21. Events After Balance Date

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

22. Effects of COVID-19

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



INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF PRIMEPORT TIMARU LIMITED'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

The Auditor-General is the auditor of PrimePort Timaru Limited (the company). The Auditor-General has appointed me, Peter Taylor, using the staff and resources of KPMG, 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 15 to 34, that comprise the statement of financial position as at 30 June 2022, 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 2022; and
 - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime.

Our audit was completed on 26 August 2022. This is the date at which our opinion is expressed.

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

Basis for our opinion

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

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

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



Responsibilities of the Board of Directors for the financial statements

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

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

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

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

Responsibilities of the Auditor for the audit of the financial statements

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

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

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

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

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence

obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 14 and 39 to 42, 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.

Peter Taylor
KPMG
On behalf of the Auditor-General
Christchurch, New Zealand

Statutory Information

for the year ended 30 June 2022

Principal Operations

PrimePort Timaru Limited operates a commercial port and its activities include ship handling, cargo handling, transit storage and ancillary services to the shipping and freight industries. The Company provides quality services to shipping and freight businesses at its centrally located multipurpose and bulk handling port.

Changes in Accounting Policies

All policies have been applied on a consistent basis with the previous year.

Auditors

On their behalf, the Office of the Auditor-General has appointed KPMG 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)	\$73,000
S.G. Gray	\$42,000
D.J. Odey	\$36,000
D.A. Pilkington	\$36,000
A.P. Reynish	\$36,000
C.N.O. Van Florenstein Mulder	\$36,000

Disclosure of Interest by Directors

The following current Director's disclosures were recorded in the interests' registers of the Company:

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

(b) Specific Disclosures
Nil.

(c) Directors' and Officers Liability Insurance
The Company has insured all its Directors and Officers against liabilities to other parties (except the Company or a related party of the Company) that may arise from their positions as Directors and Officers. The insurance does not cover liabilities arising from criminal actions.

(d) Share Dealings by Directors
Nil.

(e) Use of Company Information
During the year the Board received no notices from Directors of the Company requesting to use Company information received in their capacity as Directors which would not otherwise have been available to them.

Employees' Remuneration
During the year the following numbers of employees received remuneration of at least \$100,000:

Remuneration	Number of Employees
\$420,001-\$430,000	1
\$280,001-\$290,000	1
\$270,001-\$280,000	2
\$210,001-\$220,000	1
\$200,001-\$210,000	2
\$180,001-\$190,000	2
\$170,001-\$180,000	1
\$160,001-\$170,000	1
\$150,001-\$160,000	3
\$140,001-\$150,000	1
\$130,001-\$140,000	1
\$120,001-\$130,000	5
\$110,001-\$120,000	3
\$100,001-\$110,000	2

Donations

During the year the Company made donations of \$2,910.

Auditors' Remuneration

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

Audit of the Financial Statements	
PrimePort Timaru Limited	\$68,326

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 \$2,500,000 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:

- The after tax return on total assets and return on shareholders funds objectives were not met mainly because of the Company continuing to fund investment in its capital equipment and port infrastructure.

Objective/Outcome	Target	Achieved
(a) To manage and operate PrimePort Timaru Ltd to enhance shareholder wealth through continuously improving performance.		
Earnings (after tax) per share	\$0.84	Yes
Net Assets per share	\$8.49	Yes
Return (after tax) on total assets	6.03%	No
Return (after tax) on shareholders funds	9.95%	No
Ratio of shareholders funds to total assets	0.61	Yes
(b) To employ the best people and develop staff to their full potential in a safe working environment.		
Lost time injury frequency rate	3.00	Yes
(c) To accept responsibility as a user of the coastline and recognise the importance of the environment for future generations.		
Incidents leading to pollution of harbour	Nil	Yes
Compliance with all resource consent conditions	Yes	Yes
Compliance with NZ Maritime Safety Standards	Yes	Yes

* Includes Subsidiary Companies

Directory

Board of Directors

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

Shareholders

as at 30 June 2022

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

Auditors

KPMG for the Office of the Auditor-General

Registered Office

Marine Parade
Timaru, 7910
New Zealand

PO Box 544
Timaru, 7940
New Zealand

Telephone
+64 3 687 2700

Website
www.primeport.co.nz

Leadership Team

P.R. Melhopt	Chief Executive
N.J.G. Donaldson	Finance Manager
K.P. Beeby	Operations Manager
B.J. Kleinjan	Port Engineering Manager
D.J.R. Meyer	Safety & Environmental 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 2022.

For and on behalf of the Board of Directors.



Roger Gower
Chairman
26 August 2022



Steve Gray
Director
26 August 2022

Our Purpose

Connecting
our region to
the world.



Tug Titan, alongside container ship, Rio Madeira.



PrimePort Timaru Annual Report

2022

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New Zealand
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www.primeport.co.nz



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