

PrimePort Timaru Annual Report 2023



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Log ship being loaded
on No. 1 Wharf.

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Chair and Chief Executive's Review

2022/2023



We have reached the end of another eventful year at PrimePort. One in which the resilience of the business and our strategy for navigating tough times has been thoroughly tested.

The year to June 2023 brought with it the final throes of Covid-19 and significant headwinds in the form of rising costs and a downturn in bulk trade volumes. These combined to weigh down our underlying profit by more than 24% compared to the previous year.

While it has been challenging at times, this year has only served to strengthen our resolve to continue to build PrimePort's capability and capacity. We continue to invest heavily in our wharf upgrades and improvements to other infrastructure. We know our ongoing efforts will see our assets and operations ready for what the future brings.

In this current environment, the Board and Leadership Team are truly appreciative of our reliable workforce, the support we receive from our wider community and our secure role as a vital logistics partner for our customers throughout the central South Island.

The origin of our key position as a connector of regional importers and exporters to the world is rooted in the joint venture partnership signed 10 years ago, by Timaru District Holdings Limited and Port of Tauranga Limited. It has been a privilege to celebrate our decade-long relationship this year and recognise the stability our governance structure offers our business.

Highlights and Challenges

The safety of our people comes above all else at PrimePort. This year, we report one lost time injury for staff, which resulted in 10 days off work.

PrimePort remains the only Port in the country to hold ISO 45001 health and safety accreditation. The first external surveillance audit was successfully completed in March 2023.

Our ability to meet our high performance standards came under pressure in 2023. Our overall trade volume was down 14.5% on last year, driven by falls across four of the main bulk trade products.

The combination of reduced bulk trade volumes and higher costs weighed heavily on our overall performance, resulting in an after-tax profit down \$2.3 million or 31.3% lower than last year.

However, our total revenue was ahead of the previous year, attributable to more cruise ship visits and a significant tug charter which helped to close the gap caused by the reduced bulk trade.

Cost pressures increased significantly, with expenses up \$2.9 million or 15.1% on last year. The main contributors were finance costs, CPI driven salary increases and rising insurance premiums.

Preparation works for the Scott Base Redevelopment Project were completed, with PrimePort handing over the Evans Bay site to Antarctica New Zealand ready for construction to begin.

Options for coastal container shipping expanded with Swire Shipping starting a fortnightly Pacifica Service to Timaru using the Moana Chief.

Significant progress has been made in our asset improvement programme, with 230m of new concrete deck completed during the year and container ship operations transferred to the rebuilt North Mole inner berth in November 2022.

Our People

Our workforce numbers total 53 full time employees and 11 casual employees. Staff turnover remains very low.

In addition to our regular recruitment, we were fortunate enough to employ several university engineering students during their holiday breaks. Our students undertook a range of work which helped PrimePort advance some of its projects and the practical experience helped the students meet the requirements of their study.

At the governance level, there were two changes within the Board of Directors during the year. Port of Tauranga Limited appointed director David Pilkington retired on 31 July 2022 and was replaced by Julia Hoare, the Chair of Port of Tauranga Limited in August 2022. Timaru District Holdings Limited Chair, Mark Rogers, was appointed to the PrimePort Board in July 2022, after Onno Mulder completed his term on 30 June 2022.

The Leadership Team witnessed a few changes during the year. Andrew Pye started with PrimePort as the Marine Manager in August 2022, replacing Grant Bicknell who moved to Otago. Emma O’Connell was promoted from within the company to the role of Operations Manager in October 2022, replacing Kevin Beeby

who retired after 27 years with the Port. Stewart Gollan came on board as Safety & Security Manager in June 2023.

PrimePort’s values, Teamwork, Adaptable, Care and Kaitiaki, established in 2020, are well embedded and frequently referenced in our day-to-day activities. The team works hard to ensure everything we do aligns with those values.

The Port Users’ Health & Safety Forum met three times during the year. The group remains popular with Port Users and is an effective medium for bringing Port stakeholders together to discuss important safety and security matters.

Our health and safety programme remains focused on Critical Risks around the Port, particularly the risk of Man versus Machine. We work closely with all Port Users to identify and manage the risks of working in close proximity to each other. Fatigue risk management is also a key area of focus.

We look forward to enhancing our management of health and safety with the purchase and roll out of a new integrated health and safety software system called Noggin. Noggin also provides a platform for the recording and management of both environmental and security risks and incidents.

PrimePort has been working hard to identify and implement relevant staff wellbeing initiatives. A wellbeing booklet

“PrimeWellbeing” was developed and distributed during the year, with the support of mental health care expert Dr Annette Beautrais. Workshops on financial wellbeing and healthy habits were offered to staff during the year.

On the training front, the PrimePort Marine Team continues to use simulators and external training to improve navigation safety and efficiency at the Port, by allowing staff to practice more difficult manoeuvring strategies that replicate real conditions and the local operating environment. The Port purchased an in-house simulator during the year, to allow the team to train locally in addition to the external simulator training undertaken overseas.

While we worked hard to keep our people safe this year, there was one Lost Time Injury over that time, which resulted in 10 days off work. Our worker slipped on the wharf during a vessel mooring, injuring his shoulder. The worker has since recovered.

We are grateful to our staff for their support and hard work in what has been another busy, challenging, but rewarding year.

Bulk liquid ship, *Golden Unity*, alongside No. 1 Extension Wharf.



Board



Roger Gower
Chair



Steve Gray
Director



Damon Odey
Director



Julia Hoare
Director



Tony Reynish
Director



Mark Rogers
Director

Leadership Team



Phil Melhopt
Chief Executive



Nick Donaldson
Finance Manager



Emma O'Connell
Operations Manager



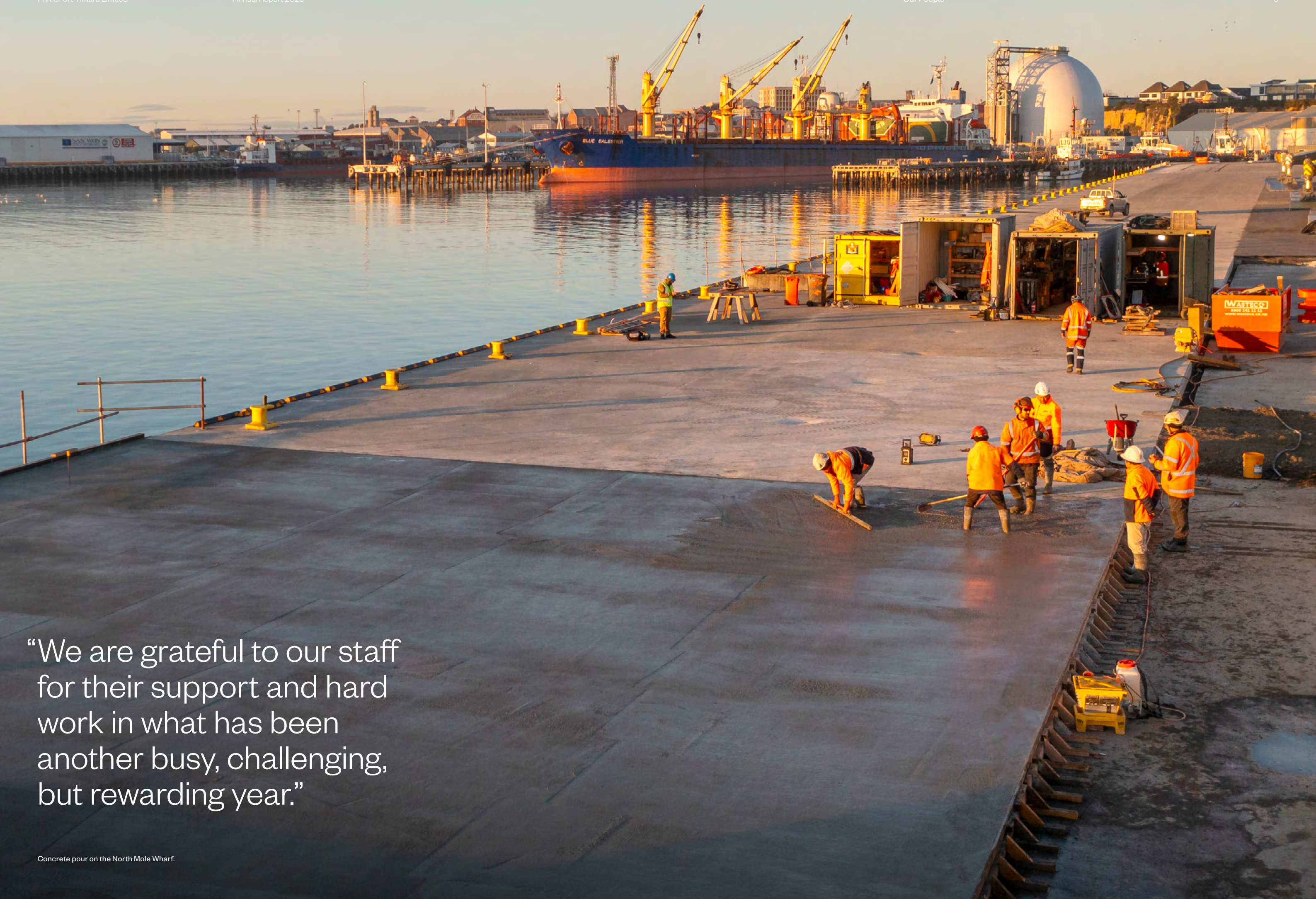
Ben Kleinjan
Port Engineering Manager



Stewart Gollan
Safety & Security Manager



Andrew Pye
Marine Manager



“We are grateful to our staff for their support and hard work in what has been another busy, challenging, but rewarding year.”

Our Financial Performance

PrimePort’s total revenue was up \$627,000 (2.2%) on last year on the back of increased rental revenue, cruise ships and tug charter revenue.

However, the company’s operational costs rose \$2.9 million (15.1%) on the previous year, which resulted in operating profit after tax falling \$2.3 million (31.3%) on last year. Trade volume was down 14.5% on last year due to reductions in bulk dry, logs, and cement.

Cost pressures include increasing staff costs, Port operating costs, increasing insurance premiums, higher depreciation

and finance costs related to capital upgrades, as well rising repairs and maintenance costs associated with property and plant.

PrimePort’s operating land revaluations rose 57.4% (\$20.13 million) as a result of increasing land values and recent property leases with new and existing customers.

PrimePort’s after tax profit is \$5.05 million, which was down 31.3% on the previous year. Total comprehensive income for the year was \$25.5 million.

Our Operations

While bulk volumes were lower, ship numbers were in line with the previous year at 433 calls, compared with 432 in 2022.

Bulk trades were 1.77 million tonnes for the year, which was down on last year’s record by 300,000 tonnes (14.5%). The China log export market remained subdued and with low “at wharf gate” returns, logs were down 31% (149,000 tonnes) on last year.

Fertiliser, stock feeds and cement were down 26%, 15% and 6% respectively on last year. Fuel was 6% ahead, the only major bulk trade that performed ahead of the previous year.

PrimePort welcomed 14 cruise ships to the Port during the 2022/23 cruise season. This was a 250% increase in that trade, with the pre-Covid peak being four cruise visits in one season. Earlier vessel simulations had cleared the way for PrimePort to receive the 287m Noordam, which berthed on the North Mole during her four separate calls.

Timaru Container Terminal Limited moved 78,650 TEUs through the terminal, which was up 2% on the previous year’s volume.

There were changes to coastal shipping options during the year. Maersk discontinued the Coastal Connect Service in March 2023 and replaced it with the Polaris Service, which provides a New Zealand coastal and Trans-Tasman connection. Swire, through Pacifica, introduced a dedicated coastal container call to Timaru, with the Moana Chief visiting on a fortnightly rotation.

Our Tug Titan was chartered to Lyttelton Port Company Limited for 53 days while Lyttelton Port Company Limited’s Tug Blackadder was in drydock. We are pursuing other opportunities in this space.

PrimePort’s Pilot Launch Kiwa had her first five yearly out of water survey. She remains in excellent condition, providing a safe and reliable platform for Pilot transfers.

Cyclone Gabrielle resulted in a significant sediment infill on the shipping channel. The trailer suction dredge, Albatross, was called in to restore the channel depth, which was achieved with little disruption to customers. She returned in June 2023 to carry out further maintenance dredging.

EBITDA

↘8%

to 12.605 Million

AFTER TAX PROFIT

↘31%

to 5.049 Million

TOTAL EQUITY

↗29%

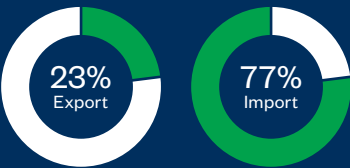
to 102.213 Million

TOTAL ASSETS

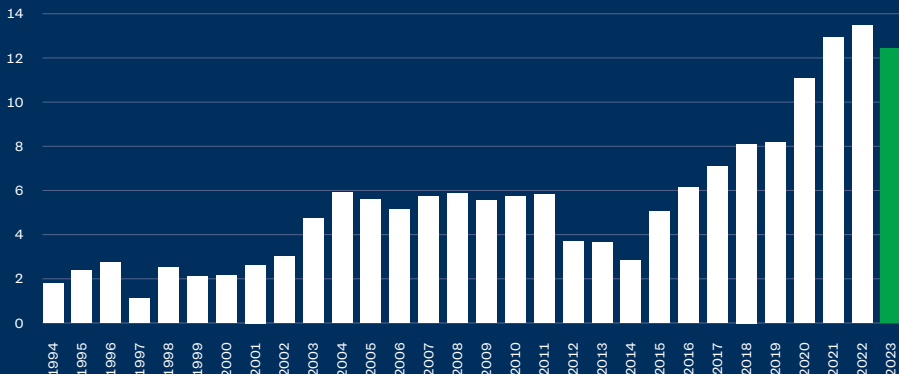
↗24%

to 156.794 Million

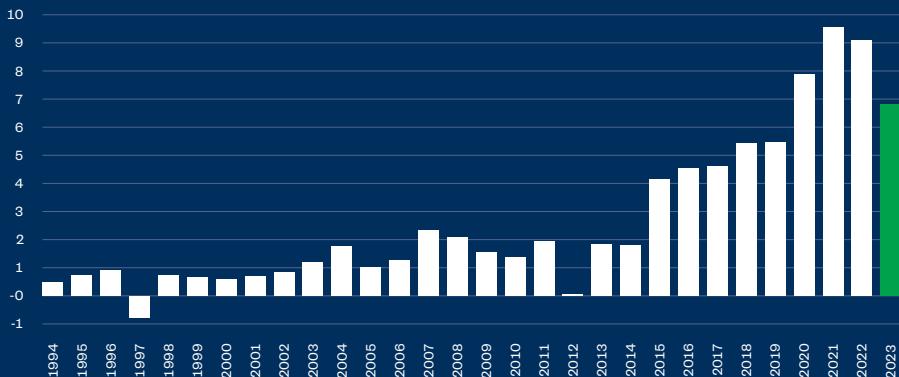
2023 Total Cargo Mix (Tonnes)



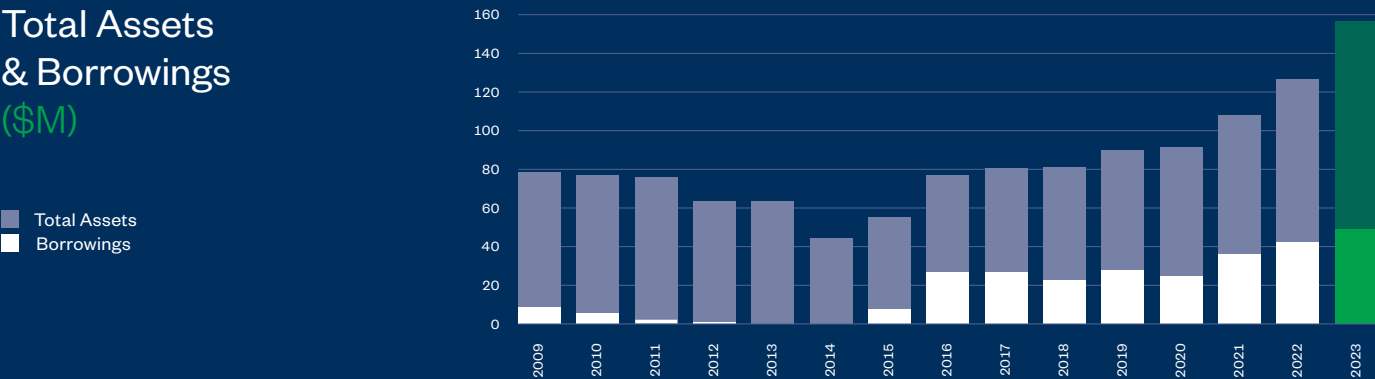
EBITDA Using Normal Port Operating Profits (\$M)



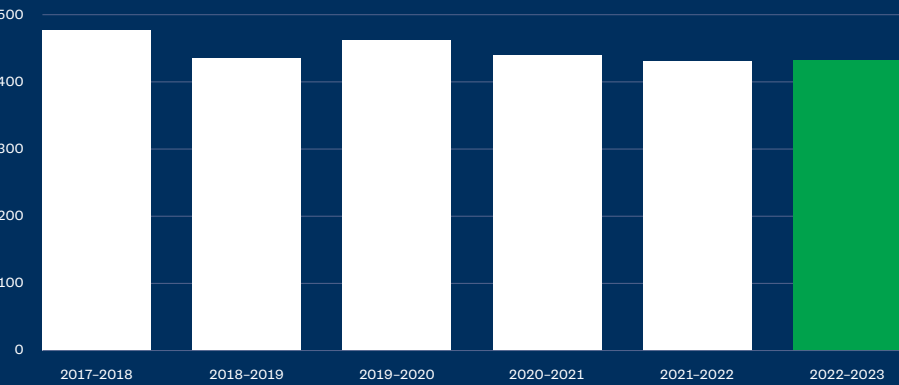
Normal Port Operating Profits (\$M)



Total Assets & Borrowings (\$M)



Ship Numbers





Our Infrastructure and Property



Above:
Tug *Hinewai* in dry dock.

Below:
Heavy left ship with a transformer being unloaded on the North Mole Wharf.

The North Mole wharf upgrade project has been progressing well with contractor Fulton Hogan Limited now 24 months into the project. The Fulton Hogan Limited team has completed 230 linear metres of a new 300mm thick concrete deck. Two new 100 tonne shore bollards were constructed on the North Mole and a new gangway was designed and built to accommodate large cruise ships berthing on the North Mole.

In November 2022 the North Mole Inner berth was returned to Timaru Container Terminal Limited for operations. Maersk Nadi was the first container ship to be serviced at the upgraded berth on 22 November 2022.

During the year, North Mole hardstand improvements continued with more than one hectare of pavement rebuilds and asphalt being completed. These upgrades improve the serviceability of the container terminal from both a safety and an operational perspective.

Further reclamation works and hardstand upgrades were completed at Evans Bay. Two hectares of the hardstand development has now been leased to Antarctica New Zealand for construction of the Scott Base buildings. Work on the Scott Base buildings is scheduled to start in August 2023.

PrimePort’s own repair and maintenance crew have focused on upgrades to the No. 3 Wharf northern berth and to No. 1 Extension Wharf pile replacements. No. 1 Extension Wharf is scheduled for significant pile replacements and deck upgrades, starting in late 2023.

Significant planning work has been undertaken for an upgrade of the No. 1 Extension Wharf and for the realignment of pipelines that service bulk liquid customers operating on the wharf. This will improve the resilience and operational efficiency of the wharf and bulk liquid operations.

Our Environment



Our harbour and surrounds are not short of native fauna. Little blue penguins, Southern Black backed Gulls, spotted shags and white fronted terns are frequent visitors. Native mammals frequently spotted as well include 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 Port operations through the installation of penguin proof fencing around the Log Yard operations, which was upgraded during the year.

The quarantine washdown facility rebuilt in 2022 is functioning well. The 1,000m² facility includes sophisticated trade waste and stormwater switching valves, which ensure contaminants are kept out of our marine environment. A second, smaller scale, washdown facility was completed at the Log Yard during 2023.

The fully sealed Log Yard has vastly improved the environmental performance of the log export operations, with dust and stormwater management systems in place. Residue bark from the logs is collected and recycled into garden compost products.

The effective management of dust from bulk product operations is a key area of focus. Wind limits are in place to ensure dust stays within the Port boundary. A truck wash system is also in place to remove residue dust from truck wheels and surfaces. This helps prevent dust being tracked from the Port onto public roads.

PrimePort has been mapping its carbon emissions since 2021. Scope 1 emissions (emissions owned or controlled by the organisation) represent 88% of all emissions and the vast majority of those relate to diesel use within the marine fleet.

PrimePort is closely watching technological advancements for emissions reduction being made in the sector.

In line with efficiency and energy reduction initiatives, PrimePort has continued to install LED light towers around the Port. The objective is that all Metal Halide light towers around the Port will be swapped out to LED.

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

Our Community

We acknowledge the strong support that PrimePort receives from the Timaru and wider South Canterbury communities.

We are proud to continue our support and association with the Christmas Parade as the lead sponsor for this iconic event. It was a delight to see the people of South Canterbury turn out in December 2022 to enjoy the parade's return after its cancellation in previous years due to the Covid-19 pandemic.

Timaru's weather was kind again and allowed the eighth annual PrimePort Ocean Swim to go ahead in January 2023, with 71 keen swimmers hitting the water at Caroline Bay. The event offered a wide range of options, including a 500m, 1.5km, 2.5km and a 5km long course.

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

With the support of several port customers and suppliers, PrimePort has designed and will soon be building a public fishing pontoon within the harbour. This facility will provide safe and easy access to the harbour and will be ideal for families looking to take a kid fishing.

We are pleased to continue to provide modest support to several local charities. In the past year they included: The Kids Foundation, Caring Families, Heart Kids NZ, Autism NZ, Central South Island Charity Bike Ride and Rotary Timaru North.

Competitors at the start of the PrimePort Timaru Ocean Swim.



Our Thanks

We are proud of the unique place we hold in the South Canterbury region and the wider central South Island. We are grateful to all those who make our operations possible – our community, our customers, our shareholders and above all, our staff, and their families.

Thank you for your contribution and we look forward to continuing our work together to build the future of PrimePort Timaru Limited.

PrimePort Timaru Christmas Parade.



Seven Seas Explorer on No. 1 Wharf.



PrimePort Timaru Limited

Statement of Comprehensive Income

for the year ended 30 June 2023

	Note	2023 NZ\$000	2022 NZ\$000
Operating revenue	18	28,977	28,350
Operating expenditure			
Staff		7,682	6,921
Port operating		7,012	5,786
Depreciation and amortisation	6,20	3,192	2,926
Finance		2,436	1,467
Dredging		1,304	1,661
Director fees		276	259
Operating leases		22	19
Audit services - audit		76	68
		22,000	19,107
Operating profit/(loss) before tax		6,977	9,243
Profit/(loss) before tax		6,977	9,243
Taxation	2	(1,928)	(1,897)
Profit/(loss) for the year		5,049	7,347
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Operating land revaluations	6	20,130	5,585
Financial instrument hedging	4	410	2,389
Income tax relating to financial instrument hedging	4	(115)	(668)
Other comprehensive income for the year		20,425	7,306
Total comprehensive income for the year attributable to equity holders		25,474	14,653

PrimePort Timaru Limited

Statement of Changes in Equity

for the year ended 30 June 2023

	Note	Issued Shares	Hedging Reserve	Re- valuations	Retained Earnings	Total
Equity at the beginning of the year		8,450	931	26,392	43,166	78,939
Total comprehensive income for year attributable to equity holders		-	295	20,130	5,049	25,474
Distributions - dividends paid		-	-	-	(2,200)	(2,200)
Equity at the end of the year 2023	3,4,5	8,450	1,226	46,522	46,015	102,213
Comparatives for 2022						
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

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 2023

	Note	2023 NZ\$000	2022 NZ\$000
Equity			
Issued shares	5	8,450	8,450
Retained earnings	3	46,015	43,166
Reserves	4	47,748	27,323
Total equity		102,213	78,939
Represented by long term assets			
Operational fixed assets	6	129,866	105,316
Operational fixed assets under construction	15	21,663	14,662
Right of use assets	20	92	159
Deferred taxation	2	-	73
Derivative financial instruments	9	962	1,037
Total long term assets		152,583	121,247
Current assets			
Cash and cash equivalents		509	1,671
Trade and other receivables	7	2,554	2,810
Inventory	17	410	733
Derivative financial instruments	9	738	253
Total current assets		4,211	5,467
Total assets		156,794	126,714
Term liabilities			
Money market loans	8	24,000	42,300
Leases	20	25	101
Deferred taxation	2	45	-
Current liabilities			
Money market loans	8	25,000	-
Trade and other payables	11	4,159	3,669
Employee entitlements	12	800	785
Tax payable/(receivable)		473	848
Leases	20	79	72
Total current liabilities		30,511	5,374
Total liabilities		54,581	47,775
Net assets		102,213	78,939

For and on behalf of the Board of Directors
24 August 2023

Roger Gower
Chair

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 2023

	2023 NZ\$000	2022 NZ\$000
Cash flows from operating activities		
Sources		
Cash received from customers	29,142	27,613
Other revenue received	-	275
Disbursements		
Payments to suppliers	(6,912)	(5,952)
Payments to employees	(7,943)	(6,852)
Net GST movements	(312)	314
Income tax	(2,300)	(2,771)
Finance cost payments	(2,323)	(1,378)
Dredging	(1,281)	(1,372)
	(21,071)	(18,011)
Net cash inflow from operating activities	8,071	9,877
Cash flows from investing activities		
Sources		
Receipt of government grant	500	500
Disbursements		
Purchase of fixed assets	(14,131)	(12,897)
Total net cash used in investing activities	(13,631)	(12,397)
Cash flows from financing activities		
Sources		
Loans raised	16,200	9,969
Disbursements		
Loans repaid	(9,500)	(3,887)
Dividends paid	(2,200)	(2,500)
Lease liabilities paid	(102)	(93)
	(11,802)	(6,480)
Net cash from/(used) in financing activities	4,398	3,489
Net increase/(decrease) in cash held	(1,162)	969
Opening cash and cash equivalents balances	1,671	702
Closing cash and cash equivalents balances	509	1,671
Represented by		
Cash and cash equivalents	509	1,671

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



Crewman operating
a mooring winch.

PrimePort Timaru Limited

Notes to the Financial Statements

for the year ended 30 June 2023

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 2023. The financial statements were authorised for issue by the Board on 24 August 2023.

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 2023 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.

I. 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.

2. Taxation

	2023 NZ\$000	2022 NZ\$000
Profit/(loss) before taxation	6,977	9,243
Profit before taxation	6,977	9,243
Tax at 28%	1,953	2,588
Plus/(less) tax effect of:		
Non deductible expenses	(25)	1
Prior year adjustment	-	(692)
	1,928	1,897
Components of taxation:		
Current taxation	1,953	2,502
Deferred taxation	(25)	(606)
	1,928	1,897

Deferred tax asset/(liability)	Long Term Assets	Finance Leases	Employee Entitle- ments	Other	Hedge Reserve	Total
Balance at 1 July 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
Credit/(charge) to profit or loss	(55)	(1)	(27)	78	-	(4)
Credit/(charge) to comprehensive income	-	-	-	-	(115)	(115)
Balance at 30 June 2023	345	3	155	(73)	(476)	(45)

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.

GST component of operating activities reflects the net GST paid and received with Inland Revenue. 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

	2023 NZ\$000	2022 NZ\$000
Opening balance	43,166	38,319
Profit after tax	5,049	7,347
Less dividends paid	(2,200)	(2,500)
Closing balance	46,015	43,166

4. Reserves

	2023 NZ\$000	2022 NZ\$000
Reserves are represented by:		
Asset revaluation reserve	46,522	26,392
Cash flow hedge reserve	1,226	931
	47,748	27,323

(a) Asset Revaluation Reserve

	2023 NZ\$000	2022 NZ\$000
Opening balance	26,392	20,807
Revaluation increase	20,130	5,585
Closing balance	46,522	26,392

(b) Cash Flow Hedge Reserve

	2023 NZ\$000	2022 NZ\$000
Opening balance	931	(790)
Financial instrument hedging	410	2,389
Tax effect of financial instrument hedging	(115)	(668)
Closing balance	1,226	931

5. Share Capital

	2023 NZ\$000	2022 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 \$2,200,000 at \$0.26 per share were paid during this financial year (2022 \$2,500,000 at \$0.30 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 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
Additions	2,981	961	3,289		310		7,541
Revaluation						20,130	20,130
Depreciation expense	(1,817)	(253)	(719)	(10)	(322)		(3,121)
Movement to 30 June 2023	1,164	708	2,570	(10)	(12)	20,130	24,550
Balance as at 30 June 2023							
At fair value						55,200	55,200
At cost	41,414	10,771	47,621	9,422	11,231		120,459
Accumulated impairment	(3,771)	(472)	(7,191)		(416)		(11,850)
Accumulated depreciation	(18,580)	(3,631)	(10,129)	(343)	(1,260)		(33,943)
	19,063	6,668	30,301	9,079	9,555	55,200	129,866
Comparatives for 2022							
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

Total depreciation, as detailed in the Statement of Comprehensive Income, includes 3,192,000 (depreciation expense) and 71,000 (Note 20 Leases: depreciation charge of right-of-use assets).

Operational land held by the company has been independently reviewed as at 30 June 2023 by Gary Sellars FNZIV, FPINZ, a registered valuer with Colliers. Land valuations increased by \$20,130,000 to \$55,200,000 as at 30 June 2023. The review of the land values assessed for financial reporting purposes as at 30 June 2023 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.

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

	2023 NZ\$000	2022 NZ\$000
Trade debtors	2,160	2,392
Prepayments	394	418
	2,554	2,810

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 2023 all overdue receivables had been assessed for impairment and appropriate provisions applied. The ageing of receivables are as follows:

	2023			2022		
	Gross NZ\$000	Impairment NZ\$000	Net NZ\$000	Gross NZ\$000	Impairment NZ\$000	Net NZ\$000
Not past due – under 30 days	1,604		1,604	2,177		2,177
Past due – 30 to 60 days	517		517	94		94
Past due – 60 to 90 days	49	(10)	39	130	(9)	121
Past due – over 90 days	1	(1)	-	2	(2)	-
	2,171	(11)	2,160	2,403	(11)	2,392

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:

	2023 NZ\$000	2022 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

	2023 NZ\$000	2022 NZ\$000
Current facility ends as follows:		
Less than one year	25,000	-
One to two years	24,000	24,000
Two to three years	-	18,300
	49,000	42,300

Money Market

The company has arranged money market facilities with Bank of New Zealand for a maximum amount of \$52.0 million (2022 \$48.0 million). The money market loans include two \$24.0 million and two \$2.0 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 balancee date \$24.0 million was drawn on the facility.

The first \$2.0 million CARL facility for working capital ends in June 2024. At balance date \$1.0 million was drawn on the facility. The second \$2.0 million CARL facility to support working capital ends in June 2025. At balance date nil was drawn on the facility. To date \$49.0 million has been drawn.

Security

Security for the above loans is by way of an existing registered mortgage over the property situated at Hayes Street, Timaru, and an existing general security agreement between Bank of New Zealand and PrimePort Timaru Limited. Additional security is provided by way of two new registered mortgages over the properties situated at 7 Charman Street, Timaru and 1 Marine Parade, Timaru.

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 12 months and costs in excess of \$1.0 million.

9. Financial Instruments

Liquidity Risk

Liquidity risk 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 \$52.0 million (2022 \$48.0 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 \$31.0 million. The average interest rate on interest rate derivatives is 2.90%.

There were \$49.0 million of money market borrowings at reporting date (2022 \$42.3 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 \$24.0 million was at call (2022 \$17.3 million).

As at balance date seven swaps for a total of \$31.0 million (2022 \$28.0 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)	
		2023 NZ\$000	2022 NZ\$000	2023 NZ\$000	2022 NZ\$000
Swap maturity dates					
June 2023	1.71	-	3,000	-	57
October 2024	2.64	5,000	5,000	199	152
March 2026	1.23	6,000	6,000	611	588
December 2026	3.44	3,000	3,000	148	70
February 2027	3.49	4,000	4,000	193	88
June 2028	2.46	3,000	3,000	298	212
December 2028	3.48	4,000	4,000	225	123
March 2029*	3.85	6,000	-	26	-
		31,000	28,000	1,700	1,290

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 the 30 June 2023 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 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 (2022 nil). The carrying value asset/(liability) of the foreign currency forward exchange contracts shown in the Statement of Financial Position at year end were nil (2022 nil).

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.

	2023 NZ\$000	2022 NZ\$000
Financial assets & liabilities		
The carrying amount of financial assets and liabilities are as follows:		
Cash & cash equivalents	509	1,671
Trade debtors	2,160	2,392
Total financial assets at amortised cost	2,669	4,063
Trade & other payables	4,159	3,669
Money market loans	49,000	42,300
Total financial liabilities measured at amortised cost	53,159	45,969
Derivative financial instruments	1,700	1,290
Total financial assets/(liabilities) measured at fair value	1,700	1,290

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 an existing registered mortgage over the property situated at Hayes Street, Timaru, and an existing general security agreement between Bank of New Zealand and PrimePort Timaru Limited.

The current interest rate at balance date is 8.89% per annum (2022 5.60%). This is a floating rate set by the Bank.

11. Trade & Other Payables

	2023 NZ\$000	2022 NZ\$000
Trade creditors	93	109
Other accrued expenses	3,066	3,060
Deferred local government grant	1,000	500
	4,159	3,669

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

	2023 NZ\$000	2022 NZ\$000
Accrued pay	173	131
Accrued leave provision	608	638
Long service provision	14	10
Sick leave provision	5	6
	800	785

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 \$1,100,000 (2022 \$1,250,000) 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 \$96,090, including outgoings (2022 \$89,047). Other services amounted to nil (2022 nil). During the year PrimePort Timaru Limited received \$515,000 from Timaru District Council, \$500,000 being the second tranche of a grant for \$1,500,000 for investment into port infrastructure for the Scott Base Redevelopment Project (2022 \$500,000). PrimePort Timaru Limited provided services to Timaru District Holdings Limited during the year that amounted to nil (2022 nil).

Port of Tauranga Limited is a shareholder of PrimePort Timaru Limited. A dividend of \$1,100,000 (2022 \$1,250,000) 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 nil (2022 \$29,500).

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 \$9,913 (2022 \$8,183) and nil (2022 nil) respectively. This included a lease of land and buildings for \$9,600 (2022 \$8,000). During the year PrimePort Timaru Limited provided services to Odey Fishing Company Limited, a family business of Mr D J Odey. The services amounted to \$5,740 (2022 \$6,150).

PrimePort Timaru Limited provided services to WasteCo Group Limited a company which Mr R H Gower became a director in 2023. The services amounted to \$417 in 2023.

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 \$1,430,493 (2022 \$1,343,381). Other services amounted to \$1,576,541 (2022 \$1,692,685).

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 \$994 (2022 \$104).

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 \$61,311 (2022 \$31,104) and nil (2022 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 Men at Work Limited, a company which Mr M F Rogers is the Independent Chair and also a director of PrimePort Timaru Limited. These services amounted to \$5,395 in 2023. During the year PrimePort Timaru Limited purchased services from Meridian Energy Limited, a company which Ms J C Hoare is a director and also a director of PrimePort Timaru Limited. These services amounted to \$4,544 in 2023. During the year PrimePort Timaru Limited purchased services from WasteCo Group Limited, a company which Mr R H Gower is a director and also a director of PrimePort Timaru Limited. These services amounted to \$30,829 in 2023.

During the year PrimePort Timaru Limited purchased services from the Timaru District Council. The services amounted to \$297,186 (2022 \$273,320) of total operating expenses. Of the total operating expenses \$268,695 (2022 \$253,383) relates to rates.

During the year PrimePort Timaru Limited purchased services from Timaru Container Terminal Limited. The services amounted to \$48,612 (2022 \$25,429).

The outstanding balances owed by related parties at 30 June 2023 are:

- Timaru Container Terminal Limited \$158,821 (2022 \$179,300)
- Parr and Company Limited \$1,070 (2022 \$960)
- Odey Fishing Company Limited nil (2022 \$1,521)
- Port of Tauranga Limited nil (2022 nil)
- Quality Marshalling (Mount Maunganui) Limited \$60 (2022 nil)

The outstanding balances owed to related parties at 30 June 2023 are:

- Timaru District Council \$9,398 (2022 \$6,554)
- Port of Tauranga Limited nil (2022 nil)
- Timaru District Holdings Limited \$3,094 (2022 \$6,453)
- Parr and Company Limited \$8,238 (2022 \$5,982)
- Timaru Container Terminal Limited \$3,151 (2022 nil)

These balances have been paid since balance date. No related party debts have been written off or forgiven during the year (2022 nil).

Total key management personnel compensation totalled \$1,604,243 (2022 \$1,585,293). 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 (2022 nil).

No contingent liabilities exist at balance date (2022 nil).

15. Operational Fixed Assets Under Construction

	2023 NZ\$000	2022 NZ\$000
Operational Fixed Assets Under Construction	21,663	14,662

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 2023 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

	2023 NZ\$000	2022 NZ\$000
Capital commitments	1,838	788

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

Operating Lease Commitments

Non cancellable operating lease payables:

	2023 NZ\$000	2022 NZ\$000
Not later than 1 year	14	13
Later than 1 year but not later than two years	12	13
Later than 2 years but not later than five years	1	11
	27	38

Operating lease commitments are based on current rentals being paid.

17. Inventory

	2023 NZ\$000	2022 NZ\$000
Inventory	410	733

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

	2023 NZ\$000	2022 NZ\$000
Port Operations	25,742	25,370
Other property rentals	3,235	2,705
Other income	-	275
	28,977	28,350

Revenue from Contracts with Customers

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

	2023 NZ\$000	2022 NZ\$000
Revenue from port operational contracts	22,775	22,456
Revenue from maintenance recovery contracts	595	560
Revenue from licence agreements	2,372	2,354
	25,742	25,370

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

Rental Revenue

Yields are currently around 5.85% 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 \$606,000 (2022 \$345,000).

Operating Lease Receivables

Non cancellable operating lease receivables.

	2023 NZ\$000	2022 NZ\$000
Not later than one year	3,217	2,281
Later than one year but not later than two years	2,652	2,222
Later than two years but not later than five years	5,964	4,586
Later than five years	4,459	3,353
	16,292	12,442

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 2023 (2022 nil). Included in staff expenses are employer contributions for employee superannuation funds. Payments for the year amounted to \$302,845 (2022 \$278,554).

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 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:

	2023 NZ\$000	2022 NZ\$000
Right-of-use assets		
Properties	92	159
	92	159
Lease Liabilities		
Current	79	72
Non-current	25	101
	104	173

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:

	2023 NZ\$000	2022 NZ\$000
Depreciation charge of right-of-use assets		
Properties	71	69
	71	69
Interest expense (included in finance expenditure)	7	10
Expense relating to low-value assets that are not shown as short-term leases (included in other expenditure)	20	13

The total cash outflow for leases in 2023 was \$101,900 (2022 \$88,500).

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.



Log ship loading on No. 1 Wharf.



Log grapple.



Marine Service Operator on board Tug Titan.



INDEPENDENT AUDITOR'S REPORT
TO THE READERS OF PRIMEPORT TIMARU LIMITED'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

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 2023, 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 2023; 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 24th August 2023. 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, 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 2023

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

Mr CNO Van Florenstein Mulder resigned as a director in June 2022. During the year Mr DA Pilkington resigned as a director in July 2022. Ms JC Hoare and Mr MF Rogers were appointed to the Board in August 2022 and July 2022, respectively.

Directors and Remuneration — Authorised and paid Directors Fees

R.H. Gower (Chair)	\$77,000
S.G. Gray	\$45,000
J.C. Hoare	\$35,500
D.J. Odey	\$38,500
D.A. Pilkington	\$3,000
A.P. Reynish	\$38,500
M.F. Rogers	\$38,500

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	
Director	WasteCo Group Limited	
Shareholder	Arno Investments Limited	
Shareholder	Roger Gower & Associates Limited	
Trustee	Apprentice Training Trust	
Mr S.G. Gray		
Chair	Quality Marshalling (Mount Maunganui) Limited	
Chair	Timaru Container Terminal Limited	
Director	Coda GP Limited	
Director	Ruakura Inland Port GP Limited	
Shareholder	Port of Tauranga Limited	
Ms J.C. Hoare		
Chair	Port of Tauranga Limited	
Deputy Chair	The a2 Milk Company Limited <i>(to 30 June 2023)</i>	
Director	Auckland International Airport Limited	
Director	Meridian Energy Limited	
Director	Northport Limited	
Director	Comvita Limited	
Member	Chapter Zero New Zealand Steering Committee	
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	
Chair	Te Aitarakihi Society Incorporated	
Family Business	Odey Fishing Company Limited	
Mr A.P. Reynish		
Director	Quality Marshalling (Mount Maunganui) Limited	
Director	Timaru Container Terminal Limited	
Director	Ruakura Inland Port GP Limited	
Shareholder	Port of Tauranga Limited	
Mr M.F. Rogers		
Chair	Timaru District Holdings Limited	
Chair	Te Runanga o Arowhenua Limited	
Chair	Takapo AMW Limited	
Chair	Cumberland Property Group Limited	
Chair	Cumberland Rural Properties Limited	
Chair	Men at Work Limited	
Director	Westroads Limited	
Director	MVHB Professional Services Limited	
Shareholder	MVHB Professional Services Limited	
Shareholder	Fulton Hogan Limited	
Treasurer	Kingsdown Salisbury Hall Committee Incorporated Society	

(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
\$450,001-\$460,000	1
\$310,001-\$320,000	1
\$300,001-\$310,000	2
\$240,001-\$250,000	1
\$220,001-\$230,000	1
\$210,001-\$220,000	1
\$190,001-\$200,000	1
\$180,001-\$190,000	1
\$170,001-\$180,000	1
\$160,001-\$170,000	5
\$150,001-\$160,000	1
\$140,001-\$150,000	2
\$130,001-\$140,000	1
\$120,001-\$130,000	2
\$110,001-\$120,000	4
\$100,001-\$110,000	5

Donations

During the year, the company made donations of \$4,890.

Auditors' Remuneration

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

Audit of the Financial Statements	
PrimePort Timaru Limited	\$75,874

Review of Past Year

The review of activities of the company during the financial year is contained in the Chair and Chief Executive's review.

Dividend

Directors declared dividends of \$2,200,000 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 earnings per share objective was not met as a result of rising operational costs and a decrease in bulk trade volumes.
- 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	\$0.81	No
Net Assets per share	\$8.95	Yes
Return (after tax) on total assets	5.41%	No
Return (after tax) on shareholders funds	9.08%	No
Ratio of shareholders funds to total assets	0.60	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

Directory

Board of Directors

R.H. Gower	Chair
S.G. Gray	Director
J.C. Hoare	Director
D.J. Odey	Director
D.A. Pilkington	Director <i>(Resigned 31 July 2022)</i>
A.P. Reynish	Director
M.F. Rogers	Director

Leadership Team

P.R. Melhopt	Chief Executive
N.J.G. Donaldson	Finance Manager
E.M. O'Connell	Operations Manager
B.J. Kleinjan	Port Engineering Manager
S. Gollan	Safety & Security Manager
A.C. Pye	Marine Manager

Shareholders

as at 30 June 2023

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

Solicitors

Buddle Findlay Christchurch	Oceanlaw New Zealand Nelson
---------------------------------------	---------------------------------------

Auditors

KPMG for the Office of the Auditor-General

Bankers

Bank of New Zealand

Registered Office

Marine Parade
Timaru
New Zealand

PO Box 544
Timaru
New Zealand

Telephone
+64 3 687 2700

Website
www.primeport.co.nz

The Directors are pleased to present the Annual Report of PrimePort Timaru Limited for the year ended 30 June 2023.

For and on behalf of the Board of Directors.



Roger Gower
Chair
24 August 2023



Steve Gray
Director
24 August 2023

Purpose

Connecting our
region to the world.

Fuel tanker, *Forever Glory*, on arrival.

PrimePort Timaru Annual Report

2023

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Timaru 7940
New Zealand
Telephone +64 3 687 2700
www.primeport.co.nz



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