PrimePort Timaru Annual Report

2015

The year's strong operational and financial performance is forecast to continue during 2016 and beyond.

Port of Timaru including the construction of No.2 Wharf and the Holcim cement storage dome.

Foreword

The financial year ended 30 June 2015 was the first full year of trading of the alliance with Port of Tauranga Limited, including the leasing of the container terminal to Timaru Container Terminal Limited and the divestment of the majority of the port investment property to Timaru District Holdings Limited.

PrimePort is now well positioned with a growing container trade, already equivalent in size to its previous high mark and able to concentrate on building the bulk trades through the Port.

The changes to the operating structure of PrimePort introduced container terminal lease income and significantly reduced operating expenses. These changes, along with growth in bulk trades, underpinned a significantly improved financial performance and confidence for the future.

The alliance between PrimePort Timaru and Port of Tauranga is the first sign of a significant transformation of the New Zealand port sector. The partnership allows South Island exporters and importers to benefit from the large number of international services that call at Tauranga, share the significant freight savings that will arise with the arrival in New Zealand of the next generation of large ships and benefit from Port of Tauranga's container terminal expertise and world class productivity.

Recently Port of Tauranga opened its inland container handling facility at Rolleston; MetroPort Christchurch to provide service to importers and exporters throughout Canterbury and the wider region, shipping through PrimePort as a clear demonstration of the hub and spoke model. The introduction of new coastal shipping services between Timaru and Tauranga further supports the transformation underway.

New investment is being made in the container business (notably upgrading wharf structures and an additional crane) by both PrimePort and its joint venture partner Port of Tauranga. The substantial new investment in the bulk trades, particularly the rebuild of the No.2 Wharf and the associated facilities for Holcim, demonstrate the Port as a business is thriving.

While there are calls from some quarters for a "National Port Strategy" given the preponderance of ports (13) in New Zealand with international shipping services, PrimePort's view is the transformation is underway without overt Government attention and cargo owners, shippers, shipping companies and the associated trades are establishing services that meet their long term needs. Over time some ports will adjust their service offering to providing feeder services to and from a major hub like Tauranga.

Overview

We are pleased to report a significant improvement in PrimePort's performance during the 2015 year. The resurgence of container volume and underlying growth in primary sector imports and exports has led to PrimePort's best financial performance since port deregulation in 1989.

The year-end operational profit before tax was $3,991,000 which compares to $2,093,000 last year. The years result reflects a strong growth in bulk trades and improved margins resulting from the business transformation.

Our existing and new staff have played a vital role in this year's performance and we acknowledge their ongoing commitment and dedication to the company and to providing a high level of service. Following previous structural changes we now have a full complement of staff. Several key appointments have been made in the past 12 months.

Bulk imports and exports are now the mainstay of PrimePort's direct trade. While traditional log exports have declined from their 2014 high, this reduced volume has been countered by a significant increase in bulk dry products namely palm kernel extract. Fertiliser levelled out during the year and fuel imports showed a significant increase.

While container operations are operated independently of PrimePort, greater than anticipated volumes have contributed revenues ahead of expectations. It is pleasing to see four shipping lines moving containers through the Timaru Port. The introduction of Pacifica, coastal shipping service, is a significant step in the move to container feeder services from regional ports. The Timaru Container Terminal Limited's investment in a new Liebherr 550 mobile harbour crane reflects its confidence in the region and Timaru's future as a key player in the container business.

Substantial progress has been made on building the new cement facilities following the agreement with Holcim last year. This includes PrimePort's commitment to replace the No.2 Wharf with a concrete and steel structure.

Year-end debt of $7.45 million is attributed to the No.2 Wharf rebuild associated with the Holcim project. No.2 Wharf rebuild and site restoration capital costs are forecast at approximately $25 million.

Overall the Board is pleased to report an after tax profit of $3,155,000 compared to last year's result of $1,887,000.

Phil Melhopt, Chief Executive.

Our People

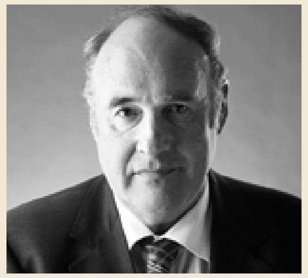
The Board records its thanks to the existing and new staff who have embraced change and helped PrimePort deliver a record result.

Full time staff numbers are 35 and we have been fortunate to have recruited a number of new executive, administrative and operational staff who have brought significant skill and experience to the organisation.

We also have a pool of casual employees who support marine operations on an as required basis, performing an important role and assisting in the provision of a 24 hour, seven day a week marine service.

We farewelled Jeremy Boys during the year after 13 years of service as Chief Executive. Jeremy's long service was invaluable and he saw the company through many changes including the joint venture with the Port of Tauranga. We wish Jeremy all the best in his retirement. With Jeremy's retirement we welcomed Phil Melhopt as Chief Executive. Phil is a returning local and is making a good impact as he positions the Company for growth.

Roger Gower
Chairman



Bill Baylis
Director

Phil Melhopt
Chief Executive

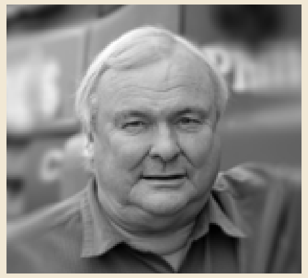
Nigel Gormack
Director

Mark Cairns
Director

Nick Donaldson
Finance Manager

Keith Michel
Operations Manager

David Pilkington
Director

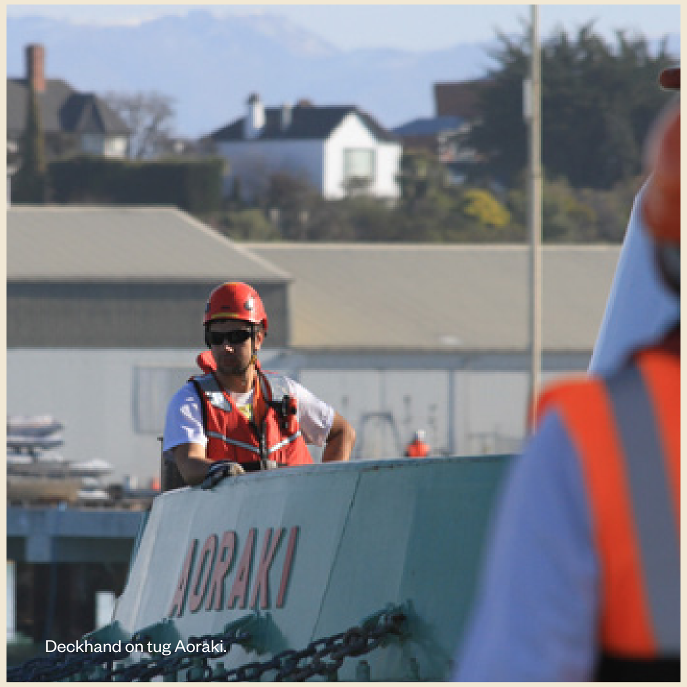


Philip Wareing
Director

Tony Cooper
Infrastructure Manager

Kerry Elstone
Health & Safety Manager

Linesman attending to mooring lines.



Deckhand on tug Aoraki.


Linesman returning heaving line to vessel.

Health and Safety

The 2015 year has seen the introduction of a Port Users Health and Safety Forum and the appointment of a Health and Safety Manager who works across the PrimePort and Timaru Container Terminal sites.

The Port Users Health and Safety Forum has met four times in the past 12 months and has gained momentum in managing common hazards across the port.

We report two lost time injuries for the year, both of which were not classified as serious harm injuries.


Captain and pilot on board vessel discussing passage plan.

Pilots on board pilot launch.

Containers being exchanged on Patricia Schulte.

Financial

AFTER TAX PROFIT
67%
TO
3.155
MILLION

NORMAL OPERATING
PROFIT
119%
TO
4.296
MILLION

We report a very pleasing result for 2015 with an after tax profit of $3,155,000 compared to last year's profit of $1,887,000.

This result reflects strong growth in bulk trades and improved margins with the 2013 structural changes and leasing of the container terminal.

Port operational revenue was 3.6% ahead of last year at $13.1 million. Property rentals were $2.2 million, 30% down on the prior year reflecting the sale of a significant portion of port land and buildings to Timaru District Holdings Limited.

Operating expenses amounted to $11.4 million compared to $14.0 million last year and reflects savings from divesting container operations, partially offset by an increase in repairs and maintenance expenditure, including storm damage costs.

Net cash flows from operating activities increased from $1.9 million to $3.8 million during the year. This improvement was largely due to reduced operating expenses through leasing out the container terminal. Payments for fixed assets increased from $0.8 million to $13.9 million due to the construction of No.2 Wharf.

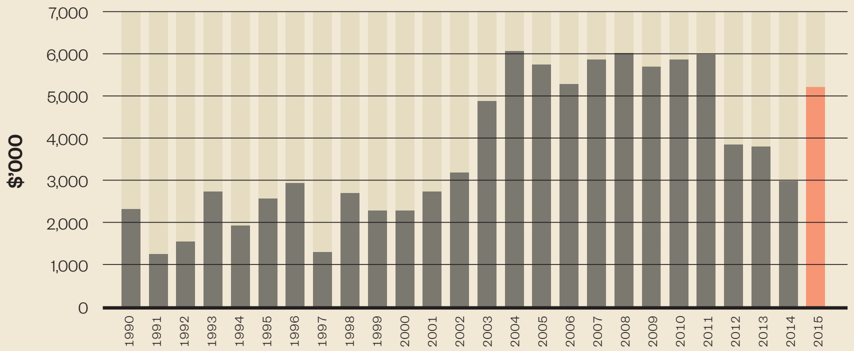
Earnings before interest, tax, depreciation and amortisation (EBITDA) on adjusted profits (after adjusting for the gains and losses on disposal of operational fixed assets) was $5,229,000 compared to the previous year of $2,991,000.

The normal operating profit of $4,296,000 is at its highest level since port deregulation in 1989. Over a short period PrimePort has demonstrated a major turnaround in its performance. PrimePort's new operating structure has delivered positive changes to revenue and operating costs.

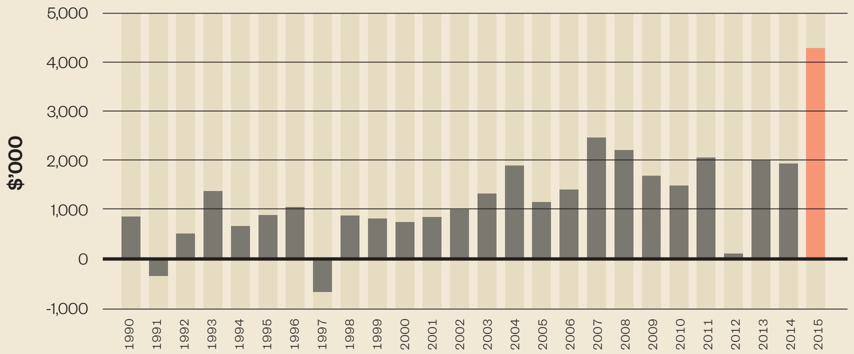
Financing costs of $82,000 were up on last year due to facility costs associated with the rebuild of No.2 Wharf which forms part of the Holcim Project. Borrowings were minimised in 2015 given strong operating cash flows. The borrowings graph on the following page illustrates a significant capital investment associated with the construction of No.2 Wharf.

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

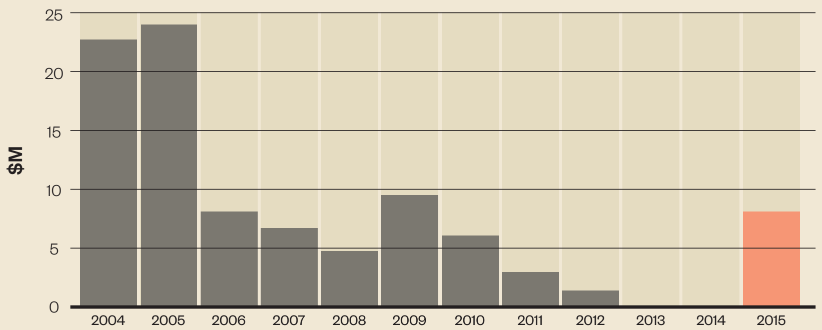
EBITDA Using Normal Port Operating Profits



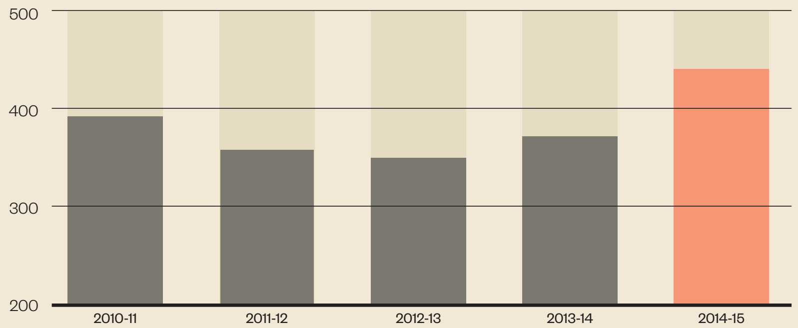
Normal Port Operating Profits



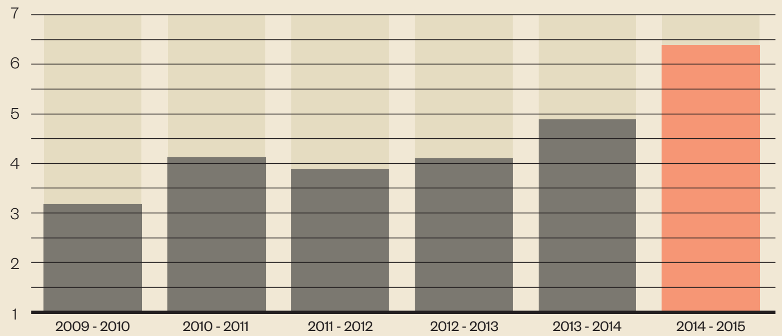
Borrowings



Ship Numbers

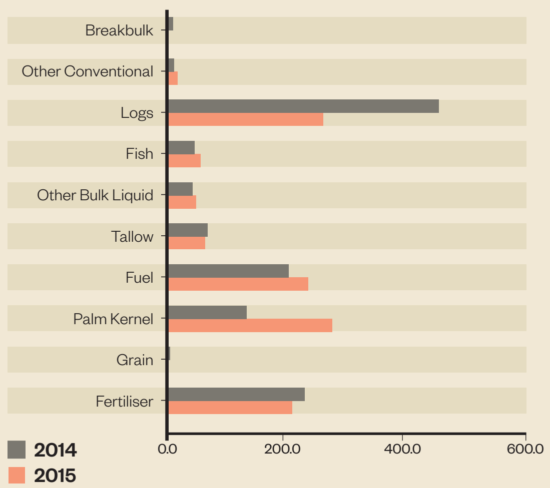


Gross Registered Tonnes (Millions)

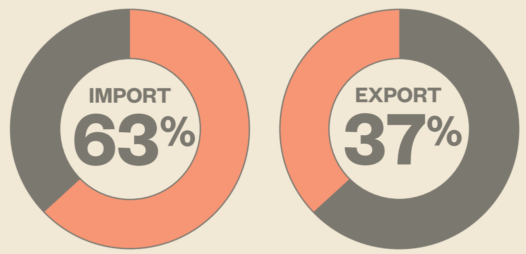


Bulk vessel unloading alongside container vessel on the North Mole.

Non Containerised Cargo - '000s Tonnes



2015 Total Cargo Mix (Tonnes)



PrimePort Operations

The 2015 year was the first full year of operations under the new alliance with Port of Tauranga.

Ships

The gross registered vessel tonnage at 6.4 million GRT was up a significant 31% on last year which largely reflects the resurgence in container shipping. Overall ship numbers were up 18%, 442 (2015) versus 374 (2014).

Bulk Cargo

Non containerised cargo handled through the Port in 2015 was 1,295,300 tonnes, up 2% on the previous year.

While there were significant increases in palm kernel extract this was offset by an expected reduction in log volumes following the storm event that damaged Canterbury forests in 2013. Fertiliser reduced slightly during the year but we also experienced positive growth in fuel volumes.

The 2015 non containerised cargo graph and pie charts (opposite) shows our key cargo statistics for the year.

PrimePort's No.2 Wharf construction project.

Excavator working inside Holcim cement storage dome.

Holcim Cement Project

Substantial progress has been made on building the new cement facilities at Timaru following agreement with Holcim last year. The target completion is December 2015, it is expected the cement import, storage and distribution operation via Timaru will be fully functioning in early 2016, adding to the strong growth through PrimePort and reflecting the $75 million invested by both Holcim and PrimePort.

PrimePort's commitment has included a new wharf to replace the No.2 Wharf and an upgrade to the adjacent land area. The wharf is well advanced allowing Holcim to install pipe work and unloading plant later in the year.

It has been an exciting project for the Port and reflects a strong partnership with Holcim and PrimePort's position as a central hub in the South Island.

PrimePort May 2015.

Container vessel exchange at night on the North Mole.

Property

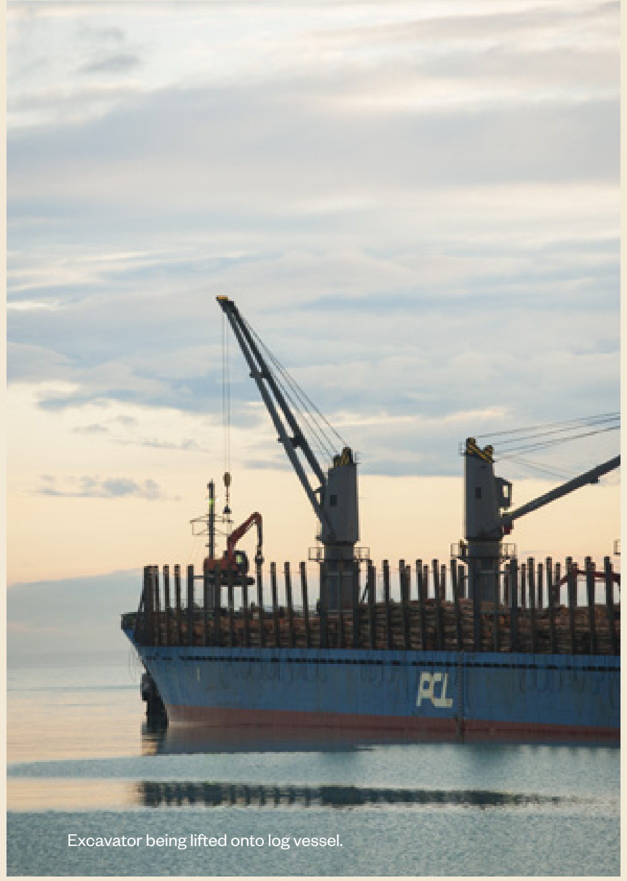
All land was revalued with an overall increase of $1.07 million on last year made up of an increase of $818,000 in operational land and $253,000 in investment property land.

Shareholders

A dividend of $600,000 was paid this financial year from last year's profits.

The 2015 year was the first full year of trading under the new shareholding structure. Timaru District Holdings Limited and Port of Tauranga Limited, the sole shareholders with each holding 50% of the shares.

The Company's two shareholders have been very supportive of the Company as it embeds the benefits of the joint venture and takes advantage of the growth options being created. These shareholders are making ancillary and related investments in the port area, locally and the wider region which serve to provide additional value and service to the exporters and importers of Canterbury and the extended region.



Excavator being lifted onto log vessel.

Directors

There have been no changes in the 2015 year. Under the new shareholding agreement each shareholder appoints three directors to the Board.

Outlook

The year's strong operational and financial performance is forecast to continue during 2016 and beyond. The capacity, capability and resilience of PrimePort provides its import and export customer base with continued opportunities to expand.

While the current dairy sector returns may present some challenges, the medium to long term outlook for the regional primary sector is encouraging. Further land intensification and expansion of dairy production is forecast. We anticipate ongoing growth in stock feeds, fertiliser and fuel. We are well positioned to cater for this increase in demand and are planning accordingly.

The Holcim Project, when completed in February 2016, will add a further 350,000 tonnes of cement cargo per annum across the Port.

PrimePort's income from containers through Timaru Container Terminal Limited is also forecast to increase in the coming period. The opening of MetroPort Christchurch will see cargo consolidated at Rolleston and transported via KiwiRail to PrimePort. As noted earlier, this infrastructure and services give access to the economic benefits of the hub being developed in Tauranga for the benefit of exporters and importers in Canterbury and the wider region.

The continued expansion of business will necessitate additional investment in people, property and plant over time and the Company is working closely with its partners to develop appropriate strategies and plans for port investment property along with Port specific investment requirements.

PrimePort's position as a central hub in the South Island and vital infrastructure link will continue to grow in importance.

North Mole container terminal early morning.

Statement of Comprehensive Income

for the year ended 30 June 2015

	NOTE	2015 $000	2014 $000
OPERATING REVENUE			
Port operational		13,101	12,640
Property rentals	20	2,183	3,116
Interest / other revenue		62	61
Surplus on disposal of operational fixed assets		20	270
		15,366	**16,087**
OPERATING EXPENDITURE			
Staff	22	4,156	4,452
Port operating		3,896	5,639
Depreciation	7	851	974
Finance		82	52
Dredging		1,162	917
Impairment of operating fixed assets	7	-	142
Director fees		214	185
Operating leases		633	1,578
Audit services - Audit		56	55
Bad debts incurred	9	-	-
Loss on disposal of operational fixed assets		325	-
		11,375	**13,994**
Operating profit / (loss) before tax and port investment property revaluations		**3,991**	**2,093**
Port investment property revaluations	8	253	98
Profit / (loss) before tax		**4,244**	**2,191**
Taxation	2	(1,089)	(304)
Profit / (loss) for the year	3	**3,155**	**1,887**
Other comprehensive income			
Operating land revaluations	7	818	571
Other comprehensive income for the year	5	**818**	**571**
Total comprehensive income for year attributable to equity holders		**3,973**	**2,458**

PrimePort Timaru Ltd

Statement of Changes in Equity

for the year ended 30 June 2015

	NOTE	ISSUED SHARES	REVALUATIONS	RETAINED EARNINGS	TOTAL
Equity at the beginning of the year		8,450	15,499	18,222	42,171
Total comprehensive income for year attributable to equity holders	4+5	-	818	3,155	3,973
Distributions - share buyback	4+6	-	-	-	-
Distributions - dividends paid	4+6	-	-	(600)	(600)
Equity at the end of the year 2015		**8,450**	**16,317**	**20,777**	**45,544**
Comparatives for 2014					
Equity at the beginning of the year		10,000	14,928	36,862	61,790
Total comprehensive income for year attributable to equity holders	4+5	-	571	1,887	2,458
Distributions - share buyback	4+6	(1,550)	-	(7,950)	(9,500)
Distributions to shareholders	4+6	-	-	(12,577)	(12,577)
Equity at the end of the year 2014		**8,450**	**15,499**	**18,222**	**42,171**

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

Statement of Financial Position

as at 30 June 2015

	NOTE	2015 $000	2014 $000
EQUITY			
Issued shares	6	8,450	8,450
Retained earnings	4	20,777	18,222
Revaluation reserve	5	16,317	15,499
TOTAL EQUITY		**45,544**	**42,171**
REPRESENTED BY LONG TERM ASSETS			
Operational fixed assets	7	32,899	31,825
Operational fixed assets under construction	17	13,076	562
Port related investment properties	8	3,520	3,267
Deferred taxation	2	1,473	1,861
TOTAL LONG TERM ASSETS		**50,968**	**37,515**
CURRENT ASSETS			
Cash and cash equivalents	11	1,368	4,483
Trade and other receivables	9	2,788	1,926
Inventory	19	226	399
TOTAL CURRENT ASSETS		**4,382**	**6,808**
TOTAL ASSETS		**55,350**	**44,323**
TERM LIABILITIES			
Money market loans	10+11	7,450	-
CURRENT LIABILITIES			
Trade and other payables	13	1,616	1,239
Employee entitlements	14	517	569
Tax payable / (receivable)		223	344
TOTAL CURRENT LIABILITIES		**2,356**	**2,152**
TOTAL LIABILITIES		**9,806**	**2,152**
NET ASSETS		**45,544**	**42,171**

For and on behalf of the Board of Directors
26 August 2015

Roger Gower
Chairman

Nigel Gormack
Director

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

PrimePort Timaru Ltd

Statement of Cash Flows

for the year ended 30 June 2015

	NOTE	2015 $000	2014 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Sources			
Cash received from customers		14,889	15,473
Interest received		67	56
Disbursements			
Payments to suppliers		4,488	7,396
Payments to employees		4,208	4,388
Net GST paid		537	41
Income tax		857	311
Finance cost payments		82	52
Dredging		941	1,398
		11,113	13,586
Net cash from operating activities	3	**3,843**	**1,943**
CASH FLOWS FROM INVESTING ACTIVITIES			
Sources			
Proceeds from disposal of fixed assets		57	24,149
Proceeds from sale of investment property		-	-
		57	24,149
Disbursements			
Purchase of fixed assets		13,865	841
Net cash used in investing activities		**(13,808)**	**23,308**
CASH FLOWS FROM FINANCIAL ACTIVITIES			
Sources			
Loans raised		7,450	-
Disbursements			
Loans repaid		-	-
Share buyback		-	9,500
Dividends paid		600	12,577
		600	22,077
Net cash used in financing activities		**6,850**	**(22,077)**
NET INCREASE (DECREASE) IN CASH		**(3,115)**	**3,174**
Opening cash and cash equivalents balances		4,483	1,309
Closing cash and cash equivalents balances		**1,368**	**4,483**
Represented by			
Cash and cash equivalents		1,368	4,483

Liebherr 500 cranes working on the North Mole

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

Tugs Te Maru and Aoraki alongside a large shipment of logs being exported through PrimePort Timaru.

Tug Aoraki on a vessel departure.

Notes to the Financial Statements

for the year ended 30 June 2015

1. Statement of Accounting Policies

REPORTING ENTITY

PrimePort Timaru Limited is a company registered under the New Zealand Companies Act 1993. PrimePort Timaru Limited and its non-trading subsidiaries which are all 100% owned are domiciled in New Zealand.

STATEMENT OF COMPLIANCE

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

The company is a profit-orientated entity. The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice. They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities.

These financial statements of PrimePort Timaru Limited are for the year ended 30 June 2015. The financial statements were authorised for issue by the Board on 26 August 2015.

New standards first applied in the period.

The Company has adopted External Reporting Board Standard A1 Accounting Standards Framework (For-profit Entities Update) (XRB A1). XRB A1 establishes a for-profit tier structure and outlines which suite of accounting standards entities in different tiers must follow. The Company is eligible and has elected to report in accordance with Tier 2 For-profit Accounting Standards (NZ IFRS RDR). There were no other impacts on the current or prior financial statements of the Company.

MEASUREMENT BASE

The financial statements are presented in New Zealand dollars. The accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on a historical cost basis are followed by the group, with the exception that the following assets and liabilities are stated at their fair value: derivative financial instruments, investment property, financial instruments held for trading, and operational land. Non-current assets held for sale are valued at the lower of carrying amount and fair value less costs to sell.

USE OF ESTIMATES 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. OPERATIONAL PROPERTY, PLANT AND EQUIPMENT

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

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

C. DEPRECIATION

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

Land	Indefinite
Foreshore, sidings and breakwaters	Indefinite
Capital dredging	Indefinite
Wharves	20 - 50 years
Floating plant	10 - 15 years
Buildings and roading	20 - 50 years
Plant, machinery and equipment	2 - 25 years

D. PORT RELATED INVESTMENT PROPERTIES

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

Port related investment property is valued at the end of each financial year. Valuation is at fair value as determined by an independent valuer. They are recorded at valuation and are not subject to annual depreciation. Variation in the value is recognised in the profit or loss.

E. DREDGING

Dredging expenditure is categorised into maintenance dredging and capital dredging.

Maintenance dredging is expenditure incurred to restore the channel to a previous condition and depth. On average the Port dredges the channel every 10 months. At the completion of maintenance dredging the channel has an average service potential of 10 months. Maintenance dredging expenditure is recorded as a prepayment and amortised evenly over this period.

Capital dredging is expenditure which deepens or extends either the channel or the swing basin. This expenditure is not amortised as our maintenance programme ensures that channel and swing basin depth remains at dredged levels.

All dredging is reviewed for impairment when it is felt by management that events occurring may have diminished the depth of any previous dredging.

F. TRADE AND OTHER RECEIVABLES

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

G. NON-CURRENT ASSETS INTENDED FOR SALE

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

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

H. INVENTORY

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

I. TAXATION

Taxation comprises current tax and deferred tax.

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

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

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

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

J. FOREIGN CURRENCIES

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

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

K. FINANCIAL INSTRUMENTS

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

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

Non-derivative financial instruments comprise bank deposits 'M', receivables and prepayments 'F', borrowings 'R' and accounts payable 'T'. Financial assets and liabilities are measured in accordance with their respective policies identified in parenthesis.

Financial instruments are recognised once the Company becomes a party to the contractual provisions of the instrument. Financial instruments are derecognised once the contractual rights expire or are transferred to another party without retaining control or substantially all risks or rewards associated with the instruments.

Fair values are determined at balance date when required.

L. GOODS AND SERVICES TAX (GST)

All items in the financial statements are exclusive of GST, with the exception of receivables and payables, which are stated as GST inclusive. Where GST is not recoverable as an input tax, it is recognised as part of the related asset or expense.

M. STATEMENT OF CASH FLOWS

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

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

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

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

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

N. EMPLOYEE ENTITLEMENTS

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

O. HEDGING

Where a derivative financial instrument is designated as a cash flow hedge that is a hedge of the exposure to variability in cash flows that is (i) attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecast transaction and (ii) could affect profit or loss, the effective part of any movement in fair value is recognised directly in equity. When the forecasted transaction subsequently results in a non-financial asset or liability the associated gains or losses are included in the carrying value of the non-financial asset or liability. If the hedge subsequently results in a financial asset or liability the associated gains or losses that were recognised in other comprehensive income are reclassified into the profit or loss in the same period. However, if it is expected that all or a portion of a loss recognised in other comprehensive income will not be recovered in one or more future periods, the amount that is not expected to be recovered is reclassified to the profit or loss.

P. IMPAIRMENT

The carrying amount of the Company's assets are reviewed each balance date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated. If the estimated recoverable amount of an asset not carried at devalued amount, is less than its carrying amount, the asset is written down to its estimated recoverable amount and an impairment loss is recognised in profit or loss.

For revalued assets the impairment loss is recognised against the revaluation reserve for that asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in profit or loss.

Estimated recoverable amount of receivables is calculated as the present value of estimated cash flows discounted at their original effective interest rate. Receivables with short duration are not discounted. Other assets estimated recoverable amount is the greater of fair value less costs to sell and value in use. Value in use is determined by estimating future cash flows from the use and ultimate disposal of the asset and discounting these to their present value using a pre-tax discount rate that reflects current market rates and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Impairment losses are reversed when there is a change in the estimates used to determine the recoverable amount.

For assets not carried at revalued amounts, the reversal of an impairment is recognised in the profit or loss.

The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for that asset was previously recognised in profit or loss, a reversal of the impairment loss is recognised in profit or loss.

Q. DIVIDENDS

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

R. INTEREST-BEARING BORROWINGS

Interest-bearing borrowings are recognised initially at fair value less any transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised costs with any difference between cost and redemption value being recognised in the profit or loss over the period of the borrowings on an effective interest rate. Except for borrowing costs that are capitalised on qualifying assets with a commencement date on or after 1 July 2014, all other borrowing costs are recognised as an expense in the period in which they are incurred. A qualifying asset is defined as a separate asset where the construction period exceeds twelve months and costs in excess of one million dollars.

S. PROVISIONS

A provision is recognised when the company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market rates and where appropriate, the risks specific to the liability.

T. TRADE AND OTHER PAYABLES

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

U. REVENUE

Revenue from the rendering of services is recognised in the profit or loss at the stage of completion of transactions at balance date. Revenue from sale of goods is recognised when ownership is transferred.

Property leases and sub-leases revenue are deemed as operating leases. Revenue from these is recognised on a straight line basis over the term of the lease.

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

V. EXPENSES

Operating lease payments are recognised in the profit or loss on a straight line basis over the term of the lease.

All borrowing costs except for borrowing costs related to a qualifying asset are recognised as an expense in the period they are incurred using the effective interest rate method.

W. LEASES

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset. Financial leases are recognised as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum base payments. The amount recognised as an asset is depreciated over its useful life.

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the term.

X. CASH AND CASH EQUIVALENTS

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

CHANGES IN ACCOUNTING POLICIES

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

2. Taxation

	2015 $000	2014 $000
Profit / (Loss) before taxation and port investment property revaluations	3,991	2,093
Port investment property revaluations	253	98
Profit before taxation	4,244	2,191
Tax at 28%	1,188	613
Plus / (Less) tax effect of:		
Non-taxable income	(71)	(28)
Non-deductible expenditure	-	113
Prior year adjustment	(28)	122
Release of overprovision of deferred tax provided under NZ IAS 12	-	(516)
	1,089	**304**
Components of taxation:		
Current taxation	701	752
Deferred taxation	388	(570)
Prior year adjustment	-	122
	1,089	**304**

DEFERRED TAX ASSET / (LIABILITY)	LONG TERM ASSETS	EMPLOYEE ENTITLEMENTS	OTHER	HEDGE RESERVE	TOTAL
Balance at 1 July 2013	1,153	131	4	-	1,288
Credit / (Charge) to profit or loss	134	25	(4)	-	155
Prior year adjustment	418	-	-	-	418
Credit / (Charge) to comprehensive income	-	-	-	-	-
Balance at 30 June 2014	**1,705**	**156**	**-**	**-**	**1,861**
Credit / (Charge) to profit or loss	(305)	(10)	(73)	-	(388)
Prior year adjustment	-	-	-	-	-
Credit / (Charge) to comprehensive income	-	-	-	-	-
Balance at 30 June 2015	**1,400**	**146**	**(73)**	**-**	**1,473**

The utilisation of the deferred tax asset of $1,473,000 is dependent on future taxable profits. This asset has been mainly created from the impairment of operational fixed assets because of the expected cash flow impacts on the port from losing their dedicated container line customers from September 2012. The profit forecasts without this container business indicate accounting profits over the next five years that exceed tax depreciation levels on those assets that have been impaired. It is the Directors view that this deferred tax asset will be utilised over the next 5 to 10 years.

Imputation credit account		
Imputation credits available for use in subsequent reporting periods.	**1,053**	**599**

3. Reconciliation of Cash Flow with Operating Surplus

	2015 $000	2014 $000
Profit / (loss) after taxation	3,155	1,887
Depreciation	851	974
Impairment of assets	-	142
Investment property revaluation	(253)	(98)
Movements in deferred tax	388	(573)
Loss / (Surplus) on disposal of long term assets	(20)	(270)
	4,121	**2,062**
Working capital movements relating to cash from operating activities		
(Increase) / Decrease in accounts receivable	(308)	(543)
(Increase) / Decrease in inventory	173	112
Increase / (Decrease) in trade and other payables and employee entitlements	(22)	(273)
Increase / (Decrease) in tax payable	(121)	585
Net cash flow from operating activities	**3,843**	**1,943**

4. Retained Earnings

Opening balance	18,222	36,862
Profit after tax	3,155	1,887
Less share buyback	-	(7,950)
Less dividends paid	(600)	(12,577)
Closing balance	**20,777**	**18,222**

5. Reserves

Opening balance	15,499	14,928
Other comprehensive income	818	571
Closing balance	**16,317**	**15,499**
Reserves are represented by:		
Operational land	16,317	15,499
	16,317	**15,499**

6. Share Capital

Ordinary shares	8,450	8,450
Opening balance	8,450	10,000
Share buyback	-	(1,550)
Closing balance	**8,450**	**8,450**

All shares have equal voting rights and share equally in dividends and any distribution. Dividends of $600,000 were paid during this financial year (2014 $12,576,800).

7. Operational Fixed Assets

2015	PLANT AND EQUIPMENT	FREEHOLD BUILDING	WHARVES	BREAKWATER / CHANNEL	IMPROVEMENTS TO LAND	FREEHOLD LAND AT VALUATION	TOTAL
Balance as at 1 July 2014							
At fair value	-	-	-	-	-	16,947	16,947
At cost	19,534	4,330	14,604	5,147	1,148	-	44,763
Accumulated impairment	(2,163)	(472)	(7,191)	-	(416)	-	(10,242)
Accumulated depreciation	(12,045)	(1,669)	(5,109)	(299)	(521)	-	(19,643)
	5,326	**2,189**	**2,304**	**4,848**	**211**	**16,947**	**31,825**
Additions	415	67	69	-	75	518	1,144
Revaluation	-	-	-	-	-	818	818
Disposal - cost	(1,655)	-	-	-	-	-	(1,655)
Disposal - accumulated depreciation	1,618	-	-	-	-	-	1,618
Impairment	-	-	-	-	-	-	-
Depreciation expense	(522)	(149)	(152)	-	(28)	-	(851)
Movement to 30 June 2015	**(144)**	**(82)**	**(83)**	**-**	**47**	**1,336**	**1,074**
Balance as at 30 June 2015							
At fair value	-	-	-	-	-	18,283	18,283
At cost	18,294	4,397	14,673	5,147	1,223	-	43,734
Accumulated impairment	(2,163)	(472)	(7,191)	-	(416)	-	(10,242)
Accumulated depreciation	(10,949)	(1,818)	(5,261)	(299)	(549)	-	(18,876)
	5,182	**2,107**	**2,221**	**4,848**	**258**	**18,283**	**32,899**
COMPARATIVES FOR 2014							
Balance as at 1 July 2013							
At fair value	-	-	-	-	-	16,402	16,402
At cost	35,693	3,552	14,408	5,147	1,148	-	59,948
Accumulated impairment	(2,163)	(330)	(7,191)	-	(416)	-	(10,100)
Accumulated depreciation	(25,918)	(1,528)	(4,950)	(299)	(495)	-	(33,190)
	7,612	**1,694**	**2,267**	**4,848**	**237**	**16,402**	**33,060**
Additions	249	789	196	-	-	47	1,281
Revaluation	-	-	-	-	-	571	571
Disposal - cost	(16,408)	(11)	-	-	-	(73)	(16,492)
Disposal - accumulated depreciation	14,518	4	-	-	-	-	14,522
Impairment	-	(142)	-	-	-	-	(142)
Depreciation expense	(645)	(145)	(159)	-	(26)	-	(975)
Movement to 30 June 2014	**(2,286)**	**495**	**37**	**-**	**(26)**	**545**	**(1,235)**
Balance as at 30 June 2014							
At fair value	-	-	-	-	-	16,947	16,947
At cost	19,534	4,330	14,604	5,147	1,148	-	44,763
Accumulated impairment	(2,163)	(472)	(7,191)	-	(416)	-	(10,242)
Accumulated depreciation	(12,045)	(1,669)	(5,109)	(299)	(521)	-	(19,643)
	5,326	**2,189**	**2,304**	**4,848**	**211**	**16,947**	**31,825**

Operational land held by the company has been independently valued as at 30 June 2015 by GR Sellars FNZIV, FNZPI, a registered valuer with Colliers International. The valuation is based on fair value which is equivalent to freehold land value.

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

There were no impairment losses during the year (2014 $142,000). There are no operational fixed assets where title is restricted.

8. Port Related Investment Properties

	2015 $000	2014 $000
Opening balance	3,267	25,298
Revaluation	253	98
Disposals / Transfers	-	(22,129)
Closing balance	**3,520**	**3,267**
Investment Properties are represented by:		
Land at valuation	3,520	3,267
Building at valuation	-	-
	3,520	**3,267**

Investment property held by the Company was independently valued as at 30 June 2015 by GR Sellars FNZIV, FNZPI, a registered valuer with Colliers International. The valuation is based on fair value. The valuations have been completed by an experienced valuer with extensive market knowledge in the types of investment property owned by PrimePort Timaru Limited. In determining fair value Mr Sellars has used the rental capitalisation approach. This method uses significant unobservable inputs (level 3 as defined by NZ IFRS 13). This method is based upon assumptions including future rental income and appropriate discount rates.

Where property is leased as land and buildings generally on short lease terms, the property has been valued at freehold land value. Where land is subject to a ground lease, the property has been valued at the lessor's interest in the land.

There are no investment properties where title is restricted. There are no current contractual obligations to purchase, construct or develop investment property. There are also no current contractual obligations for repairs, maintenance or enhancements to any investment property.

9. Trade and Other Receivables

	2015	2014
Trade debtors	2,170	1,263
Prepayments	618	663
	2,788	**1,926**

Trade debtors are shown net of impairment losses arising from the likely non payment of a small number of customers. As at 30 June 2015 all overdue receivables had been assessed for impairment and appropriate provisions applied. The ageing of receivables are as follows:

	2015			2014		
	GROSS $000	IMPAIRMENT $000	NET $000	GROSS $000	IMPAIRMENT $000	NET $000
Not past due - under 30 days	1,667	-	1,667	1,205	-	1,205
Past due - 30 to 60 days	46	-	46	65	-	65
Past due - 60 to 90 days	7	-	7	2	-	2
Past due - over 90 days	2	(11)	(9)	2	(11)	(9)
	1,722	**(11)**	**1,711**	**1,274**	**(11)**	**1,263**

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:

	2015 $000	2014 $000
Balance as 1 July	11	11
Additional provisions made during the year	-	-
Trade debtors written off during period	-	-
Balance as 30 June	**11**	**11**

10. Money Market Loans

MONEY MARKET

The company has arranged money market facilities with Bank of New Zealand for a maximum amount of $25.5 million (2014 $3 million) to 2016, to date $7.45 million has been drawn. Maturity dates of interest rate instruments within this facility are:

	2015 $000	2014 $000
One to two years	7,450	-
	7,450	**-**

SECURITY

Security for the above loans is by way of a negative pledge agreement between Bank of New Zealand and PrimePort Timaru Limited.

RISK MANAGEMENT

PrimePort Timaru Limited is exposed to business risks that include market and liquidity risks. Information used to measure and manage risk includes staff experience, market commentary, strategic planning, financial planning and forecasting, financial reporting, operating and management systems and risk management audits from external consultants.

11. 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 $25.5 million (2014 $3 million). There are no restrictions on this with the exception of the negative pledge.

INTEREST RATE RISK

The financial instruments at reporting date which are exposed to interest rate risk consist of a bank overdraft, interest rate swaps and wholesale money market borrowings. The company manages its interest rate risk by using interest rate hedging instruments. A summary of interest rates are as follows:

	Effective Interest Rate 30/06/2015
Bank overdraft	10.95%
Money market	4.24%

There were $7.45 million of money market borrowings at reporting date.

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 $7.45 million was at call (2014 nil).

As at balance date no swaps have been entered to manage interest rate fluctuation risks.

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

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

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

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

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

2015	DATE OF VALUATION	TOTAL	QUOTED PRICES IN ACTIVE MARKETS	SIGNIFICANT OBSERVABLE INPUTS	SIGNIFICANT UNOBSERVABLE INPUTS
			Level 1	**Level 2**	**Level 3**
		$000	**$000**	**$000**	**$000**
Freehold land at valuation (Note 7)	30 June 2015	18,283	-	18,283	-
Investment Properties (Note 8)	30 June 2015	3,520	-	-	3,520
2014					
Freehold land at valuation (Note 7)	30 June 2014	16,947	-	16,947	-
Investment Properties (Note 8)	30 June 2014	3,267	-	-	3,267

CREDIT RISK

Financial instruments which potentially subject the company to credit risk consist principally of bank deposits and accounts receivable. No collateral is required in respect of these assets. Only reputable financial institutions are used for bank deposits. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The maximum exposure to credit risk at the 30 June 2015 is equal to the carrying amount of these financial assets. The company continuously monitors the credit quality of its major customers and does not anticipate non-performance by those customers. Due to the nature of the business, the company is exposed to a concentration of credit risk. As at 30 June 2015 19% (2014 23%) of trade receivables were due from one customer which provides 16% (2014 11%) of the company's revenue. These receivables are considered fully recoverable.

CURRENCY RISK

PrimePort Timaru Limited has exposure to foreign exchange risk as a result of transactions denominated in foreign currencies, arising from normal trading activities. PrimePort Timaru Limited uses foreign currency forward exchange contracts to manage these exposures. At balance date the principal or contract amounts of foreign currency forward exchange contracts were nil (2014 nil). The mark to market value of the foreign forward exchange contracts as at 30 June 2015 included in trade and other payables were nil (2014 nil). PrimePort's treasury policy provides for currency management to be restricted to hedging underlying business exposures only.

CASH FLOW HEDGING

Cash flow hedges cover:

Foreign exchange – No significant foreign exchange transaction took place in the financial year. PrimePort's treasury policy provides that all purchases of items in foreign currency with an equivalent at spot rate greater than NZ$100,000 are to be hedged. There were no material foreign exchange hedging transactions in 2015.

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

	2015 $000	2014 $000
FINANCIAL ASSETS & LIABILITIES		
The carrying amount of financial assets and liabilities are as follows:		
Cash & cash equivalents	1,368	1,427
Term investment	-	3,055
Trade & other receivables	2,170	1,264
Total loans and receivables	**3,538**	**5,746**
Trade & other payables	1,157	1,239
Money market loans	7,450	-
Total financial liabilities measured at cost	**8,607**	**1,239**

12. Bank Overdrafts

The bank overdraft facility of $200,000 is secured by way of a negative pledge.
The current interest rate at balance date is 10.95% per annum (2014 10.95%). This is a floating rate set by the Bank.

13. Trade and Other Payables

	2015	2014
Trade creditors	649	464
Other accrued expenses	967	775
	1,616	**1,239**

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

14. Employee Entitlements

	2015	2014
Accrued pay	181	109
Accrued leave provision	331	450
Long service provision	-	-
Sick leave provision	5	10
	517	**569**

15. Related Party Transactions

Timaru District Holdings Limited is a shareholder of PrimePort Timaru Limited. Timaru District Holdings Limited is a partly owned subsidiary of the Timaru District Council. A dividend of $300,000 (2014 $8,982,997) was paid to Timaru District Holdings Limited during this financial year. PrimePort Timaru Limited provided property management services to Timaru District Holdings Limited during the year; this amounted to $49,583 (2014 $42,500). During the year PrimePort Timaru Limited leased land from Timaru District Holdings Limited. This amounted to $32,281 (2014 nil).

No dividend was paid to Port Industry Holdings Limited during this financial year (2014 $3,593,803).

Port of Tauranga Limited is a shareholder of PrimePort Timaru Limited. A dividend of $300,000 (2014 nil) was paid to Port of Tauranga Limited during this financial year.

During the year PrimePort Timaru Limited provided services to Philip Wareing Limited in which Mr PW Wareing is a director and also a director of PrimePort Timaru Limited. The services amounted to $40,178 (2014 $75,452) of total operations revenue.

PrimePort Timaru Limited leased land to Timaru Container Terminal Limited, a 50.10% owned subsidiary of Port of Tauranga Limited, a shareholder of PrimePort Timaru Limited. The lease amounted to $716,146 (2014 $364,583).

During the year PrimePort Timaru Limited purchased services from Quantum Advantage Limited, a company in which Mr N J Gormack is a director and also a director of PrimePort Timaru Limited, that amounted to $5,180 (2014 nil).

During the year PrimePort Timaru Limited purchased services from the Timaru District Council. The services amounted to $178,179 (2014 $265,535) of total operating expenses. A large percentage of this relates to rates.

The outstanding balances owed by related parties at 30 June 2015 are:

Philip Wareing Limited	$2,235 (2014 $4,777)
Timaru Container Terminal Limited	$321,843 (2014 $136,041)
Timaru District Holdings Limited	nil (2014 $50,661)

The outstanding balances owed to related parties at 30 June 2015 is:

Timaru District Council	nil (2014 $481)
Timaru District Holdings Limited	$1,664 (2014 $33,199)

These balances have been paid since balance date. No related party debts have been written off or forgiven during the year (2014 nil).

Total key management personnel compensation totalled $1,357,701 (2014 $1,150,553). This included salaries and other short-term employee benefits $1,320,992 (2014 $1,122,067), superannuation benefits $36,709 (2014 $28,486) and termination benefits of nil (2014 nil).
Key management personnel include Directors, Chief Executive and the remaining members of the management team.
All remuneration is classified as salaries and other short-term employee benefits.

16. Contingent Assets and Liabilities

No contingent assets exist at balance date (2014 nil). No contingent liabilities exist at balance date (2014 nil).

17. Operational Fixed Assets Under Construction

Operational fixed assets under construction are those assets whose activities to bring the asset to the location and condition for its intended use are not complete. At balance date the amount of operational fixed assets under construction were $13,076,000 (2014 $562,000). The 2015 balance represents the significant capital investment at balance date associated with the construction of No.2 Wharf.

18. Commitments

	2015 $000	2014 $000
Capital commitments	11,499	332

The commitments relate to the construction of a new wharf for the Holcim project during the financial year (2014 $332,000).

OPERATING LEASE COMMITMENTS		
Non cancellable operating lease payables:		
Not later than 1 year	-	1,440
Later than 1 year but not later than two years	-	1,435
Later than 2 years but not later than five years	-	4,300
Later than 5 years	-	1,314
	-	8,489

Operating lease commitments are based on current rentals being paid. If this was netted off the commitment for 2015 would read:

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

19. Inventory

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

20. Property Rentals

Port related investment rentals	2,118	2,969
Other property rentals	65	147
	2,183	**3,116**

Yields currently range from 7-7.25% on freehold land value determined at the time of rent review for port related investment land leases. Ground lease terms and conditions vary between 1 year to 25 years. Direct operating expenses relating to port related investment properties amounts to $688,000 (2014 $1,637,000). There were no direct operating expenses arising from investment property that did not generate rental income during the year (2014 $8,262).

OPERATING LEASE RECEIVABLES		
Non cancellable operating lease receivables:		
Not later than one year	270	977
Later than one year but not later than two years	122	117
Later than two years but not later than five years	281	281
Later than five years	228	320
	901	**1,695**

21. Capital Management

PrimePort's capital is its equity, which comprises of issued shares, retained earnings and revaluation reserves. Equity is represented by net assets. Section 5 of the Port Companies Act 1988 states that the principal objective of every port company shall be to operate as a successful business. PrimePort's principal objective is to operate as a successful business, exploiting opportunities and managing risk thereby ensuring the maintenance and growth in equity. PrimePort manages its equity as a by-product of prudently managing risks, revenues, expenses, assets, liabilities and general financial dealings to ensure it achieves its objectives and purpose, whilst remaining a going concern. These financial statements have been prepared on a going concern basis and the Directors assessment is that PrimePort Timaru Limited will continue to operate as a going concern. The company has complied with its bank covenants which include maintaining shareholder funds at a minimum level to total tangible assets.

22. Staff Expenses

There were no redundancy payments included in staff expense in 2015 (2014 nil). Included in staff expenses are employer contributions for employee superannuation funds. Payments for the year amounted to $174,000 (2014 $182,000).

23. Events After Balance Date

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

24. NZIFRS Issued but not yet Effective

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

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

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

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

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

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

(vi) NZ IFRIC 21 Levies

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

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of PrimePort Timaru Limited's financial statements for the year ended 30 June 2015

The Auditor-General is the auditor of PrimePort Timaru Limited (the company). The Auditor-General has appointed me, Ian Lothian, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the company on her behalf.

Opinion

We have audited the financial statements of the company on pages 17 to 34, that comprise the statement of financial position as at 30 June 2015, 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 2015; and
  - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with New Zealand equivalents to International Financial Reporting Standards with reduced disclosure requirements.

Our audit was completed on 26 August 2015. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities, and explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the company's financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of the disclosures in the financial statements; and
- the overall presentation of the financial statements.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements. Also, we did not evaluate the security and controls over the electronic publication of the financial statements.

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

Responsibilities of the Board of Directors

The Board of Directors is responsible for the preparation and fair presentation of financial statements for the company that comply with generally accepted accounting practice in New Zealand.

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

The Board of Directors is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for the publication of the financial statements, whether in printed or electronic form.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

Other than the audit, we have no relationship with or interests in the company.

Ian Lothian

Ian Lothian
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand


South Beach early morning.

Statutory Information for the Year Ended 30 June 2015

Principal Operations

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

Changes in Accounting Policies

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

Auditors

On their behalf, the Office of the Auditor-General has appointed Audit New Zealand to undertake the audit of the company.

Directors

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

Directors and Remuneration – Authorised and Paid Directors Fees

A.W. Baylis	$30,000
M.C. Cairns	$30,000
N.J. Gormack	$33,500
R.H. Gower (Chairman)	$60,000
D.A. Pilkington	$30,000
P.W. Wareing	$30,000

Disclosure of Interest by Directors

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

(A) GENERAL DISCLOSURES

Mr A.W. Baylis

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

Mr M.C. Cairns

Chief Executive	Port of Tauranga Ltd
Director	Northport Ltd
Director	Quality Marshalling (Mount Maunganui) Ltd
Director	Meridian Energy Ltd
Director	Port of Tauranga Trustee Company Ltd
Director	CODA GP Ltd
Shareholder	Port of Tauranga Ltd
Shareholder	Meridian Energy Ltd

Mr N.J. Gormack

Director	Opuha Water Ltd
Director	Quantum Advantage Ltd
Director	The Greenvale Group Ltd
Shareholder	Quantum Advantage Ltd

Mr R.H. Gower

Director	Gower Management Group Ltd
Director	Mitsui Credit Ltd
Director	Orion Minerals Group Ltd
Director	Arno Investments Ltd
Director	NXT Fuels Ltd (formerly Aquaflow Bionomic Corporation Ltd)
Director	New Zealand Food Innovation Auckland Ltd
Director	Roger Gower & Associates Ltd
Shareholder	Gower Management Group Ltd
Shareholder	Mitsui Credit Ltd
Shareholder	Arno Investments Ltd
Shareholder	Roger Gower & Associates Ltd

Mr D.A. Pilkington

Chairman	Port of Tauranga Ltd
Chairman	Hellers Ltd
Chairman	Rangatira Ltd
Director	Excelsa Associates Ltd
Director	Douglas Pharmaceuticals Ltd**
Director	Northport Ltd
Director	Tuatara Brewing Company Ltd
Director	ZESPRI Group Ltd**
Trustee	New Zealand Community Trust
Shareholder	Excelsa Associates Ltd

Mr P.W. Wareing

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

** Includes Subsidiary Companies

(B) SPECIFIC DISCLOSURES

Nil.

(C) DIRECTORS' INDEMNITY AND INSURANCE

The company has insured all its directors against liabilities to other parties (except the company or a related party of the company) that may arise from their positions as directors. The insurance does not cover liabilities arising from criminal actions.

(D) SHARE DEALINGS BY DIRECTORS

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:

	NUMBER OF EMPLOYEES
$210,001 - $220,000	3
$200,001 - $210,000	1
$170,001 - $180,000	2
$150,001 - $160,000	1
$140,001 - $150,000	1
$130,001 - $140,000	2
$120,001 - $130,000	1
$110,001 - $120,000	1
$100,001 - $110,000	3

Donations

During the year the company made donations of $700.

Auditors' Remuneration

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

	AUDIT OF THE FINANCIAL STATEMENTS
PrimePort Timaru Limited	$56,153

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 $600,000 to be paid during the financial year.

State of Affairs

The directors are of the opinion that the state of affairs of the company is satisfactory.

Statement of Corporate Intent Performance

It is the directors' view that objectives have been met this year with the exception of:

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

OBJECTIVE / OUTCOME	TARGET	ACHIEVED
(a) To continue the expansion of profitable cargo volume through the Port being the preferred South Island Port in selected segments.		
Cargo Tonnage	**1,104,400**	**Yes**
Vessel Arrivals	**417**	**Yes**
(b) To manage and operate PrimePort Timaru Ltd to enhance shareholder wealth through continuously improving performance.		
Earnings (after tax) per share	**$0.15**	**Yes**
Dividends (proposed) per share	**$0.00**	**Yes**
Net Assets per share	**$4.94**	**Yes**
Return (after tax) on total assets	**2.18%**	**Yes**
Return (after tax) on shareholders funds	**2.96%**	**Yes**
Ratio of shareholders funds to total assets	**0.74**	**Yes**
(c) To employ the best people and develop staff to their full potential in a safe working environment.		
Lost time injury frequency rate	**1.50**	**No**
(d) To ensure activities are effectively communicated to stakeholders		
Monthly reports	**12**	**Yes**
Chairman / Chief Executive meet with shareholders	**2**	**Yes**
(e) To accept responsibility as a user of the coastline and recognise the importance of the environment for future generations.		
Incidents leading to pollution of harbour	**Nil**	**Yes**
Compliance with all resource consent conditions	**Yes**	**Yes**
Compliance with NZ Maritime Safety Standards	**Yes**	**Yes**

Directory

Board of Directors

R.H. Gower	**Chairman**
A.W. Baylis	**Director**
M.C. Cairns	**Director**
N.J. Gormack	**Director**
D.A. Pilkington	**Director**
P.W. Wareing	**Director**

Shareholders as at 30 June 2015

Timaru District Holdings Ltd **50%**

Port of Tauranga Ltd **50%**

Auditors

Audit New Zealand for the Office of the Auditor-General

Registered Office

Marine Parade
Timaru
New Zealand

PO Box 544
Timaru
New Zealand

Telephone +64 3 687 2700
Facsimile +64 3 687 2709
Website www.primeport.co.nz

Leadership Team

P.R. Melhopt	**Chief Executive**
N.J.G. Donaldson	**Finance Manager**
K.W. Michel	**Operations Manager**
T. Cooper	**Infrastructure Manager**
K.J. Elstone	**Health & Safety Manager**

Solicitors

RSM LAW – Timaru

Buddle Findlay – Christchurch

Bankers

Bank of New Zealand

The Directors are pleased to present the Annual Report of PrimePort Timaru Limited for the year ended 30 June 2015.

For and on behalf of the Board of Directors.

R. H. Gower
Chairman

26 August 2015

N. J. Gormack
Director

26 August 2015

Our Mission, Customers First.

PrimePort Timaru Annual Report

2015

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PRIMEPORT TIMARU