

# PrimePort Timaru Annual Report 2017





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# Highlights

PrimePort Timaru is celebrating another record year of cargo volumes and financial results.

With ship visits up 9.7 percent on last year the port has been busy with record volumes of imports and exports. Bulk trade volumes passed the 1.5 million tonne mark during the year, a 13.0% increase on the previous 12 months.

For the 12 months to June 2017 operational revenue increased by 5.3% to \$14,281,000, up from \$13,561,000 the previous year. Profit before tax was \$4,983,000, up 2.5%.

Log exports was the star performer with volumes up 26.4% on the previous year, which closed the gap created by lower demand for palm kernel extract.

Engagement with staff and port users on critical health and safety risks was comprehensive and we are pleased to report there were no staff lost time injuries during the year.

As ship calls and cargos increase, we have invested in a new 16-metre pilot launch. *Kiwa* arrived in August 2017 having crossed the Tasman Sea from its Melbourne-based boatbuilders, Hart Marine.

*Kiwa* is a state-of-the-art pilot launch, with a number of innovative safety features including a self-righting hull built from composite fibreglass materials. The \$2.5 million vessel was named after a divine guardian of the Pacific Ocean, in a competition involving local schoolchildren.

Our strategic alliance with our 50% shareholder Port of Tauranga continues to reap benefits for Canterbury importers and exporters. PrimePort leases the container terminal to a joint venture between Port of Tauranga and Kotahi. The container terminal is linked by rail to the inland port MetroPort Christchurch.

The Timaru Container Terminal handled another record number of containers in the past year, with 84,946 TEU (twenty foot equivalent units) processed by the terminal.

A new Maersk container service, the *Tasman Star*, was launched in February 2017, giving Timaru a direct weekly connection with Tauranga and Australia.

This service cements the hub and feeder container shipping model and gives the region's shippers access to new and expanded container shipping services, including the 'big ship' services now calling at Port of Tauranga following the successful completion of a major dredging programme last September.

Swire Shipping doubled its calls into Timaru, with a vessel now visiting every 18 days. This has resulted in a significant increase in the bulk steel imported via the container terminal.

The two new services join the longstanding Capricorn service operated by Mediterranean Shipping Company, as well as Maersk's Northern Star service linking Timaru to Australia, Singapore and Malaysia.



Linesmen tying up a vessel on the North Mole.



Tug crew on board tug Aoraki.



Roger Gower  
Chairman



Bill Baylis  
Director



Phil Melhopt  
Chief Executive



Nick Donaldson  
Finance Manager



Ian Fitzgerald  
Director



Damon Odey  
Director



Keith Michel  
Operations Manager



Tony Cooper  
Infrastructure Manager



David Pilkington  
Director



Tony Reynish  
Director



Kerry Elstone  
Health & Safety Manager

## Our People

PrimePort's health and safety culture is built on significant engagement with staff and port users. Our people are integral in assessing critical safety risks and developing controls. Without their support, the effectiveness of safety improvements would be limited.

There were no lost time injuries in the 12 months to 30 June 2017, compared to three the previous year.


With a full time staff of 49, numbers increased slightly during the year to meet additional demand in the areas of marine services, engineering and repairs and maintenance.


Overall, employee turnover remains low.


We thank our staff for their dedication and contribution to what has been another successful year for the company.




Milburn Carrier II alongside the cement terminal.


**EBITDA**  
**15%**  
**7 TO**  
**.285**  
**MILLION**


**AFTER TAX PROFIT**  
**2%**  
**3 TO**  
**.624**  
**MILLION**


**TOTAL ASSETS**  
**4%**  
**80 TO**  
**.809**  
**MILLION**


**TOTAL EQUITY**  
**7%**  
**51 TO**  
**.904**  
**MILLION**

## Financial

In the 12 months to June 2017, operational profit before tax increased by 1.3% to \$4,768,000, up from \$4,706,000 the previous year.

The growth in bulk cargo volumes fuelled a 7.7% increase in annual trade revenue. Income was affected by reduced rental revenue, as the port's South Store was vacant for a large part of the year.

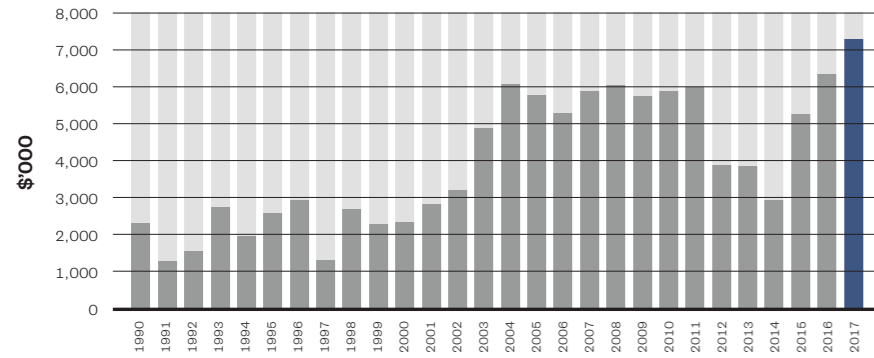
Total revenue increased 13.6% from \$16,565,000 to \$18,826,000, reflecting both the bulk cargo increases and new licence fee for No. 2 Wharf, which has been rebuilt to accommodate the new Holcim cement terminal.

Operating expenses were 18.5% higher than the previous year, reflecting increased demand for marine services, significantly increased repairs and maintenance programmes and higher depreciation and finance costs as a result of recent asset acquisitions.

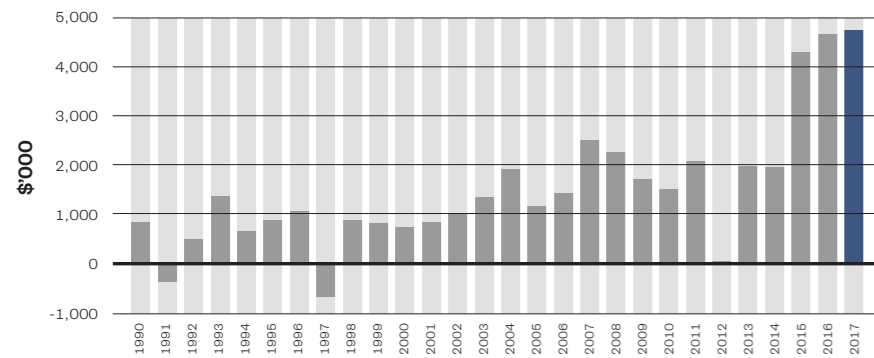
Earnings before interest, tax, depreciation and amortisation (EBITDA) was \$7,285,000 up from \$6,319,000 the previous year.

Total comprehensive income was \$4,917,000 versus \$4,104,000 the prior year and included a positive financial instrument variance of \$419,000.

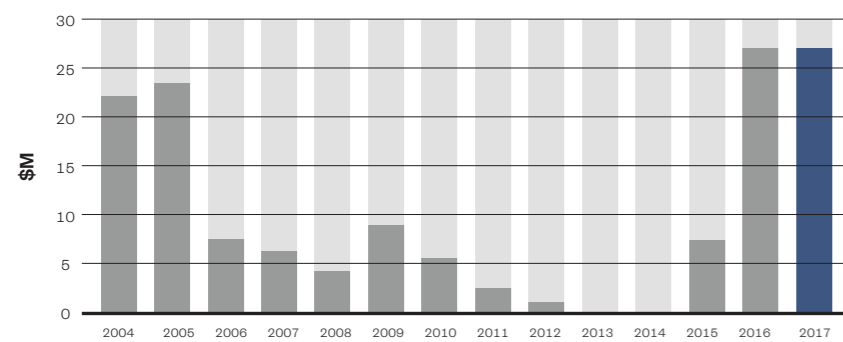
EBITDA Using Normal Port Operating Profits



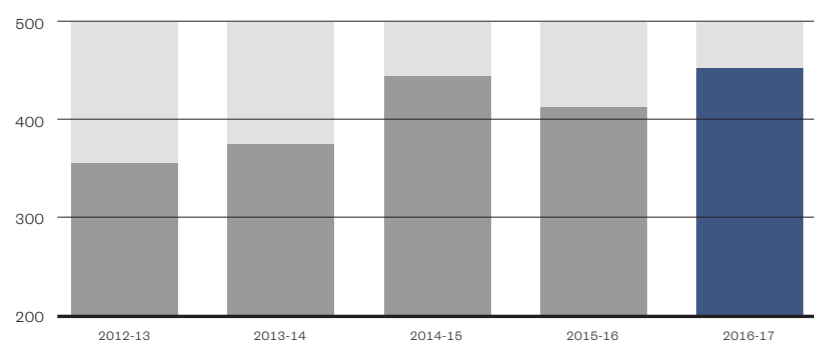
Normal Port Operating Profits



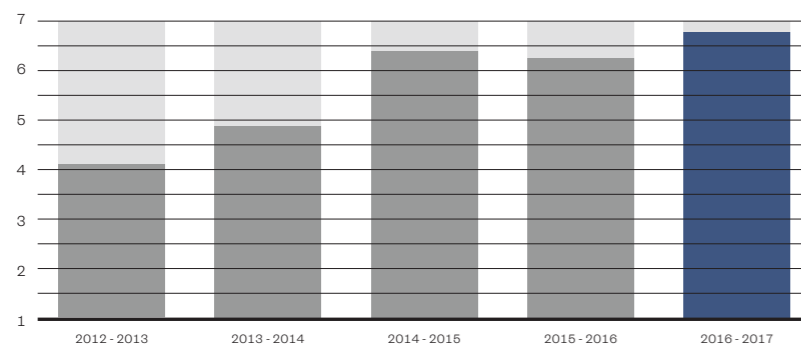
Borrowings



Ship Numbers



Ships Gross Registered Tonnes (Millions)



# Our Operations

## Cargo Trends

Cargo volumes, excluding containers, increased 13.0% from 1,335,100 tonnes to 1,509,300 tonnes.

A total of 451 ships visited during the year, a 9.7% increase on the previous 12 months.

This increased traffic led to higher demand for our marine services. Our tug *Te Maru* entered dry dock at Lyttelton for its five-yearly survey and maintenance work, ensuring its continued reliable service.

The newly delivered *Kiwa* replaces our 38-year-old pilot launch *Ohau*, which had reached the end of its economic life.

Bulk trades exceeded expectations with solid growth in logs, cement and fuel volumes. Stock feed imports were down given the good growing season and dairy industry financial pressures. Fertiliser volumes were consistent with the prior year.

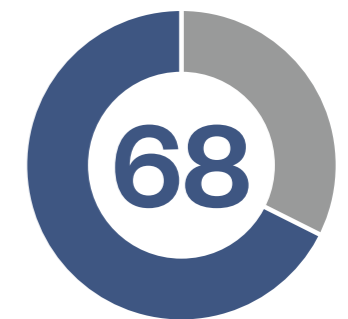
Holcim's cement terminal has now been operational for 18 months. The cement imports and exports are now a seamless operation and volumes are growing steadily. Holcim is in the process of replacing their coastal vessel *Milburn Carrier II* with their new coastal vessel *Buffalo*, which will make Timaru its home port from late 2017.

We were pleased to welcome Sanford's 67-metre factory freezer vessel, *San Granit*, to its new home base at PrimePort. This latest addition to the fishing fleet brings the number of deep sea trawler vessels based in Timaru to 10.

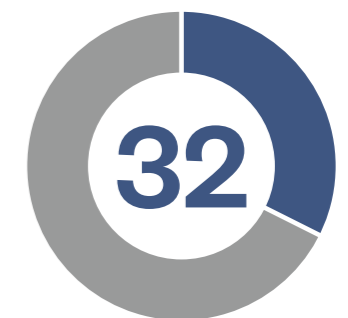
The port hosted three cruise ships during the 2016-2017 summer season, bringing thousands of visitors to the region.

The deteriorating and out-of-survey vessel *Rangatira* remains arrested and berthed at PrimePort, with the owner having gone into liquidation. The vessel is now in the custody of the High Court and plans to sell or dispose of the vessel are under way. The situation has unfortunately impacted our operating expenses, with PrimePort incurring bad debts and legal fees.

2017 Total Cargo Mix (Tonnes)



IMPORT %



EXPORT %



Pilot launch *Kiwa* during sea trials.



Sanford Vessel the *San Granit* arriving at Port of Timaru.

# Our Property and Infrastructure

An extensive repairs and maintenance programme is underway, especially on the North Mole, No. 1 and No. 1 Extension Wharves. An additional three-person repair and maintenance crew and senior engineer were recruited during the year to assist with the increased workload.

The 2.1 hectare Hayes Street port properties, purchased in 2016, remain fully tenanted by import and export customers associated with the wool or dairy industry.

A capital upgrade of the port's four bulk product hoppers was initiated during the year. The upgrades improve operator safety, increase capacity and extend the hoppers working life.

To assist navigation safety, PrimePort has installed a new, more powerful LED lead light at the harbour entrance. The first of its type in New Zealand.

To free up valuable operating land, a redundant 80 tonne bitumen tank was transported, in one piece, from port operational land by a heavy lift transporter.



Fertiliser vessel the *Amber Star* on its maiden voyage alongside the North Mole.



Linesmen meeting vessel to secure mooring lines on the North Mole.





Swimmers at the PrimePort Ocean Swim.



Competitors at the start of the PrimePort Ocean Swim.

## Our Community



PrimePort Christmas Parade.

The South Canterbury economy continues to expand on the back of export growth. Dairy product exports are about to increase further, with the construction of a new \$240 million mozzarella cheese plant at Fonterra Clondeboye. The factory, north of Timaru, is expected to begin production in May next year.

As the region's cargo gateway, we are uniquely placed in the local economy and value the community support. In recognition of the broad community support we receive, PrimePort is pleased to sponsor local initiatives.

We have agreed a three year sponsorship of the PrimePort Christmas Parade, a much loved fixture on Timaru's calendar.

The second PrimePort Ocean Swim was held in January 2017, with three swim distances offered this year. Conditions were challenging but did not deter the 80 swimmers entered.



Maasdam cruise ship on departure.

## Statement of Comprehensive Income

for the year ended 30 June 2017

	Note	2017 \$000	2016 \$000
<b>Operating revenue</b>			
Port operational		14,281	13,561
Property rentals	20	4,541	2,849
Interest/other revenue		-	118
Surplus on disposal of operational fixed assets		4	37
		<b>18,826</b>	<b>16,565</b>
<b>Operating expenditure</b>			
Staff	22	5,329	4,851
Port operating		5,048	4,122
Depreciation	7	1,553	1,187
Finance		968	463
Dredging		690	730
Director fees		211	221
Operating leases		66	29
Audit services - audit		59	58
Bad debts incurred	9	134	198
		<b>14,058</b>	<b>11,859</b>
<b>Operating profit/(loss) before tax and port investment property revaluations</b>		<b>4,768</b>	<b>4,706</b>
Port investment property revaluations	8	215	154
<b>Profit/(loss) before tax</b>		<b>4,983</b>	<b>4,860</b>
Taxation	2	(1,359)	(1,318)
<b>Profit/(loss) for the year</b>	3	<b>3,624</b>	<b>3,542</b>
<b>Other comprehensive income</b>			
Operating land revaluations	7	991	840
Financial instrument hedging	5	419	(386)
Income tax relating to financial instrument hedging	5	(117)	108
<b>Other comprehensive income for the year</b>		<b>1,293</b>	<b>562</b>
<b>Total comprehensive income for the year attributable to equity holders</b>		<b>4,917</b>	<b>4,104</b>

## Statement of Changes in Equity

for the year ended 30 June 2017

	Note	Issued Shares	Hedging Reserve	Revaluations	Retained Earnings	Total
Equity at the beginning of the year		8,450	(278)	17,157	23,013	48,342
Total comprehensive income for year attributable to equity holders	4+5	-	302	991	3,624	4,917
Distributions - dividends paid	4+6	-	-	-	(1,355)	(1,355)
<b>Equity at the end of the year 2017</b>		<b>8,450</b>	<b>24</b>	<b>18,148</b>	<b>25,282</b>	<b>51,904</b>
<b>Comparatives for 2016</b>						
Equity at the beginning of the year		8,450	-	16,317	20,777	45,544
Total comprehensive income for year attributable to equity holders	4+5	-	(278)	840	3,542	4,104
Distributions - dividends paid	4+6	-	-	-	(1,306)	(1,306)
<b>Equity at the end of the year 2016</b>		<b>8,450</b>	<b>(278)</b>	<b>17,157</b>	<b>23,013</b>	<b>48,342</b>

## Statement of Financial Position

as at 30 June 2017

	Note	2017 \$000	2016 \$000
<b>Equity</b>			
Issued shares	6	8,450	8,450
Retained earnings	4	25,282	23,013
Reserves	5	18,172	16,879
<b>Total equity</b>		<b>51,904</b>	<b>48,342</b>
<b>Represented by long term assets</b>			
Operational fixed assets	7	67,929	67,056
Operational fixed assets under construction	17	2,735	2,016
Port related investment properties	8	3,829	3,674
Derivative financial instruments	11	156	-
Deferred taxation	2	498	801
<b>Total long term assets</b>		<b>75,147</b>	<b>73,547</b>
<b>Current assets</b>			
Cash and cash equivalents		2,548	1,393
Trade and other receivables	9	2,604	2,012
Inventory	19	510	594
<b>Total current assets</b>		<b>5,662</b>	<b>3,999</b>
<b>Total assets</b>		<b>80,809</b>	<b>77,546</b>
<b>Term liabilities</b>			
Money market loans	10	27,000	27,000
Derivative financial instruments	11	-	212
<b>Current liabilities</b>			
Trade and other payables	13	859	1,301
Employee entitlements	14	604	523
Tax payable/(receivable)		319	(5)
Derivative financial instruments	11	123	173
<b>Total current liabilities</b>		<b>1,905</b>	<b>1,992</b>
<b>Total liabilities</b>		<b>28,905</b>	<b>29,204</b>
<b>Net assets</b>		<b>51,904</b>	<b>48,342</b>

For and on behalf of the Board of Directors  
31 August 2017
  
 Roger Gower  
 Chairman

  
 Bill Baylis  
 Director

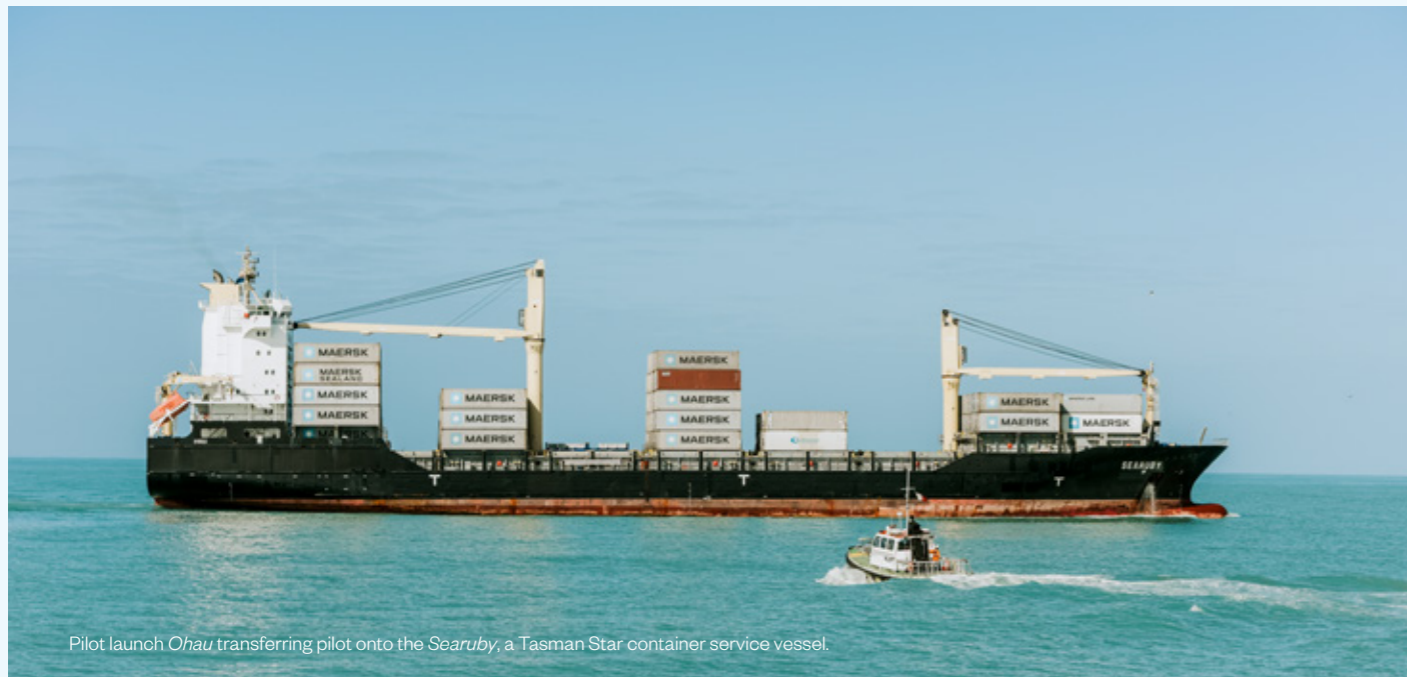
## Statement of Cash Flows

for the year ended 30 June 2017

	Note	2017 \$000	2016 \$000
<b>Cash flows from operating activities</b>			
<b>Sources</b>			
Cash received from customers		18,409	17,173
Interest/other revenue received		-	118
<b>Disbursements</b>			
Payments to suppliers		5,668	5,632
Payments to employees		5,248	4,845
Net GST movements		(210)	(440)
Income tax		846	765
Finance cost payments		949	409
Dredging		1,183	992
		13,684	12,203
<b>Net cash from operating activities</b>	3	<b>4,725</b>	<b>5,088</b>
<b>Cash flows from investing activities</b>			
<b>Sources</b>			
Proceeds from disposal of fixed assets		4	40
Proceeds from sale of investment property		-	-
<b>Disbursements</b>			
Purchase of fixed assets		2,219	23,347
<b>Net cash used in investing activities</b>		<b>(2,215)</b>	<b>(23,307)</b>
<b>Cash flows from financing activities</b>			
<b>Sources</b>			
Loans raised		-	19,550
<b>Disbursements</b>			
Loans repaid		-	-
Dividends paid		1,355	1,306
		1,355	1,306
<b>Net cash used in financing activities</b>		<b>(1,355)</b>	<b>18,244</b>
<b>Net increase/(decrease) in cash</b>		<b>1,155</b>	<b>25</b>
Opening cash and cash equivalents balances		1,393	1,368
<b>Closing cash and cash equivalents balances</b>		<b>2,548</b>	<b>1,393</b>
<b>Represented by</b>			
Cash and cash equivalents		2,548	1,393



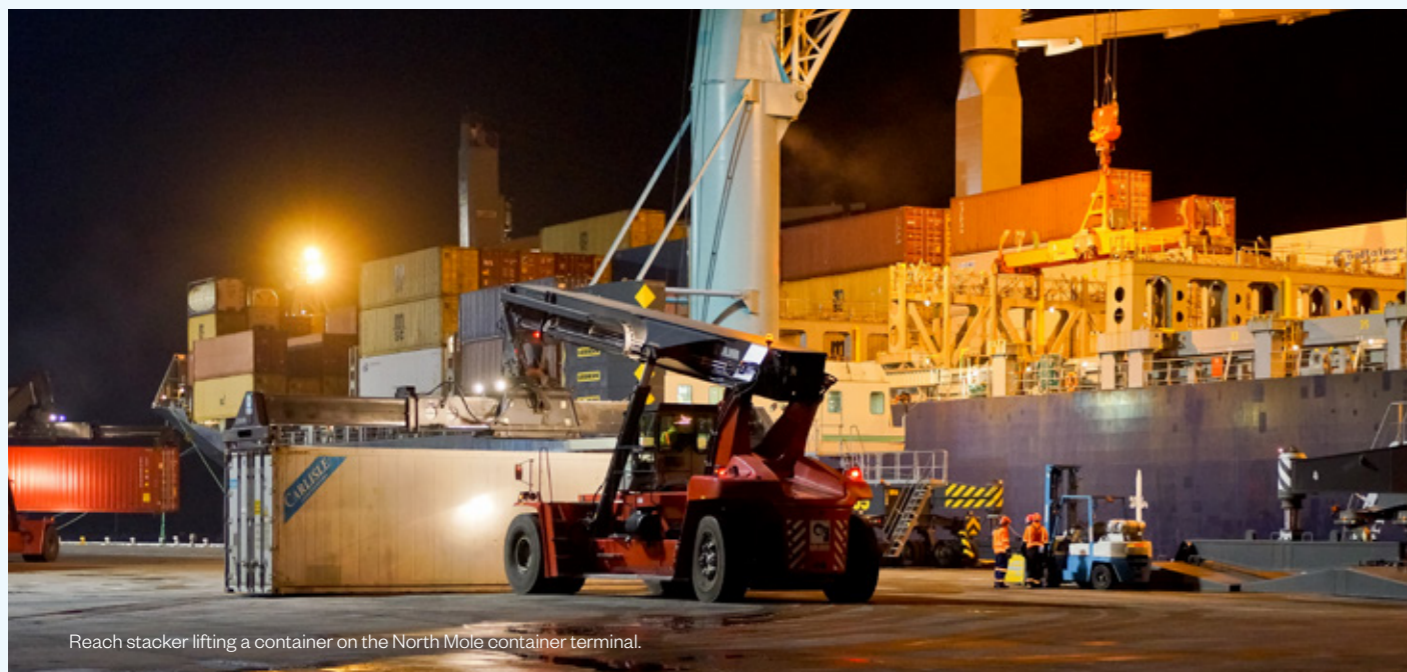
Linesmen attending to a mooring line.



Pilot launch *Ohau* transferring pilot onto the *Searuby*, a Tasman Star container service vessel.



Tug *Te Maru* alongside a large shipment of logs being exported.



Reach stacker lifting a container on the North Mole container terminal.

PrimePort Timaru Ltd

## Notes to the Financial Statements for the year ended 30 June 2017

# 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 2017. The financial statements were authorised for issue by the Board on 31 August 2017.

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. Money Market Loans

Interest-bearing borrowings are recognised initially at fair value less any transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised costs with any difference between cost and redemption value being recognised in the profit or loss over the period of the borrowings on an effective interest rate. Except for borrowing costs that are capitalised on qualifying assets with a commencement date on or after 1 July 2017, 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.

### Reclassification

A sum of \$500,000 is provided for in the lease agreement between PrimePort Timaru Limited and Timaru Container Terminal Limited for the maintenance of the container terminal at the Port of Timaru. As per the requirements of NZ IAS 1.41 a reclassification has occurred in the current and comparative years for recovery of PrimePort Timaru maintenance expenditures for the leased area.

The amounts of each class of item that have been reclassified in the statement of comprehensive income are increases of \$500,000 for port operational revenue, \$125,000 for staff operating expenditure and \$375,000 for port operating expenditure. In the statement of cash flows the following increases have occurred; \$500,000 for cash received from customers, \$125,000 for payments to employees and \$375,000 for payments to suppliers.

The reason for the reclassification is to provide for the gross effect of the transactions between PrimePort Timaru Limited and Timaru Container Terminal Limited.

## 2. Taxation

	2017 \$000	2016 \$000
Profit/(loss) before taxation and port investment property revaluations	4,768	4,706
Port investment property revaluations	215	154
Profit before taxation	4,983	4,860
Tax at 28%	1,395	1,361
Plus/(less) tax effect of:		
Non-taxable income	(60)	(43)
Non-deductible expenditure	-	-
Prior year adjustment	24	-
Release of overprovision of deferred tax provided under NZ IAS 12	-	-
	<b>1,359</b>	<b>1,318</b>
Components of taxation:		
Current taxation	1,174	537
Deferred taxation	185	781
Prior year adjustment	-	-
	<b>1,359</b>	<b>1,318</b>

Deferred tax asset/(liability)	Long Term Assets	Employee Entitlements	Other	Hedge Reserve	Total
<b>Balance at 1 July 2015</b>	1,400	146	(73)	-	1,473
Credit/(charge) to profit or loss	(722)	9	(67)	-	(780)
Prior year adjustment	-	-	-	-	-
Credit/(charge) to comprehensive income	-	-	-	108	108
<b>Balance at 30 June 2016</b>	<b>678</b>	<b>155</b>	<b>(140)</b>	<b>108</b>	<b>801</b>
Credit/(charge) to profit or loss	(177)	16	(25)	-	(186)
Prior year adjustment	-	-	-	-	-
Credit/(charge) to comprehensive income	-	-	-	(117)	(117)
<b>Balance at 30 June 2017</b>	<b>501</b>	<b>171</b>	<b>(165)</b>	<b>(9)</b>	<b>498</b>

### Imputation credit account

Imputation credits available for use in subsequent reporting periods.	<b>1,728</b>	<b>1,082</b>
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## 3. Reconciliation of Cash Flow with Operating Surplus

	2017 \$000	2016 \$000
Profit/(loss) after taxation	3,624	3,542
Depreciation	1,553	1,187
Investment property revaluation	(215)	(154)
Movements in deferred tax	186	673
Loss/(surplus) on disposal of long term assets	(4)	(37)
	<b>5,144</b>	<b>5,211</b>
<b>Working capital movements relating to cash from operating activities</b>		
(Increase)/decrease in accounts receivable	(592)	608
(Increase)/decrease in inventory	84	(369)
Increase/(decrease) in trade and other payables and employee entitlements	(235)	(134)
Increase/(decrease) in tax payable	324	(228)
Net cash flow from operating activities	<b>4,725</b>	<b>5,088</b>

## 4. Retained Earnings

Opening balance	23,013	20,777
Profit after tax	3,624	3,542
Less dividends paid	(1,355)	(1,306)
Closing balance	<b>25,282</b>	<b>23,013</b>

## 5. Reserves

Reserves are represented by:

Asset revaluation reserve	18,148	17,157
Cash flow hedge reserve	24	(278)
	<b>18,172</b>	<b>16,879</b>

### 5(a). Asset Revaluation Reserve

Opening balance	17,157	16,317
Revaluation increase	991	840
Closing balance	<b>18,148</b>	<b>17,157</b>

### 5(b). Cash Flow Hedge Reserve

Opening balance	(278)	-
Financial instrument hedging	419	(386)
Tax effect of financial instrument hedging	(117)	108
Closing balance	<b>24</b>	<b>(278)</b>

## 6. Share Capital

	2017 \$000	2016 \$000
Ordinary shares	8,450	8,450
Opening balance	8,450	8,450
Share buyback	-	-
Closing balance	<b>8,450</b>	<b>8,450</b>

All shares have equal voting rights and share equally in dividends and any distribution. Dividends of \$1,355,200 were paid during this financial year (2016 \$1,305,900).

## 7. Operational Fixed Assets

2017	Plant and Equipment	Freehold Building	Wharves	Breakwater/Channel	Improvements to Land	Freehold Land at Valuation	Total
<b>Balance as at 1 July 2016</b>							
At fair value	-	-	-	-	-	21,853	21,853
At cost	18,648	9,824	39,800	5,956	1,240	-	75,468
Accumulated impairment	(2,163)	(472)	(7,191)	-	(416)	-	(10,242)
Accumulated depreciation	(11,500)	(1,965)	(5,681)	(299)	(578)	-	(20,023)
	<b>4,985</b>	<b>7,387</b>	<b>26,928</b>	<b>5,657</b>	<b>246</b>	<b>21,853</b>	<b>67,056</b>
Additions	757	-	(294)	494	419	-	1,376
Revaluation	-	-	-	-	-	991	991
Reclassifications from investment property	-	-	-	-	-	60	60
Disposal - cost	(1,044)	-	-	-	-	-	(1,044)
Disposal - accumulated depreciation	1,043	-	-	-	-	-	1,043
Depreciation expense	(664)	(241)	(612)	-	(36)	-	(1,553)
<b>Movement to 30 June 2017</b>	<b>92</b>	<b>(241)</b>	<b>(906)</b>	<b>494</b>	<b>383</b>	<b>1,051</b>	<b>873</b>
<b>Balance as at 30 June 2017</b>							
At fair value	-	-	-	-	-	22,904	22,904
At cost	18,361	9,824	39,506	6,450	1,659	-	75,800
Accumulated impairment	(2,163)	(472)	(7,191)	-	(416)	-	(10,242)
Accumulated depreciation	(11,121)	(2,206)	(6,293)	(299)	(614)	-	(20,533)
	<b>5,077</b>	<b>7,146</b>	<b>26,022</b>	<b>6,151</b>	<b>629</b>	<b>22,904</b>	<b>67,929</b>
<b>Comparatives for 2016</b>							
<b>Balance as at 1 July 2015</b>							
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)
	<b>5,182</b>	<b>2,107</b>	<b>2,221</b>	<b>4,848</b>	<b>258</b>	<b>18,283</b>	<b>32,899</b>
Additions	394	5,427	25,127	809	17	2,730	34,504
Revaluation	-	-	-	-	-	840	840
Disposal - cost	(40)	-	-	-	-	-	(40)
Disposal - accumulated depreciation	40	-	-	-	-	-	40
Depreciation expense	(591)	(147)	(420)	-	(29)	-	(1,187)
<b>Movement to 30 June 2016</b>	<b>(197)</b>	<b>5,280</b>	<b>24,707</b>	<b>809</b>	<b>(12)</b>	<b>3,570</b>	<b>34,157</b>
<b>Balance as at 30 June 2016</b>							
At fair value	-	-	-	-	-	21,853	21,853
At cost	18,648	9,824	39,800	5,956	1,240	-	75,468
Accumulated impairment	(2,163)	(472)	(7,191)	-	(416)	-	(10,242)
Accumulated depreciation	(11,500)	(1,965)	(5,681)	(299)	(578)	-	(20,023)
	<b>4,985</b>	<b>7,387</b>	<b>26,928</b>	<b>5,657</b>	<b>246</b>	<b>21,853</b>	<b>67,056</b>

Operational land held by the company has been independently valued as at 30 June 2017 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 (2016 nil). There are no operational fixed assets where title is restricted.

## 8. Port Related Investment Properties

	2017 \$000	2016 \$000
Opening balance	3,674	3,520
Revaluation increase	215	154
Reclassifications to property, plant and equipment	(60)	-
Closing balance	<b>3,829</b>	<b>3,674</b>
Investment properties are represented by:		
Land at valuation	3,829	3,674
Building at valuation	-	-
	<b>3,829</b>	<b>3,674</b>

Investment property held by the Company was independently valued as at 30 June 2017 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

Trade debtors	1,848	1,278
GST	-	73
Prepayments	756	661
	<b>2,604</b>	<b>2,012</b>

Trade debtors are shown net of impairment losses arising from the likely non payment of a small number of customers. As at 30 June 2017 all overdue receivables had been assessed for impairment and appropriate provisions applied. The ageing of receivables are as follows:

	2017			2016		
	Gross \$000	Impairment \$000	Net \$000	Gross \$000	Impairment \$000	Net \$000
Not past due - under 30 days	1,733	-	1,733	1,210	-	1,210
Past due - 30 to 60 days	82	-	82	55	-	55
Past due - 60 to 90 days	43	-	43	14	-	14
Past due - over 90 days	1	(11)	(10)	10	(11)	(1)
	<b>1,859</b>	<b>(11)</b>	<b>1,848</b>	<b>1,289</b>	<b>(11)</b>	<b>1,278</b>



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:

	2017 \$000	2016 \$000
Balance as 1 July	11	11
Additional provisions made during the year	134	198
Trade debtors written off during period	(134)	(198)
Balance as 30 June	11	11

## 10. Money Market Loans

Current facility ends as follows:

Less than one year	2,000	-
One to two years	25,000	1,500
Two to three years	-	25,500
	-	-
	27,000	27,000

### Money Market

The company has arranged money market facilities with Bank of New Zealand for a maximum amount of \$27.5 million (2016 \$27.5 million). The \$2.0 million facility ends in 2018 and the \$25.5 million facility ends in 2019. To date \$27.0 million has been drawn. Maturity dates of interest rate instruments within the facilities are:

Within one year	15,000	15,000
One to two years	5,000	-
Two to three years	3,000	5,000
Three to four years	4,000	3,000
Four to five years	-	4,000
	27,000	27,000

### Security

Security for the above loans is by way of a registered mortgage over the property situated at Hayes Street, Timaru and a negative pledge agreement between Bank of New Zealand and PrimePort Timaru Limited. The Hayes Street property is valued at \$8,041,600.

### 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 \$27.5 million (2016 \$27.5 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.

There were \$27.0 million of money market borrowings at reporting date (2016 \$27.0 million).

PrimePort's treasury policy requires set limits for interest rate maturity profile. Hedging instruments are used to manage this profile which is based on projected borrowing requirements. As at balance date \$15.0 million was at call (2016 \$15.0 million).

As at balance date four swaps for a total of \$17.0 million (2016 \$12.0 million) have been entered to manage interest rate fluctuation risks. 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)	
		2017 \$000	2016 \$000	2017 \$000	2016 \$000
	%				
Swap maturity dates					
October 2018	2.88	5,000	5,000	(47)	(69)
December 2019	3.00	3,000	3,000	(40)	(71)
February 2021	3.13	4,000	4,000	(64)	(139)
October 2024	2.64	5,000	-	200	-
		17,000	12,000	49	(280)

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

### Credit Risk

Financial instruments which potentially subject the company to credit risk consist principally of bank deposits and accounts receivable. No collateral is required in respect of these assets. Only reputable financial institutions are used for bank deposits. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The maximum exposure to credit risk at the 30 June 2017 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.

### 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 \$253,000 (2016 \$1,766,000). 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 – foreign exchange contracts were taken out in the 2016 financial year to purchase a pilot launch in Australian dollars for delivery in July 2017. PrimePort's treasury policy provides that all purchases of items in foreign currency with an equivalent at spot rate greater than NZ\$250,000 are to be hedged.

Interest rate swaps – as at balance date four interest rate swaps had been entered into.

	2017 \$000	2016 \$000
<b>Financial assets and liabilities</b>		
The carrying amount of financial assets and liabilities are as follows:		
Cash & cash equivalents	2,548	1,393
Trade debtors	1,848	1,278
GST	-	73
Derivative financial instruments	156	-
Total loans and receivables	4,552	2,744
Trade and other payables	859	1,301
GST	219	-
Money market loans	27,000	27,000
Derivative financial instruments	123	386
Total financial liabilities measured at cost	28,201	28,687

## 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 10.45% per annum (2016 10.70%). This is a floating rate set by the Bank.

## 13. Trade and Other Payables

	2017 \$000	2016 \$000
Trade creditors	157	237
Other accrued expenses	702	1,064
	<b>859</b>	<b>1,301</b>

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

Accrued pay	183	140
Accrued leave provision	404	359
Long service provision	5	1
Sick leave provision	12	23
	<b>604</b>	<b>523</b>

## 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 \$677,600 (2016 \$652,950) 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 \$57,429 including outgoings (2016 \$29,344). Other services amounted to \$234 (2016 nil).

Port of Tauranga Limited is a shareholder of PrimePort Timaru Limited. A dividend of \$677,600 (2016 \$652,950) was paid to Port of Tauranga Limited during this financial year. During the year PrimePort Timaru Limited purchased services from Port of Tauranga Limited, that amounted to \$336 (2016 \$1,394).

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 \$991 (2016 \$183) and \$104 (2016 nil) respectively. During the year PrimePort Timaru Limited leased land to Odey Fishing, a family business of Mr D J Odey. The lease amounted to \$5,000 (2016 nil). Other services amounted to \$8,904 (2016 \$6,450).

PrimePort Timaru Limited leased land to Timaru Container Terminal Limited, a 50.10% owned subsidiary of Port of Tauranga Limited, a shareholder of PrimePort Timaru Limited. The lease amounted to \$1,250,000 (2016 \$1,054,688). Other services amounted to \$1,879,716 (2016 \$2,100,048).

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 \$91,507 (2016 \$78,034) and \$6,523 (2016 \$403) respectively. During the year PrimePort Timaru Limited purchased services from Odey Fishing, a family business of Mr D J Odey, that amounted to \$1,600 (2016 nil).

During the year PrimePort Timaru Limited purchased services from the Timaru District Council. The services amounted to \$170,824 (2016 \$161,450) of total operating expenses. A large percentage of this relates to rates.

During the year PrimePort Timaru Limited purchased services from Timaru Container Terminal Limited. The services amounted to \$10,060 (2016 \$5,585).

The outstanding balances owed by related parties at 30 June 2017 are:

Timaru Container Terminal Limited	\$214,912 (2016 \$193,330)
Parr and Company Limited	\$90 (2016 nil)
Odey Fishing	\$2,560 (2016 nil)

The outstanding balances owed to related parties at 30 June 2017 are:

Timaru District Council	\$4,451 (2016 \$2,316)
Port of Tauranga Limited	nil (2016 \$8,625)
Timaru District Holdings Limited	\$4,739 (2016 \$86)
Parr and Company Limited	\$3,561 (2016 \$6,399)

These balances have been paid since balance date. No related party debts have been written off or forgiven during the year (2016 nil).

Total key management personnel compensation totalled \$1,428,804 (2016 \$1,338,118). This included salaries and other short-term employee benefits \$1,395,033 (2016 \$1,298,181), superannuation benefits \$33,771 (2016 \$39,938) and termination benefits of nil (2016 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 (2016 nil).

The following contingent liability exists at balance date resulting from the Seabourn Encore collision on 12 February 2017 (2016 nil).

The contingent liability relates to the Seabourn Encore cruise ship, which broke its mooring and collided with the Milburn Carrier II at PrimePort on 12 February 2017.

The total estimated cost for which PrimePort should note as a contingent liability is \$1.850 million plus an as yet unsubstantiated or formulated claim for consequential loss relating to loss of reputation. Any reimbursement is fully insured through the TT Club, one of the world's leading P&I Clubs (Insurer).

The outflow is expected to occur within the next two years however this is subject to litigation between the parties as at this stage PrimePort has not admitted liability and if proceedings are commenced there will be a contributory negligence claim against the Seabourn Encore.

Reimbursement by the TT Club is extremely high due to the reputation and financial standing of the TT Club and it has been confirmed to PrimePort that TT Club will reimburse all claims and costs. This has been advised to PrimePort by P&I Services Limited, the New Zealand Agent for the TT Club.

The financial effect on PrimePort is that the TT Club have already paid 90% of all legal costs to date and it is expected that the only financial outlay will be a \$30,000 excess/deductible that needs to be paid by PrimePort.

## 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 \$2,735,000 (2016 \$2,016,000). The 2017 balance represents the capital investment at balance date associated with the pilot launch progress payments, hopper upgrades and wharf and bollard improvements.

# 18. Commitments

	2017 \$000	2016 \$000
<b>Capital commitments</b>	258	1,871
The commitments relate to a new pilot launch and other plant and equipment during the financial year (2016 \$1,871,000).		
<b>Operating lease commitments</b>		
Non cancellable operating lease payables:		
Not later than 1 year	34	34
Later than 1 year but not later than two years	22	34
Later than 2 years but not later than five years	-	22
Later than 5 years	-	-
	<b>56</b>	<b>90</b>

Operating lease commitments are based on current rentals being paid.

# 19. Inventory

Inventory includes consumable stocks, timber, fuel and a stockpile of armour rock. 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	4,500	2,578
Other property rentals	41	271
	<b>4,541</b>	<b>2,849</b>

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 \$147,000 (2016 \$90,000).

<b>Operating lease receivables</b>		
Non cancellable operating lease receivables:		
Not later than one year	1,963	2,291
Later than one year but not later than two years	1,608	1,864
Later than two years but not later than five years	4,675	4,596
Later than five years	10,397	11,761
	<b>18,643</b>	<b>20,511</b>

# 21. Capital Management

PrimePort's capital is its equity, which comprises of issued shares, retained earnings, hedge reserve and revaluation reserves. Equity is represented by net assets. Section 5 of the Port Companies Act 1988 states that the principal objective of every port company shall be to operate as a successful business. PrimePort'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 2017 (2016 nil). Included in staff expenses are employer contributions for employee superannuation funds. Payments for the year amounted to \$205,560 (2016 \$184,772).

# 23. Events After Balance Date

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

## Independent Auditor's Report

### To the readers of PrimePort Timaru Limited's financial statements for the year ended 30 June 2017

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 his 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 2017, 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 2017; 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 31 August 2017. This is the date at which our opinion is expressed.

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

#### Basis for our opinion

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

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

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

#### Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible on behalf of the company for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors' responsibilities arise from the Companies Act 1993.

#### Responsibilities of the auditor for the audit of the financial statements

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

Reasonable assurance is a high level of assurance, but 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 40 to 44, 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 (Revised): 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.



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



Cook Strait and the Milburn Carrier II on the No. 2 Wharf.

# Statutory Information for the Year Ended 30 June 2017

## 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

During the year Mr N. J. Gormack resigned as a director. Mr I. R. Fitzgerald was appointed to the Board in March.

## Directors and Remuneration – Authorised and Paid Directors Fees

A. W. Baylis	\$31,000
I. R. Fitzgerald	\$11,000
N. J. Gormack	\$13,000
R. H. Gower (Chairman)	\$63,000
D. J. Odey	\$31,000
D. A. Pilkington	\$31,000
A. P. Reynish	\$31,000

## 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

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
Director	Grandview Farm Ltd

#### Mr I. R. Fitzgerald

Chairman	Ngati Apa Ki Te Ra To Investments Ltd
Chairman	Matavai Niue
Chairman	Niue Development Bank
Chairman	NZ Customs Joint Border Management Project
Chairman	Telecom Niue
Director	Public Trust
Director	Burleigh Evatt Ltd
Director	Timaru District Holdings Ltd
Member	Land Information NZ ASaTS Project
Member	University of Waikato Council
Member	Ministry of Foreign Affairs & Trade Audit & Risk Committee

#### Mr N. J. Gormack

Director	Opuha Water Ltd
Director	Quantum Advantage Ltd
Director	The Greendale Group Ltd
Director	Hilton Nominees Ltd
Advisory	Hassle-Free Tours Ltd
Shareholder	Quantum Advantage Ltd

#### Mr R. H. Gower

Director	Gower Management Group Ltd
Director	Mitsui Credit Ltd
Director	CSM Group Ltd
Director	Arno Investments Ltd
Director	NXT Fuels Ltd
Director	New Zealand Food Innovation Auckland Ltd
Director	Roger Gower & Associates Ltd
Director	Quintessential Life Designs Ltd**
Director	New Zealand's Best Food & Beverage Ltd
Shareholder	Gower Management Group Ltd
Shareholder	Mitsui Credit Ltd
Shareholder	Arno Investments Ltd
Shareholder	Roger Gower & Associates Ltd
Shareholder	Quintessential Life Designs Ltd**
Shareholder	New Zealand's Best Food & Beverage Ltd

#### Mr D. J. Odey

Chairman	Timaru District Holdings Ltd
Mayor	Timaru District Council
Director	Parr and Company Ltd
Director	Air & Power Industrial Ltd
Director	Hunter Downs Water Ltd
Shareholder	Parr and Company Ltd
Shareholder	Air & Power Industrial Ltd

#### Mr D. A. Pilkington

Chairman	Port of Tauranga Ltd
Chairman	Hellers Ltd
Chairman	Rangatira Ltd
Chairman	Douglas Pharmaceuticals Ltd**
Director	Excelsa Associates Ltd
Director	Northport Ltd
Director	ZESPRI Group Ltd** <i>Resigned 1 May 2017</i>
Shareholder	Excelsa Associates Ltd
Trustee	New Zealand Community Trust

#### Mr A. P. Reynish

Director	Stallion Plastics Ltd
Director	Port Nelson Ltd
Director	MetroBox Ltd
Director	Timaru Container Terminal Ltd
Director	Quality Marshalling (Mount Maunganui) Ltd
Shareholder	Stallion Plastics 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:

Remuneration	No. of Employees
\$330,001 - \$340,000	1
\$260,001 - \$270,000	1
\$220,001 - \$230,000	1
\$210,001 - \$220,000	2
\$200,001 - \$210,000	1
\$170,001 - \$180,000	1
\$150,001 - \$160,000	1
\$140,001 - \$150,000	1
\$130,001 - \$140,000	2
\$120,001 - \$130,000	3
\$110,001 - \$120,000	1
\$100,001 - \$110,000	6

**Donations**

During the year the company made donations of \$1,093.

**Auditors' Remuneration**

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

	Audit of the Financial Statements
PrimePort Timaru Limited	\$59,102

**Review of Past Year**

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

**Dividend**

Directors declared dividends of \$1,355,200 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.

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.		
<b>Cargo Tonnage</b>	<b>1,485,000</b>	<b>Yes</b>
<b>Vessel Arrivals</b>	<b>434</b>	<b>Yes</b>
(b) To manage and operate PrimePort Timaru Ltd to enhance shareholder wealth through continuously improving performance.		
<b>Earnings (after tax) per share</b>	<b>\$0.41</b>	<b>Yes</b>
<b>Dividends (proposed) per share</b>	<b>\$0.00</b>	<b>Yes</b>
<b>Net Assets per share</b>	<b>\$5.85</b>	<b>Yes</b>
<b>Return (after tax) on total assets</b>	<b>4.50%</b>	<b>Yes</b>
<b>Return (after tax) on shareholders funds</b>	<b>6.97%</b>	<b>Yes</b>
<b>Ratio of shareholders funds to total assets</b>	<b>0.65</b>	<b>Yes</b>
(c) To employ the best people and develop staff to their full potential in a safe working environment.		
<b>Lost time injury frequency rate</b>	<b>2.00</b>	<b>Yes</b>
(d) To ensure activities are effectively communicated to stakeholders		
<b>Monthly reports</b>	<b>12</b>	<b>Yes</b>
<b>Chairman/Chief Executive meet with shareholders</b>	<b>2</b>	<b>Yes</b>
(e) To accept responsibility as a user of the coastline and recognise the importance of the environment for future generations.		
<b>Incidents leading to pollution of harbour</b>	<b>Nil</b>	<b>Yes</b>
<b>Compliance with all resource consent conditions</b>	<b>Yes</b>	<b>Yes</b>
<b>Compliance with NZ Maritime Safety Standards</b>	<b>Yes</b>	<b>Yes</b>

# Directory

## Board of Directors

A. W. Baylis	<b>Director</b>
I. R. Fitzgerald	<b>Director</b>
N. J. Gormack	<b>Director</b> <i>Resigned 7 November 2016</i>
R. H. Gower	<b>Chairman</b>
D. J. Odey	<b>Director</b>
D. A. Pilkington	<b>Director</b>
A. P. Reynish	<b>Director</b>

## Shareholders as at 30 June 2017

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 7910  
New Zealand

PO Box 544  
Timaru 7940  
New Zealand

Telephone +64 3 687 2700  
Facsimile +64 3 687 2709  
Website [www.primeport.co.nz](http://www.primeport.co.nz)

## Leadership Team

P. R. Melhopt	<b>Chief Executive</b>
N. J. G. Donaldson	<b>Finance Manager</b>
K. W. Michel	<b>Operations Manager</b>
T. Cooper	<b>Infrastructure Manager</b>
K. J. Elstone	<b>Health &amp; Safety Manager</b>
A. M. Chaudhari	<b>Marine Manager</b> <i>Resigned 7 April 2017</i>

## Solicitors

RSM LAW – Timaru  
Buddle Findlay – Christchurch  
Oceanlaw New Zealand – Nelson

## Bankers

Bank of New Zealand

The Directors are pleased to present the Annual Report of PrimePort Timaru Limited for the year ended 30 June 2017.

For and on behalf of the Board of Directors.



R. H. Gower  
Chairman

31 August 2017



A. W. Baylis  
Director

31 August 2017



# Our Mission, Customers First.



Container vessel being turned in the harbour.

# PrimePort Timaru Annual Report 2017

PO Box 544  
Timaru 7940  
New Zealand  
Telephone +64 3 687 2700  
Facsimile +64 3 687 2709

[www.primeport.co.nz](http://www.primeport.co.nz)

