PRIMEPORT
TIMARU

Annual Report 2008

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CHAIRMAN AND CHIEF EXECUTIVE'S REVIEW 2007/2008

OVERVIEW

PrimePort Timaru has had a year of significant success but this was matched by disappointment in the latter half of the financial year.

The Port had built to four container services each week that were well supported by shippers. However as the year progressed, dramatic increases in costs, particularly bunker fuel, led shipping companies to re-evaluate services. Maersk and Hamburg Sud combined their OC1/Trident services to America into one and moved their South Island Port call from Timaru to Otago. Maersk introduced a coastal feeder service, the Southern Star but this only retained their core cargo. Tasman Orient Line stopped their North Asia calls into Timaru but retained the 15 day East Asia service. Goldstar introduced a new weekly direct call to Australia in February after 3 years of engagement. This service ceased after only four months not withstanding a strong commitment by exporters.

A positive reversal of these announcements came after year end, with advice that the combined Maersk/Hamburg Sud OC1/Trident service would revert back to Timaru in early September. It reflects both the case for bringing ships to the cargo and a strong regional economy. The service will reinstate a weekly direct call to America and Europe and strengthen links to Asia and most world locations.

Overall the changes will still result in 130 fewer ship calls per annum and a significant reduction in container volumes.

Beyond containers, the breakbulk trade has been steady and continues to underpin Timaru as an ideal location for linking to the whole South Island. There has also been strong growth in fertiliser and grain.

Restructuring became a key focus for the business and regrettably it proved necessary to lay off thirty very experienced staff. Three forklifts and the nineteen year old LHM1200 crane were sold. Capital development work was postponed with the exception of the North Mole sheet-piling project which was already well advanced. The commitment to purchase the 2nd tug 'Aoraki', which is due for delivery in late October, has also been retained to support marine safety as ship size increases, and with a view to the long term future.

In financial terms PrimePort Timaru still produced a sound result for the year in review. This year's net profit before tax of $2,168,000 is down on last years record profit of $2,501,000 but compares well with average operating profit levels of the past 5 years.

Port operational revenue increased by $2.0 million to $19.9 million, with small gains achieved across most trades. Property revenue remained at similar levels from last year. As a result of the property market slowing Port investment property revaluations increased by only $497,000 compared to the large increase of $3,818,000 in the previous year.

- Container volumes increased from 77,100 to 80,100 TEU (twenty foot equivalent units) which is a new record volume of containers for the port.
- Fertiliser tonnage was up 25% on last year.
- Grain and stockfeed activity increased.
- Log volumes were back 29% on last years record level which saw a production spike due to 'forest to pasture' conversions in Canterbury.
- Traditional breakbulk cargo volumes increased by 17%.
- Fuel and bulk liquids showed a modest increase.

In total PrimePort Timaru exchanged 1.6 million tonnes of cargo across the wharves, a 9% increase on the previous year.

The Debt to Equity ratio of 6% has been held at this low level in order to reduce the financial risk that could and in fact has arisen from the container line restructuring. This was seen as a necessary part of prudent management.

Shareholder funds increased to $66 million, giving a net asset backing of $6.50 per share. This is a small increase from the previous year.


Located on the doorstep of all the region's biggest exporters.

FINANCIAL

We report a 2008 net profit before tax of $2,168,000, versus $2,501,000 in 2007.

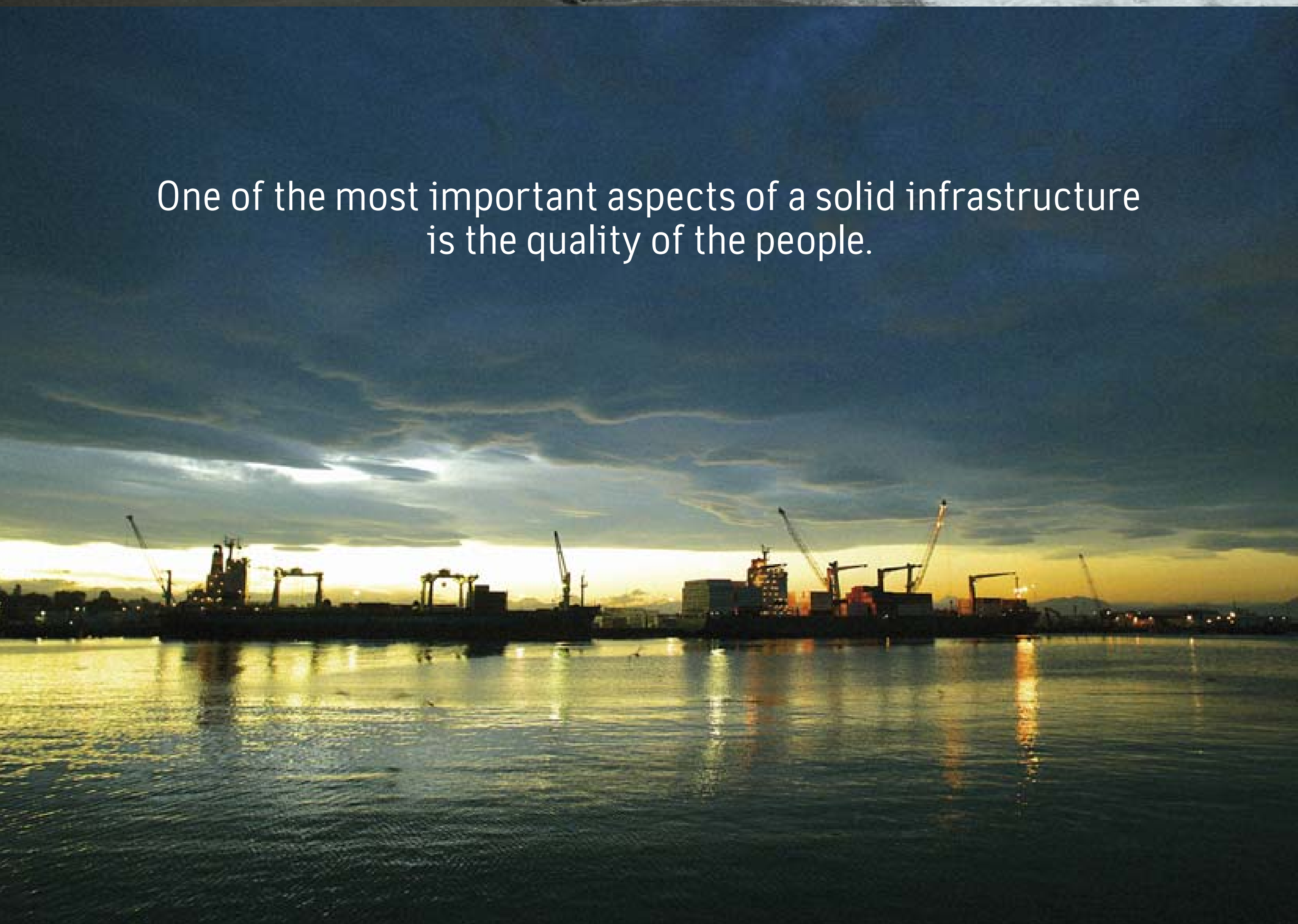
After tax profit of $2,104,000 was down on last year's profit of $5,542,000, but the latter was largely influenced by the relative port investment property valuation.

Port operational revenue increased from $17.9 million to $19.9 million in 2008. Net cash flows from operating activities also increased from $3.7 million to $6.0 million as a result of the increased operational revenue.

This revenue growth corresponded to additional expenses of $2.7 million mainly in staff costs and maintenance. Storm damage that occurred in June 2007 also impacted on dredging costs which totalled $1,120,000 during the 2008 year. Such cost increases have largely been absorbed without rate adjustment in a strong competitive environment.

Financing costs at $678,000 were up 20% from last year, as a result of increased interest rates and a higher average level of borrowings throughout the year, however by year end the debt levels had reduced. The closing Balance Sheet for the year sees PrimePort with a debt to equity ratio of 6% compared to 9% in the previous year.

Directors paid a dividend of $400,000 last year related to the 2006/07 earnings. No dividend has been approved from the 2007/08 earnings, reflecting less favourable trading conditions projected in the short term as result of reduced ship calls.



One of the most important aspects of a solid infrastructure is the quality of the people.

MARKETING

Cargo volumes again reached record levels on the back of a strong and growing local economy. Central South Island importers and exporters have provided excellent support to the lines and services calling at Timaru and reflected the Ports success in building to four container calls each week with excellent coverage throughout the world. This success was dampened by the loss or reduction by all the lines late in the year. However this has again been reversed at least in part by the reintroduction of OC1/Trident to Timaru by Maersk and Hamburg Sud.

The net effect of all these changes is that local exporters will still receive a weekly direct service from Timaru to East Coast USA and Europe plus links to Asia and other global destinations via trans-shipment.

During the year Tasman Orient Line were also forced to restructure their multipurpose breakbulk and container services owing to rising cost pressures. Calls to the South Island by their North Asia service were discontinued. More recently the East Asia service was withdrawn from Bluff. Timaru now becomes the only South Island breakbulk service for Tasman Orient via this East Asia service and maintains connections to other Asian services via trans-shipment.

The PCL / PANZ breakbulk service to and from the Middle East has continued to build successfully with particular support from the timber industry in the past 12 months. Timaru is an anchor port partner in this monthly service by three vessels.

Steady support has also been provided by other shipping partners who have experienced moderate cargo growth. In particular the bulk liquid, fertiliser and dry bulk trades performed well this year. Of note was PrimePorts first bulk grain shipment for over 5 years, with 22,000 tonnes of feed barley exported to Saudi Arabia in February. The fishing industry continues to provide a stable throughput and a strong commitment to the Port.

Also of significance for the future is the development locally of large storage complexes for the handling of imported bulk stockfeeds to service the burgeoning dairy industry. PrimePort is ideally positioned to participate in this rapidly developing trade.

Holcim Cement has confirmed PrimePort as their Port of choice for the proposed new production facility at Weston near Oamaru. The Weston plant would be a new facility for cement production in New Zealand. A final commitment to the plant is some time away, and still remains dependent on a number of consent and commercial factors. If successful it would provide an ideal long term partnership for the Port.

Other opportunities within the Central South Island region remain very positive, with major capital investment continuing in the dairy industry not only by Fonterra but also NZ Dairies at Studholme and Synlait at Rakaia. Talleys recent expansion at their Ashburton plant and RD2s' new juicing factory at Washdyke are all examples of the business confidence in the region.

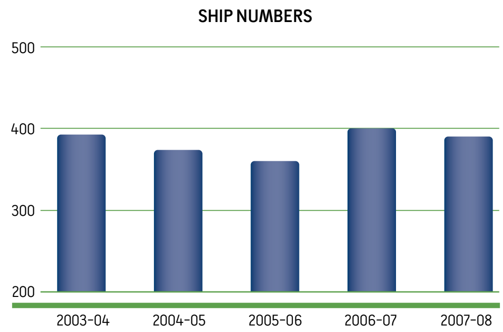
The next 12 months will prove challenging particularly in our container business but longer term opportunities remain strong particularly those linked to breakbulk and trades that are supporting the agricultural sector.

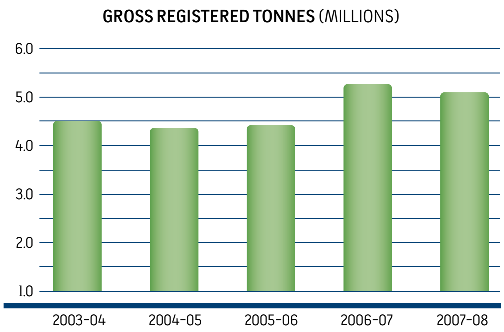
PRIMEPORT OPERATIONS

SHIPS

The gross registered vessel tonnage at 5.1 million GRT was down slightly on last year. Ship numbers were also slightly down to 389, of which 85% were piloted compared to 87% in the previous year.

The decrease in ship numbers and gross registered tonnes is a reflection of recent rationalisation. The year has also seen the continuation of other regular shipments in fertiliser, fuel, logs and bulk liquid trades.





SECURITY / SAFETY

Primeport provides a strong focus on security, operating according to the International ISPS Code. We comply with Port and Harbour Marine Safety Code regulations endorsed by Maritime New Zealand.

Health and Safety is a priority for staff at all levels with procedures constantly under review.

PRODUCTIVITY

Our experienced team continues to take pride in delivering efficient and effective services to customers, both on and off the wharf. Staff demonstrated their skills and versatility once again with the increased container and breakbulk volumes. The two Liebherr LHM500 cranes have maintained excellent results for all shipping companies across a wide range of ship size and configuration.

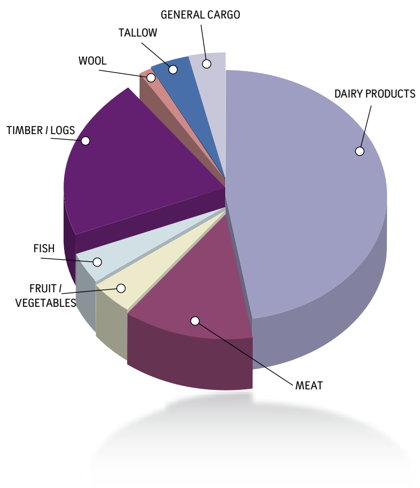
CARGO

Non-containerised cargo handled through the Port in 2008 was the equivalent of 870,000 tonnes, 129,000 tonnes more than the previous year. The increase relates to fertiliser and conventional breakbulk.

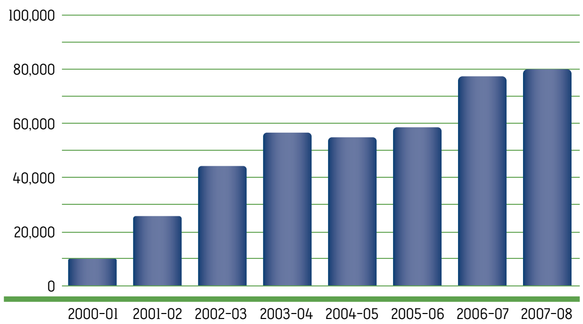
Containers handled through the Port in 2008 showed a small increase to 80,100 TEU's from 77,100 TEU's in the previous year.

The combined cargo tonnage across the wharves was 1,636,000. The pie charts and cargo graphs shows our key cargo statistics for the year.

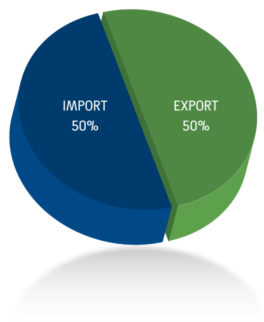
2008 EXPORT CARGO MIX



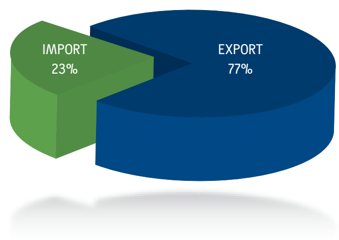
CONTAINER VOLUME (TEU'S)



2008 TOTAL CARGO MIX (TONNES)



2008 CONTAINER CARGO MIX (TONNES)



CAPITAL DEVELOPMENT

Capital expenditure totalled $4.8 million after incorporating plant sales of $1.2m. The sales included the old LHM1200 crane and 3 forklifts. Delivery of the new tug was delayed by several months, with possession expected in late October 2008.
The North Mole sheet-piling and berth pocket extension plus the realignment and fencing of the container terminal entrance were the other major capital projects committed during the year. A cautionary approach is being adopted for other capital spending in the current financial environment.

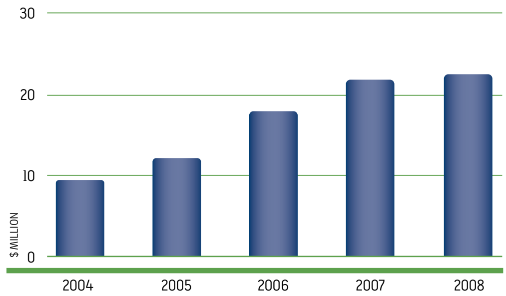
PROPERTY

All land was revalued with an overall decrease in property value of $734,000. This reflects a $1,231,000 decrease in operational land value offset by a $497,000 increase in investment property value. The outcome follows a large increase last year and constant growth over the previous five years. The total investment property is now valued at $23.4 million, including $2.0 million for buildings.

The investment property valuation graph illustrates this net growth of property values for the Port investment property over the past 5 years.

Property revaluation reserves included in equity amounts to $38.1 million, contributing $3.81 per share to net asset value.

PORT INVESTMENT PROPERTY VALUATIONS



PEOPLE

Our business is built around people. Our culture and operating values remain focused towards 'Customers first' principles.
This year's results are testimony to our staff's dedication and commitment to service. However 2008 has been a difficult year for our staff. Changes in shipping had been expected but the consecutive announcements late in the year by all the container shipping lines had not been anticipated, especially against a background of very strong regional growth.

It was very disappointing, as a consequence that we had to restructure the staffing profile and lose the skills of thirty from our team. For all staff during this process we appreciated the professionalism and dedication to the job to maintain high standards of customer service. We especially thank all those who have left, for their valuable contribution during their time at PrimePort.

We continue to recognise that our future depends on our multi-skilled team and their unrelenting challenge to continually improve productivity.


EUCLID
TASMAN

DIRECTORS

PrimePort Timaru is led by a group of directors with a diversity of skills, and a wealth of experience. During 2008 they continued to provide strong leadership at board level.

Messrs John Isles and John Rolleston both retire by rotation at the Annual General Meeting. They have been re-nominated by Timaru District Holdings Ltd and Port Industry Holdings Ltd respectively for a further term.

PRIMEPORT SHAREHOLDERS

There have been no changes in shareholding during the year.

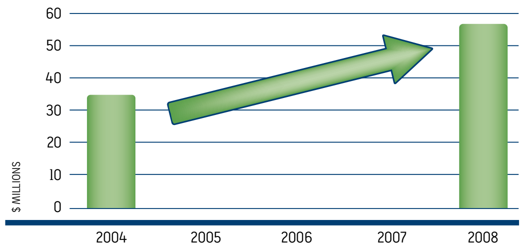
The company continues to work closely with its shareholders in the development of its business and acknowledges their support.

Shareholding equity equates to growth of 88% over the last 5 years. This is an average of 13.2% annually over that period. The graph shows cumulative shareholding equity growth over that period.

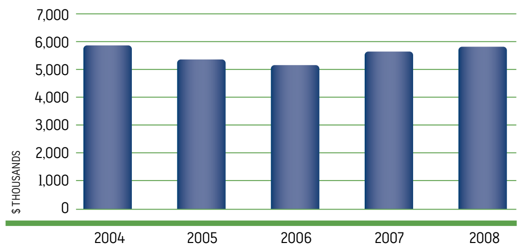
Earnings before interest, tax, depreciation and amortisation (EBITDA) shows a steady trend over the past five years and has increased over the past 2 years.

The normal port operating profit since port deregulation shows the trend in profitability over the past 24 years. A reduced profit is forecast next year.

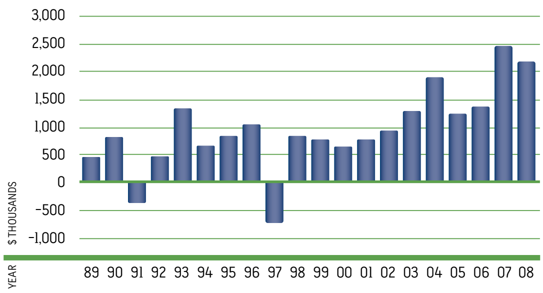
CUMULATIVE SHAREHOLDER EQUITY GROWTH



EBITDA USING NORMAL PORT OPERATING PROFITS



NORMAL PORT OPERATING PROFITS



"There is no security on this earth; there is only opportunity."

General Douglas MacArthur

2008/2009 OUTLOOK

The dynamic nature of the last twelve months generates an outlook for further change. It is the timing and scope of this change that remains difficult to predict.

New Zealand and certainly the South Island is well positioned to optimise its position as a food supplier to a world market with strong demand, accentuated by increasing affluence and consumption in the Asian Region and diversion of cropping land to bio-fuel production. However this is countered by the 'tyranny of distance' and the cost of shipping which is facing locked in increases of bunker fuel and charter rates. It seems inevitable that importers and exporters, will pay increased rates, with reduced options and a diminished service especially around timing and supply of equipment. Shipping lines are rationalising services by reducing Port calls, slowing vessels and relying more on hubbing or trans-shipment of cargo.

At the same time New Zealand is facing a cross roads in terms of infrastructural investment. Significant funding in roading is struggling to offset congestion and projected freight growth. The Governments recent purchase of rail suggests that rail will consume investment both in terms of track and rolling stock. Coastal shipping has also become a Government focus, but the key issues around the control of international cargo and how this is managed within the country is still to be addressed.
The conflicted ownership of road and rail and coastal shipping subsidy by Government adds to the uncertainty especially given the lack of an overall strategy for New Zealand. Modal investment decisions will have a major bearing on regional ports, whether they aid or detract from the seaward link. Other tensions arise in terms of growing freight requirements and carbon efficiency, and whether New Zealand ports should or will develop to cater for large ships. Port consolidation has been debated, but a successful model is yet to be developed.

Against this background, what is the outlook for Timaru?

The Port continues to play to its strengths which include its central South Island location, land bank for development, and direct connection to the main trunk rail and state highway networks. A container business that supports the Region remains a core component of our business provided it is sustainable, which in turn requires a reasonable throughput. This has been well proven in the past, but now depends on shipping lines continuing to call in New Zealand and whether in the future there will be a viable coastal network. It is inevitable that change will continue. It is important, therefore that PrimePort not only continues to invest to ensure service but to retain flexibility and to allow a quick response to opportunity. Examples in the last year include the design and resource consent (but not commissioning) to extend wharves, develop the harbour, and commitment to the purchase of a second tug. In the short term, with reduced volumes, margins will be tight but it is important that the Port remains positioned to adapt to the wider picture.

The other core component for PrimePort is to service the non-container trade. Investment by third parties continues in the Region, with Timaru being recognised as an ideal distribution point for the whole South Island. This is a diverse trade that continues to underpin the Port and retains a strong outlook for growth. Liquids, and breakbulk such as fertiliser, tallow, food oils, logs, stock feed and fuel plus the fishing industry all add strength to the company.

The recent restructure of the business means the commitment to staff and their development remains more important than ever especially as employees are being called upon to cover a wider range of duties. It is a team that retains significant pride in the service delivered.

In summary the future for Ports and shipping appears more dynamic than ever, but PrimePort Timaru can seize opportunity by remaining flexible and focusing beyond the short term.

Sid McAuley
CHAIRMAN

Jeremy Boys
CHIEF EXECUTIVE

PRIMEPORT TIMARU LTD FOR THE YEAR ENDED 30 JUNE 2008

STATEMENT OF FINANCIAL PERFORMANCE

	NOTE	GROUP		PARENT	
		2008 $000	2007 $000	2008 $000	2007 $000
REVENUE					
Port operational		19,912	17,890	19,912	17,890
Property rentals	22	1,956	1,849	1,956	1,849
Bad debt recovered		3	–	3	–
Surplus on sale of port related investment property		–	154	–	154
Surplus on disposal of operational fixed assets		390	8	390	8
Dividends received		–	–	–	2,393
		22,261	**19,901**	**22,261**	**22,294**
EXPENDITURE					
Staff	25	7,492	6,077	7,492	6,077
Port operating		6,234	5,833	6,234	5,832
Depreciation	7	3,134	2,811	3,134	2,811
Finance		678	566	678	566
Dredging	7	1,120	733	1,120	733
Directors		152	136	152	136
Operating leases		1,199	1,177	1,199	1,177
Audit services – Audit		44	39	44	39
– Other		3	11	3	11
Bad debts incurred		18	10	18	10
Doubtful debts		18	7	18	7
Investment loss		–	–	–	106
Donations		1	–	1	–
		20,093	**17,400**	**20,093**	**17,505**
Profit before taxation and port investment property valuations		**2,168**	**2,501**	**2,168**	**4,789**
Port investment property revaluations	8	497	3,818	497	3,818
Taxation	2	(561)	(777)	(561)	(777)
Profit after taxation attributable to equity holders	3	**2,104**	**5,542**	**2,104**	**7,830**

STATEMENT OF CHANGES IN EQUITY

	NOTE	GROUP 2008 $000	GROUP 2007 $000	PARENT 2008 $000	PARENT 2007 $000
Equity at the beginning of the year		65,371	54,129	65,371	51,841
Profit after taxation attributable to equity holders	4	2,104	5,542	2,104	7,830
Movement in reserves	5	(1,417)	6,200	(1,417)	6,200
Total recognised income & reserves for the year		**687**	**11,742**	**687**	**14,030**
Distributions to shareholders	6	(400)	(500)	(400)	(500)
Equity at the end of the year		**65,658**	**65,371**	**65,658**	**65,371**

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

PRIMEPORT TIMARU LTD AS AT 30 JUNE 2008

STATEMENT OF FINANCIAL POSITION

	NOTE	GROUP		PARENT	
		2008 $000	2007 $000	2008 $000	2007 $000
EQUITY					
Issued shares	6	10,000	10,000	10,000	10,000
Retained earnings	4	39,021	37,317	39,021	37,317
Revaluation reserve	5	16,637	18,054	16,637	18,054
TOTAL EQUITY		**65,658**	**65,371**	**65,658**	**65,371**
REPRESENTED BY LONG TERM ASSETS					
Operational fixed assets	7	43,884	46,886	43,884	46,886
Operational fixed assets under construction	18	4,412	1,738	4,412	1,738
Port related investment properties	8	23,366	22,869	23,366	22,869
Total long term assets		**71,662**	**71,493**	**71,662**	**71,493**
CURRENT ASSETS					
Cash and cash equivalents		62	46	62	46
Trade and other receivables	10	2,019	2,624	2,019	2,624
Tax to be refunded		–	82	–	82
Inventory	20	271	293	271	293
Total current assets		**2,352**	**3,045**	**2,352**	**3,045**
TOTAL ASSETS		**74,014**	**74,538**	**74,014**	**74,538**
TERM LIABILITIES					
Money market loans	11+12	**4,250**	**6,200**	**4,250**	**6,200**
Deferred taxation	2	**192**	**548**	**192**	**548**
CURRENT LIABILITIES					
Trade and other payables	14	2,202	1,420	2,202	1,420
Employee entitlements	15	1,558	999	1,558	999
Tax payable		154	-	154	-
Total current liabilities		**3,914**	**2,419**	**3,914**	**2,419**
TOTAL LIABILITIES		**8,356**	**9,167**	**8,356**	**9,167**
NET ASSETS		**65,658**	**65,371**	**65,658**	**65,371**

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

For and on behalf of the
Board of Directors.
26 August 2008

S G McAuley
Chairman

JMW Rolleston
Director

STATEMENT OF CASH FLOWS

	NOTE	GROUP		PARENT	
		2008 $000	2007 $000	2008 $000	2007 $000
CASH FLOWS FROM OPERATING ACTIVITIES					
Sources					
Cash received from customers		22,171	19,267	22,171	19,267
Disbursements					
Payments to suppliers		7,106	7,298	7,106	7,297
Payments to employees		6,909	5,812	6,909	5,812
Net GST paid		(277)	73	(277)	73
Income tax and subvention payments		599	1,172	599	1,172
Interest on borrowing		689	599	689	599
Dredging		1,120	591	1,120	591
		16,146	15,545	16,146	15,544
Net cash from operating activities	3	**6,025**	**3,722**	**6,025**	**3,723**
CASH FLOWS FROM INVESTING ACTIVITIES					
Sources					
Proceeds from disposal of fixed assets		1,295	2,510	1,295	2,510
Dividend from subsidiaries		–	–	–	2,393
Repayments from subsidiaries		–	–	–	6
		1,295	2,510	1,295	4,909
Disbursements					
Purchase of fixed assets		4,954	4,463	4,954	4,463
Repayments to subsidiaries		–	–	–	2,400
		4,954	4,463	4,954	6,863
Net cash used in investing activities		**(3,659)**	**(1,953)**	**(3,659)**	**(1,954)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Sources					
Loans raised		–	–	–	–
Disbursements					
Loans repaid		1,950	1,350	1,950	1,350
Dividends paid		400	500	400	500
		2,350	1,850	2,350	1,850
Net cash used in financing activities		**(2,350)**	**(1,850)**	**(2,350)**	**(1,850)**
NET INCREASE/(DECREASE) IN CASH		**16**	**(81)**	**16**	**(81)**
Opening cash and cash equivalents balances		46	127	46	127
CLOSING CASH AND CASH EQUIVALENTS BALANCES		**62**	**46**	**62**	**46**
Represented by					
Cash and cash equivalents		62	46	62	46

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

1. STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

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

STATEMENT OF COMPLIANCE

The financial statements and group financial statements of PrimePort Timaru Limited are prepared in accordance with the Financial Reporting Act 1993, the Companies Act 1993 and with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS). 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 NZ IFRS and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. Compliance with NZ IFRS ensures that the financial standards also comply with International Financial Reporting Standards.

These financial statements of PrimePort Timaru Limited are for the year ended 30 June 2008. The financial statements were authorised for issue by the Board on 26 August 2008.

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 & 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 group financial statements include the parent company and its subsidiaries which are accounted for using the purchase method. All significant inter-company transactions are eliminated on consolidation. In the parent company financial statements, investments in subsidiaries are stated at cost. The financial statements show no investment in subsidiaries as no share capital has been issued.

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 in value of land is recognised directly in equity unless it offsets a previous decrease in value recognised in the statement of financial performance, in which case it is recognised in the statement of financial performance. A decrease in value relating to land is recognised in the statement of financial performance where it exceeds the increase previously recognised in equity.

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 to 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 value is recorded in the statement of financial performance.

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 capitalised 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 cost 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 statement of financial performance. 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 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 charged or credited to the statement of financial performance except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

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 statement of financial performance.

K: FINANCIAL INSTRUMENTS

The group 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 statement of financial performance. However, where the derivatives qualify for hedge accounting, any change in fair value is recognised in the Balance Sheet (see 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 group 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 in 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 group. 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 group'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 statement of financial performance 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 are reclassified into the statement of financial performance in the same period.

P: IMPAIRMENT

The carrying amount of the groups 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 is less than its carrying amount, the asset is written down to its estimated recoverable amount and an impairment loss is recognised in the statement of financial performance.

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.

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 statement of financial performance over the period of the borrowings on an effective interest rate. All borrowing costs are recognised as an expense in the period in which they are incurred.

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 stated at cost.

U: REVENUE

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

Rental and sub-lease 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 statement of financial performance on a straight line basis over the term of the lease.

All borrowing costs 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 based over the term.

X: CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, funds within our cheque account, deposits held on 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

	GROUP		PARENT	
	2008	**2007**	**2008**	**2007**
	$000	**$000**	**$000**	**$000**
Profit before taxation and port investment property valuations	2,168	2,501	2,168	4,789
Port investment property revaluations	497	3,818	497	3,818
Profit before taxation	2,665	6,319	2,665	8,607
Prima facie taxation at 33%	879	2,085	879	2,840
Plus/(Less) taxation effect of:				
Non-taxable income	(207)	(1,304)	(207)	(2,059)
Deferred tax effect of tax rate change to 30%	(27)	-	(27)	-
Prior period adjustment	(84)	(4)	(84)	(4)
	561	**777**	**561**	**777**
The taxation charge is represented by:				
Current taxation	933	771	933	771
Deferred taxation	(261)	10	(261)	10
Prior period adjustment	(84)	(4)	(84)	(4)
Deferred tax effect of tax rate change to 30%	(27)	-	(27)	-
	561	**777**	**561**	**777**
Deferred tax liability				
Balance brought forward	(548)	(637)	(548)	(637)
Temporary differences charged to income statement:				
- Long term assets	295	20	295	20
- Employee entitlements	(12)	44	(12)	44
- Others	(11)	25	(11)	25
- Prior period adjustment- long term assets	84	-	84	-
Deferred taxation	**(192)**	**(548)**	**(192)**	**(548)**
Deferred tax liability is represented by:				
- Long term assets	**(474)**	**(853)**	**(474)**	**(853)**
- Employee entitlements	**209**	**221**	**209**	**221**
- Others	**73**	**84**	**73**	**84**
	(192)	**(548)**	**(192)**	**(548)**
Imputation credit account				
Opening balance	3,086	2,433	3,086	1,248
Tax paid	599	899	599	929
Imputation credits attached to dividends received	-	-	-	1,155
Imputation credits attached to dividends paid	(197)	(246)	(197)	(246)
	3,488	**3,086**	**3,488**	**3,086**

3. RECONCILIATION OF CASH FLOW WITH OPERATING SURPLUS

	GROUP		PARENT	
	2008 $000	2007 $000	2008 $000	2007 $000
Profit after taxation	2,104	5,542	2,104	7,830
Depreciation	3,134	2,811	3,134	2,811
Investment property revaluation	(497)	(3,818)	(497)	(3,818)
Movements in deferred tax	(356)	(89)	(356)	(89)
Movements in deferred tax – hedging impact on reserves	82	–	82	–
Subvention payment	–	(271)	–	(271)
Subsidiary dividends	–	–	–	(2,393)
Subsidiary capital loss	–	–	–	106
Surplus on disposal of port related investment properties	–	(154)	–	(154)
Surplus on disposal of fixed assets	(390)	(8)	(390)	(8)
Dredging amortisation	–	142	–	142
	4,077	**4,155**	**4,077**	**4,156**
Working capital movements				
(Increase) / Decrease in trade an other receivables	605	(589)	605	(589)
(Increase) / Decrease in inventory	22	90	22	90
Increase / (Decrease) in trade an other payables	1,085	101	1,085	101
Increase / (Decrease) in tax payable	236	(35)	236	(35)
Net cash flow from operating activities	**6,025**	**3,722**	**6,025**	**3,723**

4. RETAINED EARNINGS

Opening balance	37,317	32,275	37,317	29,987
Profit after tax	2,104	5,542	2,104	7,830
Less dividends paid	(400)	(500)	(400)	(500)
Closing balance	**39,021**	**37,317**	**39,021**	**37,317**

5. RESERVES

Opening balance	18,054	11,854	18,054	11,854
Operational land	(1,231)	6,209	(1,231)	6,209
Financial instrument hedging	(186)	(9)	(186)	(9)
Closing balance	**16,637**	**18,054**	**16,637**	**18,054**
Reserves are represented by:				
Operational land	16,828	18,059	16,828	18,059
Financial instrument hedging	(273)	(5)	(273)	(5)
Tax effect of hedging	82	–	82	–
	16,637	**18,054**	**16,637**	**18,054**

6. PAID IN SHARE CAPITAL

The company has on issue 10,000,000 (2007 10,000,000) fully paid shares. All shares have equal voting rights and share equally in dividends and any distribution. An ordinary dividend of 4.0 cents per share was paid during this financial year. In the previous year an ordinary dividend of 3.0 cents per share and a special dividend of 2.0 cents per share were paid. These dividends were all fully imputed.

7. OPERATIONAL FIXED ASSETS

	OPENING BALANCE	PURCHASES	(SALES)	CURRENT VALUATION	CURRENT YEAR DEPCN	DREDGING EXPENSED	CLOSING BALANCE	AT COST/ VALUATION	ACCUM DEPCN
	$000	$000	$000	$000	$000	$000	$000	$000	$000
Group & Parent Company									
Plant and equipment	14,582	419	(896)		(2,659)		11,446	26,424	14,978
Freehold buildings	2,334	216	-		(101)		2,449	3,400	951
Wharves	6,215	745	-		(317)		6,643	9,014	2,371
Breakwaters/Channel	3,653	1,780	-		-	(1,120)	4,313	4,612	299
Improvements to land	773	219	-		(57)		935	1,148	213
Freehold land - at valuation	19,329	-	-	(1,231)	-		18,098	18,098	-
Total for Group	**46,886**	**3,379**	**(896)**	**(1,231)**	**(3,134)**	**(1,120)**	**43,884**	**62,696**	**18,812**
COMPARATIVES FOR 2007									
Group & Parent Company									
Plant and equipment	14,824	2,210	(43)		(2,409)		14,582	31,624	17,042
Freehold buildings	2,323	106	-		(95)		2,334	3,186	852
Wharves	5,895	591	-		(271)		6,215	8,268	2,053
Breakwaters/Channel	3,799	591	-		(4)	(733)	3,653	3,952	299
Improvements to land	745	60	-		(32)		773	929	156
Freehold land - at valuation	13,030	90	-	6,209	-		19,329	19,329	-
Total for Group	**40,616**	**3,648**	**(43)**	**6,209**	**(2,811)**	**(733)**	**46,886**	**67,288**	**20,402**

Land held by the company has been independently valued as at 30 June for the 2008 financial year by GR Sellars FNZIV, FNZPI, a registered valuer with Fright Aubrey Limited. 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. The carrying amount that would have been recognised had the assets been carried under the cost model for freehold land is $1,270,000.

There were no impairment losses during the year.

There are no operational fixed assets where title is restricted.

8. PORT RELATED INVESTMENT PROPERTIES

	GROUP		PARENT	
	2008	2007	2008	2007
	$000	$000	$000	$000
Opening balance	22,869	19,133	22,869	19,133
Revaluation	497	3,818	497	3,818
Sales	-	(82)	-	(82)
Closing balance	**23,366**	**22,869**	**23,366**	**22,869**
Investment Properties are represented by:				
Land at valuation	21,394	20,757	21,394	20,757
Building at valuation	1,972	2,112	1,972	2,112
	23,366	**22,869**	**23,366**	**22,869**

Investment property held by the Company was independently valued as at 30 June for the 2008 financial year by GR Sellars FNZIV, FNZPI, a registered valuer with Fright Aubrey Limited. 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.

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. INVESTMENTS IN SUBSIDIARIES

The results of PrimePort Logistics Limited, PrimePort Dairy Store Limited and Coastal Pacific Limited, wholly owned subsidiaries, have been included in the group financial statements for the 2007 financial year. These subsidiaries were wound up during the 2007 financial year. There were no transactions for the current financial year and all subsidiaries are non trading.

10. TRADE AND OTHER RECEIVABLES

	GROUP		PARENT	
	2008 $000	2007 $000	2008 $000	2007 $000
Trade debtors	1,893	2,311	1,893	2,311
Prepayments	126	313	126	313
	2,019	**2,624**	**2,019**	**2,624**

Trade debtors are shown net of impairment losses arising from the likely non payment of a small number of customers.
As at 30 June 2008 all overdue receivables had been assessed for impairment and appropriate provisions applied.
The ageing of receivables for the group and parent are as follows:

	2008			2007		
	GROSS	IMPAIRMENT	NET	GROSS	IMPAIRMENT	NET
	$000	$000	$000	$000	$000	$000
Not past due - under 30 days	1,348	-	1,348	1,745	-	1,745
Past due - 30 to 60 days	505	-	505	483	-	483
Past due - 60 to 90 days	23	(6)	17	73	-	73
Past due - over 90 days	52	(29)	23	27	(17)	10
	1,928	**(35)**	**1,893**	**2,328**	**(17)**	**2,311**

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:

	GROUP		PARENT	
	2008 $000	2007 $000	2008 $000	2007 $000
Balance as 1 July	17	10	17	10
Additional provisions made during the year	36	17	36	17
Trade debtors written off during period	(18)	(10)	(18)	(10)
Balance as 30 June	**35**	**17**	**35**	**17**

11. MONEY MARKET LOANS

Repayable as follows:				
Beyond five years	**4,250**	**6,200**	**4,250**	**6,200**

MONEY MARKET

The company has arranged money market facilities with Bank of New Zealand for a maximum amount of $24 million to 2023, to date $4.25 million has been drawn. The facility will reduce by $1,600,000 annually from July 2008. This facility is being reviewed and is expected to decrease to $14 million, reducing annually from July 2009 by $1,000,000. Maturity dates of interest rate instruments within this long term facility are:

Within one year	-	2,700	-	2,700
One to two years	-	1,500	-	1,500
Two to three years	2,000	-	2,000	-
Four to five years	2,250	2,000	2,250	2,000

SECURITY

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

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 $24 million (2007 $24 million). There are no restrictions on this with the exception of the negative pledge.

12. FINANCIAL INSTRUMENTS

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.

INTEREST RATE RISK

The financial instruments at reporting date which are exposed to interest rate risk consist of bank deposits, 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 30/06/2008
Bank overdraft	13.15%
Money market	7.71%-8.65%

The $4,250,000 money market borrowing is on fixed interest rates for up to 54 month terms at interest rates between 7.71% and 8.65%.

The average interest rate on borrowings at year end is 8.21%.

PrimePorts 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 all of our borrowings are fixed indicating that we currently have no sensitivity to interest rate movements.

The company has variable rate long term borrowings to fund ongoing activities. Swaps have been entered to manage interest rate fluctuation risks. The principal or contract amounts of interest rate swaps outstanding at 30 June are as follows:

	GROUP		PARENT	
	2008 $000	2007 $000	2008 $000	2007 $000
Interest rate swaps:				
One to two years	-	1,500	-	1,500
Two to three years	2,000	-	2,000	-
Four to five years	4,500	2,000	4,500	2,000

FAIR VALUE

The carrying value of the groups financial assets and liabilities are recorded at estimated fair value as described in the accounting policies and notes. The financial instrument hedging reserve included through other reserves and trade and other payables for interest rate swaps are -$191,000 (2007 $60,000) . A negative number represents a negative reserve.

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 2008 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 2008 18% (2007 21%) of trade receivables were due from one customer which provides 24% (2007 35%) of the company's revenue. These receivables are considered fully recoverable.

CURRENCY RISK

PrimePort Timaru Group has exposure to foreign exchange risk as a result of transactions denominated in foreign currencies, arising from normal trading activities. PrimePort Timaru Group 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 US$3,120,000 (2007 US$3,120,0001). The mark to market value of the foreign forward exchange contracts as at 30 June 2008 included in trade and other payables were -$171,000 (2007 -$64,708). A negative number represents a negative reserve. PrimePorts treasury policy allows for currency management to be restricted to hedging underlying business exposures only.

CASH FLOW HEDGING

Cash flow hedges cover:

Foreign exchange – purchase of tug in US dollars to take place within the next financial year which will be recognised in operational fixed assets. Foreign exchange hedging is taken up so that the value of plant purchased in $US is fixed based on an expected delivery date avoiding any exchange fluctuations. PrimePort treasury policy provides that all purchases of items in foreign currency with an equivalent at spot rate of greater than NZ$100,000 are to be hedged.

Interest rate swaps – managing interest rate risks up to 57 months with the impact of the hedge taken up in the income statement as they occur. Interest rate swaps are taken up to lock in interest rates over future periods avoiding any interest rate fluctuations. Our hedging at balance date exceeded our total borrowings. At the time the hedging was taken up borrowing forecasts allowed for this level of hedging. Commitments that have been delayed will see our borrowing increase to reflect the level of hedging originally expected after balance date.

13. 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 13.15% per annum. This is a floating rate set by the Bank.

14. TRADE AND OTHER PAYABLES

	GROUP		PARENT	
	2008 $000	2007 $000	2008 $000	2007 $000
Trade creditors	330	414	330	414
Financial instrument	273	5	273	5
Other accrued expenses	1,599	1,001	1,599	1,001
	2,202	**1,420**	**2,202**	**1,420**

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

15. EMPLOYEE ENTITLEMENTS

Accrued pay	360	316	360	316
Redundancy provision	383	-	383	-
Accrued leave provision	745	604	745	604
Long service provision	46	56	46	56
Sick leave provision	24	23	24	23
	1,558	**999**	**1,558**	**999**

16. RELATED PARTY TRANSACTIONS

Timaru District Holdings Limited is the major shareholder of PrimePort Timaru Limited. Timaru District Holdings Limited is a wholly owned subsidiary of the Timaru District Council. A dividend of $285,701 (2007 $357,125) was paid to Timaru District Holdings Limited in September 2007. A subvention payment of $271,052 was also paid in September 2006.

Directors of PrimePort Timaru Limited own 39% of shares in Port Industry Holdings Limited via three shareholdings in this group giving them an effective 11% holding of the company. A dividend of $114,299 (2007 $142,875) was paid to Port Industry Holdings Limited in September 2007.

PrimePort Logistics Limited's share capital of $1,000 was repaid to the parent in 2007.

$5,000 of Coastal Pacific Limited's share capital was paid back to the parent company with the balance of $106,000 written off as investment loss in 2007.

PrimePort Dairy Stores Limited paid a dividend of $2,182,000 dividend to the parent company in 2007. PrimePort Dairy Store Limited's share capital of $1,000 was repaid to the parent in 2007.

During the year PrimePort Timaru Limited leased land to Timaru Wool Dumpers Limited, The Central Stockfeed Company Limited and DC Turnbull & Co Limited , companies in which Mr AG Turnbull is a director and also a director of PrimePort Timaru Limited. The leases amounted to 3.8% (2007 4.3%) of revenue from rentals and as at balance date $18,263 (2007 $15,210) had been paid in advance. DC Turnbull & Co Limited also purchased other services from PrimePort Timaru Limited that amounted to 0.2% (2007 0.1%) of total operations revenue. PrimePort Timaru Limited purchased services from Turnbull Stevedoring Limited, a company in which Mr AG Turnbull is also a manager, that amounted to 0.3% (2007 0.6%) of total operating expenses.

During the year PrimePort Timaru Limited purchased services from the Timaru District Council. The services amounted to 1.5% (2007 1.8%) of total operating expenses. A large percentage of this relates to rates which is recovered from lessees and are netted off in the accounts. Timaru District council also contributed $31,996 to the water alignment related to North Mole upgrading which was incorporated in the capital cost.

The outstanding balances owed by related parties at 30 June 2008 are:

The Central Stockfeed Company	$1,424 (2007 Nil)	Timaru Wool Dumpers Limited	$1,784 (2007 Nil)
DC Turnbull & Co Ltd.	$980 (2007 Nil)	Timaru District Council	$676 (2007 Nil)

There were no outstanding balances owed to related parties at 30 June 2008.

No related party debts have been written off or forgiven during the year.

Remuneration paid to key management personnel totalled $1,155,000 (2007 $1,022,000). 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.

17. CONTINGENT ASSETS AND LIABILITIES

No contingent assets or liabilities exist at balance date. (2007 Nil)

18. 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. The $4,412,000 predominantly relates to the new tug purchase and North Mole upgrade due to be completed in the 2009 financial year.

19. COMMITMENTS

	GROUP		PARENT	
	2008 $000	2007 $000	2008 $000	2007 $000
Capital commitments	5,700	7,784	5,700	7,784

These commitments mainly relate to the tug purchase and North Mole sheet pilling project both expected to be completed early in the next financial year.

	GROUP		PARENT	
	2008 $000	2007 $000	2008 $000	2007 $000
Operating lease commitments				
Non cancellable operating lease payables:				
Not later than 1 year	1,302	1,150	1,302	1,150
Later than 1 year but not later than two years	1,283	1,130	1,283	1,130
Later than 2 years but not later than five years	3,786	3,336	3,786	3,336
Later than 5 years	9,890	8,700	9,890	8,700

Operating lease commitments are based on current rentals being paid. In relation to our significant leases, rentals can be increased up to every 3 years based on CPI increments with market reviews on renewal dates. PrimePort Timaru have the right of first refusal to purchase property. Terms of these leases are up to 15 years usually followed by three further periods of six years. The operating lease commitments do not include PrimePort Timaru Limited's sub lease of the South Beach Dairy Store. If this was netted off the commitment for 2008 would read:

	GROUP		PARENT	
	2008 $000	2007 $000	2008 $000	2007 $000
Non cancellable operating lease payables:				
Not later than 1 year	349	198	349	198
Later than 1 year but not later than two years	330	178	330	178
Later than 2 years but not later than five years	1,324	476	1,324	476
Later than 5 years	9,890	8,144	9,890	8,144

20. INVENTORY

Inventory includes consumable stocks, timber, fuel and plant spare parts. Purchases made during the year used during port operations are included in port operations expenditure. Inventory at the end of the year is recorded as per our inventory accounting policy. There is no inventory where title is restricted.

21. PROPERTY INTENDED FOR SALE

There is no property intended for sale.

22. PROPERTY RENTALS

Port related investment rentals	1,943	1,832	1,943	1,832
Other property rentals	13	17	13	17
	1,956	**1,849**	**1,956**	**1,849**

Yields currently range from 6-7% on freehold land value determined at the time of rent review for port related investment land leases. Ground lease terms and conditions vary widely with a number of perpetually renewable leases. Rent review terms also vary between 2 years to 21 years. Direct operating expenses relating to port related investment properties amounts to $1,351,000 (2007 $1,315,000). Included in these figures are $34,000 (2007 $28,000) of direct operating expenses arising from investment property that did not generate rental income during the year.

Operating lease receivables:				
Non cancellable operating lease receivables				
Not later than one year	1,757	1,733	1,757	1,733
Later than one year but not later than two years	1,577	1,659	1,577	1,659
Later than two years but not later than five years	3,765	4,248	3,765	4,248
Later than five years	3,877	4,377	3,877	4,377

23. FINANCIAL ASSETS & LIABILITIES

The carrying amount of financial assets and liabilities are as follows:

Cash & cash equivalents	62	46	62	46
Trade & other receivables	2,019	2,624	2,019	2,624
Total loans and receivables	**2,081**	**2,670**	**2,081**	**2,670**
Trade & other payables	2,202	1,420	2,202	1,420
Employee entitlements	1,558	999	1,558	999
Money market loans	4,250	6,200	4,250	6,200
Total financial liabilities measured at cost	**8,010**	**8,619**	**8,010**	**8,619**

24. CAPITAL MANAGEMENT

PrimePorts 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. PrimePorts 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.

25. STAFF EXPENSES

The staff expense in 2008 includes $458,000 (2007 Nil) of redundancy payments. Included in staff expenses are employer contributions for employee superannuation funds. Payments for the year amounted to $237,000 (2007 $170,000).

26. EVENTS AFTER BALANCE DATE

Storm damage reducing the depth of the channel which occurred in July will be dredged back to original levels within our normal maintenance program. The directors are not aware of the existence of any other post balance date events.

27. NZIFRS ISSUED BUT NOT YET EFFECTIVE

The following new standards have not been applied in the 2008 financial reporting standards.

NZ IAS 23 Borrowing Costs (revised 2007):
NZ IAS 23 mandates the capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. This becomes effective for reporting periods after 1 January 2009. This will be applied from 2009/10 financial year with any impacts unknown at this stage.

NZ IFRS 8 Operating Segments:
NZ IFRS 8 wider scope will mean PrimePort Timaru Limited will need to report on operating segments. This becomes effective for reporting periods after 1 January 2009. This will require additional disclosures based around internal reporting to key management personnel to be included within the financial statements.


MAERSK
CAP BEATRICE

HAMBURG SÜD
CRONOS
HILTON HAULAGE
STERLING

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

AUDIT REPORT

TO THE READERS OF PRIMEPORT TIMARU LIMITED'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

The Auditor-General is the auditor of PrimePort Timaru Limited (the company). The Auditor-General has appointed me, Ken Boddy, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the company, on his behalf, for the year ended 30 June 2008.

Unqualified opinion

In our opinion:

- The financial statements of the company on pages 14 to 28:
  - comply with generally accepted accounting practice in New Zealand; and
  - give a true and fair view of:
    - the company's financial position as at 30 June 2008; and
    - the results of operations and cash flows for the year ended on that date.
- Based on our examination the company kept proper accounting records.

The audit was completed on 3 September 2008, and 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 the Auditor, and explain our independence.

Basis of opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's 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.

The audit involved performing procedures to test the information presented in the financial statements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Board of Directors;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements.

We evaluated the overall adequacy of the presentation of information in the financial statements. We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the Board of Directors and the Auditor

The Board of Directors is responsible for preparing the financial statements in accordance with generally accepted accounting practice in New Zealand. The financial statements must give a true and fair view of the financial position of the company as at 30 June 2008 and the results of operations and cash flows for the year ended on that date. The Board of Directors' responsibilities arise from the Port Companies Act 1988 and the Financial Reporting Act 1993.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 19 of the Port Companies Act 1988.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

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

Ken Boddy
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand

Matters Relating to the Electronic Presentation of the Audited Financial Statements and Performance Information

This audit report relates to the financial statements of PrimePort Timaru Limited for the year ended 30 June 2008 included on PrimePort Timaru Limited's web-site. PrimePort Timaru Limited's Board of Directors is responsible for the maintenance and integrity of PrimePort Timaru Limited's web site. We have not been engaged to report on the integrity of the PrimePort Timaru Limited's web site. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and the related audit report dated 3 September 2008 to confirm the information included in the audited financial statements presented on this web site.

Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

STATUTORY INFORMATION FOR THE YEAR ENDED 30 JUNE 2008

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. There has been no material change in the nature of the company's business during the year.

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

In accordance with the constitution, Messrs. J.M.W. Rolleston and J.K.W. Isles retire at the 2008 Annual Meeting. Mr. Rolleston and Mr. Isles, being eligible, offer themselves for re-election.

DIRECTORS AND REMUNERATION – AUTHORISED AND PAID

	Parent Fees	Expenses*
N.J. Gormack	$22,000	Nil
R.H. Gower	$22,000	$9,084
J. Isles	$22,000	$7,648
S.G. McAuley	$39,000	$410
J.M.W. Rolleston	$25,000	$577
A.G. Turnbull	$22,000	Nil

*Expenses include reimbursement of travel, accommodation, telephone and other reimbursement expenses.

DISCLOSURE OF INTEREST BY DIRECTORS

The following entries were recorded in the interests' registers of the company and its subsidiaries:

A. GENERAL DISCLOSURES

Mr. N.J. Gormack
Director – GSG Capital Partners Ltd
Director – Emerald Foods (SI) Ltd
Shareholder – GSG Capital Partners Ltd
Shareholder – Emerald Foods (SI) Ltd
Partner – Hubbard Churcher & Co
Director – Opuha Water Ltd

Mr. R.H. Gower
Director – Gower Management Group Limited and its subsidiaries
Director – Tomorrow's Manukau Properties Limited
Director – CER Group Limited
Shareholder – CER Group Limited
Director – Ports of Auckland Ltd

Mr. J. Isles
Director – Medical Assurance Group
Director – PSIS Ltd
Director – Woolyarns Ltd
Director – Miti Partners Ltd
Chairman – Interweave Fabrics Ltd
Member – West Coast Development Trust Advisory Body
Member – Electricity Commission Rulings Panel

Mr. S.G. McAuley
Chairman – Coolpak Cool Stores Ltd
Director – McAuley Property Ltd
Chairman – Hilton Leasing Ltd.
Director – Port Dairy Stores Timaru Ltd
Shareholder – Port Industry Holdings Ltd
Trustee – McAuley Family Trust

Mr. J.M.W. Rolleston
Shareholder – Port Industry Holdings Ltd
Director – South Pacific Sera Ltd
Director – Program Management Ltd
Director – Natural Producers Company Ltd
Shareholder – Natural Producers Company Ltd

Mr. A.G. Turnbull
Chairman – DC Turnbull & Co Ltd
Director – Timaru Wool Dumpers Ltd
Director – Port Dairy Stores Timaru Ltd
Director – Dalpeddar Investments Ltd
Director – Canterbury Wool Dumpers Ltd
Director – The Central Stockfeed Company Ltd
Manager – Turnbull Stevedoring Ltd
Chairman – Tapley Swift Shipping Agencies Ltd
Shareholder – Port Industry Holdings Ltd

B. SPECIFIC DISCLOSURES

Mr AG Turnbull gave notice that DC Turnbull & Co Ltd, The Central Stockfeed Company Ltd and Timaru Wool Dumpers Ltd lease land from the company.

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:

PRIMEPORT TIMARU LTD	NUMBER OF EMPLOYEES
$250,001 – $260,000	2
$200,001 – $210,000	1
$160,001 – $170,000	3
$150,001 – $160,000	1
$140,001 – $150,000	1
$120,001 – $130,000	3
$100,000 – $110,000	1

DONATIONS

During the year the parent company made donations of $1,423.

AUDITORS' REMUNERATION

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

	AUDIT WORK	OTHER SERVICES
PrimePort Timaru Ltd	$44,000	$3,000

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 recommend that no dividend be declared.

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:

- *Vessel arrivals – fewer vessels than expected because of loss of Hamburg Sud and the reduction in calls from Tasman Orient line.*
- *Dividends (proposed) per share – no dividends are proposed as a result of the expected downturn in trade over the short term.*
- *Net assets per share – operational land revaluations did not meet expected levels.*
- *Return on shareholders funds – investment revaluations did not meet expected levels.*
- *Lost time injury frequency rate – an increase in lost time accidents appears to match industry trends, but staff and management are committed to maintaining high safety standards and improved outcomes.*

	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	*1,516,000*	*Yes*
	Vessel arrivals	*397*	*No*
(b)	To manage and operate PrimePort Timaru Ltd to enhance shareholder wealth through continuously improving performance.		
	Earnings (after tax) per share	*$0.17*	*Yes*
	Dividends (proposed) per share	*$0.028*	*No*
	Net assets per share	*$6.59*	*No*
	Return (after tax) on total assets	*2.54%*	*Yes*
	Return (after tax) on shareholders funds	*3.25%*	*No*
	Ratio of shareholders funds to total assets	*0.78*	*Yes*
	Return (pre-tax profit) on shareholders funds	*3.95%*	*Yes*
(c)	To provide a high level of service to customers		
	Customer invoices received from vessel delays	*Nil*	*Yes*
(d)	To employ the best people and develop staff to their full potential in a safe working environment.		
	Lost time injury frequency rate	*2.5*	*No*
(e)	To ensure activities are effectively communicated to stakeholders		
	Monthly reports	*12*	*Yes*
	Chairman/Chief Executive meet with Holdings Board	*1*	*Yes*
	Press articles in Timaru Herald	*12*	*Yes*
(f)	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	*All*	*Yes*
	Compliance with NZ Maritime Safety Standards	*All*	*Yes*

DIRECTORY

BOARD OF DIRECTORS

Chairman	S.G. McAuley
Directors	N.J. Gormack
	R.H. Gower
	J. Isles
	J.M.W. Rolleston
	A.G. Turnbull

MANAGEMENT

Chief Executive	J.W. Boys
Finance Manager	J.D. Cannell
General Manager Marketing	B.D. McDougall
Marine Manager	Captain P. McNeil
Operations Manager	K.W. Michel

SHAREHOLDERS as at 30 June 2008

Timaru District Holdings Ltd (71.4%)

Port Industry Holdings Ltd (28.6%)

SOLICITORS

Raymond Sullivan McGlashan **Timaru**

Buddle Findlay **Christchurch**

AUDITORS

Audit New Zealand
for the Office of the Auditor-General

BANKERS

Bank of New Zealand

REGISTERED OFFICE

Marine Parade,
Timaru
New Zealand

PO Box 544
Timaru
New Zealand

Telephone +64 3 684 4199
Facsimile +64 3 684 0351
Website www.primeport.co.nz

OUR VISION

PrimePort Timaru – The Primary Export Port for the South Island

OUR MISSION

Customers First

The Directors are pleased to present the Annual Report of PrimePort Timaru Limited for the year ended 30 June 2008. For and on behalf of the Board of Directors.

S. G. McAuley
Chairman
26 August 2008

J. M. W. Rolleston
Director
26 August 2008

PRIMEPORT
TIMARU

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