The 2011 Annual Report

PrimePort
TIMARU

Chairman and Chief Executive's Review 2010/2011

OVERVIEW

PrimePort Timaru has had a sound year improving on original forecasts. This has been largely brought about by log exports increasing over 100%. Container numbers also rose, reaching close to 50,000 TEU's (twenty foot equivalents), with the Port demonstrating a ready capacity to handle well over 80,000 TEU in given months on an annualised basis.

The challenges remain for regional ports across the country with factors outside our control moving significant South Canterbury production to ports outside our province. Despite these challenges, the board has committed (subject to significant events and the on-going support of key exporters) to retain the container terminal, continuing to invest in systems, plant and personnel. This ensures the port capability to handle the larger exchanges typically experienced this year with the capacity to handle further opportunities and growth.

Timaru was not impacted by the Christchurch earthquakes. In fact PrimePort proved itself a critical part of Canterbury's infrastructure immediately after these events. The potential to be part of the longer term solution remains with untapped capacity to support the rebuild and a means to ensure efficient and secure investment for growth in the South Island.

Larger vessels, including the Bahia class at 3750tue, were introduced during the year and were managed well by the marine team. The Port was also able to adapt at short notice to provide another 2 Ha of log space by the wharf to facilitate the increase of log exports. Upgrading of the wharves continues and a commitment has been made to upgrade the container managment system.

In reviewing the current year we note PrimePort's container throughput of 49,125 TEU was 10% up on last year. This outcome reflects support from all exporters with high service levels to shipping lines maintained. Log exports to China and Korea reached new highs of 298,700 jas.

The operating profit before taxation and port investment property revaluations was $2,083,000; up on last year's profit of $691,000. However, last year the operating profit included restructuring costs of $800,000 which means the comparative operating profit, without this one off sum is still up 39% on last year.

Bulk trade volumes at 989,000 tonnes have increased significantly on last year's figure of 782,000 tonnes. Along with the log increase, fertiliser is up 35%, stock feed up 84% and fish up 10%, compared to 2010 volumes. Bulk liquid products that include fuel, tallow and chemicals were down only slightly on last year's numbers. Fuel was constrained by Chevron's decision to close their Timaru storage facility; which incidentally, is causing some vulnerabilities in the Region's fuel supply. Other conventional cargo was down as a result of reduced livestock exports and no sawn timber being exported from Timaru during the year.

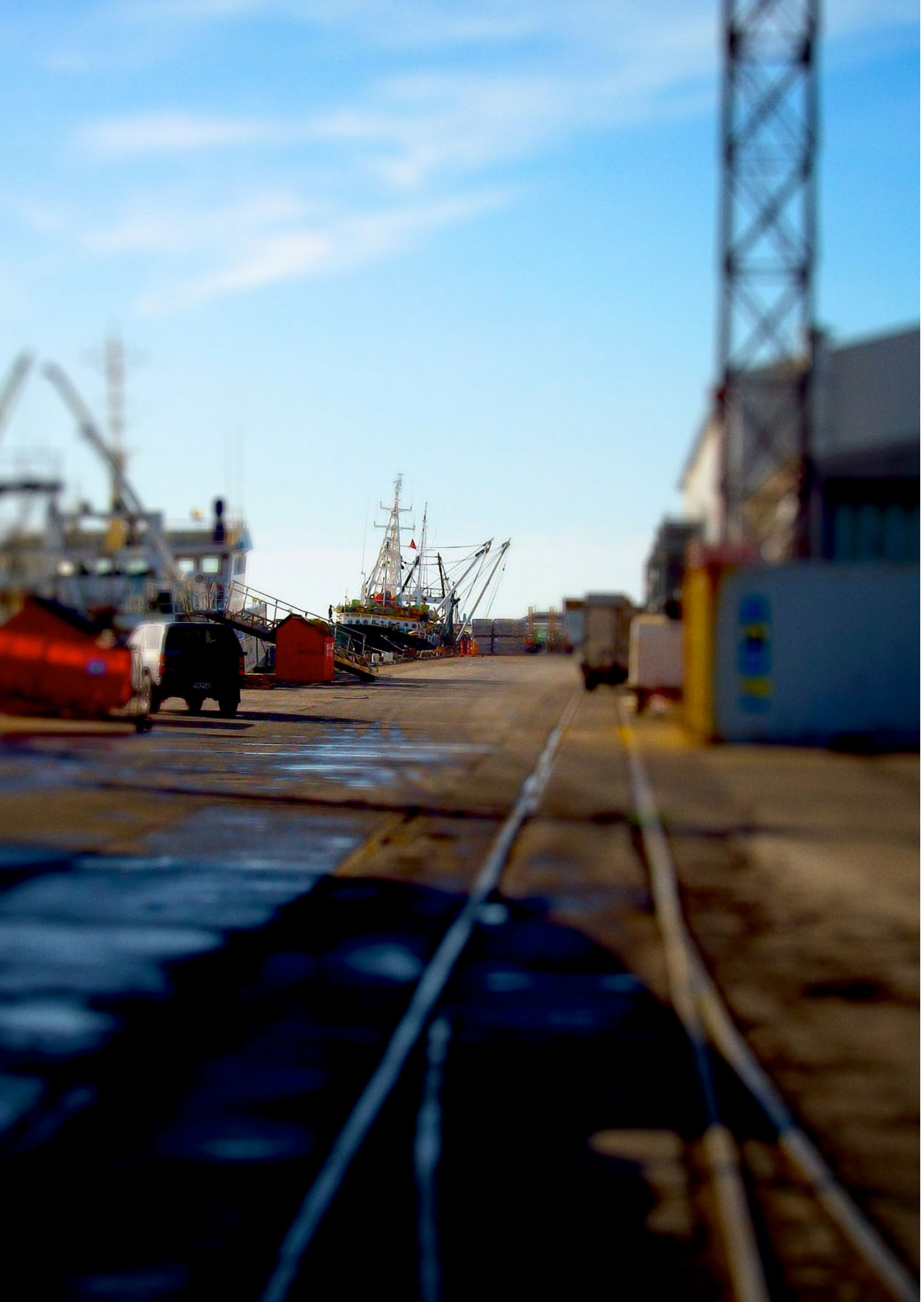
Overall PrimePort Timaru exchanged 1.5 million tonnes of cargo across the wharves, a 19% increase on the previous year.

Port revenue increased to $20.0 million from $18.2 million last year as a result of bulk trade and container increases.

Port investment property revaluations increased by $214,000, a lesser increase than last year's amount of $769,000.

The operating result was impacted by a large dredging campaign. While a significant cost this was effectively a "catch up" on work deferred in the previous year to ensure a full draft was maintained. Cash flows were robust again, which saw borrowings reduce to $2,500,000 with a resultant reduction in the Debt to Equity ratio from 8% to 4%. Our net asset backing sits at $6.90 per share; up from last year.

There are many highlights that can be taken from this year's financial results. It provides an excellent platform to respond in what remains a very difficult trading environment. Once again our dedicated work force were a key contributor towards these results. The Board also recognises the strong service of Mr McAuley who retired as Chairman after balance date.



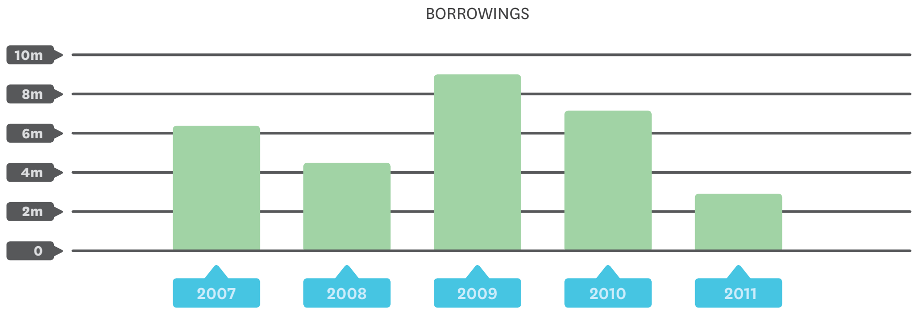
FINANCIAL

We report a 2011 year net profit before tax and investment property revaluations of $2,083,000, versus $691,000 in 2010. After tax profit of $1,662,000 was up on last year's profit of $633,000. Last year there was a number of one off costs but the operating profit still compares very favourably, up 39%, when comparing financial year end results.

Port operational revenue increased from $15.5 million to $17.4 million in 2011 due to increased container numbers, log exports and fertiliser imports. Net cash flows from operating activities decreased from $4.6 million to $3.5 million attributable to increased dredging as a result of previous infill and storm damage incurred in July 2010 and January 2011. The Port spent $2 million cash on dredging in the financial year, but with our accounting policy allowing this to be amortised over 10 months we see the accounting expense for dredging at $1,357,000 compared to $583,000 expensed in the 2010 financial year.

Direct expenses increased during the year again mainly as a result of that increased dredging expenditure. Port operating expenses increased as a result of increased maintenance on wharves and plant. Staff expenses reduced overall but after allowing for redundancies and restructuring costs included in last year , the figures were similar.

Financing costs at $485,000 were down 48% from last year due to reduced borrowings. Last year's result included a one off expense of $290,000 to pay back a loan early. Borrowing reduced to only $2,500,000 from $5,500,000 last year reflecting the strong cash flows the port generates. This is the lowest level of borrowings the port has had in the last five years as the graph indicates and reflects a level of borrowing not seen since 1990.



Shareholder funds increased to $68.7 million from $66.9 million.

Given the strong operating result this year, a dividend of $450,000 (4.5 cents per share) has been approved by the Directors.

A contingent liability remains as disclosed in last year's accounts relating to an unresolved dispute with one customer. This has increased to $1.7 million from $1.3 million last year.

This year the taxation expense gets back to expected levels based on profitability after last year's expense included a one-off adjustment for a change in taxation rules related to property depreciation. This was a non-cash item that increased taxation expense and also increased our deferred tax liability balance by the same figure.

Reduced borrowings and positive working capital means that PrimePort Timaru is left in a very solid financial position for the 2012 financial year.

OUR BUSINESS

The location of PrimePort Timaru continues to be a positive factor in the future of the port combined with the port's ability to remain flexible going forward. The port is centered on a key commodity producing region that is growing strongly, with unparalleled access to both State Highway One and the Main Trunk Rail line.

A number of reports have stated that export volumes from the North Otago, South Canterbury and Canterbury region will double in the coming 15 years, placing PrimePort in the middle of a vibrant, growing and efficient export producing region. The challenge for the port is the capture of this volume within the transport, and logistics framework that currently exists.

This is supported by a large number of infrastructure projects to be completed within the region. In June we received two 232 tonne transformers for the power refit of Lake Benmore power station.

As demonstrated with the extension of the log yard to make room for the doubling of log growth in the past year, PrimePort has more than enough room to grow with the exporters and importers of the region.

Container shipping remains a key part of the Port and region, with excellent support from the majority of the local exporters and importers. Container shipping in New Zealand is the domain of large international shipping lines with head offices based overseas in places like Copenhagen, Hamburg, Shanghai and Singapore. New Zealand makes up 0.8% of total TEU world volume and Timaru is just a small portion of this. These factors can make forecasting and predictions for container shipping problematic. However, this year has seen the first increase in volume for the port since 2008. This was on the back of the on-going support of the two regular vessel calls; the Maersk, Hamburg Sud OC1/Trident service and the Swire North Asia Service.

The current year has also demonstrated the value and support of exporters and importers in the breakbulk trades who often receive less media commentary but underpin great value to South Canterbury as they focus growth around Timaru.

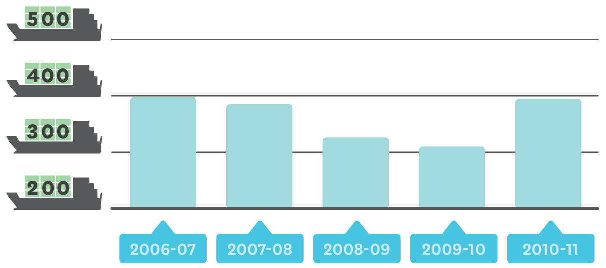
Again, hearty thanks go out to the on-going support of the many importers, exporters, fishing companies and logistics providers for helping PrimePort Timaru through another challenging year.

PRIMEPORT OPERATIONS

SHIPS

The gross registered vessel tonnage at 4.1 million GRT was up 30% on last year as a result of increased shipping. Ship numbers were also up to 393, of which 91% were piloted. Last year we saw 309 vessels of which 89% were piloted. This year saw additional vessels arrive at the port across all trades. Notably there were 10 additional container, log and fertiliser vessels compared with the 2010 financial year.

SHIP NUMBERS



CARGO

Non-containerised cargo handled through the Port in 2011 was the equivalent of 989,000 tonnes, 208,000 tonnes up on the previous year.

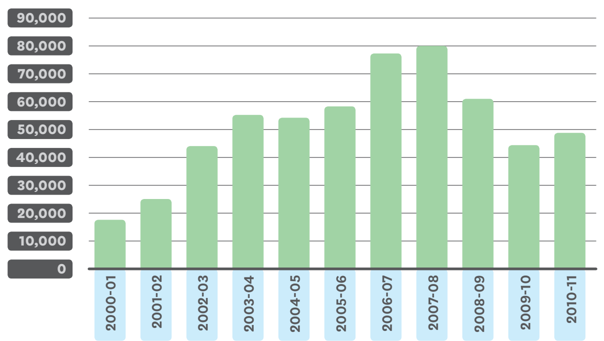
Containers handled through the Port in 2011 increased from 44,800 TEUs to 49,100, our first increase in exchanges since 2008.

The combined cargo tonnage across the wharves was 1,467,000. The cargo graphs shows our key cargo statistics for the year.

GROSS REGISTERED TONNES (MILLIONS)

NON CONTAINERISED CARGO

CONTAINER VOLUME (TEU'S)



CAPITAL DEVELOPMENT

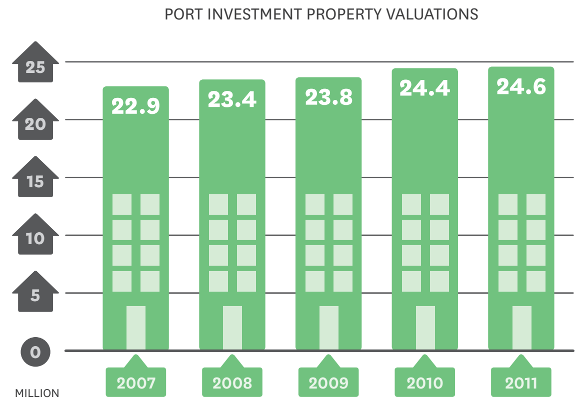
Capital expenditure levels were once again conservative. $600,000 was implemented this financial year versus $800,000 last year. Only essential replacements and limited development was completed. Key plant items include the forklift fleet which remains modern and the mobile cranes which are proactively maintained as new to retain a capability ahead of most in NZ. The introduction of a new tug Aoraki two years ago maintains the excellent marine capacity. Capital expenditure forecasted for the new financial year is within depreciation levels.

PROPERTY

All land was revalued with an overall increase in property value of $301,000. This reflects a $86,000 increase in operational land value and a $215,000 increase in investment property value. Investment property is now valued at $24.6 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.

Both Operational and Investment property revaluation reserves amounts to $38.4 million, contributing $3.84 per share to net asset value.



OUR PEOPLE

PrimePort Timaru has a staff of approximately 75 full time equivalent staff operating in a wide range of areas and conditions. All staff have continued to take pride in delivering efficient and effective services to customers, both on and off the wharf.

An active Health and Safety committee ensures there is no complacency about work place safety and that heath is monitored. It is pleasing to see improved reporting of near misses and reductions in lost time caused by injury.

PrimePort is not alone in facing the challenge of an aging workforce and competition for skilled staff. A challenge remains to retain existing staff and attract people to port specialised roles. However the Port has a confident view to the future and at year end embarked on the recruitment of a number of middle management positions in the Marine and Operations area to strengthen capability for growth.

Staff continue to demonstrate dedication to the business and commitment to the team, in circumstances that have not always been easy. Again, the Board offers a big thank you to all management and staff whose flexibility and professionalism continues to be appreciated.

DIRECTORS

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.

Our Chairman for the past six and a half years, Mr Sid McAuley announced his retirement in August. Mr McAuley has been Chairman during a challenging period and successfully steered the Port to success in many areas. Importantly the Port has continued to increase shareholder value and proved able to withstand the many challenges especially in recent years as major exporters, shipping companies and Government policy decisions influence change in the transport sector. Mr Roger Gower who has a wide range of experience in different sectors of the transport industry, has been appointed as Chairman.

The Board records its sincere thanks to Sid McAuley for his strong leadership and wisdom through this important period of development. Mr McAuley will continue as a director.

PRIMEPORT SHAREHOLDERS

There have been no changes in shareholding during the year. The company continues to work closely with its shareholders keeping them informed of developments. The company appreciates the support from both its direct and indirect shareholders.

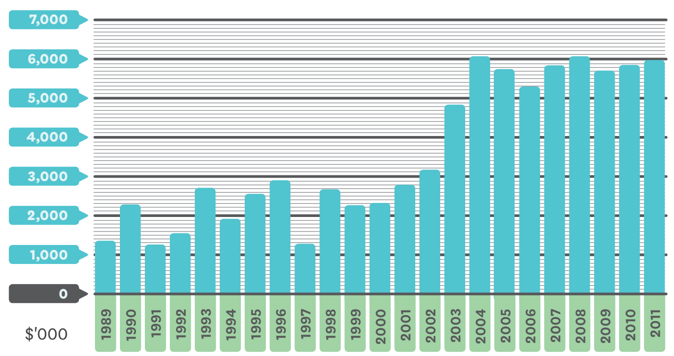
Shareholding equity equates to a 29% growth over the last 5 years. This is an average of 4.9% annually over that period.

Earnings before interest, tax, depreciation and amortisation (EBITDA) remains at high levels compared with earlier years.

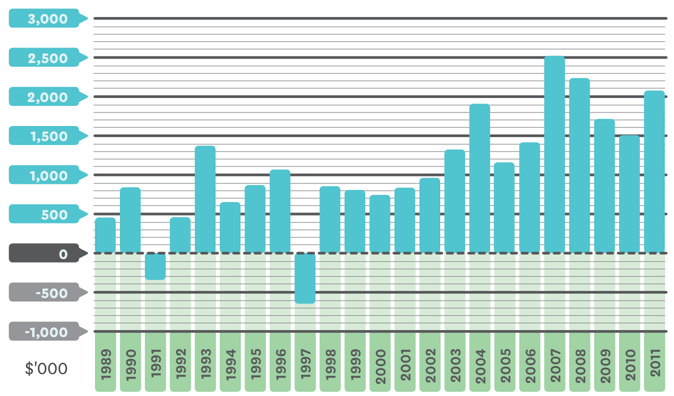
The normal port operating profit since port deregulation shows the trend in profitability over the past 27 years. This clearly shows that 2011 operating profit exceeds our normal average and the downward trend over the past 3 years has been broken.

The company will pay a dividend of $450,000 to its shareholders from the 2011 earnings. This will be the first dividend paid for 4 years.

EBITDA USING NORMAL PORT OPERATING PROFITS



NORMAL PORT OPERATING PROFITS



OUTLOOK

PrimePort Timaru is a port company operating in diverse and dynamic supply chain industries that include servicing containers, both dry and liquid, bulk, and conventional cargos. Each of these industries has its own unique set of influencing factors and variables. Our positive relationship with KiwiRail is a common element in many of these trades. Increasing the Port's involvement in these supply chains and increasing overall efficiency are key goals in the years ahead for the port.

Examples include, providing a cheaper way for fertiliser to get to the farmer, a timelier manner for chilled meat exports to get to Europe or shorter connections to the various storage facilities within Canterbury as a whole to provide flow on benefits to the region and New Zealand as a whole.

Log exports will continue to be strong but are expected to ease from the unprecedented highs of the previous twelve months. Continuing the efficiency improvements of our log yard will be an on-going priority.

The growth of dairying, other agriculture and horticulture from increased irrigation and efficiency will provide an opportunity for the port to benefit. These benefits will show in the form of higher volumes of fertiliser, stock feed and support products for those industries. This may provide opportunities for storage solutions on port land to be realised in the long term.

News that the Holcim New Zealand proposal for a new cement manufacturing facility at Weston, near Oamaru, has received their international executive team's approval is encouraging; we therefore await the final decision of the Holcim Board of Directors with cautious optimism. If the project is confirmed significant infrastructure will be built within PrimePort. A new wharf, significant cement and clinker storage, rail links and loading facilities will all form part of the project in Timaru. It is expected that up to one million tonnes of cement and clinker will be added to the Port's throughput.

Containers continue to be a challenging trade to be involved in. We are heartened by the increase in volumes this year and the support shown by exporters and importers both in South Canterbury and Canterbury as a whole. The strong schedule integrity of the Maersk/Hamburg Sud service and the key market access of the Swire service put exporters and importers in good stead as shipping line and freight mover support continues.

At year end many container shipping lines already serving New Zealand announced new or extended services to increase available container slots by a significant amount, the first increase for three years. This will create new options for exporters and importers but no doubt challenge existing Port relationships.

PrimePort demonstrated its capability to adapt quickly to respond and handle most of the Lyttelton services during the period when impacted by the Christchurch Earthquakes. This action was across most trades including containers, fuel and break-bulk. It hopefully serves as an example of the infrastructural and transport risks inherent in New Zealand and a cautionary note if planning to consolidate trade in only a few Ports. It also underpins our capability to support Christchurch during the next five years of rebuild.

The newly created New Zealand Productivity Commission has been asked by the Government to review "International Freight Transport Services". It has raised a number of questions that relate to Port ownership and questions as to how shipping lines and Ports compete, but excludes transport options within NZ. This appears to be an opportunity missed. We have advocated for some time that a high level review of transport planning across all the modes including coastal shipping is warranted to guide investment and optimal transport solutions. This is particularly the case given the Government ownership of the two key modes being road and rail and the influence this has on the market. In any case recommendations are due from the Commission in April 2012 and are sure to spark wide debate.

In conclusion the past year was one of a significant rebound from the previous year and encouraging signs for the future. Growth in the Region continues at a pace ahead of most of New Zealand. The commitment of staff and the strong and on-going support of our shipping partners has allowed the port to retain a strong commercial position enabling the port to look to whatever the future holds with optimism.

Roger Gower CHAIRMAN

Jeremy Boys CHIEF EXECUTIVE

PRIMEPORT TIMARU

PRIMEPORT TIMARU LTD
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011

	NOTE	2011 $000	2010 $000
OPERATING REVENUE			
Port operational		17,381	15,503
Property rentals	22	2,595	2,625
Surplus on disposal of port related investment property		-	23
		19,976	**18,151**
OPERATING EXPENDITURE			
Staff	25	5,206	5,599
Port operating		5,865	5,091
Depreciation	7	3,425	3,442
Finance		485	935
Dredging	7	1,357	583
Dredging impairment	7	-	100
Director fees		152	152
Operating leases		1,308	1,326
Audit services - Audit		50	48
Bad debts incurred	10	199	64
Doubtful debts		(159)	115
Loss on disposal of operational fixed assets		5	5
		17,893	**17,460**
Operating profit before tax and port investment property revaluations		**2,083**	**691**
Port investment property revaluations	8	215	769
Profit before tax		**2,298**	**1,460**
Taxation	2	(636)	(827)
Profit for the year	3	**1,662**	**633**
Other comprehensive income			
Operating land revaluations	7	54	451
Financial instrument hedging	5	139	413
Income tax relating to financial instrument hedging	5	(42)	(124)
Other comprehensive income for the year	5	**151**	**740**
Total comprehensive income for year attributable to equity holders		**1,813**	**1,373**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011

	NOTE	ISSUED SHARES	HEDGING RESERVE	REVALUATIONS	RETAINED EARNINGS	TOTAL
Equity at the beginning of the year 2010		10,000	(183)	15,687	41,367	66,871
Total comprehensive income for year attributable to equity holders	4 + 5	-	97	54	1,662	1,813
Distributions to shareholders	6	-	-	-	-	-
Equity at the end of the year 2011		**10,000**	**(86)**	**15,741**	**43,029**	**68,684**
Comparatives for 2010						
Equity at the beginning of the year 2009		10,000	(472)	15,236	40,734	65,498
Total comprehensive income for year attributable to equity holders	4 + 5	-	289	451	633	1,373
Distributions to shareholders	6	-	-	-	-	-
Equity at the end of the year 2010		**10,000**	**(183)**	**15,687**	**41,367**	**66,871**

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

PRIMEPORT TIMARU LTD
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011

	NOTE	2011 $000	2010 $000
EQUITY			
Issued shares	6	10,000	10,000
Retained earnings	4	43,029	41,367
Revaluation reserve	5	15,655	15,504
TOTAL EQUITY		**68,684**	**66,871**
REPRESENTED BY			
LONG TERM ASSETS			
Operational fixed assets	7	46,648	48,364
Operational fixed assets under construction	18	-	370
Port related investment properties	8	24,642	24,427
TOTAL LONG TERM ASSETS		**71,290**	**73,161**
CURRENT ASSETS			
Cash and cash equivalents		1,322	1,648
Trade and other receivables	10	2,834	1,864
Inventory	20	356	222
TOTAL CURRENT ASSETS		**4,512**	**3,734**
TOTAL ASSETS		**75,802**	**76,895**
TERM LIABILITIES			
Money market loans	11+12	**2,500**	**5,500**
DEFERRED TAXATION	2	**871**	**943**
CURRENT LIABILITIES			
Trade and other payables	14	2,715	2,719
Employee entitlements	15	688	625
Tax payable		344	237
TOTAL CURRENT LIABILITIES		**3,747**	**3,581**
TOTAL LIABILITIES		**7,118**	**10,024**
NET ASSETS		**68,684**	**66,871**

For and on behalf of the
Board of Directors.
25 August 2011

Roger Gower
Chairman

J.M.W. Rolleston
Director

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

PRIMEPORT TIMARU LTD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2011

	NOTE	2011 $000	2010 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Sources			
Cash received from customers		**19,581**	**19,136**
Disbursements			
Payments to suppliers		7,686	6,957
Payments to employees		5,143	5,991
Net GST paid		84	(87)
Income tax		643	302
Interest on borrowing		528	940
Dredging		2,034	394
		16,118	**14,497**
Net cash from operating activities	3	**3,463**	**4,639**
CASH FLOWS FROM INVESTING ACTIVITIES			
Sources			
Proceeds from disposal of fixed assets		8	4
Proceeds from sale of investment property		165	-
		173	**4**
Disbursements			
Purchase of fixed assets		**962**	**541**
Net cash used in investing activities		**(789)**	**(537)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Sources			
Loans raised		-	-
Disbursements			
Loans repaid		3,000	3,500
Dividends paid		-	-
		3,000	**3,500**
Net cash used in financing activities		**(3,000)**	**(3,500)**
NET INCREASE (DECREASE) IN CASH		**(326)**	**602**
Opening cash and cash equivalents balances		**1,648**	**1,046**
CLOSING CASH AND CASH EQUIVALENTS BALANCES		**1,322**	**1,648**
Represented by			
Cash and cash equivalents		1,322	1,648

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 2011

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 Financial Reporting Act 1993, the Companies Act 1993 and with New Zealand equivalents to International 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 2011. The financial statements were authorised for issue by the Board on 25 August 2011.

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 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 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 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 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 Limited. This includes both equity and debt. Dividends paid are included in financing activities. Loans raised and paid are netted off when they are part of the roll over of money market borrowings covered in the Company's long-term finance facilities.

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

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

N: EMPLOYEE ENTITLEMENTS

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

All employer contributions made are to defined contribution schemes.

O: HEDGING

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

P: IMPAIRMENT

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

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

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

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

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

Q: DIVIDENDS

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

R: INTEREST BEARING BORROWINGS

Interest-bearing borrowings are recognised initially at fair value less any transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised costs with any difference between cost and redemption value being recognised in the profit or loss over the period of the borrowings on an effective interest rate. Except for borrowing costs that are capitalised on qualifying assets with a commencement date on or after 1 July 2010, 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 in hand, funds within our cheque account, deposits held at call with banks, and bank overdrafts.

CHANGES IN ACCOUNTING POLICIES

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

2. TAXATION

	2011 $000	2010 $000
Profit before taxation and port investment property revaluations	2,083	691
Port investment property revaluations	215	769
Profit before taxation	2,298	1,460
Tax at 30%	689	438
Plus/(Less) tax effect of:		
Non-taxable income	(64)	(260)
Non-deductible expenditure	4	2
Effect of building tax depreciation changes	-	718
Deferred tax effect on tax rate change to 28%	(2)	(71)
Prior year adjustment	9	-
	636	**827**
Components of taxation:		
Current taxation	566	314
Deferred taxation	63	584
Deferred tax effect on tax rate change to 28%	(2)	(71)
Prior year adjustment	9	-
	636	**827**

DEFERRED TAX LIABILITY	LONG TERM ASSETS	EMPLOYEE ENTITLEMENTS	OTHER	TOTAL
Balance at 1 July 2009	**(601)**	**207**	**88**	**(306)**
Charge to profit or loss	(548)	(86)	121	(513)
Charge to comprehensive income	-	-	(124)	(124)
Balance at 30 June 2010	**(1,149)**	**121**	**85**	**(943)**
Charge to profit or loss	(169)	10	89	(70)
Adjustments to deferred tax in prior periods	-	-	184	184
Charge to comprehensive income	-	-	(42)	(42)
Balance at 30 June 2011	**(1,318)**	**131**	**316**	**(871)**

	2011	2010
Imputation credit account		
Opening balance	4,048	3,737
Tax paid	641	311
Imputation credits attached to dividends paid	-	-
	4,689	**4,048**

3. RECONCILIATION OF CASH FLOW WITH OPERATING SURPLUS

	2011 $000	2010 $000
Profit after taxation	1,662	633
Depreciation	3,425	3,442
Investment property revaluation	(215)	(769)
Movements in deferred tax	(72)	637
Movements in deferred tax - hedging impact on reserves	(42)	(124)
Loss / (Surplus) on disposal of long term assets	5	(18)
Dredging amortisation	(677)	289
	4,086	**4,090**
WORKING CAPITAL MOVEMENTS RELATING TO CASH FROM OPERATING ACTIVITIES		
(Increase) / Decrease in accounts receivable	(1,135)	615
(Increase) / Decrease in inventory	(134)	59
Increase / (Decrease) in trade and other payables	539	(137)
Increase / (Decrease) in tax payable	107	12
Net cash flow from operating activities	**3,463**	**4,639**

4. RETAINED EARNINGS

	2011	2010
Opening balance	41,367	40,734
Profit after tax	1,662	633
Less dividends paid	-	-
Closing balance	**43,029**	**41,367**

5. RESERVES

	2011	2010
Opening balance	15,504	14,764
Other comprehensive income	151	740
Closing balance	**15,655**	**15,504**
RESERVES ARE REPRESENTED BY:		
Operational land	15,741	15,687
Financial instrument hedging	(123)	(262)
Tax effect of hedging	37	79
	15,655	**15,504**

6. PAID IN SHARE CAPITAL

The company has on issue 10,000,000 (2010 10,000,000) fully paid shares. All shares have equal voting rights and share equally in dividends and any distribution. No dividend was paid during this financial year or in the previous year.

7. OPERATIONAL FIXED ASSETS

	PLANT & EQUIPMENT	FREEHOLD BUILDING	WHARVES	BREAKWATER /CHANNEL	IMPROVEMENTS TO LAND	FREEHOLD LAND AT VALUATION	TOTAL
2011							
Balance as at 1 July 2010							
At fair value						16,957	16,957
At cost	34,338	3,426	13,337	4,679	1,148		56,928
Accumulated depreciation	(20,227)	(1,160)	(3,494)	(299)	(341)		(25,521)
	14,111	**2,266**	**9,843**	**4,380**	**807**	**16,957**	**48,364**
Additions	815	48	127			33	1,023
Dredging				2,034			2,034
Revaluation						54	54
Disposal- cost	(25)		(45)				(70)
Disposal- accumulated depreciation	12		13				25
Dredging expense				(1,357)			(1,357)
Dredging impairment							-
Depreciation expense	(2,585)	(124)	(652)		(64)		(3,425)
Movement to 30 June 2011	**(1,783)**	**(76)**	**(557)**	**677**	**(64)**	**87**	**(1,716)**
Balance as at 30 June 2011							
At fair value						17,044	17,044
At cost	35,128	3,474	13,419	5,356	1,148		58,525
Accumulated depreciation	(22,800)	(1,284)	(4,133)	(299)	(405)		(28,921)
	12,328	**2,190**	**9,286**	**5,057**	**743**	**17,044**	**46,648**
COMPARATIVES FOR 2010							
Balance as at 1 July 2009							
At fair value						16,506	16,506
At cost	34,296	3,423	12,921	4,901	1,148		56,689
Accumulated depreciation	(17,576)	(1,060)	(2,883)	(299)	(277)		(22,095)
	16,720	**2,363**	**10,038**	**4,602**	**871**	**16,506**	**51,100**
Additions	67	3	416				486
Dredging				461			461
Revaluation						451	451
Disposal- cost	(25)						(25)
Disposal- accumulated depreciation	16						16
Dredging expense				(583)			(583)
Dredging impairment				(100)			(100)
Depreciation expense	(2,667)	(100)	(611)		(64)		(3,442)
Movement to 30 June 2010	**(2,609)**	**(97)**	**(195)**	**(222)**	**(64)**	**451**	**(2,736)**
Balance as at 30 June 2010							
At fair value						16,957	16,957
At cost	34,338	3,426	13,337	4,679	1,148		56,928
Accumulated depreciation	(20,227)	(1,160)	(3,494)	(299)	(341)		(25,521)
	14,111	**2,266**	**9,843**	**4,380**	**807**	**16,957**	**48,364**

Land held by the company has been independently valued as at 30 June for the 2011 financial year 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. The carrying amount that would have been recognised had the assets been carried under the cost model for freehold land is $1,303,000.

There were no impairment losses during the year (2010 $100,000). There are no operational fixed assets where title is restricted.

8. PORT RELATED INVESTMENT PROPERTIES

	2011 $000	2010 $000
Opening balance	24,427	23,820
Revaluation	215	769
Property sold	-	(162)
Closing balance	**24,642**	**24,427**
Investment Properties are represented by:		
Land at valuation	22,594	22,379
Building at valuation	2,048	2,048
	24,642	**24,427**

Investment property held by the Company was independently valued as at 30 June for the 2011 financial year 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.

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

All subsidiaries are non-trading, and have no assets and liabilities.

10. TRADE AND OTHER RECEIVABLES

	2011	2010
Trade debtors	2,712	1,564
Port related investment property sale	-	185
Prepayments	122	115
	2,834	**1,864**

Trade debtors are shown net of impairment losses arising from the likely non-payment of a small number of customers. As at 30 June 2011 all overdue receivables had been assessed for impairment and appropriate provisions applied. The ageing of receivables are as follows:

	2011			2010		
	GROSS	IMPAIRMENT	NET	GROSS	IMPAIRMENT	NET
	$000	$000	$000	$000	$000	$000
Not past due - under 30 days	2,126		2,126	1,229	-	1,229
Past due - 30 to 60 days	507		507	320	(12)	308
Past due - 60 to 90 days	35		35	4	-	4
Past due - over 90 days	55	(11)	44	181	(158)	23
	2,723	**(11)**	**2,712**	**1,734**	**(170)**	**1,564**

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:

	2011 $000	2010 $000
Balance as 1 July	170	55
Additional provisions made during the year	40	179
Trade debtors written off during period	(199)	(64)
Balance as 30 June	**11**	**170**

11. MONEY MARKET LOANS

Repayable as follows:		
Beyond five years	**2,500**	**5,500**

MONEY MARKET

The company has arranged money market facilities with Bank of New Zealand for a maximum amount of $6 million (2010 $7 million) to 2017, to date $2.5 million has been drawn. This facility decreases to $5 million in 2012, and reduces annually by $1,000,000. Maturity dates of interest rate instruments within this long term facility are:

Within one year	1,000	2,000
One to two years	1,500	-
Two to three years	-	3,500

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 $6 million (2010 $7 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 30/06/2011
Bank overdraft	10.80%
Money market	4.50%-10.25%

The $2,500,000 money market borrowing is on fixed and call interest rates. The fixed term borrowings are for up to a 20 month term at an interest rate of 10.25%. Call is currently at 4.50%.

The average interest rate on borrowings at year end is 7.95%.

PrimePorts treasury policy requires set limits for its interest rate maturity profile. Hedging instruments are used to manage this profile which is based on projected borrowing requirements. As at balance date $1,000,000 of borrowings are at call (2010 $2,000,000). They are therefore sensitive to interest rate movements. The impact of this is regarded as immaterial at balance date.

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:

	2011 $000	2010 $000
Interest rate swaps		
One to two years	1,500	2,000
Two to three years	-	1,500

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 notes. The financial instrument hedging reserve included through other reserves and trade and other payables for interest rate swaps are -$123,000 (2010 -$262,000). A negative number represents a negative reserve. The Mark to Market valuation is determined by the bank at close of business at balance date.

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 2011 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 2011 31% (2010 32%) of trade receivables were due from one customer which provides 24% (2010 28%) of the company's revenue. These receivables are considered fully recoverable.

CURRENCY RISK

PrimePort Timaru Limited has exposure to foreign exchange risk as a result of transactions denominated in foreign currencies, arising from normal trading activities. PrimePort Timaru Limited uses foreign currency forward exchange contracts to manage these exposures. At balance date the principal or contract amounts of foreign currency forward exchange contracts were nil (2010 nil). The mark to market value of the foreign forward exchange contracts as at 30 June 2011 included in trade and other payables were nil (2010 nil). PrimePorts treasury policy provides for currency management to be restricted to hedging underlying business exposures only.

CASH FLOW HEDGING

Cash flow hedges cover:

Foreign exchange – No significant foreign exchange transactions took place in the financial year. PrimePort treasury policy provides that all purchases of items in foreign currency with an equivalent at spot rate greater than NZ$100,000 are to be hedged. There were no foreign exchange hedging transactions in 2011.

Interest rate swaps – managing interest rate risks up to 20 months with the impact of the hedge taken up in the profit or loss 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 matched physical borrowings.

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 10.80% per annum (2010 10.45%). This is a floating rate set by the Bank.

14. TRADE AND OTHER PAYABLES

	2011 $000	2010 $000
Trade creditors	316	715
Interest rate swap	123	262
Other accrued expenses	2,276	1,742
	2,715	**2,719**

Trade creditors are non-interest bearing and are normally settled on a 30 day basis, therefore the carrying value approximates their fair value. The fair value of interest rate swaps has been determined by calculating the expected cashflows under the terms of the swaps and discounting to present values, using observable inputs. The inputs into the valuation model are from independently sourced market parameters such as interest rate yield curves. Most market parameters are implied from instrument prices.

15. EMPLOYEE ENTITLEMENTS

Accrued pay	171	145
Accrued leave provision	499	464
Long service provision	6	14
Sick leave provision	12	2
	688	**625**

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. No dividend (2010 nil) was paid to Timaru District Holdings Limited in 2011.

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. No dividend (2010 nil) was paid to Port Industry Holdings Limited in 2011.

During the year PrimePort Timaru Limited leased land to Timaru Wool Storage 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 $116,875 (2010 $105,842) of revenue from rentals and as at balance date $28,222 (2010 $26,388) had been paid in advance. DC Turnbull & Co Limited also purchased other services from PrimePort Timaru Limited that amounted to $51,445 (2010 $65,426) 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 $53,739 (2010 $44,603) of total operating expenses. PrimePort Timaru Limited purchased other services from HC Partners LP, a company in which Mr NJ Gormack is a director, that amounted to $15,625 (2010 nil).

During the year PrimePort Timaru Limited purchased services from the Timaru District Council. The services amounted to $356,283 (2010 $372,958) of total operating expenses. A large percentage of this relates to rates which is recovered from lessees and are netted off in the accounts.

The outstanding balances owed by related parties at 30 June 2011 are:

The Central Stockfeed Company	$1,927 (2010 nil)
Timaru Wool Dumpers Limited	$2,590 (2010 nil)
DC Turnbull & Co Ltd.	$1,398 (2010 $61)

The outstanding balances owed to related parties at 30 June 2011 is:

Turnbull Stevedoring Limited	nil (2010 $1,587)

No related party debts have been written off or forgiven during the year. (2010 Nil)

Remuneration paid to key management personnel totalled $992,503 (2010 $1,329,000). 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 exist at balance date (2010 nil). PrimePort has a contingent liability relating to an ongoing pricing dispute with a large customer. Management in conjunction with the board remain confident the appropriate process has been followed to claim price increases and that it will be settled in favour of PrimePort. The amount under dispute is $1,744,000 (2010 $1,361,000).

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. At balance date the amount of operational fixed assets under construction were nil (2010 $370,000).

19. COMMITMENTS

	2011 $000	2010 $000
Capital commitments	234	420

The commitments mainly relate to security infrastructure and software ordered late in the financial year.

OPERATING LEASE COMMITMENTS

Non-cancellable operating lease payables:		
Not later than 1 year	1,433	1,278
Later than 1 year but not later than two years	1,433	1,268
Later than 2 years but not later than five years	4,301	3,778
Later than 5 years	5,613	6,192
	12,780	**12,516**

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 has 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 commitments for 2011 would read:

Non-cancellable operating lease payables:		
Not later than 1 year	181	326
Later than 1 year but not later than two years	699	315
Later than 2 years but not later than five years	4,301	3,223
Later than 5 years	5,613	6,192
	10,794	**10,056**

20. INVENTORY

Inventory includes consumable stocks, timber and fuel. Purchases made during the year not held in inventory at year end are included in port operations expenditure. Inventory at year end is recorded at cost price, less any impairment losses ($13,000 of spare parts deemed to be impaired in 2009 because of their age remained in 2010). There is no inventory where title is restricted.

21. PROPERTY INTENDED FOR SALE

There is no property intended for sale.

22. PROPERTY RENTALS

	2011 $000	2010 $000
Port related investment rentals	2,519	2,433
Other property rentals	76	192
	2,595	**2,625**

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 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 $1,625,000 (2010 $1,554,000). Included in these figures are $15,000 (2010 $41,000) of direct operating expenses arising from investment property that did not generate rental income during the year.

OPERATING LEASE RECEIVABLES

	2011	2010
Non-cancellable operating lease receivables:		
Not later than one year	2,686	2,351
Later than one year but not later than two years	1,928	1,965
Later than two years but not later than five years	2,940	2,947
Later than five years	8,139	8,524
	15,693	**15,787**

23. FINANCIAL ASSETS & LIABILITIES

	2011	2010
The carrying amount of financial assets and liabilities are as follows:		
Cash & cash equivalents	1,322	1,648
Trade & other receivables	2,712	1,749
Total loans and receivables	**4,034**	**3,397**
Trade & other payables	2,592	2,457
Money market loans	2,500	5,500
Total financial liabilities measured at cost	**5,092**	**7,957**
Interest rate swaps	123	262
Total derivative liabilities	**123**	**262**

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. The company has complied with its bank covenants which include maintaining shareholder funds at a minimum level to total tangible assets.

25. STAFF EXPENSES

The staff expense in 2011 includes no redundancy payments (2010 $519,000). Included in staff expenses are employer contributions for employee superannuation funds. Payments for the year amounted to $168,000 (2010 $175,000).

26. EVENTS AFTER BALANCE DATE

The directors are not aware of the existence of any post balance date events with the exception of dividends of $450,000 being declared in August 2011.

27. NZIFRS ISSUED BUT NOT YET EFFECTIVE

The following new standards have not been applied in the 2011 financial reporting standards.

NZ IFRS 9 Financial Instruments:

NZ IFRS 9 aim is to be principle based and to simplify the treatment of financial instruments. All financial assets are required to be classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Financial assets are initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs and subsequently measured at amortised cost or fair value. This becomes effective for reporting periods beginning after 1 January 2013 with any impact expected to be minor at this stage.

NZ IAS 24 Related Party Disclosures (Revised 2009):

NZ IAS 24 amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. This becomes effective for reporting periods beginning after 1 January 2011.
This will be applied from 2011/12 financial year with any impact expected to be minor at this stage.

IFRS 13 Fair Value Measurement:

IFRS 13 establishes a single framework for measuring fair value where that is required by other standards, and applies to both financial and non-financial items measured at fair value. This becomes effective for reporting periods beginning after 1 January 2013 with any impact expected to be minor at this stage.

Amendments to New Zealand Equivalents to International Financial reporting Standards to Harmonise with International Financial Reporting Standards and Australian Accounting Standards and FRS-44 New Zealand Additional Disclosures:

NZ IFRSs have been closer aligned to IFRS by relocating New Zealand specific disclosures to a specific standard (FRS-44).
These disclosures have been relocated from NZ IFRSs to clarify that these disclosures are additional to those required by IFRSs.
This will be applied from 2011/12 financial year with any impact expected to be minor at this stage

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of
PrimePort Timaru Limited's
financial statements
for the year ended 30 June 2011

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

We have audited the financial statements of the company on pages 14 to 29, that comprise the statement of financial position as at 30 June 2011, 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.

Opinion on the financial statements

In our opinion the financial statements of the company on pages 14 to 29:

- 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 2011; and
    - financial performance and cash flows for the year ended on that date.

Opinion on other legal requirements

In accordance with the Financial Reporting Act 1993 we report that, in our opinion, proper accounting records have been kept by the company as far as appears from an examination of those records.

Our audit was completed on 25 August 2011. This is the date at which our opinion is expressed.

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

Basis of Opinion

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

Material misstatements are differences or omissions of amounts and disclosures that 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.

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

An audit also involves evaluating:

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

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements. In accordance with the Financial Reporting Act 1993, we report that we have obtained all the information and explanations we have required. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board of Directors

The Board of Directors is responsible for preparing financial statements that:

- comply with generally accepted accounting practice in New Zealand; and
- give a true and fair view of the company's financial position, financial performance and cash flows.

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

The Board of Directors' responsibilities arise from the Financial Reporting Act 1993 and the Port Companies Act 1988.

Responsibilities of the Auditor

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

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

John Mackey
Audit New Zealand
On behalf of the Auditor General
Christchurch, New Zealand

Matters relating to the electronic presentation of the audited financial statements

This audit report relates to the financial statements of PrimePort Timaru Limited (the company) for the year ended 30 June 2011 included on the company's website. The Board of Directors is responsible for the maintenance and integrity of the company's website. We have not been engaged to report on the integrity of the company's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

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 these 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 related audit report dated 25 August 2011 to confirm the information included in the audited financial statements presented on this website.

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 2011

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 JMW Rolleston and JKW Isles retire at the 2011 Annual Meeting. Mr Rolleston and Mr Isles being eligible, offer themselves for re-election.

DIRECTORS AND REMUNERATION
Authorised and paid Directors Fees

N.J. Gormack	$22,000
R.H. Gower	$22,000
J. Isles	$22,000
S.G. McAuley	$39,000
J.M.W. Rolleston	$25,000
A.G. Turnbull	$22,000

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 - Klondyke Fresh Ltd
Director - Opuha Water Ltd
Director - HC Partners Ltd Partnership
Shareholder - Klondyke Fresh Ltd
Shareholder - HC Partners Ltd Partnership
Member - Canterbury Water Management Regional Committee

Mr. R.H. Gower
Director - Gower Management Group Limited and its subsidiaries
Director - CER Group Limited
Director - Orion Minerals Group Ltd
Director - RLV No4 Ltd
Shareholder - Gower Management Group Limited and its subsidiaries
Shareholder - CER Group Limited

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

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

Mr. J.M.W. Rolleston
Director - South Pacific Sera Ltd
Director - Program Management Ltd
Shareholder - Port Industry Holdings Ltd

Mr. A.G. Turnbull
Chairman - DC Turnbull & Co Ltd
Chairman - Tapley Swift Shipping Agencies Ltd
Director - Timaru Wool Storage Ltd
Director - Port Dairy Stores Timaru Ltd
Director - Jaegar Ltd
Director - The Central Stockfeed Company Ltd
Manager - Turnbull Stevedoring 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 Storage 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
$240,001 - $250,000	2
$210,001 - $220,000	1
$180,001 - $190,000	1
$160,001 - $170,000	2
$150,001 - $160,000	1
$140,001 - $150,000	1
$130,001 - $140,000	1
$110,001 - $120,000	2

DONATIONS

During the year the company made no donations.

AUDITORS' REMUNERATION

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

	AUDIT WORK
PrimePort Timaru Ltd	$49,907

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 have declared a dividend of 4.5 cents per share for those shareholders holding shares as at 25 August 2011.

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:

- *Ratio of shareholder funds to total assets– The relatively high level of current assets held at balance date has caused this ratio to be 0.91. This is only a small variance and the ratio is still considered to be adequate.*
- *Incidents leading to pollution of harbour –There was one incident where a fishing vessel leaked oil. This was no fault of the port and Environment Canterbury was notified.*

	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	*1,184,000*	*Yes*
	Vessel arrivals	*313*	*Yes*
(b)	To manage and operate PrimePort Timaru Ltd to enhance shareholder wealth through continuously improving performance.		
	Earnings (after tax) per share	*$0.12*	*Yes*
	Dividends (proposed) per share	*$0.029*	*Yes*
	Net assets per share	*$6.74*	*Yes*
	Return (after tax) on total assets	*1.61%*	*Yes*
	Return (after tax) on shareholders funds	*1.72%*	*Yes*
	Ratio of shareholders funds to total assets	*0.93*	*No*
	Return (pre-tax profit) on shareholders funds	*2.33%*	*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	*2.50*	*Yes*
(e)	To ensure activities are effectively communicated to stakeholders		
	Monthly reports	*12*	*Yes*
	Chairman/Chief Executive meet with Holdings Board	*2*	*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*	*No*
	Compliance with all resource consent conditions	*Yes*	*Yes*
	Compliance with NZ Maritime Safety Standards	*Yes*	*Yes*

DIRECTORY

BOARD OF DIRECTORS

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

MANAGEMENT

Chief Executive	J. Boys
Finance Manager	J. Cannell
Business Development Manager	D. Cowie
Marine Manager	*To be appointed*
Operations Manager	K. Michel
Infrastructure Manager	R. Welbourn

SHAREHOLDERS as at 30 June 2011

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

The Directors are pleased to present the Annual Report of PrimePort Timaru Limited for the year ended 30 June 2011. For and on behalf of the Board of Directors.

R. H. Gower Chairman 25 August 2011	J. M. W. Rolleston Director 25 August 2011

PrimePort Timaru

www.primeport.co.nz

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