South Port NZ

Annual Report 2012

Contents

Financial Calendar

23 August 2012	• 2012 Full Year Profit Announcement Date
21 September 2012	• Close of Share Register for Entitlement to Final Dividend
30 October 2012	• Proxies must be lodged by 10.45 a.m.
1 November 2012	• Annual Meeting – 10.45 a.m. Venue: South Port Board Room, Island Harbour, Bluff
9 November 2012	• Final Dividend Payment mailed
7 February 2013	• 2013 Interim Profit Announcement
March 2013	• 2013 Interim Dividend Payment
30 June 2013	• Financial Year End

Cover illustration – Pilot, Ruslan Mitlash, boarding "MSC Sardinia" in Foveaux Strait
Inside front cover illustration – Tug "Monowai" at left and "MSC London" departing Bluff with the "Mandarin Arrow" at the Tiwai Wharf

South Port Facts

- Owns and manages assets which have a book value of $35 million
- Directly employs more than 65 full time equivalent staff
- Is the only Southland based company listed on NZX – market capitalisation as at 30 June 2012 equates to $80 million
- Handles in excess of 2.6 million tonnes of cargo in a normal trading year
- Offers full container, break-bulk and bulk cargo capability and services the following main cargoes:
  Import – alumina, petroleum products, fertiliser, acid, fish, stock food and cement
  Export – aluminium, timber, logs, dairy, meat by-products and wood chips
- Has split its land-based operating resource into four main divisions – warehousing & packing, containers, cool & cold storage and dairy
- Undertakes its primary port operation on a 40 ha man-made Island Harbour situated at Bluff
- Operates a separate dedicated fuel berth at Bluff Town Wharf plus provides the Tiwai Wharf facility to NZAS under a long term licence
- Services vessels carrying approx 1.0 million tonnes of cargo destined for movement across the Tiwai Wharf each year, of which 2/3 is raw material imports while 1/3 is finished aluminium product
- Has approximately 8 ha of on-port land available for further port development or industry establishment

Company Profile

South Port New Zealand Ltd (South Port) is the southern most commercial port in New Zealand, located at Bluff and operating on a year round, 24 hour basis. It is situated in the rich productive province of Southland which is responsible for generating a sizeable proportion of New Zealand's total exports by value. The region's major cargo producing sites are situated within 30 to 80 km of the Port.

The Port of Bluff has been operating since 1877 while the Company was formed in 1988 having taken over the assets and liabilities of the former Southland Harbour Board.

South Port was listed on the NZ Stock Exchange (NZX) in 1994 and has Environment Southland, the region's local government environmental agency, as its 66% majority shareholder.

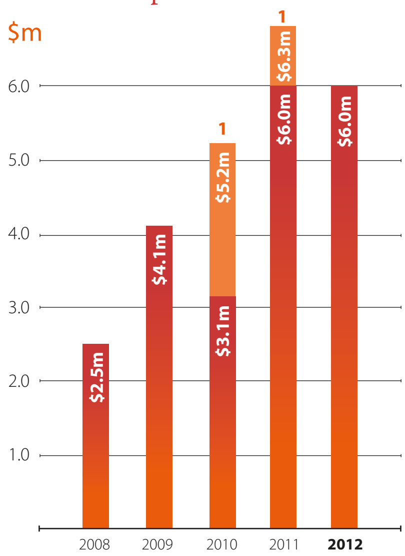
Significant Events 2011/12

- **Achieved $5.99 million profit result (2011 $6.26 million)** driven by buoyant cargo volumes across a range of sectors. Current year normalised profit was $5.72 million [sale proceeds from crane exceeded book value by $270,000] versus $6.0 million last year.
- **Declared improved dividend of 20.0 cents** per share (2011 dividend 20.0 cents).
- **Cargo volume lifted by 2%** or 50,000 tonnes **to establish new record of 2.69 million tonnes** (2011 - 2.64 million). Increase largely attributable to uplifts in wood chips, fertiliser, petroleum and stock food.
- **Wood chip cargo registered record level and** exceeded 250,000 tonnes**. Sawn timber tonnages** also **strengthened** against difficult trading back drop.
- **Reduction in log demand driven by lower Chinese consumption** meant this cargo category fell by 90,000 tonnes representing a 27% decline.
- **Stock food imports more than doubled compared to the prior year throughput** with molasses and palm kernel registering significant lifts.
- **A 6,000 m2 additional dry warehouse** to be located on the Island Harbour **was committed to,** with construction scheduled over the next 6 months.
- **Containerised cargo sat at 32,500** TEU per annum versus 33,000 in 2011. MSC weekly service secured regular support from regional importers and exporters.
- Operating personnel secured **improved productivity** during period **from new** Liebherr mobile harbour **crane** assisting prompt turnaround of MSC vessels.
- **Consistent dairy export** volumes were handled while **a noticeable lift in imported lactose** product was warehoused/distributed on behalf of Fonterra.
- **Continuing strong fertiliser tonnages** flowed through the Port while petroleum import levels **matched** the previous **all-time record set in 2005.**
- Due to customers encountering slow moving products and challenging market conditions, **Cold Storage division again experienced firm demand**.
- **Solid Energy** completed construction of its **$25 million briquette plant in Eastern Southland.** Potential exists to upscale this process.
- **OMV** consortium **combined with Shell NZ to form a new Great South Basin licence holding entity,** from which an exploration decision is pending.
- **Solid Energy** progressing assessment of the viability of a **lignite-to-urea conversion plant** in Southland via a **detailed feasibility study.**
- New **Hyster Reach Stacker** plant **commissioned during period** providing greater flexibility and lifting capacity for containerised cargo.
- Southland Cool Stores **cold storage business acquired** August 2012.
- Gains recorded in the Health & Safety area through **achieving highest level of safety accreditation under ACC** Workplace Safety Management Programme, plus **adoption of random drug and alcohol testing.**

The new Hyster Reach Stacker

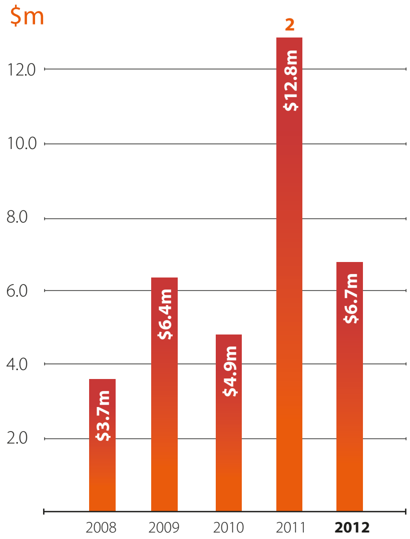
Financial Results in Brief

Surplus after Tax



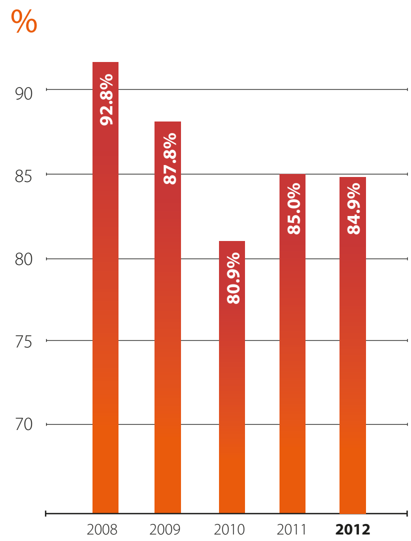
1: Restated profit with one-off deferred tax adjustments reflected.

Operating Cash Flow



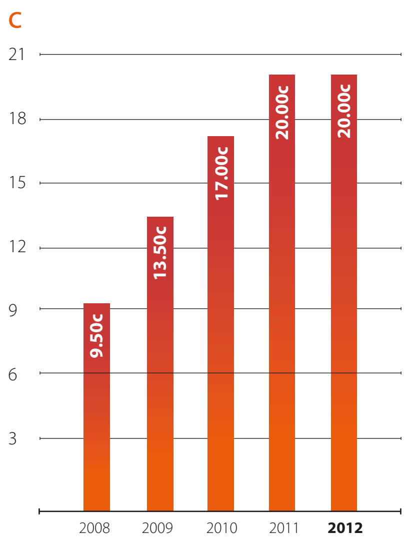
2: Includes NZAS arbitration settlement.

Equity Ratio

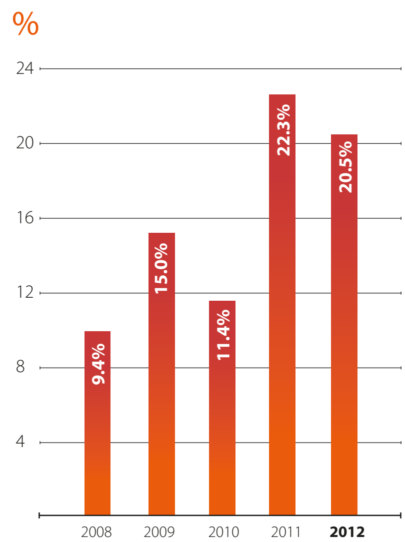


In Thousands of New Zealand Dollars	2012	2011
Revenue	$26,465	$25,343
Surplus after tax	$5,989	$6,258
Cashflow from operating activities	$6,721	$12,806
Total assets	$34,812	$33,907
Total equity	$29,572	$28,827
Shareholders' equity ratio	84.9%	85.0%
Earnings per share	22.8c	23.9c
Dividends declared per share	20.00c	20.00c
Net asset backing per share	$1.13	$1.10
Return on shareholders' funds	20.5%	22.3%
Cargo throughput (000's tonnes)	2,691	2,636

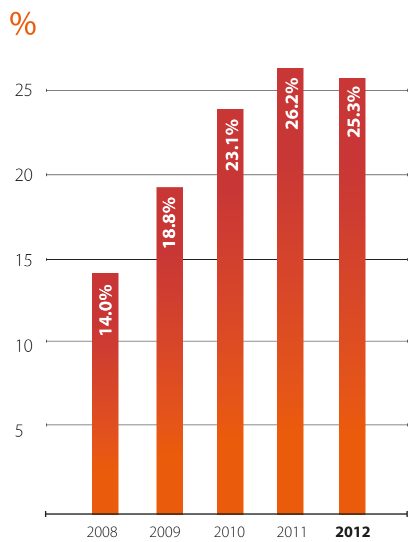
Dividends per Share



Return on Equity



Return on Assets



Review of Operations

Mark O'Connor and Rex Chapman with black pottery vase presented to South Port by Lanshan Harbour Co., China on signing of Agreement on Technical Co-operation

OVERVIEW

During a period in which several significant world markets continued to come under economic pressure, South Port was pleased to post another strong trading result. Aided by a primary-produce sector that has demonstrated durability, total cargo volume passing through the Port represented a record level for the second consecutive year.

It should be acknowledged that a number of customers encountered challenging operating conditions in the past season and this created either slow moving inventory or reduced margins for these businesses.

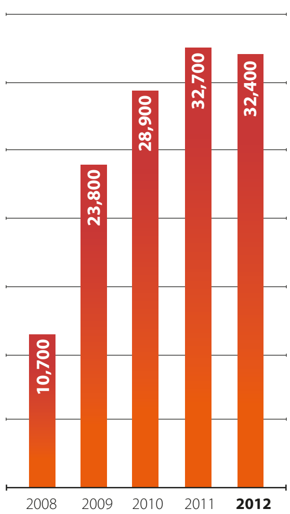
The reported after tax profit of $5.99 million (2011 – $6.26 million) included a one-off tax-paid adjustment of $270,000 as the sale proceeds from the sale of a surplus mobile harbour crane exceeded the book value. Reversing this adjustment results in a 2012 normalised profit of $5.72 million compared with $5.98 million in the prior year.

Normalised Profit Table reflecting $ millions	*2012*	*2011*
Net Surplus After Income Tax	5.99	6.26
One-off Gain on Asset Sale / Deferred Tax Adjustment	(0.27)	(0.28)
Restated Profit	$5.72	$5.98

The above result can be considered extremely creditable when shareholders take into account the fact that the Company had to absorb much higher operating costs in the reported period. The cost of establishing appropriate resources to handle a sustained lift in base cargo, the effect of increased depreciation on large scale plant (mobile harbour crane and top lifter forklifts) and significantly higher insurance charges reflected in the bottom line result. Shareholders will be aware that South Port achieved a 25% lift in cargo volume during 2011 (compared to the average annual tonnage level of the three previous financial years) and this on-going activity gain can only be supported with additional personnel, plant and infrastructure.

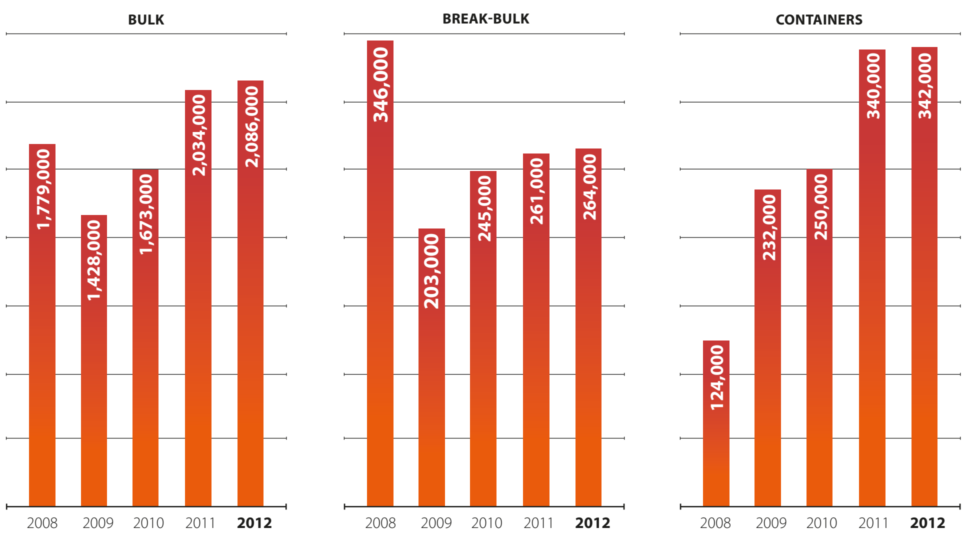
Number of Containers

(TEU Equivalents)



Breakdown of Cargo

(Bulk/Break-bulk/Containers tonnage)



Liehberr LHM 400 mobile crane loading container onto an MSC vessel

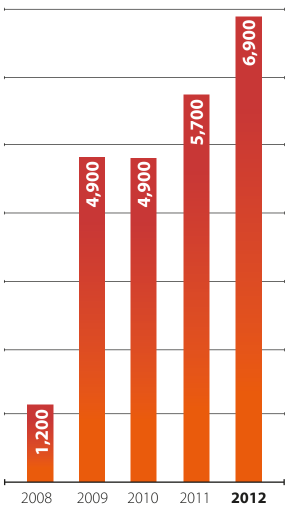
> "The global container shipping market has sustained significant losses and this has necessitated both schedule and tariff rate realignment..."

CARGO ACTIVITY

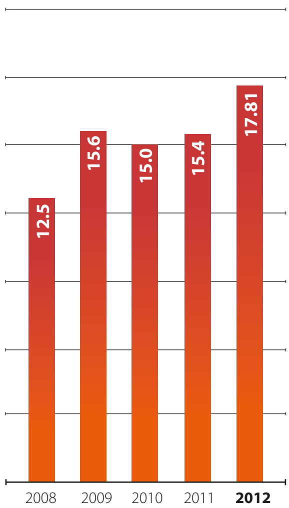
Unlike the previous period when all cargo categories were either steady or improved, the 2012 year delivered a mix of volume gains and losses across a range of sectors. Fortunately, overall gains outweighed losses and in the past 12 months a fresh annual volume record of 2.69 million tonnes was established (2011 – 2.64 million tonnes).

Products recording substantial volume increases included petroleum, stock food, sawn timber and wood chips. Trades registering noticeable declines were logs and NZAS import products. Containerised cargo activity was stable with total TEU (twenty foot container unit measure) volume reflecting 32,500 (2011 – 33,000).

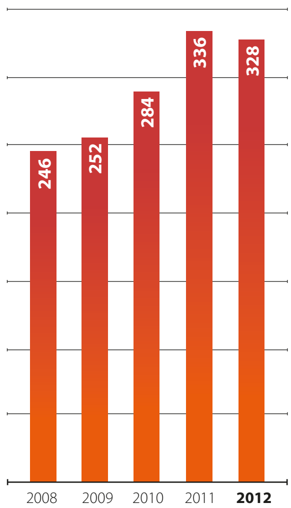
Containers
(Vanned / Devanned)



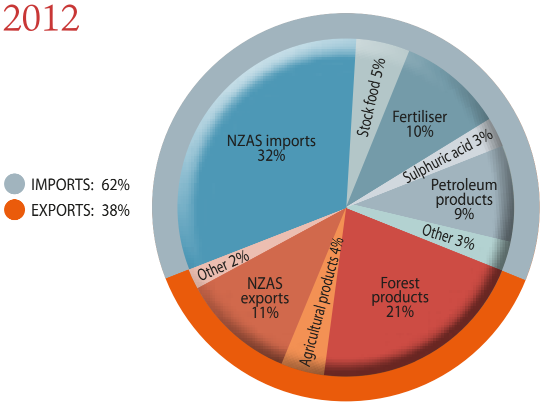
Crane Productivity
(moves per hour)



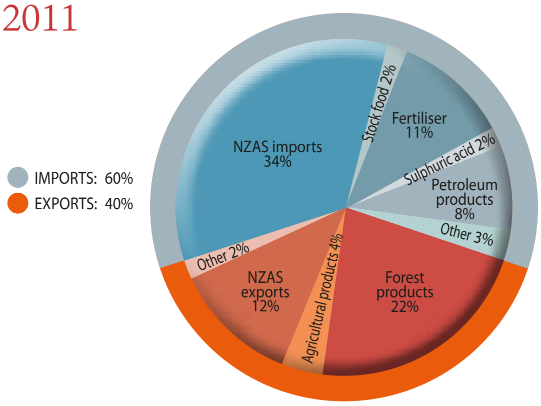
Ship Calls



Comparative Cargo Breakdown 2012



Comparative Cargo Breakdown 2011



Barbara Zhang, NAC Trading Ltd, Rex Chapman, Shang Jinrui, Lanshan Harbour Co. and Mark O'Connor at Lanshan Port China. In background is vessel "Maple Fortitude" unloading logs which had been uplifted from Bluff in early May

The global container shipping market has sustained significant losses and this has necessitated both schedule and tariff rate realignment.

While this can create disruption and financial adjustment for cargo providers, it is also important that the companies providing these international connections are in a position to maintain viable shipping services. South Port is appreciative of the global linkage that MSC provides to the region through its weekly Capricorn container shipping call.

Caught-up in a perfect economic storm, New Zealand Aluminium Smelters (NZAS), which now forms part of the Pacific Aluminium Group, was forced to reduce its production capacity by approximately 15%. This action was necessary due to the deterioration of market conditions, including the uncertainty around electricity market pricing, the high exchange rate and low aluminium prices.

Previous strong demand that was evident for logs originating from New Zealand diminished noticeably over the past 12 months. In the case of South Port the volume fell by 90,000 tonnes or approximately 27%. Offsetting this decline were lifts in both woodchip and sawn timber exports.

The dairy sector again proved to be resilient and in the South Port environment offers a growing range of import and export cargoes. These include the import of manufacturing ingredients (lactose), packaging materials, caustic soda, stock food and the export of finished dairy product. Of note the volume of imported Fonterra lactose warehoused by South Port showed a marked increase.

Fertiliser tonnages imported through Bluff in 2012 remained at all-time-highs and linked to general economic activity in the region petroleum cargoes matched the previous record level established back in 2005. The cold storage division again provided an important contribution to the overall result. Sluggish market conditions for meat, fish and other cold storage products meant that higher levels of inventory existed during the second half of the financial year.

OTHER OPERATIONAL EVENTS

Southland Cool Stores – In late July 2012 South Port entered into an agreement to purchase the cold storage business of Southland Cool Stores Ltd located at Bluff. The transaction was dependent on the successful outcome of a due diligence process and it was subsequently confirmed that the business acquisition would proceed. A long term lease of the former Southland Cool Stores premises was executed as part of the transaction and integration of this operating site with South Port's existing cold storage division is now underway.

Sale of Surplus Mobile Harbour Crane – During January 2012, South Port entered into a contract to realise a surplus mobile harbour crane. The Liebherr LHM320 crane being sold was replaced by a larger and more modern crane approximately 12 months ago and this new plant is servicing customers very effectively. Sale proceeds exceeded the carrying cost of the asset by an after-tax amount of $270,000.

NZAS and Pacific Aluminium – In October 2011 Rio Tinto announced that following a strategic review it would be streamlining its aluminium production division and divesting several world-wide assets at an appropriate time in the future. As a consequence it elected to transfer six Australian and New Zealand assets into a new business called Pacific Aluminium. Included in the group of transferred assets is NZAS which operates the aluminium production facility located on Tiwai Peninsula alongside Bluff Harbour.

“constructing further dry warehousing on the Island Harbour at Bluff in order to cater for anticipated future regional cargo growth.”

Proposed new Shed 7 etched in orange alongside the present Shed 4

This significant customer of South Port has signalled that while it is now part of a different business structure it is very much operating on a "business as usual" basis and that any potential future sale is likely to be to a new owner with a long-term operating view. It is also worthwhile noting that NZAS has a significant "take or pay" electricity contract with Meridian Energy which covers an 18 year period through to 2030. It was recently reported that NZAS is in discussions with Meridian concerning this electricity contract.

Shareholders should be aware that the dedicated Tiwai Wharf and Access Bridge used by NZAS is covered by a 35 year Licence (Lease) Agreement which took effect from 2008.

Forestry Exports – As noted under the cargo commentary, a sizeable decline in log export activity occurred during the final three quarters of the 2012 financial year. Expectations from forestry customers are that more favourable trading conditions will be re-established in the New Zealand Spring period. Fortunately, strong outflows of wood chip product and higher sawn timber tonnages offset the log volume decrease.

Lanshan Port Relationship Agreement – In June 2012 South Port's Chairman and Chief Executive travelled to China to enter into an Agreement on Technical Co-operation (TCO) with Lanshan Harbour Co Ltd (Lanshan Port). Situated in the Eastern part of Shandong Province approximately in the middle of China's coastline, and forming part of the larger Rizhao Port Group, Lanshan Port is the largest export destination for NZ pinus radiata logs. The Company considers itself privileged to be able to form this type of relationship and looks forward to exploring further technical and trade opportunities with its Chinese counterpart.

Whilst in China the South Port representatives also met with other significant businesses located in Shandong province. The approach by Lanshan Port and the subsequent completion of a TCO was facilitated by South Port's Chinese customer NAC Trading Ltd whose Marketing Manager Barbara Zhang travelled with the South Port personnel. There is no doubt that the Chinese market represents an important prospect for New Zealand exporters but it is essential that appropriate time and effort be invested by businesses to understand the market and the niche opportunities that exist.

Additional Dry Warehousing – South Port announced to shareholders in October 2011 that it would be constructing further dry warehousing on the Island Harbour at Bluff in order to cater for anticipated future regional cargo growth.

Design options and costings have been finalised and the construction of this asset will occur over the coming six months. In addition, lease negotiations with prospective tenants are well advanced.

International Shipping Line Consolidation – As highlighted previously, the 2011/2012 period was noteworthy for the continuing action of mainly container shipping lines to rationalise their global operations. This is being achieved through business alliances and vessel sharing arrangements which are designed to reduce operating costs in what can only be described as a brutal freight market. This is partly attributable to the economic events occurring in Europe which have severely impacted trade volumes flowing between that market and Asia. Industry commentators predict that a sizeable percentage of the world-wide container shipping fleet will have to be laid up in the coming year as contracted larger new-build vessels come into the system.

Port Infrastructure Developments – Significant 'capex' outlays during the 2012 financial year related to:

- Acquiring a Hyster container reach stacker plus a back-up container spreader for the Liebherr mobile harbour crane;
- Undertaking a further stage of the container terminal paving upgrade; and
- Completing safety/security fencing for the container terminal area including the installation of automated gates.

The Company also continued to implement requirements of the medium term focused Asset Maintenance Plan developed for its major infrastructure in 2006/2007.

Insurance Renewal – Providers of cover in the international insurance market continue to be risk adverse and therefore it was pleasing to be able to place 100% of its required insurance by the 1 July policy anniversary date. Being part of an insurance collective involving several New Zealand Port Companies has provided advantages for South Port but this did not prevent a further premium increase being incurred.

FINANCIAL

2012 Financial Result (comparatives shown in brackets)

- Revenue from Port and warehousing operations increased by 4% to $26.0 million ($25.1 million).
- Consistent with the additional resources deployed within the business, operating profit before financing costs and tax declined by 5% to $8.3 million ($8.7 million).
- Net financing costs for the Group were $375,000 ($339,000).
- The Group's overall result was an after tax surplus of $5.99 million ($6.26 million), which represented a 4% decrease on the previous year.
- Based on the reported result, earnings per share were 22.8 cents (23.9 cents per share).
- Total equity is $29.6 million ($28.8 million) after allowing for dividend payments during the period of $5.25 million ($4.72 million).
- Group equity includes issued capital of $9.4 million ($9.4 million), which is made up of 26,234,898 ordinary shares.
- Total Group assets stand at $34.8 million ($33.9 million).
- Net tangible asset backing per share equates to $1.13 ($1.10 per share).
- Current assets amount to $5.0 million ($3.4 million), whereas current liabilities remain constant at $4.5 million ($4.5 million). This creates a net working capital position of positive $0.5 million versus negative $1.1 million last year.
- Term liabilities now total $0.8 million ($0.5 million).
- Property, Plant and Equipment stood at $29.8 million ($30.5 million).

DIVIDENDS

Shareholders will be aware Directors have adopted an ongoing policy of assessing South Port's dividend flow after taking into consideration both its Free Cash Flows (FCF) and its reported profitability. For the purpose of this policy FCF is interpreted as being annual operating cash flow less net capital expenditure in the same period.

In establishing the level of dividend payment Directors' took into account the Company's profit outlook, plus its ability to fund growth capital expenditure. Accordingly, the Board elected to pay a final dividend of 14.5 cents. This translates to a full year dividend of 20.0 cents (2011 – 20.0 cents).

Full imputation credits will be attached to all distributions. The dividend payment represents a gross return of 9.4% (net 6.6%) based on a share price of $3.05 as at 30 June 2012. A dividend payout ratio of 88% results for 2012 (using reported NPAT) and the Board has assessed that an approximate 90% - 95% distribution should be targeted in the foreseeable future.

SAFETY

South Port's on-going commitment to workplace safety was further enhanced during the period through the introduction of random drug and alcohol testing.

Staff are extremely conscious of the need to ensure their fellow workers are not impaired when undertaking daily tasks and willingly undertook pre-implementation training plus adopted the new testing regime in a constructive manner.

The Company also gained a tertiary level accreditation for the ACC Workplace Safety Management Programme (WSMP) and this highest achievable level under WSMP further reinforces South Port's intention to seek continuous improvement in Health and Safety.

In addition, a number of items making-up the capital expenditure programme contained a linkage to achieving South Port's health and safety targets. Isolating the container terminal area via safety/security fencing is an example of this approach.

STAFF CONTRIBUTION

A new all-time cargo record speaks volumes for the hard work and dedication demonstrated by South Port's workforce during the past 12 months. South Port operates in a demanding sector where efficient product movement is critical for customer cash-flow and profitability. Securing productivity gains and operating cost containment are real ways of demonstrating to our customers that their business is important and thanks are extended to all staff for delivering on these objectives.

BOARD COMPOSITION

Mr Rick Christie and Mr Tommy Foggo retire this year by rotation and being eligible, offer themselves for re-election.

The Company has received no other Director nominations.

"Staff are extremely conscious of the need to ensure their fellow workers are not impaired when undertaking daily tasks..."

Murray Black, Rob Goodman and Rex Philpot securing a vessel's lines

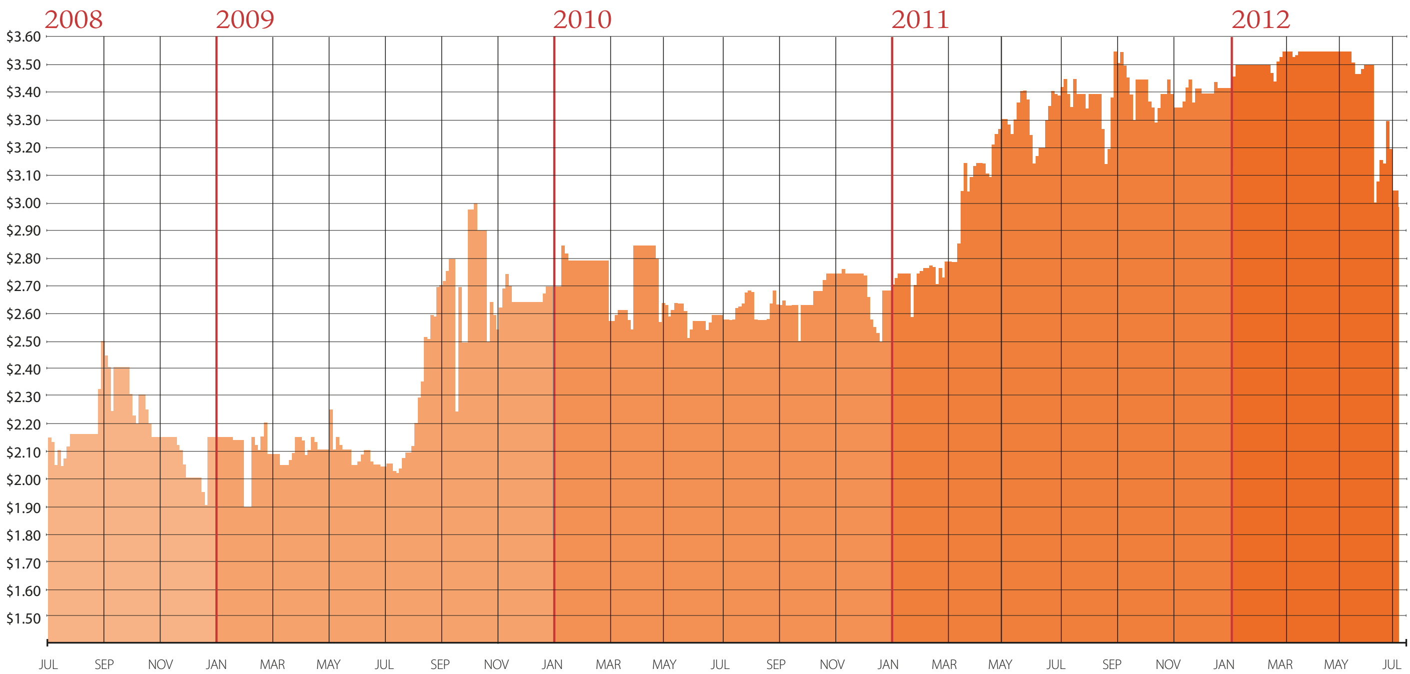
ENVIRONMENT

Operations were undertaken throughout the year in accordance with all existing resource consent conditions. South Port's primary environmental responsibilities are subject to two different planning instruments; the Invercargill District Plan administered by the Invercargill City Council and the Regional Coastal Plan for Southland which is administered by Environment Southland.

In the past 12 months there have been no significant new capital projects that impacted on the environment.

Share Price

from 1 July 2008 to 30 June 2012



COMMUNITY AND REGIONAL ASSISTANCE

Sponsorship of local sporting and cultural groups is part of a long-term commitment to support the community and region in which South Port operates. Organisations that received sponsorship assistance over the past financial year included:

- Bluff Coastguard
- Te Ara o Kiwa Sea Scouts
- Bluff Hill/Motupohue Environment Trust – pest eradication programme
- Bluff Maritime Museum
- Bluff Oyster & Seafood Festival
- Bluff Rugby Club
- Bluff Yacht Club
- Bluff schools, Bluff Promotions and various other local sporting organisations
- James Hargest College Rugby Club
- Rugby Southland
- Southland Cricket Association
- Young Enterprise Scheme (YES)

South Port continued its primary sponsorship of the Southland Export Forum providing financial assistance to administer the forum and facilitate the holding of a number of events. In addition, the Company assisted with sponsoring the bi-annual Southland Export Recognition Dinner which was held in early September 2012.

Further, on-going scholarship assistance comprises of both community and staff categories, with scholarships this year being awarded to Jesse Goodman and Darcy Kerr. Jesse is studying towards a Diploma in Nautical Science at the New Zealand Maritime College in Auckland and has the long term goal of becoming a Harbour Pilot. Darcy is enrolled at SIT to complete a Bachelor of Audio Production and once qualified would like to secure a career in the music industry.

ENERGY SECTOR

Oil & Gas Exploration – As outlined in the 2011 Annual Report, the most significant exploration licence in Great South Basin (GSB) is held by a consortium comprising Shell GSB Ltd (50%), OMV NZ Ltd (18%), PTTEP NZ Ltd (18%) and Mitsui E&P Australia Pty Ltd (14%). This consortium completed an extensive 3D seismic acquisition project over the most recent summer. The state-of-the-art seismic vessel Polarcus Alima undertook the seismic work in the North Eastern area of GSB.

Processing of the seismic data is underway with indications suggesting this will take until early to mid-2013 to interpret and draw conclusions on the detailed geological portrait.

South Port and regional stakeholders continue to interact with the oil and gas exploration companies and remain optimistic about the energy potential available in GSB.

Whilst there are no assurances that South Port will secure future oil and gas industry activity, it is useful to restate several advantages that Bluff is able to provide over its competitors when it comes to meeting the requirements of an exploration base:

- Bluff was selected as the base for previous GSB exploration
- South Port can offer extensive lay down storage areas directly on the Port
- Refuelling support vessels and the provision of diesel supplies for rig operations are more easily accessible than other ports (note support vessels normally require 7 – 8 metres draft which can be comfortably provided at Bluff Port)
- A wide selection of dedicated service berths are available
- South Port has established expertise handling project and break-bulk cargoes
- The Southland region has a more extensive engineering resource as a result of companies servicing the NZAS aluminium smelter and the meat processing, dairy and forestry industries over several decades


Vessel "Super Challenge" discharging stock food via hopper to road transport

"Products recording substantial volume increases included petroleum, stock food, sawn timber and wood chips"

> "Strong outflows of wood chip product and higher sawn timber tonnages offset the log volume decrease..."

Wood chip stockpile with vessel "New Oji Pioneer" loading chips via a ship loader in background

- Local government in the region also has a reputation of being willing to try harder to address the needs of new commercial ventures while still meeting the requirements of their local stakeholders.

Shareholders need to also be aware that should oil & gas industry participants choose to undertake exploration drilling in the GSB, the choice of an exploration supply/support base will be significantly influenced by the ultimate location of the exploratory wells.

Development of Southland's Lignite Resource – Solid Energy through direct land ownership and option agreements has access to approximately 1.4 billion tonnes of lignite in Eastern Southland. It has conveyed its long term intention to develop this resource by listing potential future options under a "Staircase of Opportunity" framework. This term describes the planned investment over time in progressively more capital intensive processes which will convert the low grade lignite material into more valuable end products such as briquettes and urea fertiliser.

This development journey has begun with the construction of a briquette conversion plant at Mataura in Eastern Southland. Having commenced operation in August 2012, the $25 million briquette plant is expected to produce 90,000 tonnes of higher grade fuel units using approximately 150,000 tonnes of lignite as raw material.

During the past 12 months the Solid Energy Board has also committed funding for a full feasibililty study into the potential area for converting lignite into urea. This comprehensive study will cover off such areas as; most suitable technology, potential sites, visual/noise impact, heritage & cultural effect, air/water, transport, electricity needs, geo-tech, construction requirements, capital raising opportunities and overall project viability.

Solid Energy has gone to some lengths to highlight to stakeholders that it will take full responsibility for greenhouse gas emissions associated with its lignite related projects including the full cost of carbon. Solid Energy plans to meet its carbon obligations through a range of approaches and technologies including processes to reduce production emissions, offsetting emissions by planting trees and purchasing carbon credits.

L&M Energy – This operator continues to advance its Coal Seam Gas project in Western Southland as well as evaluating other energy-related developments. If the reserves are viable, Coal Seam Gas could be redirected to commercial users, converted into transport fuels or used to generate electricity. In addition L&M Energy is assessing whether Shale Gas reserves exist in commercial quantities in the Waiau Basin (Western Southland). Based on available data, compiled by L&M Energy over a period of time, the Waiau Basin shales compare very favourably to the best USA shale gas plays.

Wind-Farm Project Timing – Previous shareholder communications have outlined that there are three regional wind-farm projects currently in the planning stage.

- A smaller scale 8MW project has been earmarked for Flat Hill near Bluff by Energy 3. This development has been appealed to the Environmental Court on the grounds that the cultural heritage of the area was not respected.
- TrustPower Ltd has obtained resource consents from the Gore District Council to build a wind farm at Kaiwera Downs, east of Gore. The consents allow for the installation of up to 240 MW of electricity or a maximum of 83 towers. It is expected that should the project become viable this wind farm would be developed over a 2 to 3 year period.

- Factors impacting viability (and therefore timing) include exchange rates, wind turbine availability, sector pricing, potential new industry establishment and electricity demand in the region. Notwithstanding these influences, Kaiwera Downs is the only consented renewable energy project of scale in Southland and will be the first to proceed when conditions are right.
- Genesis Energy purchased the Slopedown Wind Farm development from Wind Prospect CWP (NZ). This potential wind farm site is located in Eastern Southland approximately 50km to the East of Invercargill. Wind Prospect CWP (NZ) Ltd had been involved in this project for a number of years, undertaking environmental and technical work required to lodge the necessary resource consents. Genesis Energy assessed the work completed to date and aims to progress the project in the medium term.

OUTLOOK

As we move forward into the 2013 financial year it is apparent that global markets still face a number of significant challenges. It is likely that New Zealand will not be immune from the economic ills that are being suffered by a wide range of countries around the world. An unhealthy European zone does not bode well for our key Asian trading partners who rely on Europe to purchase their manufactured goods.

Further, the USA market still appears to be stuttering with no upward economic trends evident and China's superior growth levels are finally beginning to wane. Monthly indicators suggest that the slowing in China's growth may have stabilised. However, should conditions in USA and Europe deteriorate further, the Chinese authorities will need to consider other measures if they are to meet the current 7.5% growth target.

The international trading conditions currently being experienced will cause certain sectors to be buffeted around while others will still continue to perform well. For a number of South Port's customers it will be a matter of bracing themselves for the bumpy road that lies ahead. Cost containment and prudent management will be essential business tools and South Port will be focusing on these components within its own business.

On the local front commentators' consistently outline that because New Zealand's economic recovery is so closely linked to the global situation, risks facing business growth lie firmly on the negative side of the ledger. Whilst New Zealand is better placed than many other nations, it is likely to be some time before economic growth returns to stimulatory levels.

Fortunately our country still possesses a number of comparative advantages which will continue to assist New Zealand to operate as an active trading nation. Some of these advantages include water, climate, productive land, food safety, a large exclusive economic zone, minerals, energy and the brand "NZ Inc.".

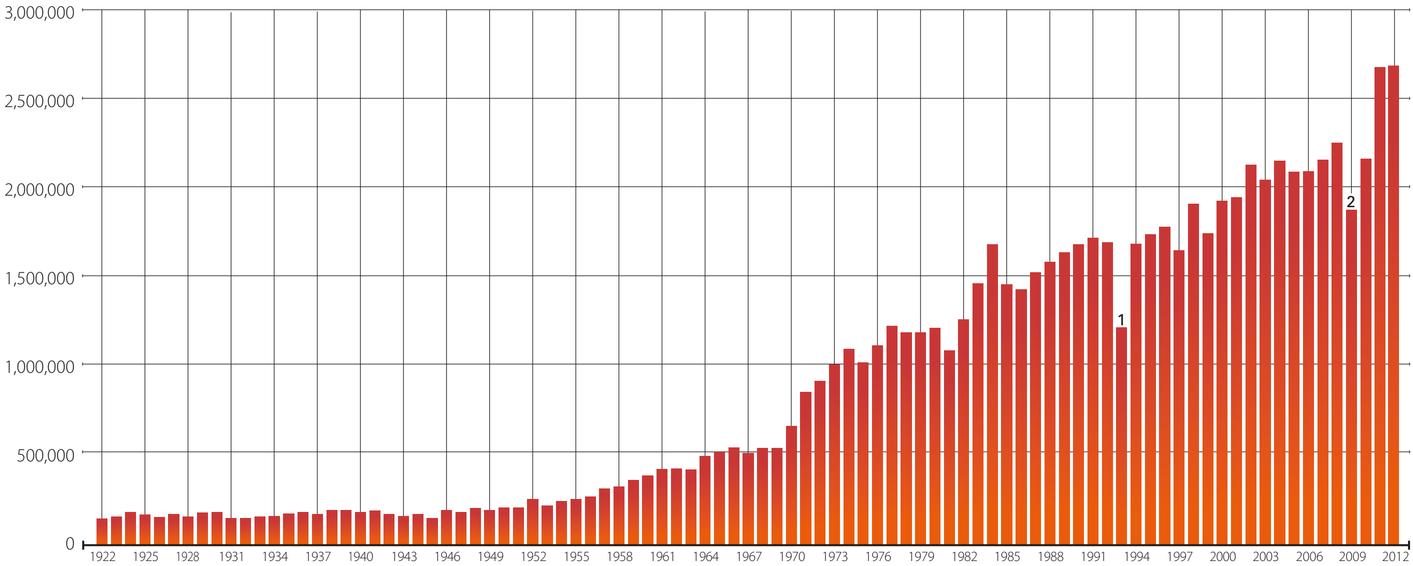
Despite this rather bearish background South Port is optimistic that a stable level of tax-paid profit can be achieved for the 2013 financial year. As in the past an update of the earnings outlook will be provided by the Company at the time of releasing its interim result.

R.T. CHAPMAN
Chairman

M.P. O'CONNOR
Chief Executive

Historic Trade Figures 1922-2012

(tonnes)



1 – 1993 9 month period due to change in financial year end
2 – 2009 drop in tonnage due to 30% decrease in NZAS throughput attributable to a pot-line outage

Directors , from left: Jeremy McClean, Rick Christie, Rex Chapman, Thomas Foggo, Graham Heenan, Philip Cory-Wright

Directors' Profiles

REX THOMAS CHAPMAN
LLB, Chairman

Mr Chapman is a Senior Litigation and Commercial Partner in Invercargill Law Firm Cruickshank Pryde.

RICHARD (RICK) GORDON MAXWELL CHRISTIE
MSc (Hons), AFInstD, CRSNZ

Mr Christie is a Company Director based in Wellington. He is currently a Director and Chairman of a number of public and private companies. He has also held a number of government appointments and was a Chief Executive for many years prior to becoming a professional Director. In 2011 he was made a Companion of the Royal Society of New Zealand.

PHILIP WADE CORY-WRIGHT
BCA, LLB (Hons)

Mr Cory-Wright is a Company Director and a Strategic Adviser based in Auckland. He has recently been appointed as one of the Establishment Board Directors on the new Local Government Funding Agency established to lower the funding costs and improve the terms of borrowing for local councils in New Zealand. He has specialised in infrastructure businesses and recent roles include being an adviser to Kordia, Solid Energy, Auckland Airport and ACC.

THOMAS McCUISH FOGGO

Mr Foggo is based in Invercargill and is the Southland Manager for Sanford. He has held senior management positions and Directorships in the Seafood Industry for over 36 years and has for the past 17 years been a Director of Live Lobster Southland. He is also a Government appointed Director of Invercargill Airport.

GRAHAM DOUGLAS HEENAN
BCom, AFInstD, FNZIM

Based in Christchurch, Mr Heenan is Chairman of DB South Island Brewery, Dairyworks, Abbott Group and Hanmer Springs Thermal Pools & Spa. He is a Director of Intercity Group and is a past Director of PrimePort Timaru, Canterbury District Health Board, Hellers and the TAB. Mr Heenan also acts as a consultant to several companies.

JEREMY JAMES McCLEAN
BCom, CA

Mr McClean is a practising Chartered Accountant in Southland. He is a principal in Invercargill accounting firm Malloch McClean Ltd, holds a Public Practice Certificate with the New Zealand Institute of Chartered Accountants and is a Justice of the Peace. Mr McClean has provided business advice to a number of Southland rural and urban businesses for more than 30 years.

Statutory Report of Directors

The Directors have pleasure in submitting their 2012 Report and Financial Statements.

PRINCIPAL ACTIVITIES

The Company is primarily engaged in the commercial operation of the Port of Bluff. There has been no significant change in the nature of the Company's business during the year.

ACCOUNTING PERIOD

The financial statements are for the 12 month period from 1 July 2011 to 30 June 2012.

RESULTS

The Company recorded a surplus for the period of $5,989,000.

DISCLOSURE OF SHARE DEALING BY DIRECTORS

Directors acquired no additional equity securities in the Company since the date of the last Annual Meeting.

DIVIDEND

The Directors have declared an ordinary dividend of $5,772,000 for the period ended 30 June 2012 including the final dividend amount of $4,329,000 payable in November 2012.

DIRECTORS AND OFFICERS LIABILITY INSURANCE

The Company has arranged directors and officers' liability insurance with Vero Liability Insurance Ltd. This cover insures Directors against liabilities to other parties that may arise from their positions as Directors. The insurance does not cover liabilities arising from criminal actions.

REMUNERATION OF DIRECTORS

Directors' remuneration for the 12 month period ended 30 June 2012 was as follows:

J.A. Harrington* (resigned September 2011)	$36,750
R.T. Chapman	$50,400
R.G.M. Christie	$29,000
P.W. Cory-Wright	$29,000
T.M. Foggo	$29,000
G.D. Heenan	$29,000
J.J. McClean (appointed September 2011)	$21,750

*Includes retiring allowance

No other benefits have been provided by the Company to a Director or in any other capacity. No loans have been made by the Company to a Director nor has the Company guaranteed any debts incurred by a Director.

DIRECTORS' SHAREHOLDING

There is currently no beneficial shareholding held by Directors.

REMUNERATION OF EMPLOYEES

Section 211(1)(g) of the New Zealand Companies Act 1993 requires disclosure of remuneration and other benefits, including redundancy and other payments made on termination of employment, in excess of $100,000 per year, paid in respect of the current year by the Company to any employees who are not Directors of the Company.

Remuneration	*Number of Employees*
$110,001 - $120,000	2
$120,001 - $130,000	1
$130,001 - $140,000	1
$160,001 - $170,000	1
$170,001 - $180,000	1
$180,001 - $190,000	1
$200,001 - $210,000	3
$270,001 - $280,000	1

The Chief Executive Officer's employment contract is reviewed annually by the Board. It is not a fixed term contract.
The remuneration of senior management is reviewed annually and is determined in a transparent, deliberate and objective manner.

ACCOUNTING POLICIES

There were no changes in accounting policies during the period. All policies are consistent with those applied in the previous year.

AUDIT & RISK COMMITTEE

The Company has a formally constituted Audit & Risk Committee comprising Messrs G.D. Heenan (Chairman), R.T. Chapman and J.J. McClean.

It is the role of the Audit & Risk Committee to review the Company's financial statements and announcements, liaise directly with the Company's Auditors and review the Company's accounting policies, practices, risk managment and related matters.

AUDITOR'S REMUNERATION

During the year $33,572 was paid to the Company's Auditors, WHK, for audit services carried out as agent for the Controller and Auditor-General. The Company did not pay the Auditors for any advice or guidance on other matters.

INTEREST REGISTER

The Company maintains an Interest Register in which particulars of certain transactions and matters involving the Directors are recorded. Entries in the Interests Register must in turn be disclosed in the Annual Report. No material transaction entries were recorded in the Interests Register for the period 1 July 2011 to 30 June 2012.

USE OF COMPANY INFORMATION

During the year the Board received no notices from Directors of the Company information received in their capacity as Directors which would not otherwise have been available to them.

NOTICE AND PAUSE PROVISIONS

The Company has adopted "notice and pause" provisions in its Constitution.

DISCLOSURE OF INTEREST

Pursuant to Section 140 of the Companies Act 1993, Directors have disclosed interests in the following entities with which the Company conducts or may conduct business from time to time:

Mr R.T. CHAPMAN	*Position*
J. Crooks & Sons Ltd	Solicitor
Forklifts NZ Ltd	Solicitor
Prime Range Meats Ltd	Solicitor
Southland Veneers Ltd	Solicitor
Transport Rentals Ltd	Solicitor
Winton Stock Feed Ltd	Solicitor
Mr R.G.M. CHRISTIE	
Solnet Solutions Ltd	Director
Mr P.W. CORY-WRIGHT	
Local Government Funding Agency	Director
Mr T.M. FOGGO	
Barnes Oysters Ltd	Director
Bluff Oyster Management Co. Ltd	Director
Invercargill Airport Ltd	Director
Live Lobster Southland 1995 Ltd	Director
Sanford Ltd	Branch Manager
Mr G.D. HEENAN	
InterCity Group Ltd	Director
Mr J.J. McCLEAN	Nil

R.T. CHAPMAN
Chairman of Directors

G.D. HEENAN
Director

Dated 23 August 2012

Ultimate Goal

"South Port New Zealand Limited will be the best distribution cost option for all Southern region importers and exporters through the delivery of innovative solutions."

Key Objectives

- To increase customer usage of South Port and improve customer satisfaction.
- To make the best use of South Port's resources and develop the assets of Bluff Harbour.
- To improve returns to shareholders and create positive value.
- To achieve differentiation in the market and gain competitive advantage over other operators in the transport sector.
- To assist the establishment of new industry and the growth of existing businesses in the southern region.

Statutory Disclosure in Relation to Shareholders

AS AT 30 JUNE 2012

SIZE OF HOLDING

SIZE OF HOLDING	NUMBER OF SHAREHOLDERS	ORDINARY SHAREHOLDING	PERCENT HOLDERS
1 - 1,000	248	181,361	.69
1,001 - 5,000	372	1,062,599	4.05
5,001 - 10,000	79	624,335	2.38
10,001 - 100,000	59	1,451,322	5.53
100,001 and over	8	22,915,281	87.35
Total Number of Shareholders:	**766**	**26,234,898**	**100.00**

PRICES FOR SHARES TRADED DURING THIS YEAR

AS AT 30 JUNE 2012	HIGH	LOW
$3.05	**$3.60**	**$3.01**

TOP TWENTY ORDINARY SHAREHOLDINGS

SHAREHOLDER	HOLDING	PERCENT
Southland Regional Council (Environment Southland)	17,441,573	66.48
National Nominees New Zealand Ltd	1,340,925	5.11
Russell John Field & Anthony James Palmer	1,334,731	5.09
K & M Douglas Trust	1,021,684	3.89
Douglas Family Trust	516,787	1.97
Douglas Irrevocable Descendents Trust	506,192	1.93
MA Janssen Ltd	381,403	1.45
JPMorgan Chase Bank N.A.	205,050	.78
Daniel Martin Noonan	175,364	.67
Kenneth Ritchie Anderson	77,184	.29
Pauline Ann Stapel & Stephen Thomas McKee	70,881	.27
Glenn Owen Johnston	60,000	.23
Howard Cedric Zingel	56,778	.22
Lynn Landmark Zingel	56,778	.22
Custodial Services Ltd	56,000	.21
Herbert Charles Wilson	54,000	.21
David Grindell	50,000	.19
Tarewai Fishing Co. Ltd	47,656	.18
Ian Gerald Arnot	43,978	.17
Henry James Williams	37,685	.14

SUBSTANTIAL SECURITY HOLDERS

As at 30 June 2012 the following persons have given notice (in terms of the Securities Markets Act 1988) that they are substantial security holders in South Port New Zealand Limited. The number of shares shown is at the date of the last advice received from the substantial security holders.

HOLDER	NO. OF SHARES	% OF ISSUED CAPITAL	DATE OF NOTICE
Southland Regional Council	17,441,573	66.48	20 October 2000
K & M Douglas Trust, Douglas Family Trust, Douglas Irrevocable Descendents Trust	2,044,663	7.79	24 December 2009
Russell John Field & Anthony James Palmer	1,334,731	5.09	28 October 2010

Corporate Governance

The Board of South Port New Zealand Limited is committed to ensuring that the Company adheres to best practice governance principles and maintains the highest ethical standards. The Board believes that good governance is based on a set of principles and behaviours that provide a clear basis for the Company's everyday activities to ensure transparency, fairness and recognition of the interests of South Port's stakeholders.

Following a review of its governance practices the Board adopted a Code of Corporate Governance which is available at www.southport.co.nz. The Code has been developed after considering contemporary best practice and principles contained in the New Zealand Stock Exchange Corporate Governance Best Practice Code issued in October 2003 and the Port Companies Act 1988.

CODE OF ETHICS

The Company expects its employees and Directors to maintain high ethical standards. A Code of Ethics has been adopted as part of the corporate governance framework and is monitored by the Board. The Company's Code of Ethics has been published and made available to all Directors and staff. This key corporate governance document is available on the Company's website (www.southport.co.nz).

The Code of Ethics addresses, amongst other things:

- conflicts of interest;
- receipt of gifts;
- corporate opportunities;
- confidentiality;
- expected behaviours;
- delegated authority;
- director responsibilities; and
- reporting issues regarding breaches of the Code of Ethics, legal obligations and other policies of the Company.

The South Port Board and management are not aware of any breaches of the Code of Ethics during the period.

RESPONSIBILITIES OF THE BOARD

The business and affairs of the Company are managed under the direction of the Board of Directors. The South Port Board is collectively accountable to shareholders for the performance of the Company. Directors, in carrying out their responsibilities, undertake to act in the best interests of the Company, its shareholders and its other stakeholders in accordance with applicable law.

KEY RESPONSIBILITIES OF THE BOARD INCLUDE:

- to review and approve the strategic, business and financial plans prepared by management and to develop a depth of knowledge of the Company's business so as to understand and question the assumptions upon which such plans are based;
- to monitor the Company's performance against its approved strategic, business and financial plans;
- to review the Company's Code of Ethics from time to time;
- to select and appoint (and, if appropriate, remove from office) the Chief Executive, determine his/her conditions of service and monitor his/her performance against established objectives;
- to review the Company's remuneration policy at least annually; and
- to monitor South Port's regulatory and legislative compliance and risk management processes.

The Board delegates management of the day-to-day affairs and management responsibilities of the Company to achieve the strategic direction and goals determined by the Board.

BOARD COMPOSITION

At present, there are six Independent non-executive Directors on the Board including a non-executive Chairman. The biography of each Board member is set out in the "Directors' Profiles" section of this annual report.

The size and composition of the Board is subject to the limits imposed by South Port's constitution and in accordance with the provisions of the Port Companies Act 1988. The constitution requires the Board to comprise of a minimum number of six Directors. Under the NZX Listing Rules the Board is required to maintain at least two Independent Directors.

The criteria for Director Independence is outlined in the Company's Corporate Governance Code which can be found on the Company's website (www.southport.co.nz).

Pursuant to the Company's Constitution, one third of the Directors retire by rotation at each Annual Meeting, but are eligible for reappointment by shareholders.

The Board conducts regular performance reviews to consider the appropriate mix of skills required by the Board to maximise its effectiveness and its contribution to the Company.

AUDIT & RISK COMMITTEE

The Audit & Risk Committee provides the Board with assistance in fulfilling their responsibilities to shareholders, the investment community and others for overseeing the Company's financial statements, financial reporting processes, internal accounting systems, financial controls and South Port's relationship with its independent auditors.

The Committee is governed by an Audit & Risk Committee Charter adopted by the Board in August 2004 which is available on the Company's website (www.southport.co.nz) as an Appendix to the Corporate Governance Code. The Board regularly reviews the performance of the Committee in accordance with the Charter.

The Audit & RIsk Committee Charter includes an external audit policy to ensure there are processes in place to satisfy the Board as to the quality and independence of the external auditors.

The Committee comprises of three independent non-executive members of the Board of Directors.

The Committee Chairman, also appointed by the Board, cannot also be the Chairman of the Company. Graham Heenan is the Audit & Risk Committee Chairman. At least one member of the Committee must have an accounting or financial background; both Graham Heenan and Jeremy McClean are or have been members of the New Zealand Institute of Chartered Accountants.

Directors' Attendance at Meetings – 1 July 2011 to 30 June 2012

	Annual Meeting	Board Meeting	Audit & Risk Committee
Total Meetings	**1**	**9**	**2**
R.T. Chapman	1	9	2
R.G.M. Christie	1	8	–
P.W. Cory-Wright	1	9	–
T.M. Foggo	–	8	–
J.A. Harrington*	1	1	1
G.D. Heenan	1	9	2
J.J. McClean**	1	7	1

* J.A. Harrington resigned 27 September 2011
** J.J. McClean appointed 27 September 2011

RISK MANAGEMENT

Effective management of all types of risk (financial and non-financial) is a fundamental part of the Company's business strategy. The Audit & Risk Committee is responsible for overseeing risk management practices and works closely with Management, external advisors and the Company's auditors to ensure that risk management issues are properly identified and addressed.

The Company has a separate Risk Management Committee which meets annually to review changes to the risk profile of the business and to consider ways of mitigating additional risks identified. A Director currently sitting on the Audit & Risk Committee is appointed to the Risk Management Committee as a Board representative.

CONTINUOUS DISCLOSURE

In accordance with the NZX Listing Rules, the Company is required to disclose to the market matters which could be expected to have a material effect on the price or value of the Company's shares. Management processes are in place to ensure that all material matters which may require disclosure are promptly reported to the Board through established reporting lines. Matters reported are assessed as and when required by the NZX Listing Rules, advised to the market. The Chairman and Chief Executive are responsible for communications with NZX and for ensuring that such information is not provided to any person or organisation until NZX has confirmed its release to the market.

All material announcements are posted on the Company's website www.southport.co.nz.

SHAREHOLDER COMMUNICATION

South Port seeks to ensure its shareholders are appropriately informed on its operations and results, with the delivery of timely and focused communication, and the holding of shareholder meetings in a manner conducive to achieving shareholder participation.

To ensure shareholders have access to relevant information the Company:

- Provides a website which contains media releases, current and past annual reports, dividend histories, notices of meeting and other information about the Company,
- Makes available printed half year and annual reports and encourages shareholders to access these documents on the website and to receive advice of their availability by email,
- Publishes press releases on issues/events that may have material information content that could impact on the price of its traded securities,
- Issues additional explanatory memoranda where circumstances require, such as explanations of dividend changes and other explanatory memoranda as may be required by law,
- Maintains regular contact with leading analysts and brokers who monitor the Company's activities.

Shareholder meetings are generally held at the Company's place of business (Bluff) at a time which best ensures full participation by shareholders.

Full participation of shareholders at the Annual Meeting is encouraged to ensure a high level of accountability and identification with the Company's strategies and goals. Shareholders have the opportunity to submit questions prior to each meeting and senior management and auditors are present to assist in answering any specific queries raised. There is also an opportunity for informal discussion with directors and senior management for a period after the meeting concludes.

SENIOR MANAGEMENT REMUNERATION

The Board is responsible for reviewing the remuneration of the Company's senior management in consultation with the Chief Executive of the Company.

The remuneration packages of senior management consist of a mixture of a base remuneration package and a variable remuneration component based on relevant performance measures.

The remuneration policy for senior management is designed to attract, motivate and retain high quality employees who will enable the Company to achieve its short and long term objectives.

A general and wider disclosure of senior management and other staff remuneration is included in the "Employee Remuneration" section set-out in the Statutory Information section of this Annual Report, where the Company has disclosed in various escalating remuneration bands the number of employees and former employees whose remuneration, including benefits, exceeds $100,000.

BOARD OF DIRECTORS REMUNERATION

According to the Company's remuneration policy, directors should receive remuneration that is fair and reasonable in a competitive market for the skills, knowledge and experience required by the Company.

Further detail can be found in the remuneration policy included in the Company's Corporate Governance Code.

Health & Safety and Environment

HEALTH & SAFETY

Often 'safety' becomes the key focus for many companies and sometimes 'health' ends up receiving less attention. This past year South Port has put a significant emphasis on a number of wellness initiatives to help employees with their overall health. These have included staff receiving the opportunity to get individual advice on nutrition and fitness from a personal trainer, a weight loss competition (with the winner receiving a mystery escape weekend for 2), and subsidised entry to the 'Global Corporate Challenge' which was a team based initiative. The Company gym also received an upgrade with new equipment purchases including a treadmill, elliptical cross trainer, and body analysis scales.

The achievement of Tertiary level WSMP accreditation during the year was another indicator of the improving safety culture developing at South Port with the highest level under this scheme being achieved. The extension of our drug and alcohol testing system to include both random and pre-employment testing for all staff including casuals occurred throughout the year with results giving a very favourable 99% clearance rate.

Traffic management improvements included the completion of the container yard fencing and gates, opening up of the roadway from Berth 8 to the ring road, and repainting of road markings. Improved walkways have also been added to assist with pedestrian safety.

A continued focus on reducing hazards has resulted in no serious harm injuries to South Port employees over the 12 month period. The Lost Time Injury Frequency Rate (LTIFR) fell to a low of 1.3 injuries in September 2011 but has since increased to finish the year at 3.37 injuries per 100,000 work hours. The previous year the LTIFR fell to a low of 2.14 and peaked at over 5 injuries per 100,000 hours. Employees needing to visit the medical centre to have their eyes flushed due to dust intrusions were the most common injury throughout the year. In response to this, an additional requirement to wear safety glasses has been put in place for affected areas.

ENVIRONMENT

South Port continues to make a sustained effort to improve the practices of all port users and to help minimise the impact of operations on the environment. The on-going upgrade of the site code of practice and increased awareness of site users through higher levels of internal monitoring has seen improvements in many on-site processes.

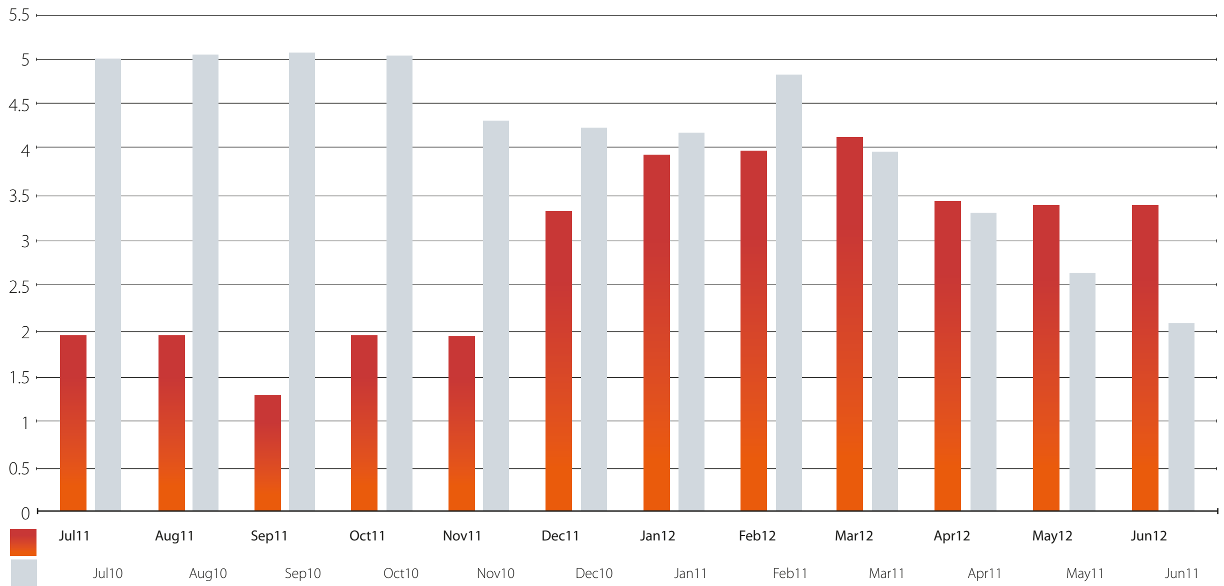
Initiatives such as the screening and re-use of fill extracted from the container yard upgrade and the safe disposal of 158 kgs of ozone depleting Halon gas sent to Australia are just a couple of notable examples of South Port minimising our environmental footprint.

Unfortunately there were two minor oil spills in the marine environment reported during the year. Both incidents involved less than 20 litres of fuel and were promptly cleaned up to ensure minimal impact on the environment.

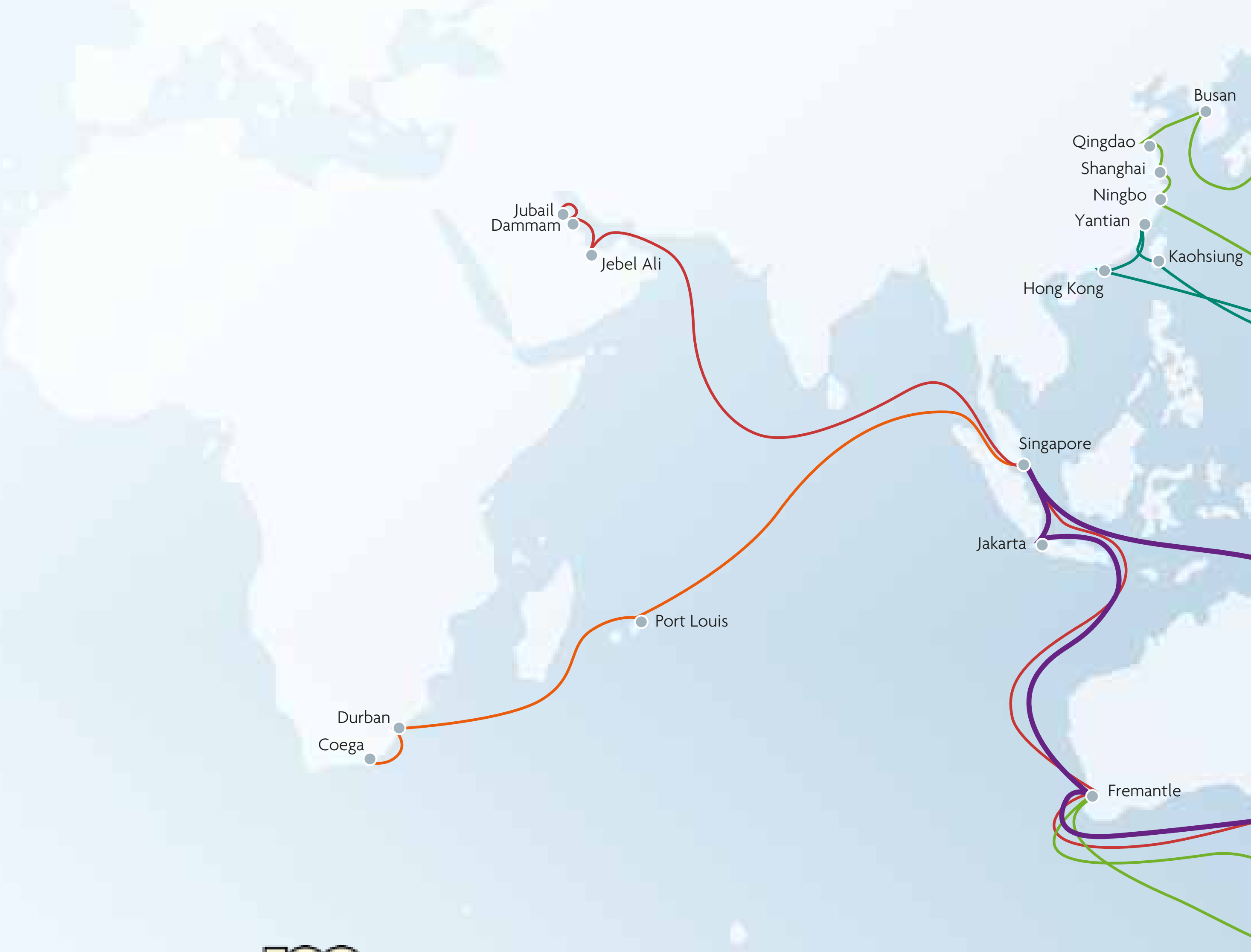
During the next financial year South Port is engaging a specialist to conduct an energy audit which will ensure electricity & fuel resources are utilised efficiently. Additional monitoring of storm water run-off will also commence to ensure any potential contaminants are being trapped and dealt with appropriately.

Throughout the year the Company's operations were undertaken in accordance with all existing resource consents. Annual analysis of the harbour dredge spoil continues to indicate that sediment quality is significantly below consented guidelines. South Port's primary environmental responsibilities are subject to two different planning instruments; the Invercargill District Plan administered by the Invercargill City Council and the Regional Coastal Plan for Southland which is administered by Environment Southland.

Lost Time Injury Frequency Rate
(injuries per 100,000 work hours – 12 month rolling)



Mediterranean Shipping Company –



SERVICE OVERVIEW

CAPRICORN	**Bluff–Port Chalmers–Lyttelton–Wellington–Napier–Tauranga–Brisbane–Singapore–Jakarta–Fremantle–Adelaide–Melbourne–Sydney–Bluff**
CHEETAH	Singapore–Port Louis–Durban–Coega
FALCON	Sydney–Melbourne–Adelaide–Fremantle–Singapore–Jebel Ali–Damman–Jubail
KIWI	Sydney–Melbourne–Nelson–Auckland–Tauranga–Lyttelton–Wellington–New Plymouth–Sydney
NOUMEA	Tauranga–Sydney–Brisbane–Noumea–Tauranga
OCEANIA EXPRESS	LOOP 1: Melbourne–Sydney–Tauranga–Oakland–Los Angeles–Auckland–Melbourne
OCEANIA EXPRESS	LOOP 2: Sydney–Melbourne–Port Chalmers–Napier–Tauranga–Auckland–Cristobal–Philadelphia–Charleston–Balboa–Auckland
PANDA	Melbourne–Sydney–Brisbane–Kaohsiung–Yantian–Hong Kong–Melbourne
WALLABY	Fremantle–Melbourne–Sydney–Brisbane–Yokohama–Osaka–Busan–Qingdao–Shanghai–Ningbo–Fremantle

Weekly Container Line Servicing Bluff

Donna Goodman *Finance Assistant*

"Cargo volumes have steadily grown over the past 3½ years I have worked at South Port"

Donna's role as Finance Assistant involves completing monthly invoices and compiling trade and vessel statistics for the Port.

FOCUS O

"In the last four seasons I have noticed a steady increase in production from Open Country Dairy"

Alastair works in the Open Country Dairy shed packing export milk powder containers and assisting with the receipt and marshalling of product from the customer's Awarua Plant.

Alastair McKerchar *Warehouse Cargo Operator*

Tyson Irwin *R&D Cargo Operator*

"The Port's new Liebherr LHM 400 harbour crane has been an excellent investment. Container exchange rates have increased and the new model is great to operate"

Tyson is one of six mobile harbour crane operators. He also drives one of the container forklifts in the depot and assists with any general work within the terminal as required.

n STAFF

"Night and day, a touch of wind and a bit of tide, pilotage completed safely, well done guys"

Bruce's role is involved in the operation and daily maintenance of the Port's two Voith Schnieder tugs.

Bruce Jones *Tug Bosun*

Kevin Flutey *Cold Store Foreman*

“South Port cold store division has the coolest people working on the Port”

Kevin’s responsibilities include supervising labour within the cold store facility and ensuring records are created and retained for the various types of products stored at the Port.

FOCUS o

“My role in the R&D office involves communicating with customers, MSC, truck drivers, top-lifter drivers and the other departments within South Port”

An integral part of Graham’s job is to provide administration support within the container terminal area.

Graham Brown *Receiving & Delivery Administrator*

Blair Cousins *Port Services Engineer*

“I have worked on the Port for over 30 years and it's the people I work with and the contractors I deal with that makes this job special. However that has not prevented me from getting the odd grey hair”

Blair has worked as the Port Services Engineer since the early 90's and his job involves general maintenance and supervision of capital projects on the Island Harbour.

n STAFF

“Packing and devanning (unloading) containers onsite can benefit local importers and exporters”

Paul's primary role is devanning imported containers off the weekly MSC Capricorn Service and packing aluminium, pebbles and timber for export markets.

Paul Taylor *Warehouse Cargo Operator*

Port Infrastructure

1 **Island Harbour**
comprises 40 ha, 10 shipping berths

2 **Tiwai Wharf**
owned by South Port and leased under a licence agreement to New Zealand Aluminum Smelters Ltd (NZAS)

3 **Vacant Land for Development**
available for future growth

4 **Town Wharf**
petroleum product discharge, bunkering

5 **Fishing Boat Piers**
72 inshore fishing boat berths

6 **R&D Office**

7 **Administration Building**

8 **Log Storage**

9 **Cold Stores Complex**
39,500m³ of storage capacity
in 3 cold/cool stores

10 **Wood Chip Stockpile**

11 **Syncrolift Dry Docking for Vessels**
boat construction and repair facility

12 **Mobile Harbour Crane**
Liebherr LHM 400
(heavy lift capacity 100 tonnes)

Dry Warehouses:

13	No.1	— 2,000m²	Sanford Bluff
14	No.2	— 1,400m²	Cement/stock food storage
15	No.3	— 3,300m²	Packing and devanning store
16	No.3A	— 4,500m²	Open Country Dairy product storage
17	No.3B	— 3,300m²	Open Country Dairy product storage
18	No.4	— 5,900m²	RD1 stockfood and Fonterra dairy storage
19	No.5	— 5,500m²	Fonterra product storage
20	No.6	— 1,500m²	Wilbur-Ellis (NZ)

21 **Dedicated Container Servicing Pad**

22 **Bulk Storage Facilities** –
storing caustic soda, sulphuric acid, molasses and tallow

23 **Rail Marshalling Yard**

24 **Island Harbour Access Bridge**

25 **Entrance Channel**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INDEPENDENT AUDITOR'S REPORT
TO THE READERS OF SOUTH PORT NEW ZEALAND LIMITED AND GROUP'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

WHK
Private Bag 90106
Invercargill 9840

The Auditor-General is the auditor of South Port New Zealand Limited (the company) and group. The Auditor-General has appointed me, Michael Lee, using the staff and resources of WHK South NZ, to carry out the audit of the financial statements of the company and group on her behalf.

We have audited the financial statements of the company and group on pages 29 to 49, that comprise the statement of financial position as at 30 June 2012, 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 and group on pages 29 to 49:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the company's and group's:
  - financial position as at 30 June 2012;
  - financial performance, changes in equity 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 23rd August 2012. 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 preparation of the company and group's 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 and group'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 and group's financial position, financial performance, changes in equity 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.

In addition to the audit we have carried out assignments through Janet Copeland Law in the area of employment law services to the value of $3,774 and through Progressive Consulting Ltd for HR services to the value of $2,476, which are compatible with those independence requirements. Other than the audit and these assignments, we have no relationship with or interests in the Company or any of its subsidiaries.

Michael Lee
WHK South NZ
On behalf of the Auditor-General
Invercargill, New Zealand

Statement of Comprehensive Income

OF SOUTH PORT NEW ZEALAND LIMITED FOR THE YEAR ENDED 30 JUNE 2012

	NOTE	GROUP		COMPANY	
In Thousands of New Zealand Dollars		2012	2011	2012	2011
Total operating revenues	5	26,038	25,148	26,038	25,148
Total operating expenses	8	(15,325)	(14,229)	(15,325)	(14,229)
Gross profit		10,713	10,919	10,713	10,919
Administrative expenses		(2,387)	(2,192)	(2,387)	(2,192)
Operating profit before financing costs		8,326	8,727	8,326	8,727
Financial income		11	80	11	80
Financial expenses		(386)	(419)	(386)	(419)
Net financing costs	7	(375)	(339)	(375)	(339)
Other income	6	416	115	416	115
Surplus before income tax		**8,367**	**8,503**	**8,367**	**8,503**
Income tax		(2,378)	(2,524)	(2,376)	(2,523)
Adjustments relating to tax legislation changes		—	279	—	279
Total income tax	11	(2,378)	(2,245)	(2,376)	(2,244)
Net surplus after income tax		**5,989**	**6,258**	**5,991**	**6,259**
Other comprehensive income					
Net change in fair value of available-for-sale investments	13	3	4	3	4
Income tax		—	—	—	—
Total other comprehensive surplus/(loss) after income tax		**3**	**4**	**3**	**4**
Total comprehensive surplus/(loss) after income tax		**5,992**	**6,262**	**5,994**	**6,263**
Basic earnings per share	18	$0.228	$0.239	$0.228	$0.239

Statement of Changes in Equity

OF SOUTH PORT NEW ZEALAND LIMITED FOR THE YEAR ENDED 30 JUNE 2012

	NOTE	GROUP		COMPANY	
In Thousands of New Zealand Dollars		2012	2011	2012	2011
Profit/(loss) after income tax		5,989	6,258	5,991	6,259
Other comprehensive income/(loss) after income tax		3	4	3	4
Total comprehensive income/(loss) for the period		5,992	**6,262**	**5,994**	**6,263**
Distributions to shareholders	16	(5,247)	(4,722)	(5,247)	(4,722)
Movements in equity for the period		745	1,540	747	1,541
Equity at the beginning of year		**28,827**	**27,287**	**28,765**	**27,224**
Equity at end of year	16	**29,572**	**28,827**	**29,512**	**28,765**

Statement of Financial Position

OF SOUTH PORT NEW ZEALAND LIMITED AS AT 30 JUNE 2012

In Thousands of New Zealand Dollars	NOTE	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
TOTAL EQUITY	16	**29,572**	**28,827**	**29,512**	**28,765**
NON-CURRENT ASSETS					
Property, plant and equipment	12	29,760	30,500	29,760	30,500
Investments	13	22	19	22	19
Total non-current assets		29,782	30,519	29,782	30,519
CURRENT ASSETS					
Cash	14	974	380	939	341
Trade and other receivables	15	4,056	3,008	4,056	3,008
Total current assets		5,030	3,388	4,995	3,349
Total assets		**34,812**	**33,907**	**34,777**	**33,868**
NON-CURRENT LIABILITIES					
Employee provisions	20	67	55	42	36
Deferred tax liability	11(d)	303	105	321	121
Other	23	397	378	397	378
Total non-current liabilities		767	538	760	535
CURRENT LIABILITIES					
Current borrowings	19	1,200	300	1,200	300
Trade and other payables	22	1,827	2,339	1,923	2,422
Provisions	20	657	755	595	696
Other	23	789	1,148	787	1,150
Total current liabilities		4,473	4,542	4,505	4,568
Total liabilities		**5,240**	**5,080**	**5,265**	**5,103**
TOTAL NET ASSETS		**29,572**	**28,827**	**29,512**	**28,765**
Net asset backing per share		$1.13	$1.10	$1.12	$1.10

On behalf of the Board
Dated 23 August 2012

Chairman of Directors

Director

The accompanying notes form part of these financial statements

Statement of Cash Flows

OF SOUTH PORT NEW ZEALAND LIMITED FOR THE YEAR ENDED 30 JUNE 2012

	NOTE	GROUP		COMPANY	
In Thousands of New Zealand Dollars		2012	2011	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash was provided by (applied to):					
Receipts from customers		24,994	29,077	24,994	29,077
Payments to suppliers and employees		(15,374)	(13,467)	(15,374)	(13,467)
Dividends received		1	1	1	1
Interest received		10	39	10	39
Interest paid		(339)	(334)	(339)	(334)
Income taxes paid		(2,538)	(2,614)	(2,538)	(2,613)
Net goods and services tax paid		(33)	104	(29)	96
Net cash flow from operating activities	26	6,721	12,806	6,725	12,799
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash was provided by (applied to):					
Proceeds from disposal of other investments		—	—	—	—
Proceeds from disposal of non-current assets		1,349	124	1,349	124
Acquisition of other non-current assets		(3,105)	(6,718)	(3,105)	(6,718)
Foreign Exchange gains/(losses)		(24)	(156)	(24)	(156)
Acquisition of shares/investments		—	—	—	—
Net cash used in investing activities		(1,780)	(6,750)	(1,780)	(6,750)
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash was provided by (applied to):					
Dividend paid		(5,247)	(4,722)	(5,247)	(4,722)
Drawdown/(repayment) of borrowings		900	(1,650)	900	(1,650)
Net cash used in financing activities		(4,347)	(6,372)	(4,347)	(6,372)
NET INCREASE (DECREASE) IN CASH HELD		594	(316)	598	(323)
Add cash at beginning of year		380	696	341	664
TOTAL CASH AT END OF YEAR	14	974	380	939	341

The accompanying notes form part of these financial statements

Notes to the Financial Statements

OF SOUTH PORT NEW ZEALAND LIMITED FOR THE YEAR ENDED 30 JUNE 2012

1 REPORTING ENTITY

South Port New Zealand Limited (the "Company") is a company domiciled in New Zealand, registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange ("NZX"). The company is an issuer in terms of the Financial Reporting Act 1993.

The consolidated financial statements of South Port New Zealand Limited as at and for the period ended 30 June 2012 comprise the Company and its subsidiary Awarua Holdings Ltd (together referred to as the "Group").

South Port New Zealand Ltd is primarily involved in providing and managing port and warehousing services.

2 BASIS OF PREPARATION

(a) Statement of Compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (GAAP). 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 comply with International Financial Reporting Standards (IFRS).

The financial statements were approved by the Board of Directors on 23 August 2012.

(b) Basis of Measurement

The financial statements have been prepared on the historical cost basis except for the following:

- financial instruments are measured at fair value

The methods used to measure fair values are discussed further in Note 4.

(c) Functional and Presentation Currency

These financial statements are presented in New Zealand dollars ($), which is the Company's functional currency. All financial information presented in New Zealand dollars has been rounded to the nearest thousand.

(d) Use of Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

There were no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on amounts recognised in the financial statements are as detailed below:

- Provisions (Note 20)
- Commitments and Contingent Liabilities (Note 25)
- Financial Instruments (Note 24)
- Valuation of Derivatives (Note 24)

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities.

(a) Basis of Preparing Group Financial Statements

The Group financial statements include the parent company and its subsidiary accounted for using the purchase method. All significant inter-company items and transactions are eliminated on consolidation. In the parent company financial statements, investments in subsidiaries are stated at cost.

On acquisition of a subsidiary, fair values are assigned to their assets and liabilities. Any excess of cost of acquisition of a subsidiary over the fair values assigned (being goodwill) is written off in the year of acquisition or tested annually for impairment.

Where the cost of acquisition of a subsidiary is less than the fair values assigned (being a discount) this discount is applied to the reduction of the fair value of the non-monetary assets of the acquired company. Such a discount is then reflected in the Group income statement when non-monetary assets (property, plant and equipment) are realised through reduced depreciation charges.

(b) Foreign Currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

(c) Goods and Services Tax (GST)

All financial information is expressed exclusive of GST, except for trade and other receivables, and trade and other payables, which are expressed inclusive of GST in the Statement of Financial Position.

(d) Financial Instruments

(i) Non-derivative financial instruments

South Port New Zealand Ltd is party to financial instruments as part of its normal operations. These financial instruments include cash and cash equivalents, equity securities, trade and other receivables, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value on transaction date plus, for instruments not at fair value through the profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Purchases and sales of financial assets are accounted for at trade date. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits.

Investments in equity securities

Investments in equity securities held by the Group are classified as available-for-sale investments. Financial instruments are initially measured at fair value, and changes therein are recognised as Other Comprehensive Income.

Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses.

Interest-bearing borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Trade and other payables

Trade and other payables are stated at cost.

(ii) Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value and transaction costs are expensed immediately. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss.

A deriviative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and is not expected to be realised or settled within 12 months. Other deriviatives are presented as current assets or current liabilities.

Interest rate swaps

Derivative financial instruments also include interest rate swaps to hedge (economically but not in accounting terms) the Group's risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Any gains or losses arising from changes in the fair value of interest rate swaps are taken directly to profit or loss for the year.

The fair values of interest rate swap contracts are determined by reference to market values for similar instruments.

(e) Property, Plant & Equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, less accumulated depreciation and impairment losses. Land is not depreciated.

The initial cost includes the purchase price and any costs directly attributable to bringing the asset to the state of being ready for use in location. These costs can include installation costs, borrowing costs, cost of obtaining resource consents etc. Any feasibility costs are expensed.

(ii) Subsequent expenditure

Subsequent expenditure is added to the gross carrying amount of an item of property, plant or equipment, if that expenditure increases the future economic benefits of the asset beyond its existing potential, or is necessarily incurred to enable future economic benefits to be obtained and its cost can be measured reliably.

(iii) Disposal of property, plant and equipment

Where an item of such is disposed of, the gain or loss is recognised in the Statement of Comprehensive Income at the difference between the net sale price and the net carrying amount of the item.

(iv) Depreciation

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

- Buildings 15-50 years
- Plant & Equipment
  3-50 years

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

(f) Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any objective evidence of impairment.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the Statement of Comprehensive Income.

(i) Impairment of receivables

Accounts receivable for the Group are valued at their anticipated realisable value after writing off amounts considered to be irrecoverable and making adequate provision for doubtful debts.

(g) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(h) Revenue

Revenue is measured at the fair value of the consideration received or receivable, net of allowances, trade discounts and volume rebates, and recovery of the consideration is probable.

(i) Services

Revenue from services rendered is recognised in the Statement of Comprehensive Income in proportion to the stage of completion of the transaction at the reporting date.

(ii) Rental Income

Rental income from property is recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

(iii) Deferred Revenue

Deferred revenue is revenue received in advance which is recorded as a liability and amortised to income on a straight line basis over the period to which the revenue relates.

(i) Lease Payments

Payments made under operating leases are recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

(j) Finance Income and Expenses

Finance income comprises interest income on funds invested, dividend income, foreign currency gains and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Group's right to receive payment is established.

Finance expenses comprise interest expense on borrowings, foreign currency losses, interest rate swap losses, and impairment losses recognised on financial assets. All borrowing costs are recognised in the Statement of Comprehensive Income using the effective interest method.

(k) Income Tax Expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(l) Earnings per Share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the net surplus after income tax attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. There is no value difference between basic EPS and diluted EPS.

(m) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive.

The Group operates solely in the port industry and all operations are carried out in the Southland region.

(n) Amendments to NZ IFRS

The following new, revised or amended accounting standards have been applied by the group for the year beginning 1 July 2011:

- NZ IAS 24: Related Party Disclosures (revised)
- NZ IFRS 7: Financial Instruments (amendment)
- NZ IAS 1: Presentation of Financial Statements (amendment)
- NZ IAS 34: Interim Financial Reporting (amendment)

The application of these accounting standards has had no material effect on the financial statements.

There are no other new, revised or amended accounting standards issued by the International Accounting Standards Board and the Accounting Standards Review Board in New Zealand that are mandatory for application by the Group for the financial year beginning 1 July 2011.

(o) NZ IFRS issued but not yet effective

New standards, amendments and interpretations issued by the International Accounting Standards Board and the Accounting Standards Review Board in New Zealand that are not yet effective and have not been early adopted by the Group are:

- NZ IAS 1 (Amendment): Presentation of Financial Statements – The amended standard is expected to be adopted by the Group in the financial statements for the year ending 30 June 2013.
- NZ IFRS 10: Consolidated Financial Statements – This standard will supersede NZ IAS 27: Consolidated and Separate Financial Statements and NZ SIC 12: Consolidation Special Purpose Entities and is expected to be adopted by the Group in the financial statements for the year ending 30 June 2014.
- NZ IFRS 12: Disclosure of Interests in Other Entities – This standard is expected to be adopted by the Group in the financial statements for the year ending 30 June 2014.
- NZ IFRS 13: Fair Value Measurement – This standard will replace the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance and is expected to be adopted by the Group in the financial statements for the year ending 30 June 2014.
- NZ IAS 27 (Amendment): Separate Financial Statements - This standard is expected to be adopted by the Group in the financial statements for the year ending 30 June 2014.
- NZ IFRS 9: Financial Instruments – This standard will eventually replace NZ IAS 39: Financial Instruments – Recognition and Measurement and is expected to be adopted by the Group in the financial statements for the year ending 30 June 2016.

None of the above standards are expected to materially affect the Group's financial statements.

No other standards, amendments or interpretations that have been issued but are not yet effective are expected to materially impact the Group's financial statements.

4 DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Investments in Equity and Debt Securities

The fair value of available-for-sale investments are determined by reference to their quoted bid price at the reporting date.

(b) Derivative Financial Instruments

The fair value of forward exchange contracts and interest rate swaps are determined using quoted rates at balance date.

(c) Other Non-Derivative Financial Instruments

The carrying values less impairment provisions of trade receivables and payables are assumed to approximate their fair values.

The carrying values of loans and borrowings approximate their fair values.

5 OPERATING REVENUE

In Thousands of New Zealand Dollars	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
Services	26,038	25,148	26,038	25,148
Total revenues	**26,038**	**25,148**	**26,038**	**25,148**

6 OTHER INCOME

In Thousands of New Zealand Dollars	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
Net gain on sale of property, plant and equipment	40	115	40	115
Impairment losses reversed	376	—	376	—
Total other income	**416**	**115**	**416**	**115**

7 FINANCE INCOME AND EXPENSES

In Thousands of New Zealand Dollars	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
Income				
Interest income	10	39	10	39
Dividend income	1	1	1	1
Foreign exchange gains	—	40	—	40
Total financial income	11	80	11	80
Expenses				
Interest expense	(343)	(340)	(343)	(340)
Change in fair value of interest rate swap	(19)	(79)	(19)	(79)
Foreign exchange losses	(24)	—	(24)	—
Total financial expenses	(386)	(419)	(386)	(419)
Net finance costs	(375)	(339)	(375)	(339)

8 OPERATING EXPENSES

The following items of expenditure are included in total operating expenses:

In Thousands of New Zealand Dollars	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
Auditors' remuneration for audit services	34	36	34	36
Auditors' remuneration for other guidance	—	11	—	11
Amount paid for employment law services (to associated entity of auditors)	6	6	6	6
Bad debts written off	60	27	60	27
Depreciation of property, plant & equipment	2,376	2,187	2,376	2,187
Directors' fees	200	185	200	185
Donations*	3	23	3	23
Rental and lease expenses	98	63	98	63
Increase/(decrease) in liability for long-service leave	12	(1)	6	(4)
Loss on disposal of trading assets	28	168	28	168

* 2011 includes provision for a $20,000 donation for a Lyttelton community earthquake rebuild project.

9 EMPLOYEE BENEFITS EXPENSE

In Thousands of New Zealand Dollars	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
Salaries and wages	5,570	5,246	4,709	4,465
Defined contribution plans	149	135	83	72
Other employee benefits	117	123	70	78
	5,836	**5,504**	**4,862**	**4,615**

10 KEY MANAGEMENT PERSONNEL COMPENSATION

The compensation of the Directors, Chief Executive and other senior management, being the key management personnel of the entity, is set out below:

In Thousands of New Zealand Dollars	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
Short-term employee benefits	1,213	1,153	684	627
Post-employment benefits	75	73	36	35
	1,288	**1,226**	**720**	**662**

11 INCOME TAXES

In Thousands of New Zealand Dollars	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
(a) INCOME TAX RECOGNISED IN PROFIT OR LOSS				
Tax expense/(income) comprises:				
Current tax expense / (credit):				
Current year	2,188	3,598	2,186	3,600
Adjustments for prior years	(8)	(2)	(10)	(2)
	2,180	3,596	2,176	3,598
Deferred tax expense / (credit)				
Origination and reversal of temporary differences	198	(1,072)	200	(1,075)
Adjustments for prior years	—	—	—	—
Adjustments relating to change in tax rates	—	—	—	—
Adjustments relating to tax legislation changes	—	(279)	—	(279)
	198	(1,351)	200	(1,354)
Total tax expense / (income)	**2,378**	**2,245**	**2,376**	**2,244**
The prima facie income tax expense on pre-tax accounting surplus reconciles to the income tax expense in the financial statements as follows:				
Surplus / (deficit) before income tax	8,367	8,503	8,367	8,503
Income tax expense (credit) calculated at 28%	2,343	2,551	2,343	2,551
Temporary differences	149	49	149	48
Non-deductible expenses	—	(43)	—	(43)
Non assessable income	(106)	(31)	(106)	(31)
	2,386	2,526	2,386	2,525
Adjustments for prior years	—	—	—	—
(Over) / under provision of income tax in previous year	(8)	(2)	(10)	(2)
Adjustments relating to changes in tax rates	—	—	—	—
Adjustments relating to tax legislation changes	—	(279)	—	(279)
Income tax expense (credit)	**2,378**	**2,245**	**2,376**	**2,244**

The tax rate used in the above reconciliation is the corporate tax rate of 28% payable on taxable profits under New Zealand tax law. There has been a change in the corporate tax rate when compared with the previous reporting period, as legislation has been passed which reduced the corporate tax rate in 2011/2012 from 30% to 28%.

(b) INCOME TAX RECOGNISED DIRECTLY IN EQUITY

There was no current or deferred tax charged / (credited) directly to equity during the period.

In Thousands of New Zealand Dollars	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
(c) CURRENT TAX ASSETS AND LIABILITIES				
Current tax refundable:				
Current tax refundable	—	—	—	—
Current tax payable:				
Current tax payable	789	1,148	787	1,150

Note 11 continued...

(d) DEFERRED TAX BALANCES COMPRISE:

Taxable and deductible temporary differences arising from the following:

In Thousands of New Zealand Dollars	GROUP 1 July 2011 Opening Balance	Recognised in profit/loss	Recognised in equity	30 June 2012 Closing Balance
2012				
Gross deferred tax liabilities:				
Other financial assets	(10)	10	—	—
Property, plant and equipment	(300)	(185)	—	(485)
	(310)	(175)	—	(485)
Gross deferred tax assets:				
Other financial assets / liabilities	—	—	—	—
Provisions	205	(23)	—	182
	205	(23)	—	182
Net deferred tax asset / (liability)	**(105)**	**(198)**	**—**	**(303)**

In Thousands of New Zealand Dollars	GROUP 1 July 2010 Opening Balance	Recognised in profit/loss	Recognised in equity	30 June 2011 Closing Balance
2011				
Gross deferred tax liabilities:	(1,096)	1,086	—	(10)
Other financial assets	(648)	348	—	(300)
Property, plant and equipment				
	(1,744)	1,434	—	(310)
Gross deferred tax assets:				
Other financial assets / liabilities	90	(90)	—	—
Provisions	198	7	—	205
	288	(83)	—	205
Net deferred tax asset / (liability)	**(1,456)**	**1,351**	**—**	**(105)**

In Thousands of New Zealand Dollars	COMPANY 1 July 2011 Opening Balance	Recognised in profit/loss	Recognised in equity	30 June 2012 Closing Balance
2012				
Gross deferred tax liabilities:				
Other financial assets	(10)	10	—	—
Property, plant and equipment	(300)	(185)	—	(485)
	(310)	(175)	—	(485)
Gross deferred tax assets:				
Other financial assets / liabilities	—	—	—	—
Provisions	189	(25)	—	164
	189	(25)	—	164
Net deferred tax asset / (liability)	**(121)**	**(200)**	**—**	**(321)**

Note 11 continued...

In Thousands of New Zealand Dollars	COMPANY 1 July 2010 Opening Balance	Recognised in profit/loss	Recognised in equity	30 June 2011 Closing Balance
2011				
Gross deferred tax liabilities:				
Other financial assets	(1,096)	1,086	—	(10)
Property, plant and equipment	(648)	348	—	(300)
	(1,744)	1,434	—	(310)
Gross deferred tax assets:				
Other financial assets / liabilities	90	(90)	—	—
Provisions	179	10	—	189
	269	(80)	—	189
Net deferred tax asset / (liability)	**(1,475)**	**1,354**	**—**	**(121)**

In Thousands of New Zealand Dollars	COMPANY 2012	2011
(e) IMPUTATION CREDIT ACCOUNT BALANCES		
Balance at beginning of year	5,100	4,506
Taxation paid	2,538	2,494
Attached to dividends paid	(2,249)	(1,900)
Balance at end of year	**5,389**	**5,100**

12 PROPERTY, PLANT AND EQUIPMENT

In Thousands of New Zealand Dollars — 2012

	Cost 1 July 2011	Additions	Disposals	Other	Cost 30 June 2012	Accumulated Depn and Impairment charges 1 July 2011	Impair-ment Losses Reversed	Depn Expense	Accumulated Depn reversed on Disposal	Other	Accumulated Depn and Impairment charges 30 June 2012	Carrying Amt 30 June 2012
Land	2,034	—	—	—	2,034	—	—	—	—	—	—	2,034
Buildings	10,818	—	—	(39)	10,779	4,239	—	270	—	(24)	4,485	6,294
Plant & machinery	49,672	2,648	(3,662)	—	48,658	27,785	(376)	2,106	(2,289)	—	27,226	21,432
	62,524	**2,648**	**(3,662)**	**(39)**	**61,471**	**32,024**	**(376)**	**2,376**	**(2,289)**	**(24)**	**31,711**	**29,760**

In Thousands of New Zealand Dollars — 2011

	Cost 1 July 2010	Additions	Disposals	Other	Cost 30 June 2011	Accumulated Depn and Impairment charges 1 July 2010	Impair-ment Losses Reversed	Depn Expense	Accumulated Depn reversed on Disposal	Other	Accumulated Depn and Impairment charges 30 June 2011	Carrying Amt 30 June 2011
Land	2,043	—	(9)	—	2,034	—	—	—	—	—	—	2,034
Buildings	10,832	—	—	(14)	10,818	3,968	—	271	—	—	4,239	6,579
Plant & machinery	43,872	6,810	(1,010)	—	49,672	26,711	—	1,916	(842)	—	27,785	21,887
	56,747	**6,810**	**(1,019)**	**(14)**	**62,524**	**30,679**	**—**	**2,187**	**(842)**	**—**	**32,024**	**30,500**

Note 12 continued...

Impairment

During the year ended 30 June 2012 there were no impairment losses (2011 : nil) which were recorded in the Statement of Comprehensive Income.

Disposal of non-current assets

During the year, a material item of plant (Liebherr LHM 320 mobile harbour crane) was advertised for sale and at interim was therefore reclassified as Available for Sale (current asset). This asset had previously been recognised as a non-current asset as an item of Property, Plant and Equipment. This plant was excess to requirements.

Prior to 30 June 2012 this asset was sold to an overseas buyer. As this asset was impaired back in 2010, part of this impairment was reversed as a result of the sale of this asset. This impairment loss reversal is recorded in the Statement of Comprehensive Income as "other income".

13 OTHER INVESTMENTS

	GROUP		COMPANY	
In Thousands of New Zealand Dollars	2012	2011	2012	2011
Non-current investments				
Available-for-sale investments	22	19	22	19

14 CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
In Thousands of New Zealand Dollars	2012	2011	2012	2011
Bank balances	763	346	728	307
Call deposits	211	34	211	34
Cash and cash equivalents	**974**	**380**	**939**	**341**
Bank overdrafts used for cash management purposes	—	—	—	—
Cash and cash equivalents in the statement of cash flows	974	380	939	341

15 RECEIVABLES AND ADVANCES

	GROUP		COMPANY	
In Thousands of New Zealand Dollars	2012	2011	2012	2011
Prepayments	41	35	41	35
Trade receivables	4,040	2,998	4,040	2,998
Provision for doubtful debts	(25)	(25)	(25)	(25)
	4,056	3,008	4,056	3,008

16 CAPITAL AND RESERVES

Reconciliation of movement in capital and reserves

In Thousands of New Zealand Dollars	GROUP Asset Revaluation Reserve	GROUP Share Capital	GROUP Retained Earnings	GROUP Total Equity	COMPANY Asset Revaluation Reserve	COMPANY Share Capital	COMPANY Retained Earnings	COMPANY Total Equity
Balance 1 July 2010	9	9,418	17,860	27,287	9	9,418	17,797	27,224
Total recognised income and expense	—	—	6,258	6,258	—	—	6,259	6,259
Dividends to equity holders	—	—	(4,722)	(4,722)	—	—	(4,722)	(4,722)
Change in value of available-for-sale financial assets	4	—	—	4	4	—	—	4
Balance at 30 June 2011	13	9,418	19,396	28,827	13	9,418	19,334	28,765
Balance 1 July 2011	13	9,418	19,396	28,827	13	9,418	19,334	28,765
Total recognised income and expense	—	—	5,989	5,989	—	—	5,991	5,991
Dividends to equity holders	—	—	(5,247)	(5,247)	—	—	(5,247)	(5,247)
Change in value of available-for-sale financial assets	3	—	—	3	3	—	—	3
Balance at 30 June 2012	16	9,418	20,138	29,572	16	9,418	20,078	29,512

Asset revaluation reserve – Available-for-sale investments are revalued annually and changes in valuation are recognised in the asset revaluation reserve to keep the changes separate from retained earnings.

SHARE CAPITAL

In Thousands of New Zealand Dollars	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
Balance at beginning of year	9,418	9,418	9,418	9,418
Balance at end of year	**9,418**	**9,418**	**9,418**	**9,418**

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All of the 26,234,898 ordinary shares rank equally with regard to the Company's residual assets. All shares are fully paid and have no par value. There were no shares issued or redeemed during the year.

DIVIDENDS

Dividends are recognised in the period that they are authorised and declared.

In Thousands of New Zealand Dollars	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
2011 final dividend paid on all ordinary shares @ 14.50 cents per share (2010: 12.50 cents)	3,804	3,279	3,804	3,279
2012 interim: on all ordinary shares @ 5.50 cents per share (2011: 5.50 cents)	1,443	1,443	1,443	1,443
Total distributions to shareholders	5,247	4,722	5,247	4,722

After 30 June 2012 the following dividends were proposed by the directors for 2012. The dividends have not been provided for and there are no income tax consequences.

In Thousands of New Zealand Dollars	2012
2012 final dividend payable on 9 November 2012 @ 14.5 cents per share	3,804

17 CAPITAL MANAGEMENT

The Group's capital includes share capital, reserves and retained earnings. The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence. The Board of Directors' objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders.

The Group meets its objectives for managing capital through its investment decisions on the acquisition, disposal and development of assets and its distribution policy. It is Group policy that the dividend payout takes account of the Company's free cash flows and reported profit.

The Group is required to comply with certain financial covenants in respect of external borrowings set by the Group's bankers. All covenants have been adhered to throughout the years ended 30 June 2012 and 30 June 2011.

The Group's policies in respect of capital management are reviewed regularly by the Board of Directors. There have been no changes in the Group's management of capital during the year.

18 EARNINGS PER SHARE

The calculation of basic earnings per share at 30 June 2012 was based on the profit attributable to ordinary shareholders of $5,989,000 (2011: $6,258,000) and a weighted average number of ordinary shares outstanding of 26,234,898 (2011: 26,234,898). Basic and diluted EPS are the same value.

19 LOANS AND BORROWINGS

	GROUP		COMPANY	
In Thousands of New Zealand Dollars	2012	2011	2012	2011
Hong Kong and Shanghai Banking Corporation (HSBC)	1,200	300	1,200	300
Total Current Borrowings	**1,200**	**300**	**1,200**	**300**

South Port New Zealand Limited's revolving credit facility of $5 million from HSBC is on a 30 day rolling basis. The facility is secured by way of a general security registered over all assets both present and future, and uncalled capital" of South Port New Zealand Limited. Interest on the first $5 million drawn at any one time is payable according to the 5 year interest rate swap agreement the Company has with HSBC and interest on the balance of funds drawn at any time is a variable rate based on the cost of funds.

20 PROVISIONS

	GROUP		COMPANY	
In Thousands of New Zealand Dollars	2012	2011	2012	2011
Provision for employee entitlements				
Balance at beginning of year	710	648	632	568
Additional provisions made	30	79	20	73
Amount utilised	(16)	(17)	(15)	(9)
Balance at end of year	**724**	**710**	**637**	**632**
Provision for unforeseen repairs and maintenance				
Balance at beginning of year	100	100	100	100
Additional provisions made	—	—	—	—
Amount utilised	(100)	—	(100)	—
Balance at end of year	—	**100**	—	**100**
Current	657	755	595	696
Non-current	67	55	42	36
Total Provisions	**724**	**810**	**637**	**732**

Employee entitlements

(i) *Defined contribution plans*

Obligations for contributions to defined contribution pension plans are recognised as an expense in the Statement of Comprehensive Income when they are due.

(ii) *Annual leave and retirement leave*

Provision is made in respect of the Group's liability for annual leave and retirement leave calculated on an actual entitlement basis at current rates of pay.

Note 20 continued...

(iii) *Long service leave*
The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. Any actuarial gains or losses are recognised in the Statement of Comprehensive Income in the period in which they arise.

Unforeseen repairs and maintenance
The port industry requires substantial investment in infrastructural assets. As a result of this type of asset base significant repairs and maintenance costs can arise unexpectedly. The Group's unforeseen repairs and maintenance provision has previously allowed for events of this nature. This provision was utilsed during the year ended 30 June 2012.

21 EMPLOYEE ENTITLEMENTS

	GROUP		COMPANY	
In Thousands of New Zealand Dollars	2012	2011	2012	2011
Accrued salary and wages (including bonuses)	223	231	209	220
Annual leave	412	398	369	357
Long service leave	89	81	59	55
	724	**710**	**637**	**632**

22 TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
In Thousands of New Zealand Dollars	2012	2011	2012	2011
Trade creditors and accruals	1,827	2,339	1,792	2,301
Inter entity creditors	—	—	131	121
	1,827	**2,339**	**1,923**	**2,422**

23 OTHER LIABILITIES

	GROUP		COMPANY	
In Thousands of New Zealand Dollars	2012	2011	2012	2011
Non-current				
Interest rate derivatives	397	378	397	378
	397	**378**	**397**	**378**
Current				
Forward exchange contract	—	—	—	—
Income tax payable/(refund)	789	1,148	787	1,150
	789	**1,148**	**787**	**1,150**
	1,186	**1,526**	**1,184**	**1,528**

24 FINANCIAL INSTRUMENTS

Credit risk
Financial instruments which potentially subject the Group to credit risk principally consist of bank balances and accounts receivable. The carrying amount of these financial instruments represents the maximum exposure to credit risk. Management has a credit policy in place under which each new customer is individually analysed for credit worthiness. In order to determine which customers are classified as having payment difficulties the Group applies a mix of duration and frequency of default and makes provision for estimated balances considered to be impaired. The Group does not require collateral in respect of trade and other receivables. Cash handling is only carried out with counterparties that have an investment grade credit rating.

Liquidity risk

Liquidity risk represents the Group's ability to meet its contractual obligations. The Group evaluates its liquidity requirements on an ongoing basis. In general, the Group generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has credit lines in place to cover potential shortfalls and meet capital expenditure requirements.

The only liquidity risks the Group has at balance date are trade payables totalling $1,827,000 (2011: $2,339,000) which are all due within 30 days, and short term borrowings totalling $1,200,000 (2011: $300,000) which is due within one month of balance date.

Market risk

The Group enters into derivative arrangements in the ordinary course of business to manage foreign currency and interest rate risks.

Foreign exchange risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the Company's functional currency, New Zealand dollars ($), which is the presentation currency of the Group.

The Group enters into forward exchange contracts from time to time when a specific plant purchase is in another currency. The purpose of these contracts is to reduce the risk from price fluctuations of foreign currency commitments associated with these one-off purchases. Any resulting differential to be paid or received as a result of the currency change is reflected in the Statement of Comprehensive Income.

The Group has no forward exchange contracts at balance date.

During the year no Forex contracts were entered into, however foreign currency was received for the sale of plant and net losses of $24,000 have been added to the financial income and financial expenses in profit or loss (2011: $40,000 net gain).

Interest rate risk

Interest payable to HSBC is charged on the following basis:

(i) 5 year interest rate swap; and
(ii) Variable rates based on the cost of funds.

During the period the range of interest rates applying to the revolving credit facility was between 3.86% and 4.09% (2011: 4.09% and 4.811%). The Company is exposed to normal fluctuations in market interest rates.

Interest rate swap – South Port NZ Ltd has an interest rate swap in place which matures in June 2015. The interest rate swap has a fixed swap rate of 6.23% with a notional contract amount of $5 million at 30 June 2012 (2011: $5 million).

Credit facility

At balance date the Group had a total bank facility of $5 million (2011: $2 million), of which $1,200,000 (2011: $300,000) had been drawn down.

Fair values

The carrying amount is considered to be the fair value for each financial instrument.

The maturity profiles of the Group's interest bearing investments and borrowings are disclosed below:

MATURITY PROFILE OF FINANCIAL INSTRUMENTS

The following table details the Group's exposure to interest rate risk on financial instruments:

2012	Weighted Average Effective Interest Rate	CCAF Interest Rate	Carrying Value $'000	Contractual Cashflows $'000	Less than 1 year $'000	1 - 2 years $'000	2 - 3 years $'000	3 - 4 years $'000	4 - 5 years $'000	5 + years $'000	Non Interest Bearing
Financial assets:											
Cash & cash equivalents	3.20%	3.20%	974	974	—	—	—	—	—	—	763
Trade & other receivables	—	—	4,056	4,056	—	—	—	—	—	—	4,056
Other financial assets											
– Equity investments	—	—	22	22	—	—	—	—	—	—	22
Financial liabilities:											
Trade & other payables	—	—	(1,827)	(1,827)	—	—	—	—	—	—	(1,827)
Borrowings	7.56%	3.86%	(1,200)	(1,204)	(1,204)	—	—	—	—	—	—
Interest rate derivatives	6.23%	3.70%	(397)	(445)	(187)	(148)	(111)	—	—	—	—
			1,628	**1,576**	**(1,390)**	**(148)**	**(111)**	—	—	—	**3,014**

Note 24 continued...

2011	Weighted Average Effective Interest Rate	CCAF Interest Rate	Carrying Value $'000	Contractual Cashflows $'000	Less than 1 year $'000	1 - 2 years $'000	2 - 3 years $'000	3 - 4 years $'000	4 - 5 years $'000	5 + years $'000	Non Interest Bearing
Financial assets:											
Cash & cash equivalents	3.20%	3.20%	380	380	—	—	—	—	—	—	370
Trade & other receivables	—	—	3,008	3,008	—	—	—	—	—	—	3,008
Other financial assets											
– Equity investments	—	—	19	19	—	—	—	—	—	—	19
Financial liabilities:											
Trade & other payables	—	—	(2,339)	(2,339)	—	—	—	—	—	—	(2,339)
Borrowings	7.46%	3.90%	(300)	(301)	(301)	—	—	—	—	—	—
Interest rate derivatives	6.23%	3.56%	(378)	(606)	(178)	(179)	(142)	(107)	—	—	—
			390	**161**	**(479)**	**(179)**	**(142)**	**(107)**	—	—	**1,058**

CREDIT RISK

The following table details the ageing of the Group's trade receivables at balance date:

Trade receivables In Thousands of New Zealand Dollars	Gross Receivable 2012	Doubtful debts 2012	Gross Receivable 2011	Doubtful debts 2011
Not past due	3,565	4	2,399	6
Past due 0-30 days	431	4	444	3
Past due 31-120 days	6	6	127	8
Past due 121-360 days	36	9	27	7
Past due more than 1 year	2	2	1	1
Total	**4,040**	**25**	**2,998**	**25**

There is no collateral held or other credit enhancements for security of trade receivables.

SENSITIVITY ANALYSIS

The following table details a sensitivity analysis for each type of market risk to which the Group is exposed:

2012		Interest rate risk				Foreign exchange risk				Other price risk			
In Thousands of New Zealand Dollars	Carrying	-100bp		+100bp		-10%		+10%		-10%		+10%	
	Amount	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
Financial assets													
Cash and cash equivalents	974	(2)	–	2	–	–	–	–	–	–	–	–	–
Trade and other receivables	4,056	–	–	–	–	–	–	–	–	–	–	–	–
Available-for-sale investments	22	–	–	–	–	–	–	–	–	–	(2)	–	2
Financial liabilities													
Loans and borrowings	1,200	12	–	(12)	–	–	–	–	–	–	–	–	–
Trade and other payables	1,827	–	–	–	–	–	–	–	–	–	–	–	–
Derivatives – interest rate swaps	397	(120)	–	120	–	–	–	–	–	–	–	–	–
Total increase/(decrease)		(110)	–	110	–	–	–	–	–	–	(2)	–	2

Note 24 continued...

2011		Interest rate risk				Foreign exchange risk				Other price risk			
In Thousands of New Zealand Dollars	Carrying	-100bp		+100bp		-10%		+10%		-10%		+10%	
	Amount	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
Financial assets													
Cash and cash equivalents	380	–	–	–	–	–	–	–	–	–	–	–	–
Trade and other receivables	3,008	–	–	–	–	–	–	–	–	–	–	–	–
Available-for-sale investments	19	–	–	–	–	–	–	–	–	–	(2)	–	2
Financial liabilities													
Loans and borrowings	300	3	–	(3)	–	–	–	–	–	–	–	–	–
Trade and other payables	2,339	–	–	–	–	–	–	–	–	–	–	–	–
Derivatives – interest rate swaps	378	(170)	–	170	–	–	–	–	–	–	–	–	–
Total increase/(decrease)		(167)	–	167	–	–	–	–	–	–	(2)	–	2

Explanation of interest rate risk sensitivity

The interest rate sensitivity is based on a reasonable possible movement in interest rates, with all other variables held constant, measured as a basis points (bps) movement. For example, a decrease in 100 bps is equivalent to a decrease in interest rates of 1.00%.

The sensitivity for derivatives (interest rate swaps) has been calculated using a derivative valuation model based on a parallel shift in interest rates of -100bps/+100bps (2011: -100bps/+100bps).

Explanation of foreign exchange risk sensitivity

The foreign exchange sensitivity is based on a reasonable possible movement in foreign exchange rates, with all other variables held constant, measured as a percentage movement in the foreign exchange rate.

No sensitivity for derivatives (forward foreign exchange contracts) has been calculated for 2012 or 2011 since the Company had no forward foreign exchange contracts in place.

Explanation of other price risk sensitivity

The sensitivity for listed shares has been calculated based on a –10%/+10% (2011: -10%/+10%) movement in the quoted bid share price at balance date for the listed shares.

FAIR VALUE HIERARCHY

For those instruments recognised at fair value in the statement of financial position, fair values are determined according to the following hierarchy:

- Quoted market price (level 1) - Financial instruments with quoted prices for identical instruments in active markets.
- Valuation technique using observable inputs (level 2) - Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- Valuation techniques with significant non-observable inputs (level 3) - Financial instruments valued using models where one or more significant inputs are not observable.

The following table analyses the basis of the valuation of classes of financial instruments measured at fair value in the statement of financial position:

2012 In Thousands of New Zealand Dollars	Total	Valuation Technique Level 1	Level 2	Level 3
Financial assets				
Available-for-sale investments (shares)	22	22	–	–
Financial liabilities				
Derivatives – interest rate swaps	397	–	397	–

2011 In Thousands of New Zealand Dollars	Total	Valuation Technique Level 1	Level 2	Level 3
Financial assets				
Available-for-sale investments (shares)	18	19	–	–
Financial liabilities				
Derivatives – interest rate swaps	378	–	378	–

There were no transfers between the different levels of the fair value hierarchy during the year and no financial instruments fall under the level 3 category.

Changing a valuation assumption to a reasonable possible alternative assumption would not significantly change fair value.

25 COMMITMENTS AND CONTINGENT LIABILITIES

Capital expenditure commitments

As at 30 June 2012, South Port Group has two material capital expenditure commitments (2011: nil):

- Balance payable on further paving work contracted which is due to be completed by October 2012. The balance of the work to be completed is worth approximately $320,000 and will be paid upon completion of the work;
- The construction of a new 5,900m2 dry warehouse at an estimated cost of $4.5m which is expected to be completed by March 2013.

Operating lease commitments

Gross commitments under non-cancellable operating leases for the Group:

In Thousands of New Zealand Dollars	2012	2011
Within one year	123	63
One to five years	262	82
More than five years	272	—
	657	145

Operating lease commitments relate to two forklift leases with Forklifts NZ Limited which expire in 2013 and a ten year land lease commitment with KiwiRail Limited for the lease of a parcel of land situated on the Island Harbour, Bluff.

Contingent liabilities

There are no known material contingent liabilities (2011: nil).

26 NET CASH FLOW FROM OPERATING ACTIVITIES

The following is a reconciliation between the surplus after taxation shown in the statement of comprehensive income and the net cash flow from operating activities

	GROUP		COMPANY	
In Thousands of New Zealand Dollars	2012	2011	2012	2011
Surplus after taxation	5,989	6,258	5,991	6,259
Add/(less) items classified as investing/financing activities				
Foreign exchange (gain)/loss	24	156	24	156
	24	**156**	**24**	**156**
Add/(less) non-cash items				
Depreciation	2,376	2,187	2,376	2,187
Net (gain)/loss on disposal	(388)	53	(388)	53
Decrease/(increase) in value of forward exchange contracts and interest rate swaps	19	(117)	19	(117)
(Decrease)/increase in deferred tax liability	198	(1,352)	200	(1,355)
	2,205	**771**	**2,207**	**768**
Add/(less) movement in working capital				
Decrease/(increase) in trade debtors and other receivables	(1,053)	3,932	(1,043)	3,928
(Decrease)/increase in trade creditors and other payables	(85)	706	(91)	701
(Decrease)/increase in the provision for income tax	(359)	983	(363)	987
	(1,497)	**5,621**	**(1,497)**	**5,616**
Net cash provided by operating activities	**6,721**	**12,806**	**6,725**	**12,799**

27 SEGMENTAL REPORTING

The South Port Group operates in the Port Industry in Southland, New Zealand, and therefore only has one reportable segment and one geographical area based on the information as reported to the chief operating decision maker on a regular basis.

South Port engages with one major customer which contributed individually greater than ten percent of its total revenue. The customer contributed $6.95 million for the year ended 30 June 2012 (2011: $7.85 million). For the twelve months ended 30 June 2011, there was one other customer who also contributed individually greater than ten percent of total revenue at $2.93 million (2012: less than 10% of revenue).

28 RELATED PARTY TRANSACTIONS

During the year South Port New Zealand Limited provided cold storage facilities and leased warehousing, land and wharf facilities to Sanford Limited for $1.01 million (2011: $848,000). Sanford Limited debtors balance at 30 June 2012 was $99,000. Mr T.M. Foggo, a Director of South Port New Zealand Limited is the Southland Manager of Sanford Limited. All of these transactions were conducted on an arm's length basis at market rates.

All balances owing by Sanford are due by the 20th of the month following invoice and all overdue invoices are subject to interest on arrears. During the year ended 30 June 2012 no amounts invoiced to Sanford were written off as bad debts or included in the doubtful debts provision at balance date (2011: nil).

Controlling entity
Southland Regional Council owns 66.48% of the ordinary shares in South Port New Zealand Limited. During the year there were no material transactions with this related party.

Please refer to note 29 for additional related party transactions disclosed separately in relation to the Company's subsidiary Awarua Holdings Limited.

29 INVESTMENT IN SUBSIDIARY COMPANY

Awarua Holdings Limited is 100% owned by South Port New Zealand Ltd and has been consolidated into the South Port New Zealand Limited Group results. Awarua Holdings Limited provides management and administration services to South Port New Zealand Limited based on market rates for the services provided.

All balances owed to Awarua Holdings Limited by South Port NZ Ltd are classified as inter-entity receivables and are repayable on demand. During the year ended 30 June 2012 no amounts invoiced by Awarua Holdings Limited were written off as bad debts or included in the doubtful debts provision at balance date (2011: nil).

Total management fees paid to Awarua Holdings Ltd during the year were $946,000 (2011: $863,000).

30 SUBSEQUENT EVENTS

In late July 2012 South Port entered into an agreement to purchase the cold storage business of Southland Cool Stores Ltd located at Bluff. The transaction was dependent on the successful outcome of a due diligence process and it was subsequently confirmed that the business acquisition would proceed. A long term lease of the former Southland Cool Stores premises was executed as part of the transaction and integration of this operating site with South Port's existing cold storage division is now underway.

On 23 August 2012 the Board declared a final dividend for the year to 30 June 2012 for 14.50 cents per share amounting to approximately $3.804 million (before supplementary dividends). (2011: Final dividend declared for 14.50 cents per share amounting to approximately $3.804 million.)

31 AUTHORISATION FOR ISSUE

The Chief Executive, Mark O'Connor, Finance Manager, Lara Stevens, and Directors certify that these Financial Statements comply with generally accepted accounting standards and New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS), and present a true and fair view of the financial affairs of the Company. This being the case, the Directors authorised the Financial Statements for issue on 23 August 2012.

Financial and Operational Five Year Summary

In Thousands of New Zealand Dollars	2012	2011	2010	2009	2008
FIVE YEAR GROUP FINANCIAL SUMMARY					
Revenue	26,465	25,343	22,937	20,077	15,369
Net operating surplus	8,367	8,503	7,453	5,684	4,039
Group surplus	5,989	6,258	3,129	4,118	2,512
Operating cashflow	6,721	12,806	4,942	6,459	3,687
Shareholders distributions paid	5,247	4,722	3,542	2,951	2,033
Total shareholders' equity	29,572	28,827	27,287	27,700	27,129
Net interest bearing debt	1,200	300	1,950	—	150
Property, plant and equipment	29,760	30,500	26,068	25,226	22,295
Capital expenditure	2,648	6,810	3,598	4,876	1,459
Total assets	34,812	33,907	33,715	31,539	29,234
Interest cover (times)	25.4	26.0	85.7	407.0	48.0
Shareholders' equity ratio	84.9%	85.0%	80.9%	87.8%	92.8%
Return on shareholders' funds*	20.5%	22.3%	11.4%	15.0%	9.4%
Return on assets*	25.3%	26.2%	23.1%	18.8%	14.0%
Earnings per share	22.8c	23.9c	11.9c	15.7c	9.6c
Operating cashflow per share	25.6c	48.8c	18.8c	24.6c	14.1c
Dividends paid per share	20.00c	18.00c	13.50c	11.25c	7.75c
Net asset backing per share	$1.13	$1.10	$1.04	$1.06	$1.03

* *Based on average of period start and year end balances*

	2012	2011	2010	2009	2008
OPERATIONAL SUMMARY					
Cargo throughput (000's tonnes)	2,691	2,636	2,169	1,863	2,249
Cargo ship departures	328	336	284	252	246
Gross registered tonnage (000's tonnes)	4,926	5,057	4,243	3,880	3,455
Number of full-time employees	65	63	60	60	49
Total cargo ship days in port	597	749	687	635	751
Turn-around time per cargo ship (days)	1.82	2.23	2.42	2.52	3.05
Cargo tonnes per ship	8,204	7,845	7,637	7,392	9,142
Dry warehousing capacity (m^2)	27,400	27,400	27,400	27,400	21,500
Cold/cool storage capacity (m^3)	39,500	39,500	39,500	39,500	39,500

Glossary of Port and Shipping Terms

Bollard – Post on wharf, ship or tug for securing lines.

Bollard Pull – Bollard pull refers to a test of a tug's capability to pull, measuring how many tonnes of pull are being applied.

Breakbulk – General cargo, as opposed to cargo in containers. Also referred to as conventional cargo. Can include cargo in packages, pallets or bulk form (dry or liquid).

Bulk – Cargo moved in bulk form, such as gypsum (dry bulk) or diesel (bulk liquid).

Bund – Area designed to contain any spills.

Cargo Consolidation – Packing cargo (usually into containers). Unpacking is referred to as deconsolidation or devanning.

Carter's Note – A carter's note is documentation provided when cargo is sent from the location where it is packed to the port for loading. It contains shipping instructions.

Chart Datum – Depth of water at the lowest astronomical tide (spring tide).

Coastal Services – Shipping service between ports within New Zealand.

Container – Metal box structure of standard design, used to carry cargo in units. Containers can be 20 or 40 foot in length. The standard measure of a container is a TEU (20-foot equivalent unit). Container ships are specially designed to carry containers in slots (or cells). Containers are stacked and restrained (lashed) at all four corners by vertical posts. Some shipping lines now charter container slots on vessels operated by different companies.

Container Crane – Large gantry crane specially designed to stow (load) and discharge (unload) containers from a ship.

Container Terminal – Facility designed to handle containers, with special-purpose equipment such as container cranes, straddle carriers and container stacking areas.

Crane Rate – A measure of productivity based on the number of containers moved. Usually expressed as number of TEUs per gross hour per crane.

Dwell Time – The length of time cargo remains in port before being loaded onto a ship or collected for domestic distribution.

Hoist / Fork Hoist – Heavy forklift machine used for lifting and stacking containers and cargo.

Hub Port / Service – Refers to the practice where shipping lines call at one port in a country or region, rather than at several ports.

Hydrographic Survey – Scientific mapping of the sea bed for navigation.

Gate/Gatehouse – Entry to wharf or terminal areas.

Intermodal – Refers to the handling of containers between different forms of transport (ship-to-ship, inter-terminal, rail, truck).

Internal Movement Vehicle – Heavy-haul truck used to move containers between facilities within the port.

Lash – Containers stacked on the deck of a ship are secured (lashed) at all four corners by wires or rods.

Line Handling – Task of securing lines to the wharf when a vessel berths.

Marine Services – On-water services, such as piloting, towing and line handling for vessels as they arrive, depart or are moved between berths.

Mudcrete – Soil mixed with cement used to form a quick-drying, solid reclamation in a marine environment.

Piers – Floating pontoons used in marinas to provide access to recreational craft.

Pilotage – Activity where a pilot guides a vessel within harbour limits to ensure navigational safety.

Reach Stacker – Heavy hoist machine that stacks containers.

Receiving & Delivery – Export cargo is received into the port and import cargo is delivered to truck or rail.

Reefer Container – See refrigerated container.

Refrigerated Container – Controlled temperature container suitable for chilled or frozen cargoes. Also referred to as reefer container. A reefer container can be a porthole (must be fitted with or to refrigerating equipment) or an integral (has built-in refrigeration equipment).

Roll-On, Roll-Off Vessel – Referred to as ro-ro. A ship which has a ramp allowing cargo to be driven on and off. Cargo which is driven on and off is ro-ro cargo.

Spreader – Device used to lift containers with a locking mechanism at each corner. Used on container cranes, straddle carriers or other machinery to lift containers.

Stevedore – Individual or company employed to load and unload a vessel.

Straddle Carrier – Large machine that straddles a container, lifts and moves it within a container yard. Capable of straddling a single row of containers three-high.

TEU – 20-foot equivalent unit is the international standard measure of containers.

Towage – Where a tug tows or manoeuvres a vessel into or out of a berth.

Trans-Ship – Cargo landed at a terminal and shipped out again on another vessel without leaving the port area. Can be international (a container arrives from one country and is trans-shipped to another) or domestic (a container arrives from overseas and is trans-shipped to another New Zealand port by a coastal service).

Turnaround Time – Time taken for a vessel to arrive in port, unload, reload and depart. Also refers to the time taken for a truck to arrive in port and deliver or receive cargo.

South Port Management, from left: Russell Slaughter, Nigel Gear, Lara Stevens, Mark O'Connor, Geoff Finnerty, Steve Kellett.

Directory

DIRECTORS

Rex Chapman – Chairman

Rick Christie

Philip Cory-Wright

Thomas Foggo

Graham Heenan

Jeremy McClean

CORPORATE EXECUTIVES

Mark O'Connor – Chief Executive

Russell Slaughter – Port General Manager

Geoff Finnerty – Cargo Operations Manager

Nigel Gear – Commercial Manager

Steve Kellett – Cold Store Manager

Lara Stevens – Finance Manager

GROUP COMPANIES

Parent Company: South Port New Zealand Limited

Subsidiary: Awarua Holdings Limited

AUDITOR

WHK as Agent for the Controller and Auditor General
173 Spey Street, Invercargill 9810

SOLICITORS

Preston Russell Law
92 Spey Street, Invercargill 9810
AWS Legal
151 Spey Street, Invercargill 9810

BANKERS

HSBC
Level 11, HSBC Tower, 62 Worcester Boulevard,
Christchurch 8013

ACCOUNTANTS

McIntyre Dick & Partners
160 Spey Street, Invercargill 9810

SHARE REGISTER

Link Market Services Limited
138 Tancred Street, Ashburton 7700

REGISTERED OFFICE

Island Harbour, PO Box 1, Bluff 9842

CONTACT DETAILS

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Website	www.southport.co.nz

Southern Region Production Locations

		KM FROM BLUFF
1	Ravensdown	0
	RD1	0
	Sanford Bluff	0
	Southfish	0
	Wilbur-Ellis (NZ)	0
	NZAS Tiwai Smelter	30
2	Ballance Agri-Nutrients	15
	Open Country Dairy	15
	South Pacific Meats	15
	Southwood Export	15
3	International Specialty Aggregates	30
	Quality Foods Southland	30
	Stabicraft Marine	30
	Prime Range Meats	33
4	Niagara Sawmilling	38
	Silver Fern Farms Kennington Plant	38
	Southland Veneers	38
	Blue Sky Meats	55
5	Alliance Lorneville Plant	40
	Alliance Makarewa Plant	45
	Pyper's Produce	45
6	Craigpine Timber	60
	NZ Growing Media	60
	Winton Stock Feed	60
7	Fonterra Edendale	65
8	Dongwha Patinna NZ	70
	Alliance Mataura Plant	75
9	Eastern Concrete	80
	Silver Fern Farms Gore Plant	80
10	Lindsay & Dixon	88
11	Silver Fern Farms Mossburn Plant	118
12	Ernslaw One	130
13	Silver Fern Farms Balclutha Plant	145
14	Fonterra Stirling	145

Pacific Basin vessel "Tiwai Point"
arriving Stirling Point, Bluff

South Port NZ

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