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## Financial Calendar

### 29 OCTOBER 2020

Annual Meeting – 11:00am  
Venue: South Port Board Room  
Island Harbour, Bluff

### 10 NOVEMBER 2020

Final Dividend Payment

### 11 FEBRUARY 2021

2021 Interim Profit Announcement

### MARCH 2021

2021 Interim Dividend Payment  
2021 Interim Report Published

### 30 JUNE 2021

2021 Financial Year End

### AUGUST 2021

2021 Annual Results Announcement



# Our Purpose

“ To facilitate the best logistic solutions for the region. ”

## Key Objectives

- > In all activities the Company will ensure a safe workplace is provided, employee wellbeing is enhanced and the physical environment is respected
- > Protect existing trade and develop growth opportunities - this aspect of the strategy requires the Company to deliver continuous improvement in these areas
- > Strengthen and extend existing New Zealand port relationships/ alliances and position the business for potential future sector rationalisation
- > Develop and / or influence optimal logistics solutions with port linkages
- > Optimise shareholder value and reinvest in our business
- > Evaluate and acquire appropriate technology to enhance, protect and expand our core business
- > Infrastructure, fit for purpose, whole of life. Available, flexible and resilient, with acceptable returns

## Company Profile

- > South Port New Zealand Ltd (South Port) is the southernmost 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 kms 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.
- > South Port established its off-port Intermodal Freight Centre (IFC) in July 2016. Strategically located adjacent to the KiwiRail railhead in Invercargill, the IFC allows importers and exporters in the Southland and Otago regions to distribute their products in a timely and efficient manner.

## South Port Facts

- > Owns and manages assets which have a book value of \$59 million
- > Directly employs 105 permanent staff and utilises additional fixed term and casual staff to support our marine activities and seasonal operations
- > Is the only Southland based company listed on NZX – market capitalisation as at 30 June 2020 equated to \$182 million
- > Handles in excess of 3.4 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, stock food and cement
  - > export – aluminium, timber, logs, dairy, meat by-products, fish and woodchips
- > Has split its land-based operating resource into four main divisions – dairy warehousing, containers, cool and cold storage and general cargo
- > 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 the New Zealand Aluminium Smelter (NZAS) under a long-term licence
- > Owns and operates an off-port container packing/unpacking facility adjacent to the KiwiRail railhead at Mersey Street, Invercargill. The 8,000 m<sup>2</sup> site houses a 4,000 m<sup>2</sup> customs controlled and MPI transitional facility
- > Services vessels carrying approximately 1 million tonnes of cargo destined for movement across the Tiwai Wharf each year, of which two thirds is raw material imports while one third is finished aluminium product
- > Has approximately 3 ha. of on-port land available for further port development or industry establishment

# 2019/20 Significant Events

- > **Operating NPAT of \$9.43 million** (2019 - \$9.79 million), a 3.6% decrease on last year
- > **Total cargo of 3.27 million tonnes** (2019 3.52 million tonnes), a 7.2% decrease on last year
- > **Total log volumes exported through the Port were down 33%** on the previous year
- > **Total container volumes down 2%** on the previous year
- > **Staff performed exceptionally well** to changes in work processes as a result of COVID-19
- > **COVID-19 impacted cargo operations, specifically forestry products** that were not handled through the Port during the Alert Level 4 lockdown period
- > **A full year dividend of 26.0 cents maintained** (2019 – 26.0 cents)
- > **\$1M expansion project for the container yard** completed providing additional storage areas and improving the efficiency of the terminal operation
- > A significant **maintenance dredging project of the swinging basin and berth pockets was completed** – occurs every 12-15 years.
- > **Sacrificial anodes successfully installed** onto the Oyster Wharf that are now being monitored on a regular basis
- > **Successful installation of Impressed Current Cathodic Protection (ICCP)** to four more bays of the Access Bridge. Undergoing regular monitoring now to analyse effectiveness of installation
- > **Continued higher R&M expenditure** on the Island Harbour infrastructure as previously signalled
- > **Investigations** have begun on the **potential deepening of the entrance channel, swinging basin and berth pockets at Bluff**
- > The **Marine team is investigating the purchase of a 65-tonne bollard pull tug** at the Port to improve safety limits and provide additional capacity to handle larger vessels
- > **New Zealand's Aluminium Smelter** announces the cancellation of their Electricity Contract with Meridian and the **potential closure** of the manufacturing facility at Tiwai Point in August 2021
- > **29,200 MT of stock food imported** on the MV Blue Balestier, a record for a single shipment into the Port
- > **38,400 MT of woodchips**, a record shipment, was exported through the Port on the MV Prince of Tokyo
- > **4,330 TEU Mediterranean Shipping Company vessels** now calling regularly at the Port
- > A **Port Open Day** was held in March providing tours of the Island Harbour, container terminal, cold store and our floating plant (tugs)
- > **Community Engagement Policy** was approved by the Board and opportunities are being promoted for **staff involvement within the community**
- > An **independent review of pilotage practices** at the Port was carried out with a view to modernising our existing systems
- > **Blast freezer completes first full year of operation** and has proved to be a good addition to the services provided by the cold store
- > **OMV** (Austrian oil and gas giant), unfortunately was **not successful** with their exploratory drilling campaign in the **Great South Basin**
- > **Open Country Dairy** complete construction of their **third dryer and new warehouse at the Awarua site**
- > South Port employed its **first female operator of large machinery** in the terminal
- > **Leadership training** delivered to staff across various levels within the Company
- > South Port **Directors** involved in the **Southland Regional Development Strategy (SoRDS)** Aquaculture Team
- > A number of **Bowtie workshops** completed during the year providing some very good recommendations for **workplace safety improvements**

# Review of Operations

## OVERVIEW AND CARGO

The operating after-tax profit of \$9.43 million (2019 - \$9.79 million) is a 3.6% decline on last year's result in line with guidance provided in our 2019 Annual Report. This is a very pleasing result considering total cargo was 3,269,000 tonnes (2019 - 3,520,000 tonnes) representing a 7.2% decrease in cargo volumes on the previous period. Volumes were impacted by a softening of the international commodity markets and the COVID-19 pandemic, with the Company like the rest of the economy, affected most noticeably during the Alert Level 4 lockdown period in April 2020.

Forestry was the main contributor to the decline in cargo with both logs and woodchips down on past seasons. Log volumes in particular were affected by an oversupply of Spruce logs into the China market as a result of a bark beetle infestation in Europe which accelerated the harvesting of that species. This was compounded during the lockdown when forestry cargoes were not considered an essential industry, therefore all log and woodchip exports (including containerised timber products) ceased during this period.

Record volumes of bulk stock food products were imported due to a late season surge of shipments through the Port. These increases were partly attributed to COVID-19 restrictions that dictated a change in working conditions at the meat plants, slowing down the number of stock units being processed which eventually led to a shortage of feed in the region.

## BENEFITS OF DIVERSIFICATION

While bulk cargoes are the backbone of the Company's trade, the standouts this past financial year were the cold storage facility and the container activities, effectively making up for any bulk volumes lost through the Port.

The upgrade to the cold storage facility completed 18 months ago continues to deliver excellent benefits to the port operation. The extended load-in and load-out bays while increasing efficiency has also led to an improved safety factor for the staff operating in this area. The new blast freezer continues to exceed our volume expectations and is proving to be a welcome addition to the services provided on the Island Harbour.

Recent extensions to the container terminal area have provided the much needed additional space for the efficient storage and movement of containers that was missing this time last year. This change has resulted in improvement in the Port's planning of the depot and ship day operations. These efficiencies combined with the increased throughput of refrigerated cargo at the Port has been one of the highlights for the Company this past financial year.

The Mediterranean Shipping Company (MSC) continues to call at the Port on a weekly basis with its Capricorn Service providing excellent links to worldwide markets. While volumes have remained consistent with previous years, the call at Bluff provides a significant competitive option for the Southern region's importers and exporters.

In addition, the Intermodal Freight Centre provides an important container handling option in the Southern region supply chain. This facility provides both container packing and unpacking options for containers handled through all Southern region ports, serviced by both road and rail, for the benefit of all Southland customers.



Rex Chapman, Chairman and Nigel Gear, Chief Executive

## COVID-19

The Board also recognised this effort separately through a \$500 COVID-19 bonus payment to all permanent and fixed-term staff. This was well received.

It has been an extremely difficult time for the international community since the outbreak of COVID-19 in Wuhan, China. While New Zealand has come through this period relatively well, many of our trading partners are still struggling to get the virus under control. During the Alert Level 4 lockdown the port operation was considered an essential business, therefore we could continue operating, which also meant that most of our staff were expected to keep working. New processes and procedures were adopted to ensure the safety of our staff and the business continued to operate extremely well thanks to the hard work put in by all of the team. The Board and the Leadership team would like to pass on our sincere thanks to all our staff that worked during this time.

## VALUES

Last year we reported that the Company had gone through extensive consultation with staff to select a core set of values. These values are now becoming part of our normal daily language, processes and routines. They have also been an excellent resource to reflect on during the COVID-19 pandemic and have served us well when making decisions during this period.

## SAFETY, HEALTH AND WELLBEING

Safety First is our most important core value at the Port. Safety continues to be our highest priority, both as one of our core values and also incorporated into our strategic planning. This past year the performance of the team has been up to a high safety standard which is a tribute to the hard work and buy-in of all staff. There has been some excellent safety processes and controls put in place by our employees following running a number of Bowtie workshop sessions. These sessions are proving to be very successful with both staff and leadership analysing critical risks and contributing to finding solutions to eliminate or mitigate these same risks in our work environment.

The Company has an emphasis on wellbeing in the workplace. This was an important consideration during the global pandemic when some concentrated work was undertaken around the wellbeing of our staff both at work and at home. This was a significant period of learning for everyone involved and will assist the Port operation should we have further lockdowns / pandemics in the future.

## COMMUNITY ENGAGEMENT

A Community Engagement Policy was drafted and approved by the Board during the past year. This Policy has now been put into action which culminated with a successful Port Open Day that was held in March this year, which is covered extensively, amongst other initiatives, later in the Report.

## NEW ZEALAND'S ALUMINIUM SMELTER (NZAS)

Much can happen in 24 months. In our 2018 Annual Report we were discussing the positive announcement that the fourth potline at NZAS was reopening for the first time in many years and at the time of writing this we are now, unfortunately, facing the potential closure of the entire operation.

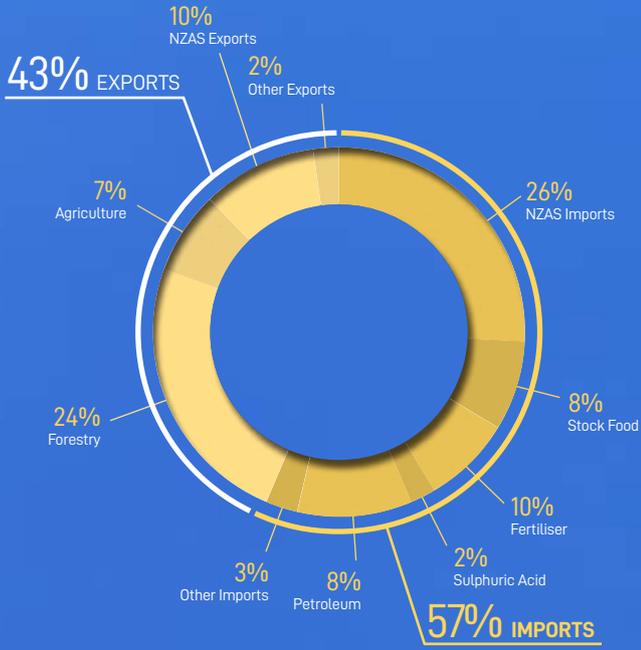
On 23 October 2019 Rio Tinto announced a strategic review of the NZAS operation located at Tiwai Point. This review was completed, and on 9 July 2020, it was announced Rio Tinto will start planning for the wind-down of operations and the eventual closure of NZAS. NZAS has given Meridian Energy notice to terminate the power contract, ending August 2021.

Since this announcement business and community leaders have together lobbied the Government to work with Rio Tinto for an extension of the shut down period to at least a four to five year timeframe. This additional time would allow for the planning and transition to new industries, therefore preserving jobs and keeping skilled labour in the region.

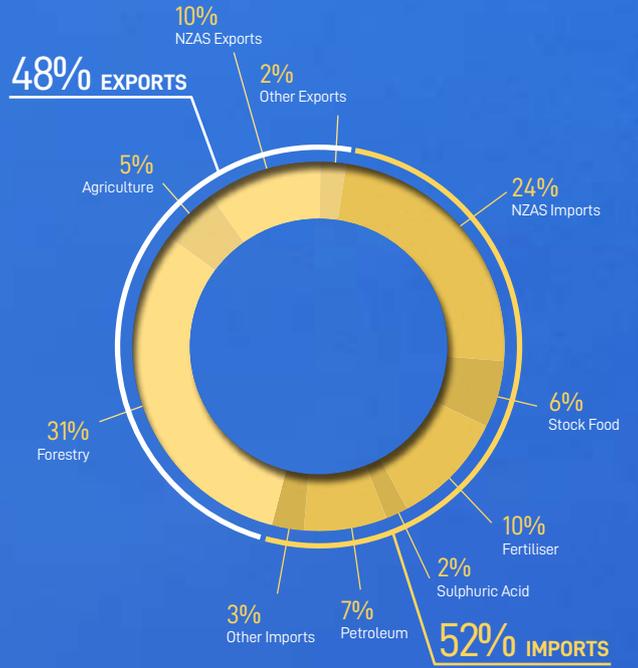
It is important to note that NZAS contributes around \$450 million annually to the New Zealand economy, producing some of the lowest carbon aluminium in the world, using hydro electricity from the Manapouri Power Station. The base fundamentals for the continued operation of NZAS are still very sound and it is important that the Government, electricity providers and Rio Tinto negotiate a sensible solution that will benefit not only Southland, but the New Zealand economy.

South Port owns the Tiwai Wharf and causeway which is used by NZAS under the terms of a Licence Agreement which expires in 2043. NZAS pays South Port a Licence Fee pursuant to this Agreement. The Port also provides container packing activities at the Island Harbour and marine services to NZAS and this would be impacted by any closure.

### COMPARATIVE CARGO BREAKDOWN 2020



### COMPARATIVE CARGO BREAKDOWN 2019





### INFRASTRUCTURE

The Asset Management Plan (AMP) continues to be a major focus for the Port. Since 2017 significant additional resources and effort has been applied to the maintenance work on the Island Harbour and the Access Bridge as our knowledge of the underlying infrastructure has improved. It is pleasing to note that the forecasted increase in the AMP expenditure peaked this past financial year and while it is expected to stay consistent in FY2021 we are forecasting a reduction beginning in FY2022.

### STRATEGIC INITIATIVES

Consistent with our purpose to facilitate the best logistic solutions for the region, the Board has the following initiatives to consider:

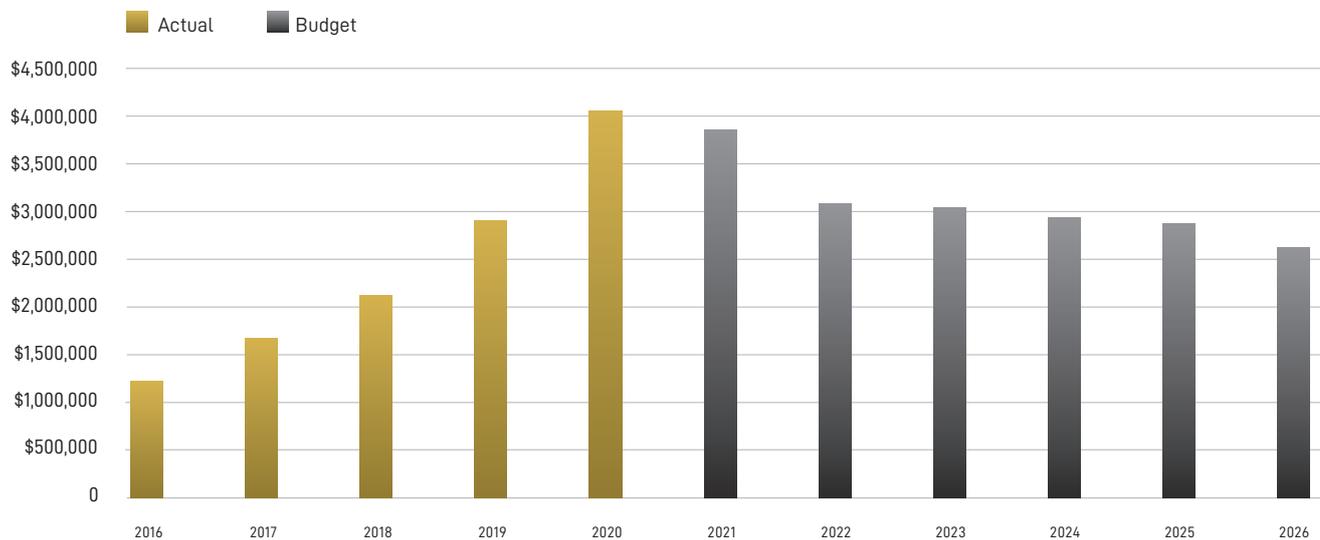
#### New Tug

South Port is undertaking an investigation into the purchase of a new tug. Currently the Port has two tugs, MV Hauroko and MV Te Matua with a combined bollard pull of 75 tonnes. With an increase in size of vessels calling at Bluff, the Company would like to increase the bollard pull capacity to provide an additional safety margin for the marine team. The investigation includes reviewing both the size and type of tugs currently on the market compared with the commissioning of a new build, with a view to making a decision about an acquisition.

#### Entrance Channel

The Company is reviewing the characteristics of our entrance channel and whether there are options to remove the high spots, predominantly located on the eastern side of the channel. The benefits of achieving this would be that an increased operating draft would improve the safety margins for ship movements and provide greater capacity for vessels to take additional cargo. This is an exciting prospect however consideration of the project is still in the early stages and stakeholders will be consulted as we move through the process towards making a final decision.

### ASSET MANAGEMENT PLAN EXPENDITURE



## REGIONAL UPDATE

### Great South Basin

OMV New Zealand Limited in conjunction with their partners, Beach Energy Resources NZ Limited and Mitsui E&P Australia Pty Limited, undertook an exploratory drilling campaign for natural gas in the Great South Basin in January 2020. Unfortunately, after years of work, analysis and significant expenditure the drilling was not successful.

### Aquaculture

The Southland Aquaculture Working Group has been investigating and promoting the establishment of a salmon hatchery in Southland to support anticipated future growth of aquaculture in the region. Recently the Government announced a loan of \$8 million through the Provincial Growth Fund to enable Sanford Ltd to construct the first stage of a modular land-based Recirculating Aquaculture System salmon hatchery for the growing of Chinook (King) salmon at the former Ocean Beach Freezing Works site in Bluff.

In February this year, Ngāi Tahu Seafoods Ltd lodged an application to use water space off the northern coast of Rakiura (Stewart Island) to develop a sustainable open ocean salmon farming operation, Hananui Aquaculture.

In addition, Sanford Ltd has also lodged a consent with Environment Southland to establish an open ocean salmon farm, 28km from Bluff near Ruapuke, at the south-end of Foveaux Strait.

It is estimated that these two sites if consented could support approximately 55,000 tonnes of salmon production. New Zealand's current production is 15,000 tonnes.

A 2019 NZIER report estimated that 25,000 tonnes of salmon production would produce \$1.4 billion in export earnings and support 800 full time jobs and these developments would go some way to achieving the New Zealand Government's Aquaculture Strategy of targeting aquaculture to be a \$3 billion industry by 2035.

Rex Chapman (Chairman) and Tommy Foggo (Director) are both members of the Southland Aquaculture Working Group.

## DIVIDEND

The Board has an ongoing policy of assessing South Port's dividend flow after taking into consideration both its Free Cash Flows (FCF) and its reported profits. For the purposes of this policy, FCF is defined as annual operating cash flow less net maintenance capital expenditure in the same period. In establishing the dividend payment level, Directors took into account the Company's annual profit movement plus future maintenance requirements that are expected to impact profitability. This year Directors also had regard to the uncertain economic outlook caused by the COVID-19 pandemic.

Accordingly, the Board elected to pay a consistent dividend of 18.5 cents. This translates to a full year dividend of 26.0 cents (2019 – 26.0 cents). Full imputation credits will be attached to all distributions. The dividend payment represents a gross return of 5.2% (net 3.7%), based on a share price of \$6.95 as at 30 June 2020. A dividend pay-out ratio of 72% results for 2020 (using reported NPAT) and equates to 79% of FCF.

## BOARD COMPOSITION

Mr Rex Chapman and Mr Jeremy McClean retire this year by rotation and being eligible offer themselves for re-election.

The Company has received no other valid Director nominations.





## OUTLOOK

While business and trade have returned to pre COVID-19 levels, there are still a number of unknown variables that could affect the Company in the coming 12 months.

The continued impact of COVID-19 on international markets and the possibility of further waves within New Zealand are still considered a material risk for the business going forward. South Port is considered an essential industry and we expect that should the country return to higher Alert levels in the future, all cargos, including forestry, will continue to be handled through the Port.

The significant announcement by NZAS of a potential closure in August 2021 is a concern for both the Port and the Southland economy. As reported in our recent NZX release, NZAS represents one third of the Port's cargo base and approximately 18-20% of our NPAT. The full impact of this will not be felt for a number of years should a decision be made to close, however the Port will continue to closely monitor the progress of negotiations in the coming months.

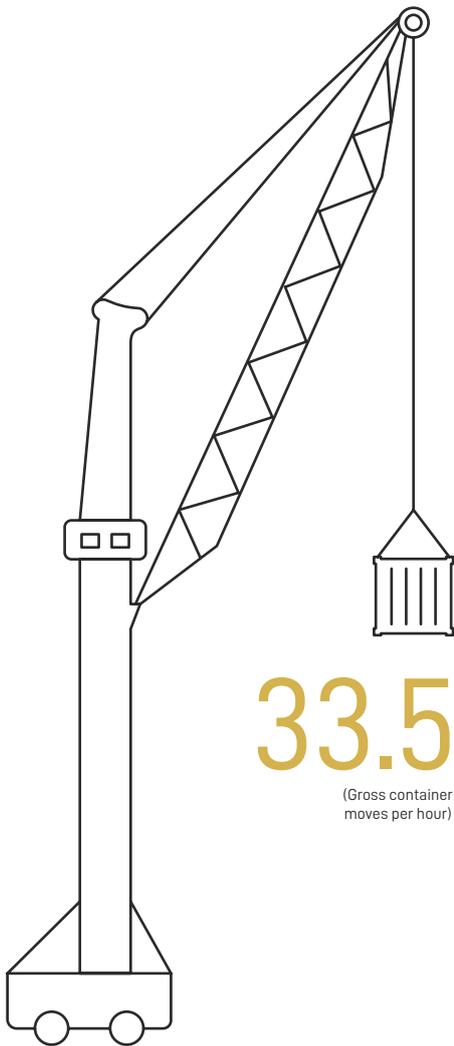
There is still considerable uncertainty moving forward as to how international markets are going to hold up during this turbulent time. Our customers have indicated they have good visibility of sales out to the end of the third quarter (October 2020) however, beyond this timeframe there is some doubt.

Despite all this uncertainty the Company is optimistic about the future. The possibility of the tug purchase and entrance channel deepening provides a pathway of growth for the Company. The Southland region is working hard to establish both new industry in aquaculture and preserve the life of the Smelter for another four to five years as well as evaluating other opportunities.

Based on all known factors at the date of compiling this Report, South Port estimates that earnings in the next financial year are likely to reduce by approximately 2%.

With this lower earnings profile and in the absence of any unforeseen circumstances, the Directors will still be endeavouring to maintain the current level of dividend payment.

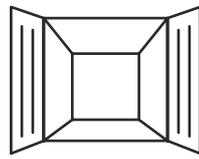
### CRANE PRODUCTIVITY



### SHIP CALLS

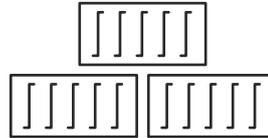


### CONTAINERS PACKED/UNPACKED



**11,400**

### NUMBER OF CONTAINERS

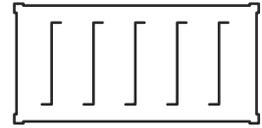


**47,500**

(20 foot container equivalents)

### BREAKDOWN OF CARGO

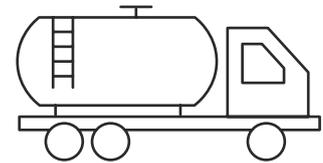
#### CONTAINERS



**492,000**

Tonnes

#### BULK



**2,519,000**

Tonnes

#### BREAK BULK



**258,000**

Tonnes

### CRANE PRODUCTIVITY

(Gross container moves per hour)

2020	33.5
2019	32.5
2018	31.5
2017	32.8
2016	30.6

### SHIP CALLS

2020	335
2019	352
2018	319
2017	312
2016	317

### BREAKDOWN OF CARGO

#### CONTAINERS

(Tonnage)

2020	492,000
2019	469,000
2018	431,000
2017	415,000
2016	390,000

#### BULK

(Tonnage)

2020	2,519,000
2019	2,771,000
2018	2,719,000
2017	2,371,000
2016	2,428,000

### NUMBER OF CONTAINERS

(20 foot container equivalents)

2020	47,500
2019	48,700
2018	39,100
2017	39,300
2016	35,100

### CONTAINERS

(Packed/Unpacked)

2020	11,400
2019	11,500
2018	9,900
2017	9,900
2016	9,600

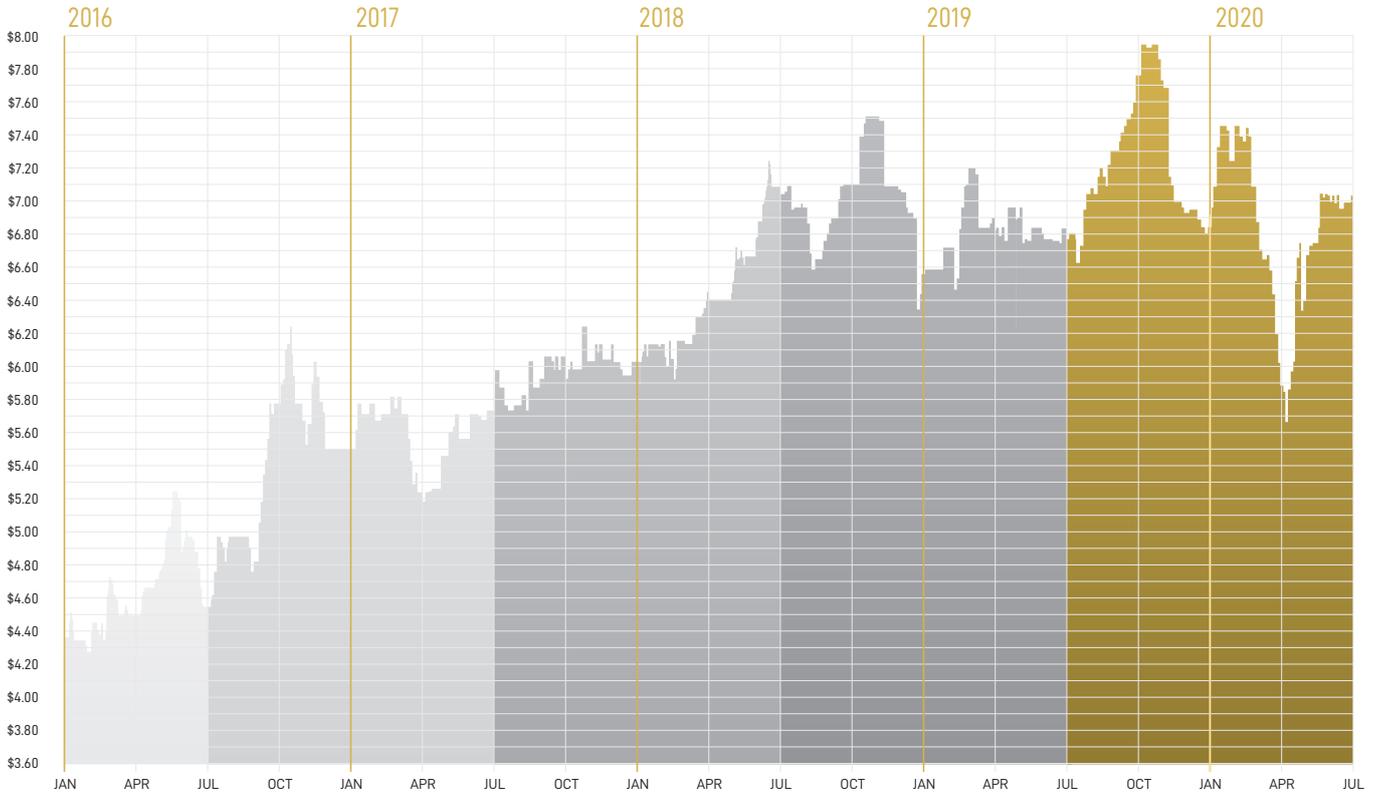
#### BREAK BULK

(Tonnage)

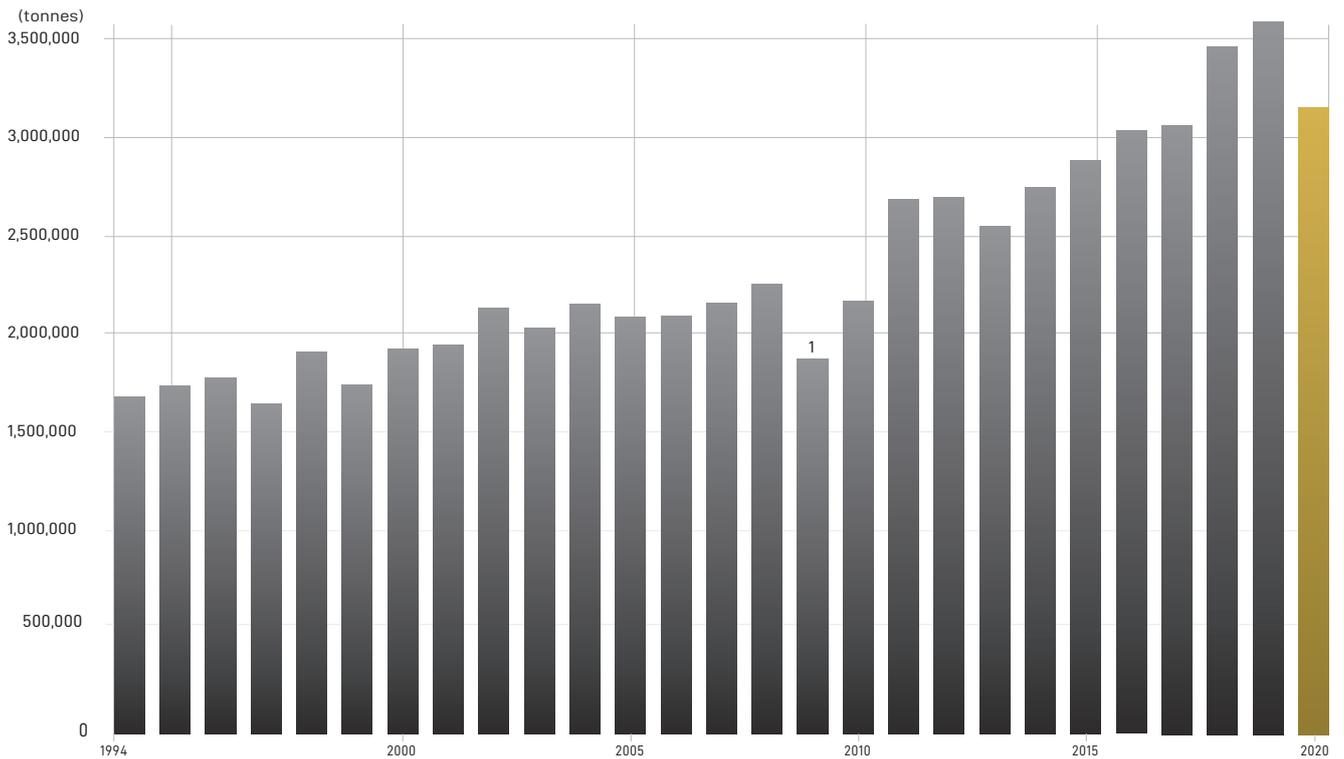
2020	258,000
2019	281,000
2018	295,000
2017	267,000
2016	230,000

## SHARE PRICE

From 1 July 2016 to 30 June 2020



## HISTORICAL TRADE FIGURES 1994-2020



1 – 2009 drop in tonnage due to 30% decrease in NZAS throughput attributable to a pot-line outage

## DOMICILE OF SHAREHOLDINGS

New Zealand Breakdown	Holders	%	Issued Capital	%
Northland	25	2.53	80,608	0.31
Auckland (incl. North Shore, Waitakere & Rodney)	186	18.81	1,931,155	7.36
Greater Auckland Region (incl. Manukau)	45	4.55	108,926	0.42
Waikato & Bay of Plenty	145	14.66	768,466	2.93
Taranaki, Wanganui, Hawkes Bay & Gisborne	61	6.17	199,069	0.76
Wellington Region	45	4.55	145,473	0.55
Wellington City	38	3.84	233,764	0.89
Upper South Island	67	6.77	332,231	1.27
Christchurch	47	4.75	1,690,587	6.44
Lower South Island	295	29.83	18,321,740	69.83

International	Holders	%	Issued Capital	%
Australia	21	2.12	219,183	0.84
Canada	1	0.1	43,978	0.17
Germany, Federal Republic Of	1	0.1	1,000	0.0
Hong Kong	1	0.1	4,000	0.02
Malaysia	1	0.1	400	0
New Zealand (Breakdown above)	954	96.46	23,812,019	90.76
Philippines	1	0.1	1,000	0.0
Switzerland	1	0.1	4,355	0.02
Thailand	1	0.1	1,000	0.0
United Kingdom	4	0.4	3,300	0.01
United States	3	0.3	2,144,663	8.17



R CHAPMAN  
Chairman



N GEAR  
Chief Executive





# CORPORATE SOCIAL RESPONSIBILITY



# What is Corporate Social Responsibility (CSR)?

“Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.”

THE WORLD BUSINESS COUNCIL FOR SUSTAINABLE DEVELOPMENT

CSR includes the following sections:

- > Safety, Health & Wellbeing
- > Our People
- > Our Community
- > Environment
- > Infrastructure
- > Financial Highlights

# Safety, Health & Wellbeing



## WELLBEING INITIATIVE - PULSE

Our online wellbeing platform "Pulse" has been extensively promoted and well supported throughout the year. There are 92 people registered on the programme made up of employees and their family members. Since rollout there has been in excess of 41,000 page views and over 360 challenges completed.

Members of the South Port team have participated in a number of PULSE wellbeing challenges during the last 12 months including:

- > Pulse Wellbeing Challenge Series
- > Front Row Challenge (World Cup)
- > Let's Get Quizzical
- > Boost Series (eating well and walking)
- > Surf to City
- > The Winter Team Challenge
- > SHIFT - Kiwi Edition
- > Brain Games



### Healthy Habits Content Consumed

- Reduce Fake Foods (15%)
- Eat Real Food (27%)
- Move Slowly Lots (13%)
- Move Quickly Once in a While (6%)
- Get Strong (9%)
- Get Adequate Sleep (9%)
- Get Adequate Sunlight (2%)
- Play (1%)
- Manage Your Thinking (13%)
- Engage Yourself (5%)



## SMOKING CESSATION PROGRAMME

Another Smoking Cessation Programme was held during the year with four participants joining. Congratulations to Te Ratu Sikisini who participated and successfully kicked the habit. Thanks to Nga Kete Maturanga Pounamu Charitable Trust who facilitate the programme onsite and support our employees.

Pictured with Te Ratu from Nga Kete Maturanga Pounamu Trust are Barbara Metzger and Joanne Te Tai (a sign of our close knit community - Barbara is the mother of our Finance Manager, Lara Stevens and Joanne is the mother of Houston Te Tai who is employed within our container operation).





### FALL ARREST SYSTEM - INTERMODAL FREIGHT CENTRE

A fall arrest system has been installed at the Intermodal Freight Centre in Invercargill. The new system consists of six static lines fitted into the shed roof and a series of movable retractors that the operators can connect to. The system allows the task to be completed safely whilst also allowing storage optimisation in the warehouse.



### EQUIPMENT INSPECTIONS, TRAINING AND PERSONAL PROTECTIVE EQUIPMENT (PPE) SUPPLIES

The COVID-19 designations around essential services and restrictions on travel meant that some of our usual plant certification and training systems were restricted. Our suppliers were very helpful in unforeseen circumstances, particularly Safety First, who supplied much of our COVID-19 PPE supplies.

Pictured is Tony Howard from Stork Cooperheat conducting certification inspections on some of our heavy lifting plant during Alert Level 2.



### EMPLOYEE ASSISTANCE PROGRAMME

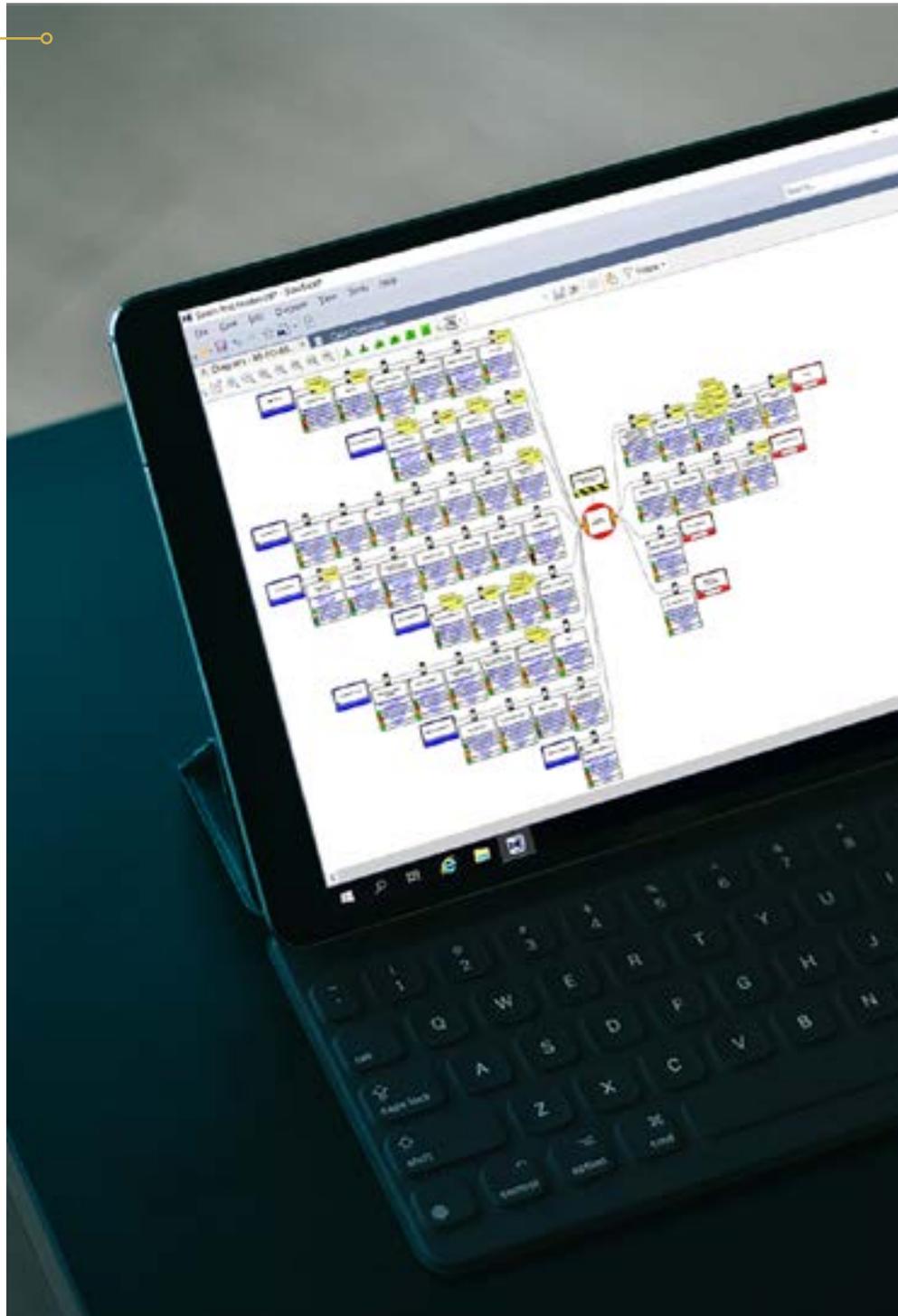
The COVID-19 global pandemic was a very unsettling time for everybody, but our team dealt with the challenges and showed their resilience throughout the lockdown Alert Levels. We encourage our employees to use the Employee Assistance Programme if they feel that they need some extra help; the programme is also available for direct family members.

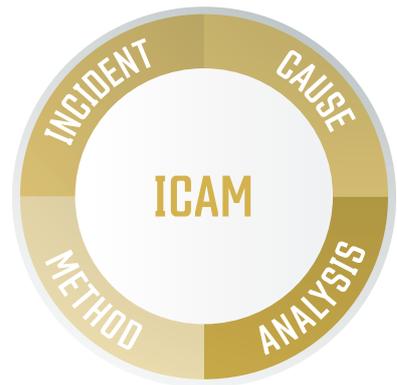
### INDUCTION UPGRADE PROJECT

South Port has partnered with software provider Bracken to upgrade its induction delivery platform. The project is progressing well with the induction content being refreshed, and filming of content to be embedded within the various inductions is currently underway.

## BOWTIE CRITICAL RISK SYSTEM

Throughout the year we have been utilising Bowtie software in facilitated team sessions to analyse our critical risks. Participation in the sessions has been positive and input from operators has helped identify 20-30 potential safety improvements per risk reviewed.





### **INCIDENT CAUSE ANALYSIS METHOD (ICAM) TRAINING**

In September 2019 we conducted Incident Cause Analysis Method training. This advanced incident investigation technique gives our internal investigators a higher level of skills. Fourteen employees attended the training which included Managers, Supervisors, Pilot, Tug Engineer, Infrastructure Engineer and the Health & Safety team.

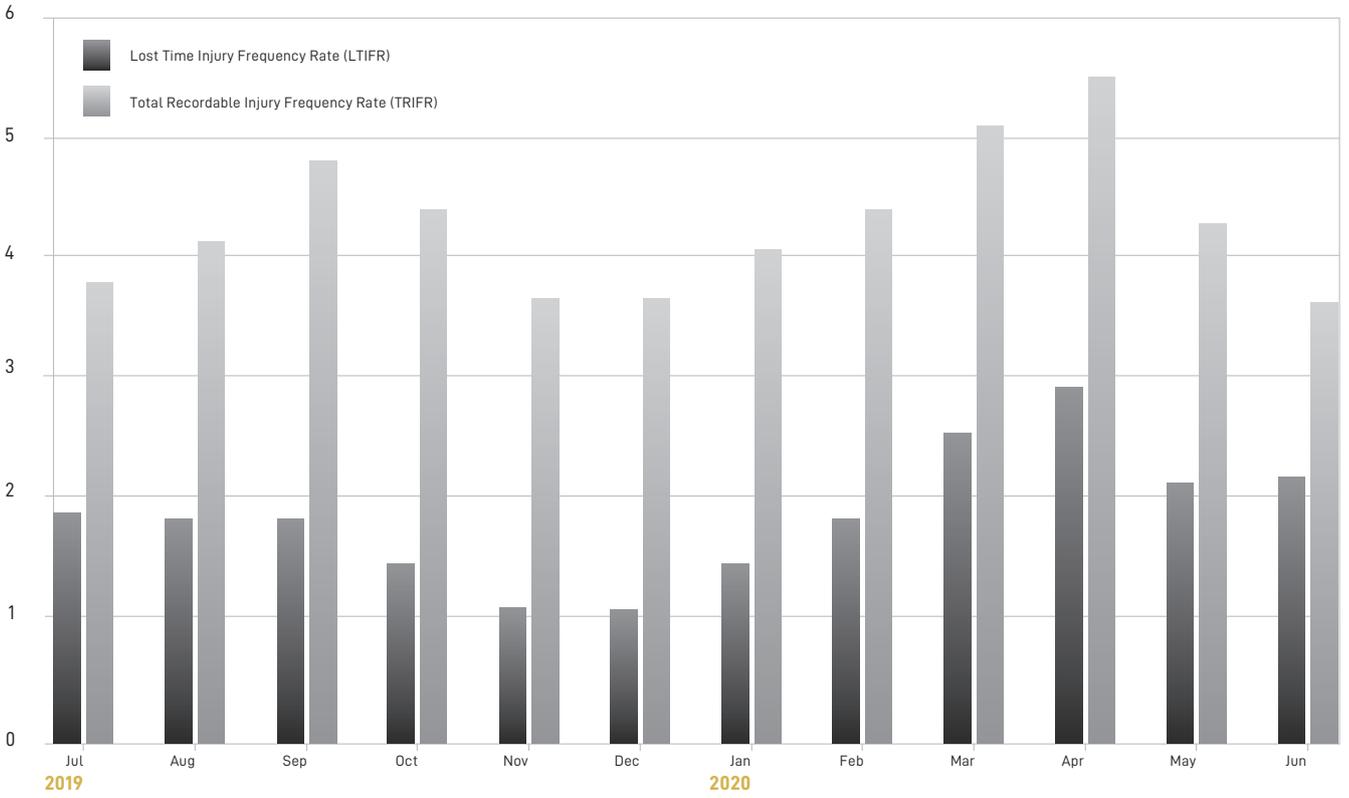
### **FORKLIFT SAFETY SENSOR TECHNOLOGY**

Following trials, two different types of safety sensors have been installed on our forklift fleet during the year. Our small forklift fleet have been fitted with Seen Safety Lidar sensors that detect people wearing hi-vis that might pass behind the machine. The larger forklift fleet are in the process of being fitted with Rearsense radar systems. With mobile plant versus person being one of our critical risks, these systems help our operators identify when persons/objects may appear behind the machines.

### LOST TIME INJURY AND TOTAL RECORDABLE INJURY FREQUENCY RATES

Injuries per 100,000 work hours - 12 month rolling

During the November/December period, the Lost Time Injury Frequency Rate (LTIFR) dropped to its lowest level in more than four years.



# Our People

At South Port, our people are our greatest asset, but it's how we develop, empower and enable them that is important. We need to set goals and objectives, offer rewards and incentives to keep our people motivated and energised, provide them with resources, systems and processes, delegate authority and allow them autonomy so they can go about their day-to-day activities.

## LEADERSHIP AND TRAINING

Over the past year, we have invested heavily in developing and upskilling our people.

Leadership development, talent identification, succession planning and career pathways are all critical to building a capable, agile and engaged workforce.

Effective leadership is key to our success. Our in-house Leadership Programme, which was trialled by our Leadership Team last year, was rolled out to our Supervisors and Seniors who have a hands-on role in coaching and mentoring our operational teams. The programme, while still in its infancy, is showing signs of success and has also been offered to other staff who have (or are seeking) peer leadership responsibilities.

An area we are focusing on is 'peer leadership'. We are all familiar with formal structured leadership, most often signified through title and position. However, informal influences are even more important, even though they haven't traditionally been associated with leadership – offering constructive ideas, speaking up in team meetings, channeling feedback, keeping other team members on task, sharing best practices and motivating others.

Our Company is adapting and positioning itself for the future. To do this we need our people to do the same. Put simply, we need the right people, with the right skills, in the right jobs at the right time!

At all levels across the business, we have focused on staff training to ensure our staff are competent, confident and committed as we go about our day to day activities. This has resulted in a number of staff successfully completing training, gaining new skills and experience and progressing further on their career pathways.

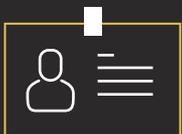
Here are just a few of them...



**PAUL JAMES**  
MARINE

Paul joined South Port in January 2018, after more than 20 years' experience in global shipping including as Master on car carriers on a round-the-world run. Following two years of intensive pilotage training in our southern deep water port, Paul qualified in early 2020 as a Pilot (unrestricted) and is leading the way for our 'next generation' of pilots navigating the channel.

## KEY INFORMATION



**105**

Permanent staff  
as at 30 June 2020



**13**

New Permanent Staff  
joined since 1 July 2019



**9**

Fixed Term  
as at 30 June 2020

## LEADERSHIP EXPECTATIONS

<b>ACCOUNTABLE</b>	<b>NIMBLE</b>	<b>STORYTELLER</b>
<b>EMPATHETIC</b>	<b>PRAGMATIC</b>	<b>TRUSTWORTHY</b>
<b>INCLUSIVE</b>	<b>RANGATIRATANGA</b>	<b>VISIBLE</b>



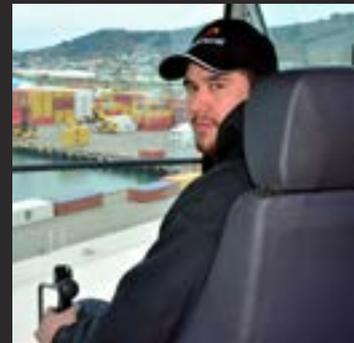
### ALASTAIR MCKERCHAR IFC

Alastair has been with South Port for some years and is recognised and respected by his colleagues as a skilled operator and all-round 'good guy'. In late 2018, Alastair signalled his interest in taking on more responsibility and aspiration for a leadership position. He fully embraced our in-house leadership training programme facilitated by Robin Rawson. Alastair understood that the transition from being 'one of the guys' to a leadership role would not be easy, but he is fortunate to have had the full support and cooperation of experienced operators Brett McDonald and Dan Akuhata.



### ELGREENE LEVISTE & MATTHEW COSTIGAN-NOBLE COLD STORES

Elgreene and Matthew both started at entry level as fixed term (seasonal) operators, loading containers. They have now been promoted to permanent positions, which recognises their skills, work ethic and commitment to our Values. Elgreene has built up his product knowledge quickly and is trained to scan a full range of export product. Matthew can scan import and export product, loads pet food containers and is being trained to 'dig' (i.e. muster) product from inside the stores for loading into containers.



### FLOYD KARETAI GENERAL CARGO & CONTAINER TERMINAL

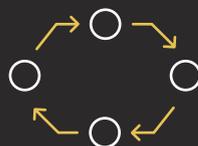
Floyd has been with South Port since October 2014, initially in the Cold Stores and then transferring to General Cargo in September 2017 where he packed aluminium in block, ingot and billet form. Floyd is a skilled forklift driver and this year successfully completed training to operate our mobile harbour cranes. This is a significant career achievement for Floyd and it is great to have another talented operator joining the crane roster.

The highlight of the past year was in May when Floyd and his partner Renei welcomed their daughter Keia.



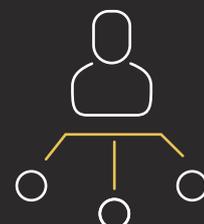
12

Internal Promotions



6

Internal Transfers



3

New Positions Created

## VALUES

In mid 2019, we adopted and launched our Company Values. These underpin the way we go about our business, and in particular how our people interact and engage with each other across all areas and at every level of our business.



MANAAKITANGA



SAFETY FIRST



ONE TEAM



ACT WITH INTEGRITY



GO THE EXTRA MILE



WORK SMARTER

## MANAAKITANGA

Within South Port, the concept of Manaakitanga is about nurturing relationships, showing respect and caring about the wellbeing of others. It also involves helping our people build resilience, to adapt and 'push on' (within safe limits of course!) when things don't go according to plan.



### HAYDEN MCLISKEY

#### DAIRY WAREHOUSING

"A couple of years ago I was diagnosed with a health condition that prompted me to re-think my career options. It really shook me at first, but I'm determined this diagnosis won't stand in the way of my career at South Port. Last year, I transferred from an operator role to the admin office – this helped me manage my health condition better and also allowed me to gain new skills and learn more about the overall business. I'm really thankful for the support offered by South Port over the lockdown when I wasn't able to come to work and this confirmed to me that South Port is a good company to work for."



### KEVIN KURU

#### GOLD STORES

"South Port really supported me after I suffered a back injury and went through months of rehabilitation while I was off on ACC. I'm still not 100%, but the Supervisor and Foreman have given me the chance to work within my physical limits and work to my strengths – product knowledge, accuracy scanning/ tallying, and training and coaching other staff. Thanks, South Port!"

## DIVERSITY AND INCLUSION

At South Port, we want to create an environment that recognises and values different skills, abilities, genders, ethnicities, backgrounds and experiences.

Our journey towards a diverse and inclusive workforce has to date been around gender, specifically targeting representation across four areas: Board, Leadership Team, Supervisors and Operators (i.e. the people who are predominantly 'on the tools').

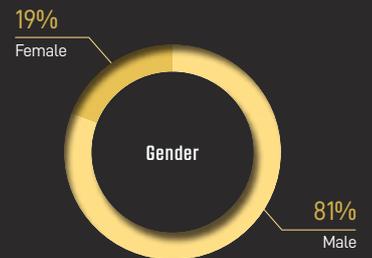
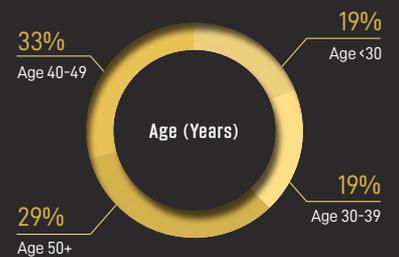
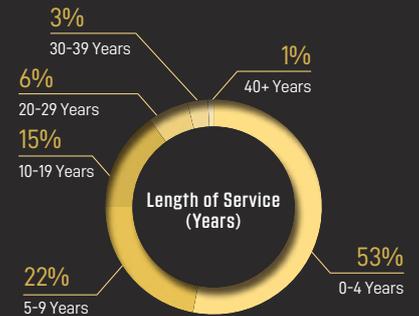
At operator level, we had one female employed in the Cold Stores on a fixed term from late October 2019 to early June 2020. In April 2020, we employed our first female container terminal operator – an appointment based on merit – which we hope will be followed by more women taking on operator roles as vacancies arise across the Port.



### MICHELLE LAWSON CONTAINER TERMINAL

Michelle started with South Port the day we moved out of COVID-19 lockdown. Her training programme was initially held up due to mandatory physical distancing requirements, but she has quickly made up lost ground! She has now been signed off to operate our heavy container handlers and to be rostered for continuous container vessel exchanges. She has also been approved as an MPI Accredited Person, has completed heights training and first aid training is in progress. All-in-all a great start to Michelle's career!

## STATISTICS



Category	Target	Actual		
	2025 % FEMALE	2020 % FEMALE	2019 % FEMALE	2018 % FEMALE
Board	25	33	17	17
Executive	25	25	25	25
Supervisors	20	17	14	0
Operational	10	2	3	0
All Permanent Staff	25	19	20	20

# Our Community

Sponsorship of sporting, cultural and community groups is part of a long term commitment to support the local community and region in which South Port operates.



## SCHOLARSHIPS

### STAFF SCHOLARSHIP

#### Corbyn Williamson

Corbyn graduated from Southland Boys' High School in 2019 and has commenced training as an Apprentice Electrician with the Electrical Training Company (ETCO) working towards a New Zealand Certificate in Electrical Engineering. Corbyn is being hosted by Bluff Electrical. Corbyn is the son of South Port Executive Assistant, Kirsten Hoyle.

Corbyn is a dedicated sportsperson and fitness is a key part of his life regularly attending the gym and cross-fit classes. He is a member of the Oreti Surf Life Saving Club as a trained lifeguard on rostered patrols at Oreti Beach. Youth sport is another passion with Corbyn involving himself with touch rugby, miniball, Bluff Swim Club and Oreti Surf Life Saving coaching. Corbyn's sporting and cultural participation was evident at school being Deputy House Captain in 2019. He was an active member of the SBHS 'Tuakana Teina' (Big Brother) programme which further highlights his level of integrity.

In his letter of recommendation Corbyn was described as ambitious, independent, sensible, down to earth and of good character and commitment. These will be great assets as he sets out on the next chapter of his life journey.

### COMMUNITY SCHOLARSHIP

#### Tremaine Mako

Tremaine will be a third year Medical Student at University of Otago in 2020 and is working towards a Bachelor's Degree in Medicine and Surgery. His goal is to become a Doctor and owning his own practice providing a holistic styled approach to treating and supporting patients in Aotearoa through their everyday lives.

Tremaine is an extremely active sportsperson both participating in and coaching sports including rugby, basketball, swimming, sailing, volleyball, boxing and athletics. Culture plays an important role in Tremaine's life, on many occasions mentoring Maori students in High School and at University (peer mentoring and Ka Rikarika a Tāne). He seeks to pass down his knowledge and experience about life and learning to benefit and support the younger generation coming through.

The attributes referred to in his letter of recommendation were that he had a superb work ethic, is industrious, motivated and a serious thinker; modest and self-effacing with impeccable manners, conducts himself well and is trustworthy, reliable and honest. Tremaine is already modelling the traits to support him in his future career.

### COMMUNITY AND REGIONAL ASSISTANCE

Organisations that received sponsorship assistance over recent financial years include:

- > Badminton Southland
- > Bluff Bowling Club
- > Bluff Flower Show
- > Bluff Hill/Motupōhue Environment Trust
- > Bluff Kindergarten
- > Bluff Netball Club
- > Bluff Oyster & Food Festival
- > Bluff Promotions
- > Bluff Rugby Club
- > Bluff Schools
- > Bluff Yacht Club
- > Bluff Volunteer Fire Brigade
- > Burt Munro Challenge (Bluff Stage)
- > Coastguard Bluff
- > Export Southland
- > Graeme Dingle Foundation
- > Hospice Southland
- > Invercargill Lions Club
- > Police Managers' Guild Trust
- > Port Softball Club
- > Queens Park Golf Club
- > Rugby Southland
- > St John Ambulance Service, Bluff
- > Southland Cancer Society
- > Southland Chamber of Commerce
- > Southland Cricket Association
- > Southland Football
- > Southland Sharks
- > Spirit Army
- > Te Ara o Kiwa Sea Scouts, Bluff
- > Tour of Southland (Bluff Stage)



Clare Kearney and Rex Chapman present Corbyn Williamson (centre left) and Tremaine Mako their 2020 scholarship cheques.

## COMMUNITY ENGAGEMENT



Many of the Port's employees were involved with the project, including the Company's Directors (page 26).

### MORRISON'S BEACH

A key project for South Port in the Bluff Community over the past year has been the clean-up of Morrison's Beach. Completed over several months, the project involved a tidy up of the garden area, trimming hedges, adding sleepers, replacing bark chips, along with clearing the walkway to create a safer path to walk along. In addition, viewing platforms with large benches were installed with the assistance of local firms Bluff Engineering & Welding and Port Maintenance.

Completed in June this year, the feedback from the community has been extremely positive.

### SOUTHLAND CHAMBER OF COMMERCE LEADERSHIP ACADEMY

Over the past few years, the Southland Chamber of Commerce has successfully promoted a Leadership Academy aimed at local professionals looking to develop their leadership skills.

Completed over eight weeks, each session is led by a senior executive from high profile Southland and Otago based businesses. South Port's Geoff Finnerty is one of the facilitators who has shared his experiences and skills to the next generation of Southland leaders over the past 12 months.



Port General Manager, Geoff Finnerty (standing) sharing his experiences with the Leadership Academy.

### BLUFF KINDERGARTEN

South Port assisted Bluff Kindergarten staff and children to refresh their gardens with a fresh sprinkling of new bark chips around their playground and garden area.



South Port's Felicity Soper, Frank O'Boyle, Andrew Hill and Rochelle Van Beek with Bluff Kindergarten staff Jenna Horrell (far left) and Sarah Bragg (far right) after completing the garden upgrade.



Jason Paul, Andrew Hill and Felicity Soper on the BBQ ready to feed the swimmers at their Chocolate Fish 'Have a Go' swim meet.

### BLUFF SWIMMING CLUB

The Port was approached to support the Bluff Swimming Club during its successful season. This was an opportunity to be involved with the Club of approximately 60 competitive and learn-to-swim children.



Container operators Houston Te Tai, Mana Puki and Zaul-Jay Pirangi about to begin training for the Port-town based club.

### BLUFF RUGBY CLUB

After a delayed start to the season, the Bluff Rugby Club managed to take the field to compete in the local Southland Competition. South Port again joined forces with the Club to be the naming sponsor and provide the much-needed financial support to ensure the sport's sustainability.



South Port right amongst the action at the finish line of the Bluff Hill Climb.

### BURT MUNRO CHALLENGE – BLUFF HILL CLIMB

For a number of years, the Port has provided some financial assistance towards the Bluff Hill Climb. This year a number of staff assisted with the setup of the stage and provided machinery to assist lifting some of the over sized equipment.



## MANAAKITANGA

### CHRISTMAS HAMPERS

South Port continued to spread the Christmas joy in 2019 by putting together hampers for local families of Te Rūnaka o Awarua, St Teresa's School and Bluff School. South Port Staff and Directors kindly donated food, gifts and money which were passed onto the organisations to make three anonymous families Christmas 2019 one to remember.



South Port Directors present a Christmas hamper for a family in need to Te Rūnaka o Awarua Manager Gail Thompson (left) and Te Rourou Manager, Andria Cross (centre) at Te Rau Aroha Marae.



St Teresa's School Principal Dianne Gilroy (left) with students accepting a hamper of gifts and food from Chief Executive, Nigel Gear and Warehousing Manager, Murray Wood.



Finance Manager, Lara Stevens and Port General Manager, Geoff Finnerty presenting Bluff School Principal, Geoff Folster (centre) with a hamper for a school community family.



## ONE TEAM

South Port encourages staff to participate in a range of sporting activities promoted by the Company. Throughout the year these activities included cricket, football, netball and the Surf to City. It is a great opportunity for staff members throughout the Port to come together and participate in team sports together, as well as improve their health and wellbeing.



South Port football team after their first win of the season.



In October, a 'Netballathon' was held to help fundraise for a Bluff youth on her scoliosis journey. Unfortunately, the team was narrowly beaten in the corporate final however were there for the right cause.



Staff and families at the BBQ provided by South Port at the completion of the Surf to City.

## SOUTH PORT OPEN DAY

For the first time in a number of years, South Port held a Port Open Day during March. A crowd of almost 400 visitors participated in the day, enjoying Information Booths, Bus Tours, Crane and Forklift Demonstrations, Tug Tours and Cold Store Tours. A large number of staff helped during the day in various roles.





# Environment



## MANAAKITANGA

Caring for our people, community and the environment. South Port is committed to caring for the environment and doing what it can to make continuous improvements and to minimise its effects on the environment.



## WORK SMARTER

Solutions focused, innovative and flexible. Where it is economically viable we will adopt technology to assist us in achieving better, accurate and more precise outcomes.



### WATER QUALITY MONITORS

Over the next 12 months South Port will be installing water monitoring instruments into the stormwater network to profile the stormwater quality. We intend to measure several quality parameters such as turbidity, pH, temperature and dissolved oxygen. Once a baseline is established, we can begin implementing improvements, if required, the success of which can be measured against the baseline.

### ENERGY AUDIT - COLD STORE

A port wide energy audit was completed in 2012 but this year we are undertaking a site-specific energy audit of our cold storage facility. It is by far the highest consumer of power on the Port (50%) which creates an opportunity for the biggest energy management gains. Once this audit is complete, we will develop a plan to implement the suggested improvements.

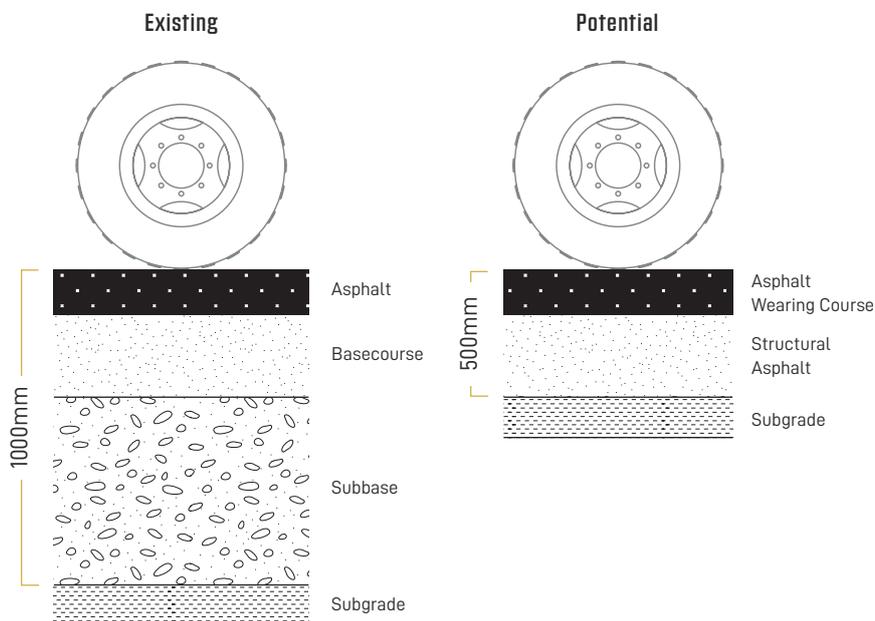
### WATER USE MANAGEMENT

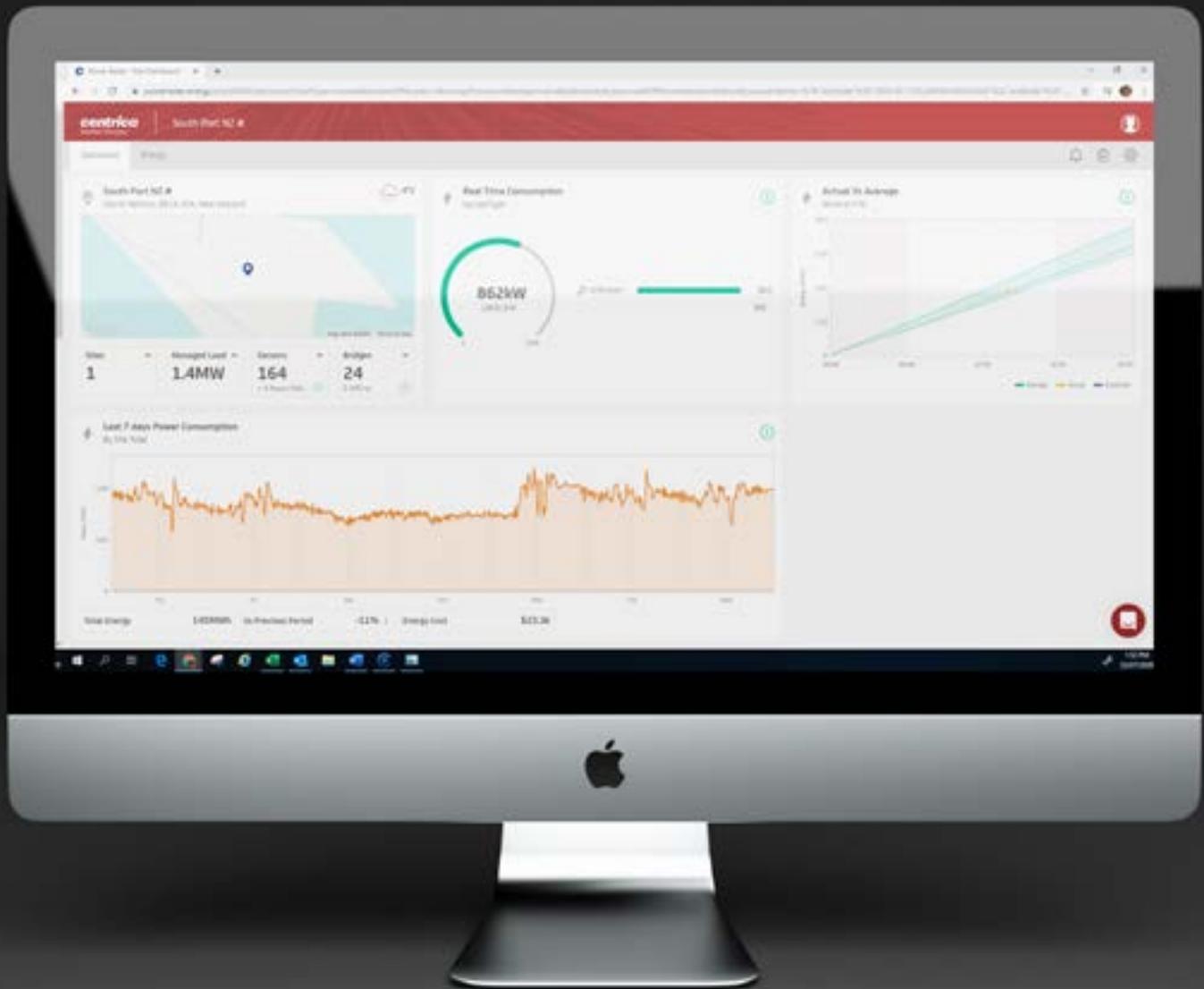
We have installed PowerRadar smart readers on the water reticulation making real-time data on water usage available. We are also installing additional water meters on the network to better understand on-site water consumption. The new meters coupled with the smart readers will make it easier to identify a leak, including its location.

### PAVEMENT SUSTAINABILITY

The Infrastructure Team is investigating the possibility of implementing more sustainable practices for the rehabilitation of old pavements. The current technique is to excavate and dispose of the existing pavement and replace with new granular layers, capped with asphalt. However, pavement construction practices have changed significantly over the years reducing the amount of material to be disposed of and reducing the amount of gravel material to be quarried.

The Port is currently working with local roading contractors to potentially develop a pavement design which will reduce disruption to operations, reduce the environmental impact and improve pavement quality.





## ENERGY MANAGEMENT

Energy management is a topic the Port has been looking at for a while. In particular, how we can reduce power waste, maximise efficiency, minimise spend and monitor our on-site power consumption. The first step in the process is to understand our energy infrastructure and we have achieved this by installing over 60 PowerRadar smart readers across the Port. We now have real-time data which allows us to see exactly how we use energy. We can look at energy use from a 'whole site' perspective or drill down to view individual sites. With this new visibility we will be able to identify energy waste and implement change.

Other operational benefits of the software are:

- > Monitors loading on each individual substation.
- > Provides text/email alert system if a substation goes above predetermined limit.
- > Provides text/email alert when there is a power outage (including location).
- > Meter reading completed remotely (a 3-day task is now a 10-minute task).
- > Data passed onto third party port users to allow them to monitor their carbon footprint.

## GREENHOUSE GAS (GHG) EMISSIONS PROFILE

This is the second year South Port has taken the step to record and report on their **Scope 1** and **Scope 2** emissions as well as estimating the **Scope 3** emissions.

### SCOPE 1

Direct GHG emissions occurring from sources that are owned or controlled by the Company (eg, fuel).

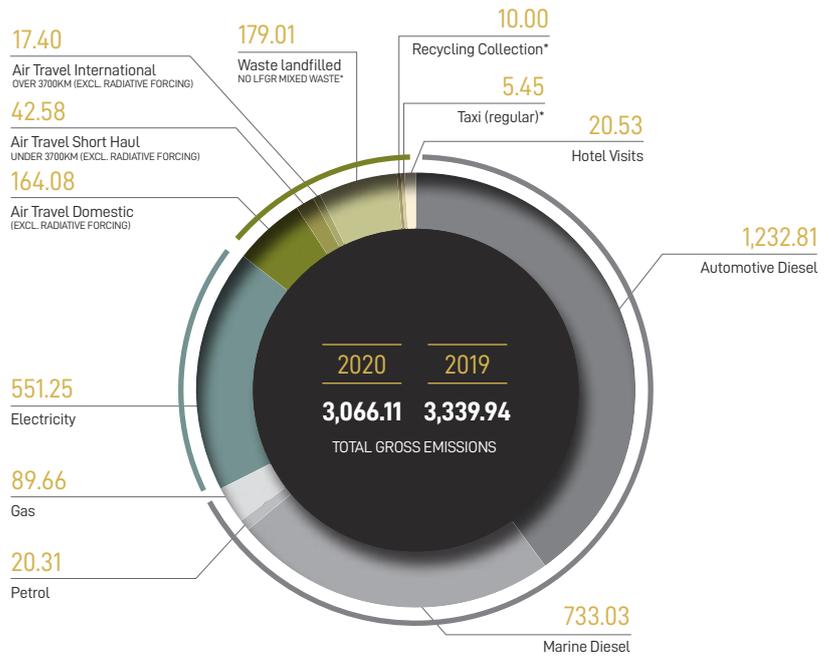
### SCOPE 2

Indirect GHG emissions occurring from the generation of purchased electricity consumed by the Company.

### SCOPE 3

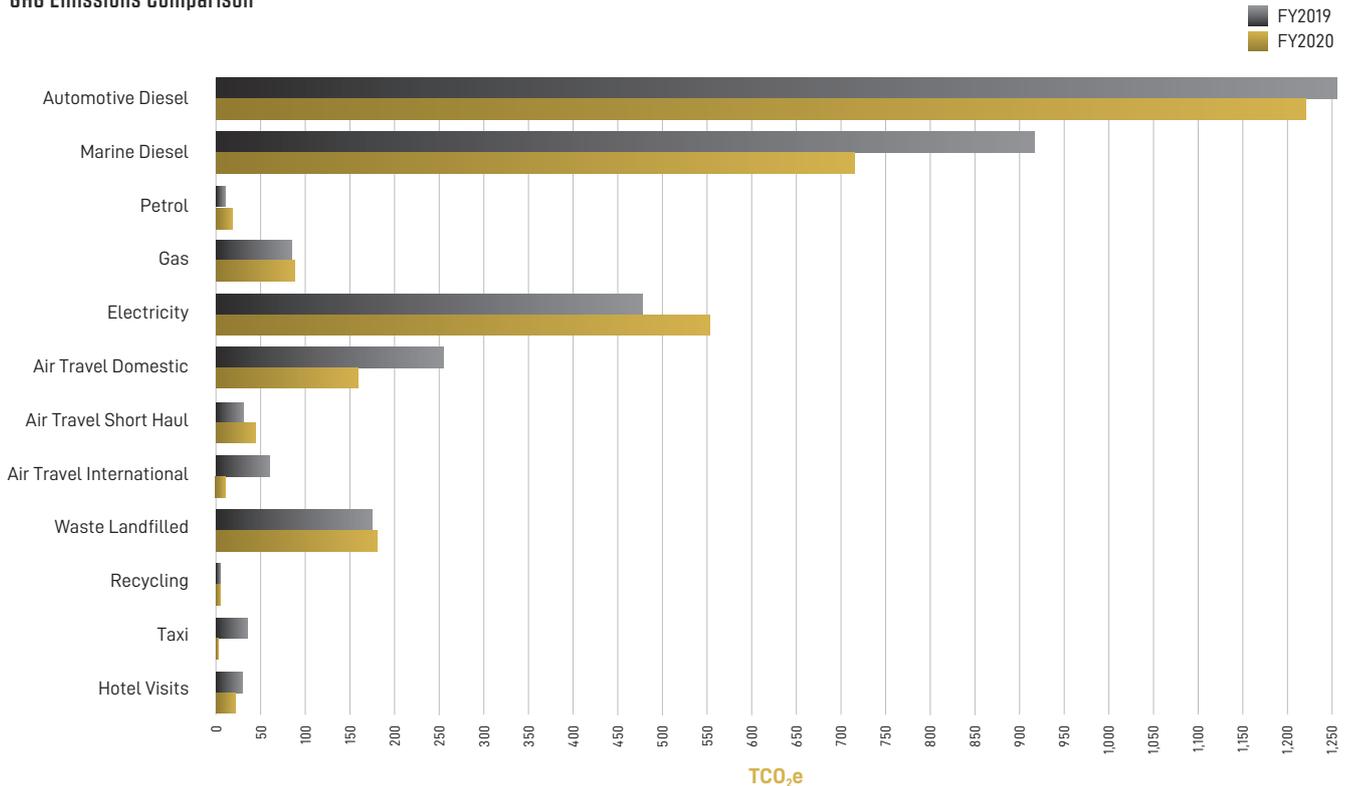
Other indirect GHG emissions occurring as a consequence of the activities of the Company, but generated from sources not owned or controlled by the Company (eg, air travel).

## GHG Emissions by Source (TCO<sub>2</sub>e)



\*Partial datasets (assumptions made).

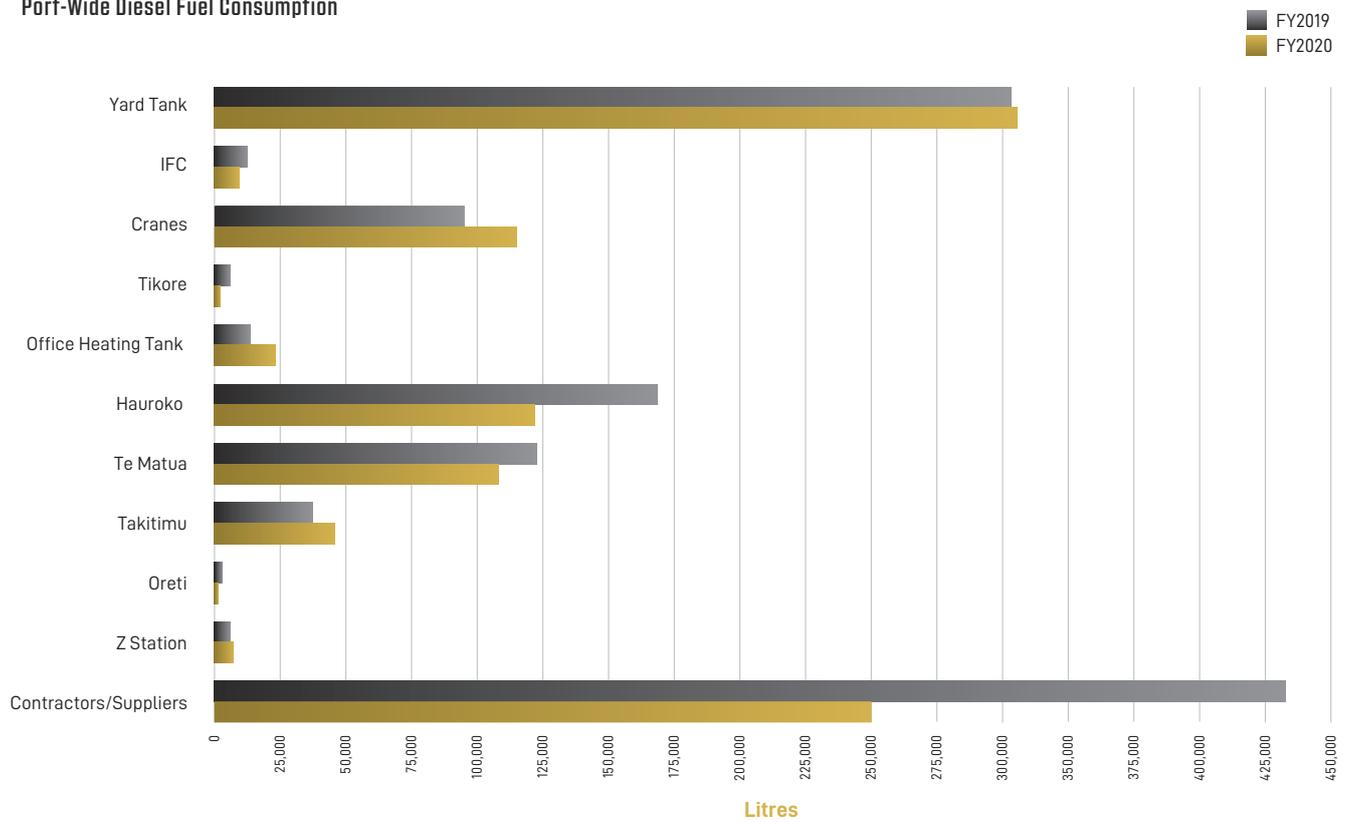
## GHG Emissions Comparison



### SOUTH PORT FUEL CONSUMPTION

The graph below details the diesel consumed by South Port, including our customers and contractors. Overall, there was a 13% reduction in diesel usage between FY2019 and FY2020. Some of this can be attributed to the 8% reduction in tonnes of cargo handled this year but also the effects of COVID-19 and the slower forestry sector during the first quarter of 2020.

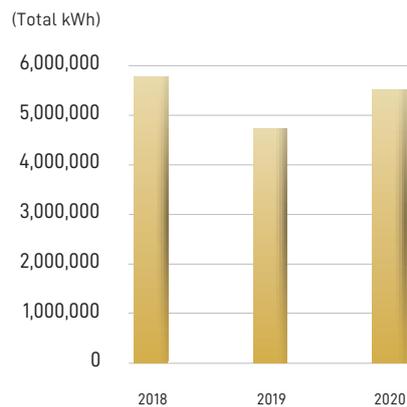
Port-Wide Diesel Fuel Consumption



### SOUTH PORT POWER CONSUMPTION

The graph to the right details the power consumed by South Port only. The power consumed by third parties has been removed from the totals. The 18% reduction in power consumption between FY2018 and FY2019 is due to South Port exiting the Foreshore Road cold storage facility during FY2019. The 14% increase between FY2019 and FY2020 can be attributed to the introduction of a blast freezing service in Cold Store 1 which recorded strong volumes in FY2020.

South Port's Electricity Consumption Summary





# Infrastructure

## THE YEAR IN REVIEW...

### ACCESS BRIDGE

Maintenance of the Access Bridge continues in accordance with the Asset Management Plan. We have completed Year 2 of a 5-year programme targeted at repairing the underside of the bridge deck. Four bays were completed this year with a further four bays scheduled for FY2021. Once this 5-year programme is completed, we will turn our attention to any piles which require maintenance.

	Description	Status
<b>FY2019</b>	Bay 5	Complete
<b>FY2020</b>	Bays 1, 4, 10 & 11	Complete
<b>FY2021</b>	Bays 2, 6, 8 & 12	Underway
<b>FY2022</b>	Bays 3, 7 & 9	Pending
<b>FY2023</b>	Bays 13 & 14	Pending





## MAINTENANCE DREDGING

The annual dredging at South Port is undertaken by South Port owned plant, however on occasion more substantial dredging ('catch-up' dredging), is required to maintain the water depths at the berth pockets and swinging basin. This 'catch-up' dredging tends to occur every 12 to 15 years (the last was 2005/06). On this occasion South Port engaged the services of Dutch Dredging (The Albatros) who was in Bluff for ten days and removed 40,000m<sup>3</sup> of material.

The spoil disposal area is located offshore to the south of Tiwai Peninsula, and east of the harbour entrance (approximately 3.5km east of the Island Harbour). This site has been used for the disposal of dredging spoil since 1933, and since 1979 the site has been the sole dredge spoil disposal location.

As this is a maintenance campaign and not a capital campaign, no additional depth is achieved. It is merely getting water depths back to where they should be. The vessel draft at South Port remains at 9.7m.

## OYSTER WHARF

Over the past 18 months we have completed significant repairs on the Oyster Wharf sheet pile wall to prolong the life of the asset and make it safe for users. The repairs included welded patch repairs followed by the installation of sacrificial zinc anodes to prevent corrosion to the lower part of the wall. Further repairs are scheduled for FY2021 focused on the upper portion of the wall.

## LIGHTING UPGRADES

As discussed in last year's Annual Report, we continue to improve lighting standards across the Island Harbour with the addition of LED light towers on Berth 5 (pole 1) and Berth 3A. At the time of writing, two further poles are in the process of being installed; located at Berth 5 (pole 2) and west of cargo Shed 7. Once complete, we will have significantly improved lighting to all key operational areas on the Port.

## A LOOK TO THE FUTURE....

### REEFER TOWER

In the coming 12 months we plan to construct a Reefer Tower with the purpose of expanding the Port's ability to handle refrigerated cargo. It will also create additional space in the container terminal.



### ELECTRICAL UPGRADES

Over recent years, we have been gradually replacing old equipment with new modern technology. In the coming 12 months we are scheduled to upgrade two significant switchboards, one at the cold storage facility and the other at the container terminal. The existing switchboards are original and date back to the 1960's. They are in areas with the highest power demand on the Port and therefore are highlighted as significant risks, hence the proposed replacement programme.

Elsewhere on the Port we are installing a generator to improve business continuity. The generator will provide temporary power to the administration and container terminal buildings during power outages without disrupting operations. It will also be portable to allow it to be used for other purposes i.e. temporary power for light towers or refrigerated containers.

### PETROLEUM BERTH

The upgrade of the Petroleum Berth has been on the radar for several years. We are working hard with the stakeholders to confirm the scope of work and finalise the design. It is unlikely we will see any physical work starting in 2020 but we are hopeful that by the second quarter of 2021 a contractor will be onsite constructing the new wharf structure.

### STORM BOLLARDS

The planned installation of Storm Bollards has been delayed due to COVID-19 and are now scheduled to commence in September 2020. Two of these bollards will be installed on Berth 8 and two on Berth 4 which will increase the mooring capacity on both of these key wharves.



# Financial Highlights

## SURPLUS AFTER TAX

2020	\$9.4m
2019	\$9.8m
2018	\$9.6m
2017	\$8.4m
2016	\$8.7m

## OPERATING CASH FLOW

2020	\$12.6m
2019	\$13.6m
2018	\$12.3m
2017	\$12.1m
2016	\$11.9m

## EQUITY RATIO

2020	76.8%
2019	75.9%
2018	74.0%
2017	70.8%
2016	67.1%

## DIVIDENDS PER SHARE

2020	26.00c
2019	26.00c
2018	26.00c
2017	26.00c
2016	26.00c

## RETURN ON EQUITY

2020	21.3%
2019	23.6%
2018	25.0%
2017	23.2%
2016	25.3%

## RETURN ON ASSETS

2020	23.7%
2019	25.6%
2018	26.3%
2017	23.5%
2016	25.4%

## In Thousands of New Zealand Dollars

	2020	2019
Revenue	\$44,619	\$44,026
Surplus after tax	\$9,430	\$9,787
Cashflow from operating activities	\$12,605	\$13,554
Total assets	\$59,411	\$56,699
Total equity	\$45,635	\$43,026
Shareholders' equity ratio	76.8%	75.9%
Earnings per share	35.9c	37.3c
Dividends declared per share	26.0c	26.0c
Net asset backing per share	\$1.74	\$1.64
Return on shareholders' funds	21.3%	23.6%
Cargo throughput (000's tonnes)	3,269	3,521

NET PROFIT AFTER TAX

**\$9.43m**

∨ 3.6% on previous year - \$9.79M

EBITDA

**\$17.81m**

∨ 1.3% on previous year - \$18.04M

EARNINGS PER SHARE

**35.9c**

∨ 3.7% on previous year - 37.3c

REVENUE

**\$44.62m**

∧ 1% on previous year - \$44.03M

DIVIDENDS PER SHARE

**26.00c**

same as previous year

RETURN ON SHAREHOLDERS' FUNDS

**21.3%**

previous year - 23.6%

# Directors' Profiles



**REX  
CHAPMAN**

**LLB, CMinstD, Chairman**

*Appointed October 2002*

Mr Chapman is a Senior Partner in Southland/Queenstown Law Firm Cruickshank Pryde based in Invercargill. He has been in legal practice in Invercargill for 39 years. Mr Chapman's practice covers a wide range of legal services including commercial and company law, litigation, dispute resolution and resource management. He is also a member of the Southland Aquaculture Working Group established to promote and support the development of sustainable aquaculture in Southland.



**PHILIP  
CORY-WRIGHT**

**BCA, LLB (Hons), CFInstD**

*Appointed September 2010*

Mr Cory-Wright is a Company Director and a Strategic Adviser based in Auckland. He is inaugural Chairman of Papa Rererangi i Puketapu (New Plymouth Airport) and a Director of Matariki Forests, the Local Government Funding Agency and Powerco. Mr Cory-Wright was previously a member of the Local Government Infrastructure Expert Advisory Group. He has specialised in infrastructure businesses and recent roles include being acting Chief Financial Officer of Restaurant Brands, and an Adviser to Kordia, Ballance Agri-Nutrients, Auckland Airport, ACC and Higgins Group Holdings.



**THOMAS  
FOGGO**

*Appointed October 2003*

Mr Foggo moved to semi-retirement from Sanford Limited in late 2017 after 37 years in various Senior Management positions. His experience in the aquaculture industry has led to his continued involvement in the Southland Regional Development Strategy's 'New Business' Action Team.

Mr Foggo established the Youth Development Southland Regional Trust to oversee Kiwi Can in the region and worked to kick-start the funding for the programme locally.

Mr Foggo's future focus is on professional governance opportunities.



**NICOLA  
GREER**

**MCom (Hons)**

*Appointed November 2019*

Ms Greer is a Company Director based in Queenstown. She is currently a Director of Airways Corporation, Fidelity Life Assurance Ltd, NZ Railways Corporation and a member of the NZ Markets Disciplinary Tribunal. She is also a shareholder and Director in a privately owned commercial property investment and development company.

Prior to her governance career, Nicola had extensive experience in NZ, Australia, and the UK in the banking and finance sectors. This encompassed a range of roles within the financial markets and asset and liability management at ANZ, Citibank, and Goldman Sachs.



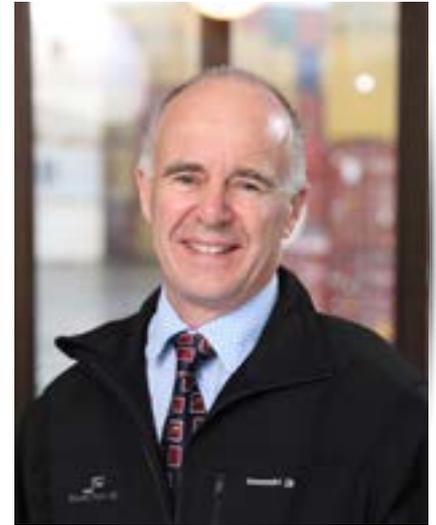
**CLARE  
KEARNEY**

**BAGSci, MProfStuds (Linc) CFinStD**

*Appointed October 2016*

Mrs Kearney's background is in Agriculture and Farm Business Management Consulting. She is a Judicial Justice of the Peace.

Mrs Kearney is Chairperson of Sport Otago and Waitaki Safer Community Trust. Formerly, an interim Board member of NZ Alpine Club and Chair of Network Waitaki Ltd. Mrs Kearney was the 2014 winner of the Institute of Directors Otago Branch Aspiring Director Award. Mrs Kearney acted as an observer director to the Dunedin City Holdings subsidiary company Taieri Gorge Railway Ltd during 2015.



**JEREMY  
MCCLEAN**

**BCom, CA, MInstD**

*Appointed September 2011*

Mr McClean is a Chartered Accountant with nearly 40 years of public practice in the southern region. He is a Principal in Invercargill accounting firm Malloch McClean, holds a Public Practice Certificate with Chartered Accountants Australia New Zealand and is a Justice of the Peace. Mr McClean provides strategic, succession, tax advisory and governance services to a significant portfolio of local agri and commercial businesses. He also enjoys mentoring young business leaders to grow smarter better businesses that balance the needs of work, family and the community.

# Statutory Report of Directors

The Directors have pleasure in submitting their 2020 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 2019 to 30 June 2020.

## RESULTS

The Company recorded a surplus for the period of \$9,430,000.

## 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 \$6,821,000 for the period ended 30 June 2020 including the final dividend amount of \$4,854,000 payable in November 2020.

## DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Company has arranged Directors' and Officers' Liability Insurance with Vero Liability Insurance Limited. 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 2020 was as follows:

R Chapman	\$72,100
R Christie	\$13,733
P Cory-Wright	\$41,200
T Foggo	\$41,200
N Greer	\$27,467
C Kearney	\$41,200
J McClean	\$41,200

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
\$100,001-\$110,000	6
\$110,001-\$120,000	1
\$130,001-\$140,000	2
\$150,001-\$160,000	2
\$170,001-\$180,000	3
\$180,001-\$190,000	1
\$190,001-\$200,000	2
\$200,001-\$210,000	1
\$210,001-\$220,000	1
\$260,001-\$270,000	1
\$310,001-\$320,000	1
\$320,001-\$330,000	1
\$380,001-\$390,000	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.

## NOTICE AND PAUSE PROVISIONS

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

## ACCOUNTING POLICIES

The Group adopted NZ IFRS 16 during the current reporting period. All other accounting policies are consistent with those applied in the previous year.

## AUDIT & RISK COMMITTEE

The Company has a formally constituted Audit & Risk Committee comprising Messrs J McClean (Chairman), R Chapman and P Cory-Wright.

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 and related matters.

### AUDITOR'S REMUNERATION

During the year \$60,832 was paid to the Company's Auditors, Crowe, 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 Interest 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 2019 to 30 June 2020.

### DISCLOSURE OF INTEREST

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

	Position
<b>Mr R Chapman</b> Cruickshank Pryde Forklifts NZ Ltd Makarewa Coolstores Ltd Niagara Sawmilling Company Ltd Prime Range Meats Ltd Pyper's Produce Ltd Rakiura Adventures Ltd SoRDS Aquaculture Working Group Winton Stock Feed Ltd	Partner Solicitor Solicitor Solicitor Solicitor Solicitor Solicitor Member Solicitor
<b>Mr R Christie</b> ikeGPS New Zealand eScience Infrastructure (NeSi) Solnet Solutions Ltd	Chairman Chairman Director
<b>Mr P Cory-Wright</b> Local Government Funding Agency Matariki Forests New Plymouth Airport Powerco	Director Director Chairman Director
<b>Mr T Foggo</b> Central Otago Health Services Ltd Sanford Ltd SoRDS Aquaculture Working Group	Director Consultant Member
<b>Ms N Greer</b> 26 Belfast Rd Ltd Airways Corporation of New Zealand Airways International Ltd Fidelity Life Assurance Company Ltd Longhurst Commercial Ltd Mike Greer Homes Pegasus Town Ltd New Zealand Railways Corporation Ltd Pegasus Preschools Ltd Progressive Commercial Ltd Progressive Preschools Ltd	Director Director Director Director Director Director Director Director Director Director
<b>Mrs C Kearney</b> Nil	
<b>Mr J McClean</b> Malloch McClean Ltd	Director



R CHAPMAN  
Chairman of Directors



J MCCLEAN  
Director

# STATUTORY DISCLOSURE IN RELATION TO SHAREHOLDERS

AS AT 30 JUNE 2020

## SIZE OF HOLDING

Size of Holding	Number of Shareholders	Ordinary Shareholding	Percent Holders
1 - 1,000	388	208,200	0.79
1,001 - 5,000	430	1,144,441	4.36
5,001 - 10,000	95	717,813	2.74
10,001 - 50,000	58	1,098,554	4.19
50,001 - 100,000	10	598,682	2.28
100,001 and over	8	22,467,208	85.64
<b>Total Number of Shareholders:</b>	<b>989</b>	<b>26,234,898</b>	<b>100.00</b>

## PRICES FOR SHARES TRADED DURING THIS YEAR

	As At 30 June 2020	High	Low
	\$6.95	\$7.90	\$5.50

## TOP TWENTY ORDINARY SHAREHOLDINGS

Shareholder	Holding	Percent
Southland Regional Council (Environment Southland)	17,441,573	66.48
J I Urquhart Family Trust	1,370,000	5.22
K & M Douglas Trust	1,071,684	4.08
HSBC Nominees (New Zealand) Ltd	563,216	2.15
Douglas Family Trust	541,787	2.07
Douglas Irrevocable Descendants Trust	531,192	2.02
JPMorgan Chase Bank N.A.	399,760	1.52
Daniel Martin Noonan	175,364	.67
Citibank Nominees (NZ) Ltd	132,618	.51
Howard Cedric Zingel	101,556	.39
Kenneth Ritchie Anderson	77,184	.29
Forsyth Barr Custodians Ltd	73,712	.28
Accident Compensation Corporation	70,958	.27
Pauline Ann Stapel & Stephen Thomas McKee	70,881	.27
Private Nominees Ltd	58,885	.22
Michael Robert Mayger & Eleanor Margaret Mayger	56,557	.22
John James O'Brien	55,630	.21
David Grindell	54,500	.21
JB Were (NZ) Nominees Ltd	54,398	.21
Custodial Services Ltd	52,575	.20

## SUBSTANTIAL SECURITY HOLDERS

According to notices given to the Company under the Financial Markets Conduct Act 2013, as at 30 June 2020, the substantial product holders in the Company and their relevant interests are noted below:

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 Descendants Trust	2,119,663	8.08	24 December 2009
J I Urquhart Family Trust	1,334,731	5.09	28 October 2010



# CORPORATE GOVERNANCE STATEMENT

The Board and Leadership Team of South Port New Zealand Limited (South Port) are committed to maintaining the highest standards of governance by implementing best practice principles and policies. This Corporate Governance Statement sets out the corporate governance policies, practices and processes adopted and followed by South Port as at 30 June 2020 and has been approved by the Board.

The best practice principles and underlying recommendations used in determining the governance approach of South Port are the principles set out in the NZX Corporate Governance Code (NZX Code). The Board's view is that South Port's corporate governance policies, practices and processes generally follow the recommendations set by the NZX Code. This Corporate Governance Statement includes disclosure to the extent to which South Port has followed each of the recommendations of the NZX Code or, if applicable, an explanation of why a recommendation was not followed and any alternative practices followed in lieu of the recommendation.

The Company's Constitution, the Board and Committee charters, codes and policies referred to in this statement are available to view on the Company's website, [www.southport.co.nz](http://www.southport.co.nz). These documents should be read in conjunction with this statement:

- › Constitution
- › Board Charter
- › Audit & Risk Committee Charter
- › Code of Ethics
- › Protected Disclosures / Whistleblowing Policy
- › Continuous Disclosure Policy
- › Sensitive Expenditure Policy
- › Diversity and Inclusion Policy
- › Director and Executive Remuneration Policy
- › Health and Safety Policies
- › Securities Trading Policy and Guidelines
- › External Auditor Relationship Framework

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## PRINCIPLE 1 CODE OF ETHICAL BEHAVIOUR

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**“Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation.”**

### CODE OF ETHICS

**Recommendation 1.1:** *The board should document minimum standards of ethical behaviour to which the issuer's directors and employees are expected to adhere to (a code of ethics) and comply with the other requirements of recommendation 1.1 of the NZX Code.*

South Port expects its directors, senior management and employees to maintain the highest standards of honesty, integrity and ethical conduct in day-to-day behaviour and decision making. The Code of Ethics sets out the standard of conduct expected of everyone working at South Port including directors, management, staff and contractors. The Code of Ethics provides a guide to the conduct that is consistent with the company's values and behaviours, business goals and legal obligations. It also outlines internal reporting procedures for any breaches and incorporates the other requirements of Recommendation 1.1 of the NZX Code. An introduction to the Code of Ethics forms part of the induction and training process of new employees. This key corporate governance document is available on the company's website.

### SENSITIVE EXPENDITURE POLICY

This policy sets out the company's expectations on sensitive or discretionary expenditure incurred by directors or employees and is available on the company's website.

### SECURITIES TRADING POLICY

**Recommendation 1.2:** *An issuer should have a financial product dealing policy which applies to employees and directors.*

The company is committed to transparency and fairness in dealing with all of its stakeholders and to ensure adherence to all applicable laws and regulations. The Securities Trading policy governs trading in the company's securities by directors, employees and other associated persons. This policy can be found on the company's website.

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## PRINCIPLE 2 BOARD COMPOSITION AND PERFORMANCE

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**“To ensure an effective board, there should be a balance of independence, skills, knowledge, experience and perspectives.”**

### BOARD CHARTER

**Recommendation 2.1:** *The board of an issuer should operate under a written charter which sets out the roles and responsibilities of the board. The board charter should clearly distinguish and disclose the respective roles and responsibilities of the board and management.*

The Board has adopted a formal Board Charter to ensure compliance with the NZX Code. The charter sets out the roles, responsibilities and structure of the board and provides guidance for the effective oversight of the company by the board. The board is responsible for setting the company's strategic direction, overseeing the management of the company and directing performance by optimising the short-term and long-term best interests of the company and its shareholders. 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.

## NOMINATION AND APPOINTMENT OF DIRECTORS

**Recommendation 2.2 and 2.3:** *Every issuer should have a procedure for the nomination and appointment of directors to the board. An issuer should enter into written agreements with each newly appointed director establishing the terms of their appointment.*

The board's procedure for the nomination and appointment of directors to the board is set out in the Board Charter. Careful consideration is given to the composition of the board in relation to the company's needs and operating environment. The board should at all times comprise members whose skills, experience and attributes together reflect diversity, balance, and cohesion and match the demands facing the company. This also applies to the consideration of additional or replacement directors. Priority is given to ensuring the skills, experience and diversity necessary for the board to fulfil its governance role and to contribute to the long-term strategic direction of the company. The board may engage consultants to assist in the identification, recruitment and appointment of suitable candidates.

## DIRECTOR PARTICULARS

**Recommendation 2.4:** *Every issuer should disclose information about each director in its annual report or on its website, including a profile of experience, length of service, independence and ownership interests and director attendance at board meetings.*

The board currently comprises of six independent non-executive directors including a non-executive Chair. The biography of each board member is set out in the "Directors' Profiles" section of this Annual Report and is also available on the company's website.

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 are outlined in the Board Charter. 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.

## DIVERSITY

**Recommendation 2.5:** *An issuer should have a written diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving diversity (which, at a minimum, should address gender diversity) and to assess annually both the objectives and the entity's progress in achieving them. The issuer should disclose the policy or a summary of it.*

The company and its board recognise and believe that building a diverse and inclusive workforce provides significant opportunity to leverage engagement, innovation, productivity and improved service to our customers.

South Port is committed to providing a work environment that recognises and values different skills, ability and experiences and where people are treated fairly in order to attract and retain talented people who will contribute to the achievement of South Port's commercial success.

Diversity and inclusion is a commitment to recognising and appreciating the variety of characteristics that make individuals unique; for example, gender, age, race, ethnicity, culture, disability, education and background.

The South Port Diversity and Inclusion Policy is disclosed on the company's website and includes the following specific measurable objectives set by the board:



- > At least 25% gender diversity across all SPNZ Staff by 2025;
- > At least 20% gender diversity across SPNZ Supervisors by 2025;
- > At least 25% gender diversity across SPNZ Executive by 2025;
- > At least 25% gender diversity across SPNZ Board by 2025;
- > At least 10% gender diversity across operational areas by 2025.

The following table compares the above measurable objectives against the actual data at balance date:

	Target	Actual	Achieved
<b>2020</b>			
Board	>25%	2 (33%)	✓
Executive	>25%	2 (25%)	✓
Supervisors	>20%	1 (17%)	×
Operational	>10%	1 (2%)	×
All Permanent Staff	>25%	20 (19%)	×
<b>2019</b>			
Board	>25%	1 (17%)	×
Executive	>25%	2 (25%)	✓
Supervisors	>20%	1 (14%)	×
Operational	>10%	2 (3%)	×
All Permanent Staff	>25%	20 (20%)	×

The following table sets out the gender composition of South Port's directors and officers at balance date:

	Male	Female	Total
<b>2020</b>			
Directors	4	2	6
Senior Management	6	2	8
	10 (71%)	4 (29%)	14
<b>2019</b>			
Directors	5	1	6
Senior Management	6	2	8
	11 (79%)	3 (21%)	14

## DIRECTOR TRAINING

**Recommendation 2.6:** Directors should undertake appropriate training to remain current on how to best perform their duties as directors of an issuer.

South Port's directors are expected to undertake continuous education to remain current on how best to perform their responsibilities and keep abreast of changes and trends in governance practices around economic, political, social, financial and legal climates. The board also ensures that new directors are appropriately introduced to management and the business, that all directors are updated on relevant industry and company issues and receive copies of appropriate company documents to enable them to perform their duties.

## EVALUATION OF PERFORMANCE OF DIRECTORS

**Recommendation 2.7:** The board should have a procedure to regularly assess director, board and committee performance.

The Chair of the board leads an annual performance review and evaluation of the board as a whole and of the board committees against the board and committee charters including seeking director's views relating to board and committee process, efficiency and effectiveness, for discussion by the full board. The Chair of the board also engages with individual directors to evaluate and discuss performance and professional development. While there is no prescribed process in place this will be formalised during the 2020/21 financial year.

## DIRECTOR INDEPENDENCE

**Recommendation 2.8:** A majority of the board should be independent directors.

South Port acknowledges that having a majority of independent directors makes it harder for any individual or small group of individuals to dominate the board's decision-making and maximises the likelihood that the decisions being made by the board will reflect the best interests of the entity and its shareholders.

South Port's Board Charter specifies that the Board shall maintain at least a minimum number of two independent directors or where the Board comprises eight or more directors, the number of independent directors shall be at least three or one-third of all directors. The Chair of the board must be a non-executive director.

Every current member of the South Port board is an independent director.

### SEPARATION OF THE BOARD CHAIR AND CHIEF EXECUTIVE OFFICER (CEO)

**Recommendation 2.9:** *An issuer should have an independent chair of the Board. If the chair is not independent, the chair and the CEO should be different people.*

The current Chair of the South Port board, Rex Chapman is an independent Chair. The positions of the Chair and the CEO of South Port are also held by different people.

#### PRINCIPLE 3

### BOARD COMMITTEES

**“The board should use committees where this will enhance its effectiveness in key areas, while still retaining board responsibility.”**

### AUDIT & RISK COMMITTEE

**Recommendation 3.1:** *An issuer's audit committee should operate under a written charter. Membership on the audit committee should be majority independent and comprise solely of non-executive directors of the issuer. The chair of the audit committee should be an independent director and not the chair of the board.*

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 which is available on the company's website. The Board regularly reviews the performance of the Committee in accordance with the Charter.

The company has developed an External Auditor Relationship Framework to ensure external audit independence is in line with best practice to ensure reliable and credible reporting. This framework is disclosed on the company's website.

The Committee comprises of three independent non-executive members of the board of directors.

The Committee Chair, also appointed by the board, cannot also be the Chair of the company. Jeremy McClean is the Audit & Risk Committee Chair. At least one member of the Committee must have an accounting or financial background; Jeremy McClean is a Chartered Accountant and a member of Chartered Accountants Australia & New Zealand.

**Recommendation 3.2:** *Employees should only attend audit committee meetings at the invitation of the audit committee.*

The Chief Executive and Finance Manager attend the Audit & Risk Committee meetings by invitation. South Port's external auditor also attends the Committee meeting by invitation. During each meeting, all executives leave the meeting for a period of time to enable the board to have open discussions with the external auditor without any management present.

### REMUNERATION COMMITTEE

**Recommendation 3.3:** *An issuer should have a remuneration committee which operates under a written charter (unless this is carried out by the whole board). At least a majority of the remuneration committee should be independent directors. Management should only attend remuneration committee meetings at the invitation of the remuneration committee.*

The board does not operate a separate remuneration committee as director and senior management remuneration is considered by the entire board. The Director and Executive Remuneration Policy outlines the structure of director and executive/management remuneration, the formal process for shareholder review, transparency and reporting of actual remuneration paid and bi-annual review of the remuneration policy and process.

### NOMINATION COMMITTEE

**Recommendation 3.4:** *An issuer should establish a nomination committee to recommend director appointments to the board (unless this is carried out by the whole board), which should operate under a written charter. At least a majority of the nomination committee should be independent directors.*

The board does not operate a separate nomination committee. The process and procedure for the appointment of directors to the board is outlined in the Board Charter. The appointment of a director is a shareholder decision. Director nominations are called for from shareholders in accordance with the Rules. The board will then consider the candidates who have been nominated for appointment as a director. Directors are selected based on a range of factors including the needs of the board at the time.

### OVERVIEW OF BOARD COMMITTEES

**Recommendation 3.5:** *An issuer should consider whether it is appropriate to have any other board committees as standing board committees. All committees should operate under written charters. An issuer should identify the members of each of its committees, and periodically report member attendance.*

The board does not operate any other committees apart from the Audit & Risk Committee. Consideration has been given as to whether any other standing board committees are appropriate and determined they are not required.



## DIRECTORS' ATTENDANCE AT MEETINGS – 1 JULY 2019 TO 30 JUNE 2020

	Annual Meeting	Board Meeting	H&S Panel Meeting	Audit Committee
<b>Total Meetings</b>	1	12	2	2
R Chapman	1	12	2	2
R Christie*	1	1	0	-
P Cory-Wright	1	11	1	2
T Foggo	1	12	2	-
N Greer**	1	10	2	-
C Kearney	1	12	2	-
J McClean	1	11	2	2

\*R Christie retired by rotation effective 8 November 2019.

\*\*N Greer was elected at the Annual Meeting held on 8 November 2019.

**NOTE:** 3 non-scheduled and 2 scheduled meetings were held during the COVID-19 lockdown period; these were conducted via Zoom and attended by all Directors.

## TAKEOVER PROTOCOLS

**Recommendation 3.6:** *The board should establish appropriate protocols that set out the procedure to be followed if there is a takeover offer for the issuer including any communication between insiders and the bidder. The board should disclose the scope of independent advisory reports to shareholders. These protocols should include the option of establishing an independent takeover committee, and the likely composition and implementation of an independent takeover committee.*

The Board has not established protocols for setting out procedures to be followed in the event of a takeover offer. This is because the board considers receipt of a takeover offer to be an extremely unlikely event given the Southland Regional Council's (Environment Southland) majority shareholding in the company.

## PRINCIPLE 4

## REPORTING AND DISCLOSURE

**“The board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures.”**

The Board is committed to providing full and timely financial and non-financial information that is accurate, balanced, meaningful and consistent. As a listed company, keeping the market informed is a key component to ensure securities are fairly valued.

## CONTINUOUS DISCLOSURE

**Recommendation 4.1:** *An issuer's board should have a written continuous disclosure policy.*

South Port has a Continuous Disclosure Policy which is available on the company's website.

South Port is committed to providing accurate, timely and consistent disclosures which comply with its continuous disclosure regime, 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 against the NZX Listing Rules and advised to the market. The Chair and CEO 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.

## CHARTERS AND POLICIES

**Recommendation 4.2:** *An issuer should make its code of ethics, board and committee charters and the policies recommended in the NZX Code, together with any other key governance documents, available on its website.*

Information about South Port's corporate governance framework (including the code of ethics, board and committee charters and other selected key governance codes and policies) is available to view on the South Port website – [www.southport.co.nz](http://www.southport.co.nz).

## FINANCIAL REPORTING AND NON-FINANCIAL REPORTING

**Recommendation 4.3:** *Financial reporting should be balanced, clear and objective. An issuer should provide non-financial disclosures at least annually, including considering environmental, economic and social sustainability factors and practices. It should explain how operational or non-financial targets are measured. Non-financial reporting should be informative, include forward looking assessments, and align with key strategies and metrics monitored by the board.*

## FINANCIAL REPORTING

The Audit & Risk Committee oversees the quality and integrity of external financial reporting including the accuracy, completeness and timeliness of financial statements. The Committee is committed to balanced, clear and objective financial reporting.

It reviews half-yearly and annual financial statements and makes recommendations to the board concerning accounting policies, areas of judgement, compliance with accounting standards, stock exchange and legal requirements, and the results of the external audit.

Management accountability for the integrity of the company's financial reporting is reinforced by the certification from the Chief Executive and the Finance Manager. The Chief Executive and the Finance Manager have provided the board with written confirmation that the company's financial report presents a true and fair view, in all material respects, of the company's financial position for the year ended 30 June 2020, and that the operational results are in accordance with relevant accounting standards.

## NON-FINANCIAL REPORTING - SUSTAINABILITY

South Port assesses its exposure to environmental, economic and social sustainability as part of an overall framework for managing risk (see Principle 6 – Risk Management). The company is committed to improving standards of environmental performance to enable a more efficient and sustainable future. Accordingly, the following initiatives have been developed which are incorporated into regular management reporting to the board.

Currently the Company's sustainability initiatives cover:

- › Compliance with Environment Southland's 'Discharge Agreement';
- › Managing and reporting on key risks facing the business;
- › Consideration of environmental impacts when undertaking new capital projects;
- › Regular reporting on health and safety initiatives;
- › Reporting on the impact of the company's process improvement programme 'PACE' to highlight continuous improvements and efficiencies implemented in the business;
- › Reporting on time spent assisting local organisations such as the Southland Chamber of Commerce, Southland Export Forum and SoRDS;
- › Reporting on community and regional assistance including sponsorship and donations (both monetary and time resource).

Director remuneration is paid in the form of director's fees. On 25 October 2018 the shareholders approved the directors' fee pool limit of \$278,100 per annum.

Information on director remuneration is available in the South Port Annual Report 2020; refer "Statutory Report of Directors" (page 48). It includes a breakdown of remuneration for board fees. There are no separate fees provided for members of the Audit & Risk Committee. Directors are entitled to reimbursement of reasonable travel and other expenses incurred by them in connection with their attendance at board or annual meetings, or otherwise in connection with South Port business.

## REMUNERATION POLICY

**Recommendation 5.2:** *An issuer should have a Remuneration Policy for remuneration of directors and officers, which outlines the relative weightings of remuneration components and relevant performance criteria.*

South Port has adopted a remuneration policy which sets out the guiding principles and structure of South Port's remuneration to the board and executives, together with the review process and reporting requirements to ensure that remuneration is transparent, fair and reasonable to meet the needs of the business, corporate governance bodies and shareholders. The board seeks to ensure that directors and executives receive remuneration that is fair and reasonable in a competitive market for the skills, knowledge and experience required by the company.

## EMPLOYEES' 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, designed to attract, motivate and retain high quality employees who will enable the company to achieve its short and long-term objectives.

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### PRINCIPLE 5 REMUNERATION

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**"The remuneration of directors and executives should be transparent, fair and reasonable."**

## BOARD OF DIRECTORS REMUNERATION

**Recommendation 5.1:** *An issuer should recommend director remuneration to shareholders for approval in a transparent manner. Actual director remuneration should be clearly disclosed in the issuer's annual report.*

Details relating to the number of employees and former employees who received remuneration and other benefits in excess of \$100,000 during the year ended 30 June 2020 is available in the South Port Annual Report 2020, refer "Statutory Report of Directors" (page 48).

## CHIEF EXECUTIVE REMUNERATION

**Recommendation 5.3:** *An issuer should disclose the remuneration arrangements in place for the CEO in its annual report. This should include disclosure of the base salary, short term incentives and long-term incentives and the performance criteria used to determine performance-based payments.*

The Chief Executive's remuneration is made up of fixed remuneration and variable remuneration (short-term incentives only). Variable remuneration refers to remuneration that is "at risk" and linked to individual and organisational performance with clearly defined metrics. The Chief Executive's remuneration is reviewed annually by the board and an external consulting firm is engaged as appropriate to review market relativity and comparability against peer groups.

The fixed remuneration is determined in relation to the market for comparable sized and performing companies and includes all benefits and allowances. The position in the market will normally be comparable to the median. Adjustments are not automatic and are determined by performance which is reviewed annually by the board.

The Chief Executive's remuneration for the year ended 30 June 2020 was made up as follows:

The fixed remuneration includes a base salary, employer KiwiSaver contributions, vehicle allowance and medical insurance.

The short-term incentive (STI) is set at a maximum of \$50,000 per annum for the Chief Executive. 20% of the STI is linked to the Company's financial performance with the actual opportunity being either 0% or 100%. The other 80% of the STI is based on achieving strategic objectives with the actual opportunity in the range of 0% to 100%. Objectives are set each year by the board and for the 2020 year included financial and other targets for

the company overall, as well as personal objectives and targets, appropriate for the role.

Chief Executive Remuneration	
<b>2020</b>	
Fixed Remuneration	\$344,004
Short Term Incentive	\$38,000
Total	\$382,004
<b>2019</b>	
Fixed Remuneration	\$326,320
Short Term Incentive	\$40,000
Total	\$366,320

## PRINCIPLE 6 RISK MANAGEMENT

**"Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks."**

### RISK MANAGEMENT FRAMEWORK

**Recommendation 6.1:** *An issuer should have a risk management framework for its business and the issuer's board should receive and review regular reports. An issuer should report the material risks facing the business and how these are being managed.*

Risk is the chance of something happening that will have an impact on business objectives. Effective management of all types of risk (financial and non-financial) is a fundamental part of the company's business strategy. The board and senior management have identified, analysed and evaluated a number of key risk areas and a strategy has been developed to appropriately manage the key risks.

## RISK MANAGEMENT AND RESPONSIBILITIES

The Board is ultimately responsible for reviewing and approving the company's risk management 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 board reviews and updates the company's commercial risks matrix at each board meeting.

The board delegates day-to-day management of risk to the Chief Executive, who may further delegate such responsibilities to the executive and other officers.

## RISK MONITORING AND EVALUATION

The Audit & Risk Committee reviews the reports of management and the external auditors on the effectiveness of systems for internal control, financial reporting and risk management.

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. Mr Jeremy McClean as Chair of the Audit & Risk Committee is appointed to the Risk Management Committee as a board representative.

The material risks which may impact the company's ability to achieve its strategic objectives and secure its financial prospects, are managed through the strategic planning process.

## HEALTH, SAFETY & WELLBEING

**Recommendation 6.2:** *An issuer should disclose how it manages its health and safety risks and should report on its health and safety risks, performance and management.*

Health, safety and wellbeing (HSW) continues to be a key focus of the company and continuous improvement has been made in this area over recent years. The company presently has three full-time personnel dedicated to HSW matters in addition to all personnel having responsibility for HSW in their daily work processes.

The Board operates a H&S Panel which consists of the full board, two H&S personnel, together with two senior managers and two staff representatives. The H&S Panel's function is to establish a HSW strategic plan, monitor its implementation, undertake scheduled operational site visits and address key HSW issues facing the business, with the objective of achieving continuous improvement. The H&S Panel meets at least two times each year.

Another important tool used to deliver HSW improvement is the company's PACE Programme, with the H&S component being driven by the South Port H&S Committee. Output from the PACE Programme and the H&S Committee is fed through to the H&S Panel for consideration.

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#### PRINCIPLE 7 AUDITORS

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**“The Board should ensure the quality and independence of the external audit process.”**

#### EXTERNAL AUDIT

**Recommendation 7.1 and 7.2:** *The board should establish a framework for the issuer's relationship with its external auditors. This should include procedures prescribed in the NZX Code. The external auditor should attend the issuer's Annual Meeting to answer questions from shareholders in relation to the audit.*

The independence of the external auditor is of particular importance to shareholders and the board. The Audit & Risk Committee is responsible for overseeing the external audit of the company. Accordingly, it monitors developments in the areas of audit and threats to audit independence to ensure its policies and practices are consistent with emerging best practice.

The board has adopted a policy on audit independence, the key elements which are:

- > the external auditor must remain independent of the company at all times;
- > the external auditor must monitor its independence and annually report to the board that it has remained independent;
- > the audit firm is permitted to provide non-audit services that are not considered to be in conflict with the preservation of the independence of the auditor; and
- > the Audit & Risk Committee must approve significant permissible non-audit work assignments that are awarded to the external auditor.

#### ENGAGEMENT OF THE EXTERNAL AUDITOR

The Auditor-General is the auditor of South Port. The Auditor-General has appointed Crowe New Zealand Audit Partnership to carry out the audit of the consolidated financial statements of the Group on his behalf.

#### ATTENDANCE AT THE ANNUAL MEETING

Crowe, as auditor of the 2020 financial statements, has been invited to attend the Annual Meeting and will be available to answer questions about the conduct of the audit, preparation and content of the auditor's report, accounting policies adopted by South Port and the independence of the auditor in relation to the conduct of the audit.

#### INTERNAL AUDIT

**Recommendation 7.3:** *Internal audit functions should be disclosed.*

Due to its size, the company does not have an internal audit function as recommended by the NZX Code. The Chief Executive is accountable for all operational and compliance risk across the company operations. The Finance Manager has management accountability for the effective implementation and improvement of internal systems and controls.



## PRINCIPLE 8

## SHAREHOLDER RIGHTS AND RELATIONS

**“The Board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer.”**

## INFORMATION FOR SHAREHOLDERS

**Recommendation 8.1:** *An issuer should have a website where investors and interested stakeholders can access financial and operational information and key corporate governance information about the issuer.*

South Port seeks to ensure its shareholders are appropriately informed of 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, share price information, 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.

## COMMUNICATING WITH SHAREHOLDERS

**Recommendation 8.2:** *An issuer should allow investors the ability to easily communicate with the issuer, including providing the option to receive communications from the issuer electronically.*

Shareholders have the option of receiving their communications electronically, including via email or through South Port's 'Investors Centre' section on the company's website. The board welcomes investor enquiries.

## SHAREHOLDER VOTING RIGHTS

**Recommendation 8.3:** *Quoted equity security holders should have the right to vote on major decisions which may change the nature of the issuer in which they are invested.*

In accordance with the Companies Act 1993, the company's Constitution and the NZX Listing Rules, South Port refers any significant matters to shareholders for approval at a shareholder meeting. Where shareholder votes are conducted by poll, each shareholder is entitled to one vote per share.

## CAPITAL RAISING

**Recommendation 8.4:** *If seeking additional equity capital, issuers of quoted equity securities should offer further equity securities to existing equity security holders of the same class on a pro rata basis, and on no less favourable terms, before further equity securities are offered to other investors.*

If South Port was to ever look at raising further capital, it would consider the interests of existing shareholders when looking at capital raising options. Where practical, the company would favour capital raising methods that provide existing equity security holders with an opportunity to avoid dilution by participating in the offer. As such, a pro rata offer should be the preferred approach.

For the avoidance of doubt, this does not preclude the company from allowing it to offer equity securities to employees (including executive directors), as the primary purpose of such incentives is not to raise capital.

## NOTICE OF ANNUAL MEETING

**Recommendation 8.5:** *The board should ensure that the notices of annual or special meetings of quoted equity security holders is posted on the issuer's website as soon as possible and at least 20 working days prior to the meeting.*

South Port posts any Notices of Shareholder Meetings on the website as soon as these are available. The general practice is to make these available not less than four weeks prior to the shareholder meeting.

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.





# Mediterranean Shipping Company

WEEKLY CONTAINER LINE SERVICING BLUFF

## Service Overview

**AUSTRALIA EXPRESS** Sydney - Melbourne - Adelaide - Esperance\* - Fremantle - Singapore - Colombo - Gioia Tauro - Valencia - London Gateway - Rotterdam - Hamburg - Antwerp - Le Havre - Fos-Sur-Mer - La Spezia - Gioia Tauro - Pointe Des Galets - Port Louis - Sydney

**CAPRICORN** Singapore - Jakarta - Fremantle - Adelaide - Melbourne - Bluff - Port Chalmers - Lyttelton - Napier - Tauranga - Tanjung Pelepas - Singapore

**PANDA** Brisbane - Xiamen - Nansha - Hong Kong - Yantian - Melbourne - Sydney - Brisbane

**WALLABY** Sydney - Melbourne - Brisbane - Hong Kong - Yokohama - Osaka - Busan - Qingdao - Shanghai - Ningbo - Hong Kong - Sydney

**KIWI** Singapore - Jakarta - Brisbane - Sydney - Auckland - Wellington - Nelson - Tauranga - Auckland - Marsden Point\* - Brisbane - Tanjung Pelepas - Singapore

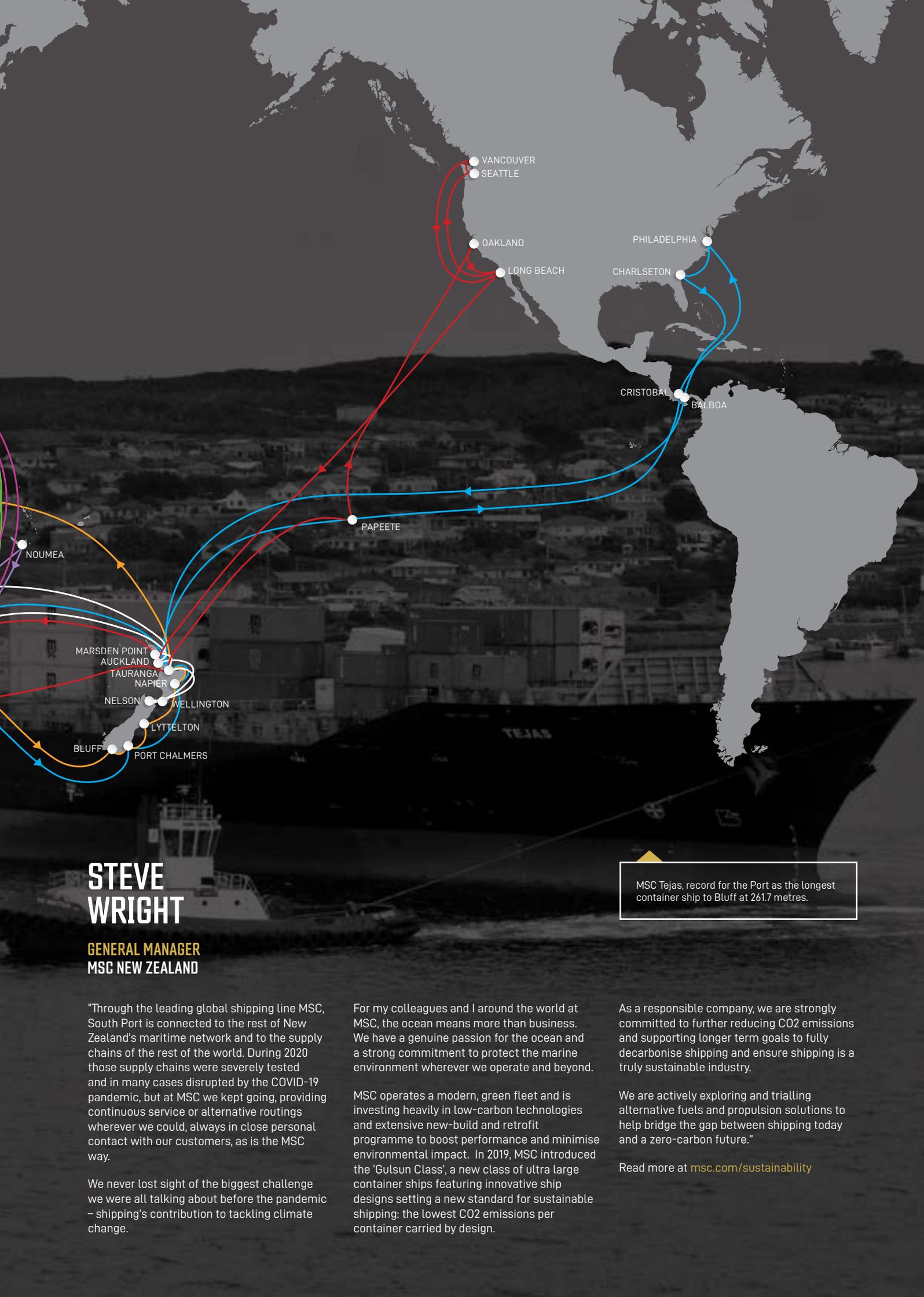
**NOUMEA EXPRESS** Sydney - Bell Bay - Sydney - Brisbane - Noumea - Sydney

**OCEANIC LOOP 1** Auckland - Sydney - Melbourne - Adelaide\* - Tauranga - Papeete\* - Oakland - Long Beach\* - Seattle\* - Vancouver\* - Long Beach - Auckland -

**OCEANIC LOOP 2** Sydney - Melbourne - Port Chalmers - Napier - Auckland - Tauranga - Cristobal - Philadelphia - Charleston - Balboa - Tauranga - Sydney

\*Esperance and Marsden Point, these are either seasonal and inducement calls only.

\*Oceania Loop 1 - fortnightly.



VANCOUVER  
SEATTLE

OAKLAND

LONG BEACH

PHILADELPHIA

CHARLSETON

CRISTOBAL

BALBOA

PAPEETE

NOUMEA

MARSDEN POINT  
AUCKLAND  
TAURANGA  
NAPIER  
NELSON  
WELLINGTON  
LYTTELTON  
BLUFF  
PORT CHALMERS

# STEVE WRIGHT

**GENERAL MANAGER  
MSC NEW ZEALAND**

"Through the leading global shipping line MSC, South Port is connected to the rest of New Zealand's maritime network and to the supply chains of the rest of the world. During 2020 those supply chains were severely tested and in many cases disrupted by the COVID-19 pandemic, but at MSC we kept going, providing continuous service or alternative routings wherever we could, always in close personal contact with our customers, as is the MSC way.

We never lost sight of the biggest challenge we were all talking about before the pandemic – shipping's contribution to tackling climate change.

For my colleagues and I around the world at MSC, the ocean means more than business. We have a genuine passion for the ocean and a strong commitment to protect the marine environment wherever we operate and beyond.

MSC operates a modern, green fleet and is investing heavily in low-carbon technologies and extensive new-build and retrofit programme to boost performance and minimise environmental impact. In 2019, MSC introduced the 'Gulsun Class', a new class of ultra large container ships featuring innovative ship designs setting a new standard for sustainable shipping: the lowest CO2 emissions per container carried by design.

MSC Tejas, record for the Port as the longest container ship to Bluff at 261.7 metres.

As a responsible company, we are strongly committed to further reducing CO2 emissions and supporting longer term goals to fully decarbonise shipping and ensure shipping is a truly sustainable industry.

We are actively exploring and trialling alternative fuels and propulsion solutions to help bridge the gap between shipping today and a zero-carbon future."

Read more at [msc.com/sustainability](https://www.msc.com/sustainability)

# Business Continuity

## COVID-19 RESPONSE

### PANDEMIC PLANNING & RESPONSE

South Port maintains a Public Health Emergency Plan in conjunction with the Southern District Health Board. An exercise conducted in November 2019 together with health agencies, ships agents and government border control agencies meant that our existing systems for responding to a pandemic had been freshly reviewed.

As the pandemic developed South Port formed an internal COVID-19 response team to facilitate the implementation of our systems and controls. Together with the support of our employees and wider South Port family we were able to put systems in place to allow the Port to continue most operations during all levels of the lockdown.



## PORT USER COVID-19 MANAGEMENT PROTOCOLS

As part of South Port's pandemic response, COVID-19 Management Protocols were developed. These guidelines outlined expectations when operating onsite and assisted site operators with their own internal systems. South Port also assisted some onsite companies with hand sanitiser when supplies were initially very difficult to source.



## ANNUAL INFLUENZA VACCINATIONS

With the Port being critical for supply of goods and services to the region and our essential business designation, we received priority for Influenza vaccinations during Alert Level 4. Due to a greater awareness of flu risks and with vaccination services being available both in Invercargill and onsite at the Port; we saw a 300% increase in uptake of the vaccination this year.



## INDIVIDUAL TEMPERATURE THERMOMETERS

A key part of the COVID-19 response was a requirement for people to self-isolate if they were unwell or had flu like symptoms. South Port purchased 160 thermometers which were distributed to our employees to assist individuals to monitor their health

**x 160**



## ESSENTIAL WORKERS

Throughout lockdown most port related activities continued to operate. South Port employees, contractors and third-party operators showed their resilience by adjusting their processes to comply with the COVID-19 requirements. Pictured are First Security staff conducting vehicle searches during Alert Level 3 restrictions.





# Our Customers



**MARK  
GROVER**

## REGIONAL MANAGER RAYONIER MATARIKI FORESTS

"The past six months have been a roller coaster ride for most New Zealand log exporters including Rayonier Matariki Forests. A combination of an inventory build-up in China, a longer Chinese New Year celebration and the fallout from COVID-19 has resulted in reduced volumes exported. Even though Rayonier Matariki Forests exports across three markets out of South Port - China, India & South Korea - it was also impacted by these circumstances.

In May there was a short term spike in demand and prices improved however, with current demand fluctuations, a decreasing CFR, increasing freight rates and a strengthening NZD -USD, the company will continue to operate in challenging times over the next few months.

Rayonier Matariki Forests' strong safety culture and health and safety performance is at the very heart of its business. As an extension of that philosophy, Rayonier Matariki Forests now only buys export logs from Safetree certified contractors. The certification provides assurance that the suppliers are competent, demonstrate professionalism and meet industry benchmarks with their Health & Safety systems".



**BRENT  
CRAWFORD**

## GENERAL MANAGER PRIME RANGE MEATS

"South Port has held a long association in providing blast freezing and cold storage availability to Prime Range Meats Invercargill.

From our perspective the business relationship with South Port is very clear and concise, "what they say is what they do" the formula works well and removes any confusion.

The capital investment that they have made in cold storage over the last 2 years has allowed our business (and many other Southland businesses) to scale and achieve our growth aspirations.

Prime Range Meats continues to push forward, and South Port has been with us, supporting our growth and our ever-expanding needs. We would like to thank the team at South Port for their commitment to their customers / to our region and continue our long-standing relationship".



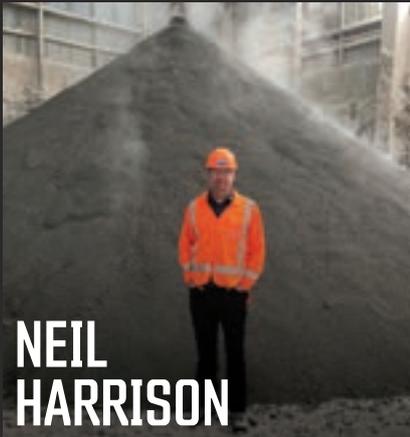
**GRAEME  
FYFE**

## SOUTH ISLAND OPERATIONS SUPERVISOR GLENCORE AGRICULTURE (NEW ZEALAND)

"Glencore Agriculture considers Bluff, and more specifically South Port, as an essential gateway for the distribution of our products throughout Southland and up through to Central Otago.

Our business has a strong focus on exemplary service delivery in the safest possible manner. To achieve this, it is essential we align ourselves with business partners that are responsible, transparent and hold a similar view on service delivery within our supply chain.

South Port certainly delivers an impeccable service to Glencore Agriculture and we are very pleased to work with them".



**NEIL  
HARRISON**

**OPERATIONS MANAGER  
BALLANCE AGRI-NUTRIENTS**

"Ballance Agri-Nutrient's imports through the Port of Bluff reflect a solid year's trading for the co-operative and a strong season for farmers in the southern region.

The company remains cautiously optimistic for the year ahead following COVID-19 and is focused on supporting farmers to be future ready, through sustainable nutrient leadership, in a changing consumer and regulatory landscape".



**GREG  
SEWELL**

**GENERAL MANAGER SUPPLY CHAIN  
OPEN COUNTRY DAIRY**

"Open Country Dairy are currently in the process of commissioning a 3rd drier at our Awarua site ready for the upcoming dairy season.

This will increase our shipping volumes through our partners at South Port by 30% during the peak months".

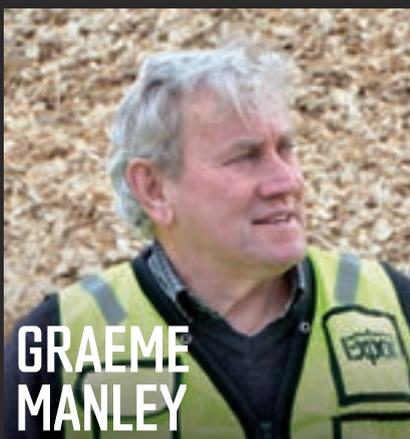


**STEW  
HAMILTON**

**CHIEF EXECUTIVE & GENERAL MANAGER  
NZAS**

"In October 2019 Rio Tinto announced it would conduct a strategic review of its interest in New Zealand's Aluminium Smelter (NZAS) to determine the operation's ongoing viability and competitive position. On 9 July 2020, Rio Tinto announced that NZAS had given Meridian Energy notice to terminate its power contract, which will end in August 2021, when the wind-down of operations is expected to be complete.

The challenging operating environment for the smelter has continued during 2020 and with the COVID-19 outbreak significantly impacting demand, the environment has deteriorated even further. In February NZAS reported an underlying loss of \$46m for the 2019 financial year".



**GRAEME  
MANLEY**

**GENERAL MANAGER  
SOUTHWOOD EXPORT**

"Production and shipping have been very steady over the two years leading up to 31 March 2020, scheduled production for 2020/2021 to be unchanged.

However, we are now seeing some effect from COVID-19, present production is down 40% with high Port stockpile, reflecting the lack of shipping due to the currently reduced market demand".

# Port Infrastructure



**Inset – South Port Intermodal Freight Centre (IFC), a 4,000m<sup>2</sup> warehouse with rail connection servicing the Otago and Southland regions, strategically located adjacent to the Invercargill KiwiRail rail head.**



Tiwai Wharf  
owned by South Port and leased  
under a licence agreement to NZAS

Petroleum  
Import Berth

Berth 3A

Dry Warehouse  
No.3A - 4,500m<sup>2</sup>

Dry Warehouse  
No.2 - 1,400m<sup>2</sup>

Berth 11

Dry Warehouse  
No.5 - 5,500m<sup>2</sup>

Dry Warehouse  
No.3B - 3,300m<sup>2</sup>

Dry Warehouse  
No.3C - 1,900m<sup>2</sup>

Town Wharf

Berth 12

Berth 1

Dry Warehouse  
No.1 - 2,000m<sup>2</sup>

Dry Warehouse  
No.3 - 2,200m<sup>2</sup>

Bulk Liquid  
Storage  
Facilities

Berth 2

Vacant Land for  
Development

Berth 5

Dry Warehouse  
No.6 - 1,500m<sup>2</sup>

Berth 3

Berth 4

Berth 6

Fishing  
Boat Piers

Administration  
Building

Island Harbour  
Access Bridge

Dedicated Container  
Servicing Pad

R&D Office

Bulk Liquid  
Storage Facilities

Vacant Land for  
Development


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**INDEPENDENT AUDITOR'S REPORT**
**TO THE SHAREHOLDERS OF SOUTH PORT NEW ZEALAND LIMITED**

The Auditor-General is the auditor of South Port New Zealand Limited and its subsidiary (the Group). The Auditor-General has appointed me, Michael Lee, using the staff and resources of Crowe New Zealand Limited Partnership, to carry out the audit of the consolidated financial statements of the Group on his behalf.

**Opinion**

We have audited the consolidated financial statements of the Group on pages 73 to 96, that comprise the consolidated statement of financial position as at 30 June 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

**Basis for opinion**

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

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

We are independent of the Group in accordance with the Auditor-General's Auditing Standards, which incorporate Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor, we have no further relationship with, or interests in, the South Port New Zealand Limited Group

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The title 'Partner' conveys that the person is a senior member within their respective division and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is the Crowe Australasia external audit division. All other professional services offered by Findex Group Limited are conducted by a privately owned organisation and/or its subsidiaries.

Findex (Aust) Pty Ltd, trading as Crowe Australasia is a member of Crowe Global, a Swiss Verein. Each member firm of Crowe Global is a separate and independent legal entity. Findex (Aust) Pty Ltd and its affiliates are not responsible or liable for any acts or omissions of Crowe Global or any other member of Crowe Global. Crowe Global does not render any professional services and does not have an ownership or partnership interest in Findex (Aust) Pty Ltd.

Services are provided by Crowe New Zealand Audit Partnership an affiliate of Findex (Aust) Pty Ltd.

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Property, plant and equipment	
Key Audit Matter	How we addressed the Key Audit Matter
<p>As outlined in note 11 of the financial statements, the carrying amount of the Group's property, plant and equipment is \$51,189,417.</p> <p>Amounts are capitalised to property, plant and equipment and the Group assesses the recoverable amount of these assets in accordance with the accounting policies outlined in notes 3(e) of the financial statements.</p> <p>We treated the application of these accounting policies as a Key Audit Matter because of the:</p> <ul style="list-style-type: none"> <li>• Significance of the property, plant and equipment in the statement of financial position;</li> <li>• Importance to the Group of maintaining these assets in order to continue to provide expected service levels to customers; and</li> <li>• Degree to which these assets may be susceptible to impairment.</li> </ul>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• Reviewing minutes and reports of the directors and management to identify any critical maintenance discussions;</li> <li>• Assessing that the Group has monitored its long-term property maintenance plan, by comparing actual results against the approved plan;</li> <li>• Assessing the nature of costs incurred in capital projects by testing a sample of costs and determining whether the expenditure met the capitalisation criteria;</li> <li>• Assessing the nature of costs incurred in repairs and maintenance projects by testing a sample of costs and determining whether the expenditure met the repairs and maintenance criteria and were not of a capital nature;</li> <li>• Reviewing the profitability of the Group's operations for indicators of potential impairment including the impact of the COVID-19 pandemic; and</li> <li>• Reviewing the Group's assessment of useful lives allocated to all major assets.</li> <li>• We also considered the appropriateness of disclosures in the financial statements.</li> </ul>

Post balance date event – Note 28 of the financial statements	
Key Audit Matter	How we addressed the Key Audit Matter
<p>On 9 July 2020, following the conclusion of its strategic review, Rio Tinto announced that it would start planning closure of New Zealand Aluminium Smelter ("NZAS") by August 2021.</p> <p>There is judgement involved in determining whether the announcement of the closure of NZAS reflected conditions that existed at 30 June 2020 and as a result whether it is an adjusting or non-adjusting post balance date event.</p> <p>As the event is of a material nature, the impact has been quantified by the Group and disclosed in Note 28 the financial statements . There is significant judgement involved in the assumptions used in the revised carrying value of the Groups cash generating assets.</p> <p>Our focus was on the judgments and assumptions impacted by the change in market conditions.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• We considered whether the announcement of NZAS's closure was an adjusting or non-adjusting post balance date event. NZ IAS 10 Events after the Reporting Date paragraph 3(b) defines a non-adjusting event as an event that is indicative of conditions that arose after the reporting period. We assessed the announcement of the NZAS closure as a change in market conditions that arose post balance date. We assessed whether the post balance date event is of a material nature that the financial impact required disclosure in the financial statements.</li> </ul> <p>To assess whether the post balance date events disclosure was reasonable we performed the following procedures:</p> <ul style="list-style-type: none"> <li>• We reviewed Management's cashflow models for the Cash Generating Units (CGU) adversely affected by the planned closure of the Smelter; and</li> <li>• We considered the change in assumptions within these models by performing sensitivity analysis based on alternative growth and weighted average cost of capital rates.</li> </ul>

## Other information

The Directors are responsible on behalf of the Group for the other information. The other information comprises the information included on pages 2 to 69 and 97 to 102, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



### Directors' responsibilities for the consolidated financial statements

The directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with NZIFRS and IFRS, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error

In preparing the consolidated financial statements, the Directors are responsible on behalf of the Group for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Directors' responsibilities arise from the Financial Markets Conduct Act 2013.

### Auditor's responsibilities for the audit of the consolidated financial statements

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of shareholders taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Our responsibilities arise from the Public Audit Act 2001.

**Michael Lee**  
Crowe New Zealand Audit Partnership

On behalf of the Auditor-General  
Invercargill, New Zealand  
27 August 2020

# STATEMENT OF COMPREHENSIVE INCOME

OF SOUTH PORT NEW ZEALAND LIMITED FOR THE YEAR ENDED 30 JUNE 2020

In Thousands of New Zealand Dollars	NOTE	GROUP	
		2020	2019
Total operating revenues from port services	5	44,573	43,950
Total operating expenses	7	(26,688)	(25,768)
Gross profit		17,885	18,182
Administrative expenses		(4,014)	(3,802)
Operating profit before financing costs		13,871	14,380
Financial income		11	25
Financial expenses		(569)	(746)
Net financing costs	6	(558)	(721)
Other income	5	35	51
<b>Surplus before income tax</b>		<b>13,348</b>	<b>13,710</b>
Income tax		(3,988)	(3,923)
Adjustments relating to tax legislation changes		70	—
Total income tax	10	(3,918)	(3,923)
<b>Net surplus after income tax</b>		<b>9,430</b>	<b>9,787</b>
<b>Other comprehensive income</b>		<b>—</b>	<b>—</b>
<b>Total other comprehensive surplus/(loss) after income tax</b>		<b>—</b>	<b>—</b>
<b>Total comprehensive surplus/(loss) after income tax</b>		<b>9,430</b>	<b>9,787</b>
<b>Basic earnings per share</b>	16	<b>\$0.359</b>	<b>\$0.373</b>

# STATEMENT OF CHANGES IN EQUITY

OF SOUTH PORT NEW ZEALAND LIMITED FOR THE YEAR ENDED 30 JUNE 2020

In Thousands of New Zealand Dollars	GROUP		
	Share Capital	Retained Earnings	Total Equity
<b>Balance 1 July 2018</b>	<b>9,418</b>	<b>30,642</b>	<b>40,060</b>
Profit/(loss) after income tax	—	9,787	9,787
Other comprehensive income	—	—	—
Total comprehensive income	—	9,787	9,787
<b>Contributions by and distributions to owners</b>			
Dividends paid during the period (refer to note 14)	—	(6,821)	(6,821)
<b>Balance as at 30 June 2019</b>	<b>9,418</b>	<b>33,608</b>	<b>43,026</b>
<b>Balance 1 July 2019</b>	<b>9,418</b>	<b>33,608</b>	<b>43,026</b>
Profit/(loss) after income tax	—	9,430	9,430
Other comprehensive income	—	—	—
Total comprehensive income	—	9,430	9,430
<b>Contributions by and distributions to owners</b>			
Dividends paid during the period (refer to note 14)	—	(6,821)	(6,821)
<b>Balance as at 30 June 2020</b>	<b>9,418</b>	<b>36,217</b>	<b>45,635</b>

# STATEMENT OF FINANCIAL POSITION

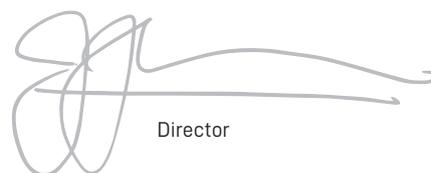
OF SOUTH PORT NEW ZEALAND LIMITED as at 30 JUNE 2020

In Thousands of New Zealand Dollars	NOTE	GROUP	
		2020	2019
<b>TOTAL EQUITY</b>	14	<b>45,635</b>	<b>43,026</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	51,189	49,571
Right-of-use assets	23	374	—
Deferred tax asset	10(d)	159	—
Total non-current assets		51,722	49,571
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	12	1,229	1,426
Trade and other receivables	13	6,460	5,702
Total current assets		7,689	7,128
<b>Total assets</b>		<b>59,411</b>	<b>56,699</b>
<b>NON-CURRENT LIABILITIES</b>			
Employee entitlements	18	38	19
Deferred tax liability	10(d)	—	48
Loans and borrowings	17	5,000	7,000
Financial liabilities	20	750	530
Lease liabilities	23	333	—
Total non-current liabilities		6,121	7,597
<b>CURRENT LIABILITIES</b>			
Loans and borrowings	17	1,500	—
Trade and other payables	19	3,728	3,152
Employee entitlements	18	1,321	1,172
Provision for taxation	10(c)	1,055	1,682
Financial liabilities	20	—	70
Lease liabilities	23	51	—
Total current liabilities		7,655	6,076
<b>Total liabilities</b>		<b>13,776</b>	<b>13,673</b>
<b>TOTAL NET ASSETS</b>		<b>45,635</b>	<b>43,026</b>
<b>Net asset backing per share</b>		<b>\$1.74</b>	<b>\$1.64</b>

On behalf of the Board  
Dated 27 August 2020



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 2020

In Thousands of New Zealand Dollars	NOTE	GROUP	
		2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash was provided by (applied to):			
Receipts from customers		43,377	43,897
Payments to suppliers and employees		(25,650)	(25,856)
Interest received		11	25
Interest paid		(420)	(488)
Income taxes paid		(4,752)	(4,123)
Net goods and services tax paid		39	99
<b>Net cash flow from operating activities</b>	24	<b>12,605</b>	<b>13,554</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Cash was provided by (applied to):			
Proceeds from disposal of non-current assets		60	48
Acquisition of other non-current assets		(5,493)	(6,146)
<b>Net cash used in investing activities</b>		<b>(5,433)</b>	<b>(6,098)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash was provided by (applied to):			
Dividend paid		(6,821)	(6,821)
Drawdown/(repayment) of borrowings		(500)	(200)
Lease liabilities paid		(48)	—
<b>Net cash used in financing activities</b>		<b>(7,369)</b>	<b>(7,021)</b>
<b>NET INCREASE (DECREASE) IN CASH HELD</b>			
Add cash at beginning of year		(197)	435
		1,426	991
<b>TOTAL CASH AT END OF YEAR</b>	12	<b>1,229</b>	<b>1,426</b>

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 2020

## 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 2013.

The consolidated financial statements of South Port New Zealand Limited as at and for the period ended 30 June 2020 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 Parent Company is a Financial Markets Conduct (FMC) reporting entity for the purposes of the Financial Reporting Act 2013 and the Financial Markets Conduct Act 2013. These financial statements comply with these Acts and have been prepared in accordance with the 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 27 August 2020.

### (b) Basis of Measurement

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

- Financial instruments 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 Group'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:

- Long Service Leave (Note 18)
- Commitments and Contingent Liabilities (Note 22)
- Financial Instruments (Note 21)
- Valuation of Derivatives (Note 21)

## 3 SIGNIFICANT ACCOUNTING POLICIES

Except for the adoption of one new accounting standard (NZ IFRS 16), 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 Consolidation

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all inter-company balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

### (b) Foreign Currency

Transactions in foreign currencies are translated to the respective functional currencies of the Group 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

The Group is party to financial instruments as part of its normal operations. These financial instruments include cash and cash equivalents, 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.

#### Trade and other receivables

Trade and other receivables are recognised initially at fair value.

Trade receivables are held with the objective of collecting the contractual cash flows and therefore they are subsequently measured at amortised cost, less a provision for expected credit loss.

#### 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 represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Trade payables are recognised initially at fair value less transaction costs and subsequently measured at amortised cost.

#### (ii) Derivative financial instruments and hedging activities

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 qualifying for hedge accounting are classified as non current if the maturity of the instrument is greater than 12 months from reporting date and current if the instrument matures within 12 months from reporting date. Derivatives accounted for as trading instruments are classified as current.

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. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the hedging relationship.

#### 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 non-financial 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

For trade and other receivables the Group makes use of a simplified approach, as permitted by NZ IFRS 9, and records the loss allowances as lifetime expected credit losses from that recognition. This is expected credit losses that result from all possible default events over the life of the financial instrument.

(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

(i) Revenue from port services

Port operations revenue is derived from an integrated performance obligation for the provision of marine services, berthage, wharfage, storage and other services. Revenue is recognised both at a point in time when the Group satisfies its performance obligations by transferring the promised services to its customers, and over time as the Group performs the service and the customer simultaneously benefits from the service. All services performed have short service performance timeframes. Revenue received in advance is recorded as a liability and recognised as revenue when the performance obligation is satisfied.

(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.

(i) Lease Payments

The Group leases certain property, plant and equipment. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases and leases of low value assets where the Group recognises the lease payments as an other operating expense 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 and lease liabilities, 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, apart from interest expenses relating to interest rate caps which are recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the cap arrangement.

(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 Group adopted NZ IFRS 16 during the current reporting period. As a result of this adoption, the Group had to change its accounting policies and make certain adjustments as disclosed below. The adoption of this standard did not require any restatement of the prior year's financial statements.

#### NZ IFRS 16: Leases

NZ IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The standard deals with the recognition, measurement, presentation, and disclosure of leases and replaces the guidance in NZ IAS 17 Leases.

The new standard introduces a single model for lessees which recognises all leases on the balance sheet through an asset representing the rights to use the leased item during the lease term and a liability for the obligation to make lease payments. This removes the distinction between operating and finance leases and aims to provide users of the financial statements relevant information to assess the effect that leases have on the balance sheet, income statement and cash flows of the reporting entity.

Lessor accounting remains largely unchanged from NZ IAS 17 for the Group.

The Group reviewed leases where the Group is the lessee and these leases primarily relate to leases for land with KiwiRail Limited.

The Group adopted NZ IFRS 16 using the modified retrospective approach with the right-of-use (ROU) asset being equal to the lease liability as at commencement date for all existing leases on 1 July 2019. The Group has made use of the practical expedient available on the transition to NZ IFRS 16 and has chosen not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with NZ IAS 17 will continue to be applied to those leases entered or modified before 1 July 2019. Comparative numbers have not been restated.

The ROU assets are subsequently depreciated using the straight-line method over the shorter of the estimated useful lives of the ROU assets or the remaining estimated lease term.

The estimated useful lives of ROU assets are determined on the same basis as similar owned assets within property, plant, and equipment. An additional depreciation expense of \$57,000 has been recognised in relation to the adoption of NZ IFRS 16. Lease liabilities are initially measured at the present value of the unpaid lease payments at the commencement date, discounted using a discount rate.

Lease incentives are recognised as part of the measurement of the ROU assets and lease liabilities whereas under NZ IAS 17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.

Under NZ IFRS 16, ROU assets are tested for impairment in accordance with NZ IAS 36 Impairment of Assets. This replaces the previous requirements to recognise a provision for onerous leases.

Key judgment areas in applying the new standard are:

- The use of discount rates; and
- The assessment of whether options to extend or terminate a lease will be exercised.

Discount rates used are the Group's incremental borrowing rates (IBR). The Group's IBR is the average of the borrowing rates obtained from financial institutions as if the Group had purchased the leased asset, with the term of the borrowing similar to the lease term. The weighted average rate applied is 5.00%.

The assessment of whether a lease contract will be extended or terminated at the end of the lease contract is determined by the Group's intention to exercise a contractual right of renewal at the end of the initial lease term.

The Group has applied the following practical expedients when applying NZ IFRS 16 to leases previously classified as operating leases under NZ IAS 17:

- The use of a single discount rate to a portfolio of leases with similar characteristics;
- Not recognising ROU assets and liabilities for leases with less than 12 months of the lease term remaining;
- Not recognising ROU assets and liabilities if the underlying leased asset is considered a low-value asset; and
- Relying on initial assessments of whether a lease is considered onerous by applying NZ IAS 37 Provisions, Contingent Liabilities and Contingent Assets (NZ IAS 37).

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Group has opted to recognise a lease expense on a straight-line basis as permitted by NZ IFRS 16. This expense is presented within other operating expenses in the income statement.

#### Reconciliation of lease commitments to opening lease liability as at 1 July 2019

	\$'000
Operating lease commitments at 30 June 2019	240
Add: leases not contained in the lease commitments schedule	–
Effect of discounting using incremental borrowing rates at 1 July 2019	(128)
<b>Recognition exemption for:</b>	
Short-term leases	–
Low-value leases	–
Extension and termination options reasonably certain to be exercised	320
<b>Lease liabilities recognised at 1 July 2019</b>	<b>432</b>

Impact on the statement of cash flows for the reporting period 30 June 2020

Under NZ IFRS 16, lessees must present:

- Short-term lease payments and payments for leases of low-value assets as part of operating activities.
- Cash payment for the interest portion of lease liability as operating activities; and
- Cash payments for the principal portion of lease liabilities, as part of financing activities.

Under NZ IAS 17, all lease payments on operating leases were presented as part of cash flows from operating activities.

Consequently, for the reporting period to 30 June 2020 the net cash from operating activities has increased by \$48,000 and net cash from financing activities decreased by the same amount. Comparative numbers have not been restated.

The adoption of NZ IFRS 16 did not have an impact on net cash flows.

#### The Group as a lessee

The Group assesses whether a contract is or contains a lease at inception of the contract. The Group recognises a ROU asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases and leases of low-value assets where the Group recognises the lease payments as an other operating expense on a straight-line basis over the term of the lease.

#### Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate (IBR).

Lease liabilities are presented as a separate line in the balance sheet and are subsequently measured by increasing the carrying amount to reflect interest on the lease (using the effective interest method) and reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability if:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- Lease payments changing due to changes in an index or rate, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate; or
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

#### ROU assets

ROU assets comprise of the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Wherever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under NZ IAS 37. The costs are included in the related ROU asset, unless those costs are incurred to produce inventories.

ROU assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The estimated useful lives of ROU assets are determined on the same basis as similar owned assets within property, plant and equipment. Depreciation starts at the commencement date of the lease.

ROU assets are presented as a separate line in the balance sheet.

The Group applies NZ IAS 36 to determine whether a ROU asset is impaired and accounts for any identified loss under the same policy adopted for property, plant and equipment.

#### The Group as a lessor

The Group enters into lease agreements as a lessor with respect to some of its properties. Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of these leases.

#### (o) NZ IFRS issued but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods ending after 30 June 2020 and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

- **Amendment to NZ IAS 1: Presentation of Financial Statements** – NZ IAS 1 prescribes the basis for the presentation of general purpose financial statements to ensure the comparability of financial information. The amendments to this standard are effective for annual periods beginning on or after 1 January 2020 with the purpose to clarify the existing NZ IAS 1 disclosure requirements relating to materiality and structure of the notes to the financial statements. Consequential amendments have been made to NZ IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, NZ IAS 10 Events after the Reporting Period and NZ IAS 37 Provisions, Contingent Liabilities and Contingent Assets to clarify the definition of material.

Adopting these amendments will not result in significant changes in disclosure for 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) Derivative Financial Instruments

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

#### (b) 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	
	2020	2019
Port services revenue (point in time)	26,642	26,329
Port services revenue (over time)	13,013	12,887
Rental revenue	4,918	4,734
<b>Total revenue</b>	<b>44,573</b>	<b>43,950</b>
Other income	35	51
<b>Total operating revenue</b>	<b>44,608</b>	<b>44,001</b>

Revenue arises from the delivery of port related services (under NZ IFRS 15), and rental property leases (under NZ IAS 17). To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer;
2. Identifying the performance obligations;
3. Determining the transaction price;
4. Allocating the transaction price to the performance obligations;
5. Recognising revenue when/as performance obligations are satisfied.

**Revenue from port services** – is recognised both at a point in time when the Group satisfies its performance obligations by transferring the promised services to its customers, and over time as the Group performs the service and the customer simultaneously benefits from the service. All services performed have short service performance timeframes. Revenue is shown net of volume discounts.

**Rental revenue** – from property leased under operating leases is recognised in the statement of comprehensive income on a straight line basis over the term of the lease, as per NZ IAS 17.

**Other income** – gain on sale from property, plant and equipment.



## 6 FINANCE INCOME AND EXPENSES

In Thousands of New Zealand Dollars	GROUP	
	2020	2019
<b>Income</b>		
Interest income	11	25
Total financial income	11	25
<b>Expenses</b>		
Interest expense	(399)	(500)
Interest expense on lease liabilities	(20)	—
Change in fair value of interest rate swap	(150)	(246)
Total financial expenses	(569)	(746)
<b>Net finance costs</b>	<b>(558)</b>	<b>(721)</b>

## 7 OPERATING EXPENSES

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

In Thousands of New Zealand Dollars	GROUP	
	2020	2019
Auditors' remuneration for audit services	61	52
Amount paid for employment consultancy services (to associated entity of auditors)	—	2
Bad debts written off	99	2
Depreciation of property, plant & equipment	3,843	3,610
Depreciation of right-of-use assets	57	—
Directors' fees	278	278
Donations	2	4
Rental and lease expenses	38	120
Increase/(decrease) in liability for long-service leave	19	(28)
Loss on disposal of assets	6	210

## 8 EMPLOYEE BENEFITS EXPENSE

In Thousands of New Zealand Dollars	GROUP	
	2020	2019
Salaries and wages	10,797	10,132
Defined contribution plans	348	342
Other employee benefits	190	183
	<b>11,335</b>	<b>10,657</b>

## 9 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	
	2020	2019
Short-term employee benefits	1,899	1,831
Defined contribution plans	43	41
Other long-term employee benefits	6	10
	<b>1,948</b>	<b>1,882</b>

## 10 INCOME TAXES

In Thousands of New Zealand Dollars	GROUP	
	2020	2019
<b>(a) INCOME TAX RECOGNISED IN PROFIT OR LOSS</b>		
Tax expense/(income) comprises:		
<b>Current tax expense / (credit):</b>		
Current year	4,037	4,150
Adjustments for prior years	88	26
	<b>4,125</b>	<b>4,176</b>
<b>Deferred tax expense / (credit)</b>		
Origination and reversal of temporary differences	(137)	(253)
Adjustments relating to tax legislation changes	(70)	—
	<b>(207)</b>	<b>(253)</b>
<b>Total tax expense / (income)</b>	<b>3,918</b>	<b>3,923</b>
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	13,348	13,710
Income tax expense (credit) calculated at 28%	3,737	3,839
Temporary differences	115	(3)
Non-deductible expenses	54	61
Non assessable income	(6)	—
	<b>3,900</b>	<b>3,897</b>
(Over) / under provision of income tax in previous year	88	26
Adjustments relating to tax legislation changes	(70)	—
<b>Income tax expense</b>	<b>3,918</b>	<b>3,923</b>

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 no change in the corporate tax rate when compared with the previous reporting period.

Note 10 continued...

**(b) INCOME TAX RECOGNISED DIRECTLY IN EQUITY**

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

<b>In Thousands of New Zealand Dollars</b>	<b>2020</b>	<b>2019</b>
<b>(c) CURRENT TAX ASSETS AND LIABILITIES</b>		
<b>Current tax payable:</b>		
Current tax payable	1,055	1,682

**(d) DEFERRED TAX BALANCES COMPRISE:**

Taxable and deductible temporary differences arising from the following:

<b>In Thousands of New Zealand Dollars</b>	<b>GROUP</b>			<b>2020</b>
	1 July 2019 Opening Balance	Recognised in profit/loss	Recognised in equity	30 June 2020 Closing Balance
<b>Gross deferred tax liabilities:</b>				
Property, plant and equipment	(409)	175	—	(234)
	(409)	175	—	(234)
<b>Gross deferred tax assets:</b>				
Employee entitlements	361	32	—	393
	361	32	—	393
<b>Net deferred tax asset / (liability)</b>	<b>(48)</b>	<b>207</b>	<b>—</b>	<b>159</b>

<b>In Thousands of New Zealand Dollars</b>	<b>GROUP</b>			<b>2019</b>
	1 July 2018 Opening Balance	Recognised in profit/loss	Recognised in equity	30 June 2019 Closing Balance
<b>Gross deferred tax liabilities:</b>				
Property, plant and equipment	(565)	156	—	(409)
	(565)	156	—	(409)
<b>Gross deferred tax assets:</b>				
Employee entitlements	264	97	—	361
	264	97	—	361
<b>Net deferred tax asset / (liability)</b>	<b>(301)</b>	<b>253</b>	<b>—</b>	<b>(48)</b>

In Thousands of New Zealand Dollars	GROUP	
	2020	2019
<b>(e) IMPUTATION CREDIT ACCOUNT BALANCES</b>		
Balance at beginning of year	11,941	10,418
Less Taxation (payable) receivable 2019	(1,682)	(1,629)
Taxation paid	4,752	4,123
Attached to dividends paid	(2,653)	(2,653)
Add Taxation payable (receivable) 2020	1,055	1,682
<b>Balance at end of year</b>	<b>13,413</b>	<b>11,941</b>

## 11 | PROPERTY, PLANT AND EQUIPMENT

2020

In Thousands of New Zealand Dollars	Cost 1 July 2019	Additions	Disposals	Other	Cost 30 June 2020	Accumulated Depn and Impairment charges 1 July 2019	Depn Expense	Accumulated Depn reversed on Disposal	Other	Accumulated Depn and Impairment charges 30 June 2020	Carrying Amt 30 June 2020
Land	3,078	—	—	—	3,078	—	—	—	—	—	3,078
Buildings	22,509	319	—	(395)	22,433	6,961	477	—	(7)	7,431	15,002
Plant & machinery	72,220	5,179	(1,532)	395	76,262	41,275	3,366	(1,521)	33	43,153	33,109
	<b>97,807</b>	<b>5,498</b>	<b>(1,532)</b>	<b>—</b>	<b>101,773</b>	<b>48,236</b>	<b>3,843</b>	<b>(1,521)</b>	<b>26</b>	<b>50,584</b>	<b>51,189</b>

2019

In Thousands of New Zealand Dollars	Cost 1 July 2018	Additions	Disposals	Cost 30 June 2019	Accumulated Depn and Impairment charges 1 July 2018	Depn Expense	Accumulated Depn reversed on Disposal	Other	Accumulated Depn and Impairment charges 30 June 2019	Carrying Amt 30 June 2019
Land	3,078	—	—	3,078	—	—	—	—	—	3,078
Buildings	20,630	1964	(85)	22,509	6,520	465	(24)	—	6,961	15,548
Plant & machinery	68,767	4012	(559)	72,220	38,484	3,145	(354)	—	41,275	30,945
	<b>92,475</b>	<b>5976</b>	<b>(644)</b>	<b>97,807</b>	<b>45,004</b>	<b>3,610</b>	<b>(378)</b>	<b>—</b>	<b>48,236</b>	<b>49,571</b>

Impairment – During the year ended 30 June 2020 there were no impairment losses (2019: nil) which were recorded in the Statement of Comprehensive Income. COVID-19 was considered and did not have an impact on impairment.

## 12 | CASH AND CASH EQUIVALENTS

In Thousands of New Zealand Dollars	GROUP	
	2020	2019
Bank balances	1,229	1,426
<b>Cash and cash equivalents</b>	<b>1,229</b>	<b>1,426</b>
<b>Cash and cash equivalents in the statement of cash flows</b>	<b>1,229</b>	<b>1,426</b>

### 13 RECEIVABLES AND ADVANCES

In Thousands of New Zealand Dollars	GROUP	
	2020	2019
Prepayments	47	51
Trade receivables	6,463	5,701
Expected credit losses	(50)	(50)
	<b>6,460</b>	<b>5,702</b>

### 14 SHARE CAPITAL

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	
	2020	2019
2019 final dividend paid on all ordinary shares @ 18.50 cents per share (2018: 18.50 cents)	4,854	4,854
2020 interim: on all ordinary shares @ 7.50 cents per share (2019: 7.50 cents)	1,967	1,967
<b>Total distributions to shareholders</b>	<b>6,821</b>	<b>6,821</b>

After 30 June 2020 the following dividends were proposed by the directors for 2020. The dividends have not been provided for and there are no income tax consequences. Total imputation credits to be attached to the dividend are \$1,887,000.

In Thousands of New Zealand Dollars	2020
2020 final dividend payable on 10 November 2020 @ 18.50 cents per share	4,854



## 15 | 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.

Key statistics and ratios are reported as part of the financial and operational five year summary on page 97.

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 pay out takes account of its 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 2020 and 30 June 2019.

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.

## 16 | EARNINGS PER SHARE

The calculation of basic earnings per share at 30 June 2020 was based on the reported profit attributable to ordinary shareholders of \$9,430,000 (2019: \$9,787,000) and a weighted average number of ordinary shares outstanding of 26,234,898 (2019: 26,234,898). Basic and diluted EPS are the same value.

## 17 | LOANS AND BORROWINGS

In Thousands of New Zealand Dollars	GROUP	
	2020	2019
<b>Non-current</b>		
ANZ Bank New Zealand Limited	5,000	7,000
	5,000	7,000
<b>Current</b>		
ANZ Bank New Zealand Limited	1,500	—
	1,500	—
<b>Total Borrowings</b>	<b>6,500</b>	<b>7,000</b>

South Port New Zealand Limited's credit facility of \$17 million from ANZ is split between three different facilities as follows:

- Term Facility - \$5 million expiring 1 February 2024
- Short Term Advances Facility - \$11 million finally terminating 31 January 2021
- Commercial Flexi Facility - \$1 million revolving, reviewed annually

The total facility is secured by way of a general security registered over all assets both present and future of South Port New Zealand Limited. The same security was in place the previous year. The facilities were the same as at 30 June 2019.

Interest on the first \$5 million drawn at any one time is payable according to the five year interest rate swap agreement (expiring 4 November 2024) the Company has with ANZ. Interest on the balance of funds drawn at any time is calculated using a variable rate based on the BKBM (3 month bank bill rate).

## 18 | EMPLOYEE ENTITLEMENTS

In Thousands of New Zealand Dollars	GROUP	
	2020	2019
Wages, salaries, annual leave	1,266	1,119
Long service leave	93	72
<b>Balance at end of year</b>	<b>1,359</b>	<b>1,191</b>
<b>Current</b>	<b>1,321</b>	<b>1,172</b>
<b>Non-current</b>	<b>38</b>	<b>19</b>
<b>Total Provisions</b>	<b>1,359</b>	<b>1,191</b>

### EMPLOYEE ENTITLEMENTS

(i) Wages, salaries and annual leave

Liabilities for wages, salaries and annual leave are calculated on an actual entitlement basis at current rates of pay to be settled within 12 months from reporting date.

(ii) 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.

## 19 | TRADE AND OTHER PAYABLES

In Thousands of New Zealand Dollars	GROUP	
	2020	2019
Trade creditors and accruals	3,728	3,152
	<b>3,728</b>	<b>3,152</b>

## 20 | FINANCIAL LIABILITIES

In Thousands of New Zealand Dollars	GROUP	
	2020	2019
Interest rate derivatives (non current)	750	530
Interest rate derivatives (current)	—	70
	<b>750</b>	<b>600</b>

## 21 | FINANCIAL INSTRUMENTS

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Group is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result from both its operating and investing activities.

The Group has a series of policies to manage the risk associated with financial instruments. Policies have been established which do not allow transactions which are speculative in nature to be entered into and the Group is not actively engaged in the trading of financial instruments. As part of this policy, limits of exposure have been set and are monitored on a regular basis.

### 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 which have an investment grade credit rating.

### LIQUIDITY RISK

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient cash and borrowing facilities available to meet its liabilities when due, under both normal and adverse conditions. The Group's cash flow requirements and the utilisation of borrowing facilities are continuously monitored, and it is required that committed bank facilities are maintained above maximum forecast usage.

The only liquidity risks the Group has at balance date are trade payables totalling \$3,728,000 (2019: \$3,152,000) which are all due within 30 days, and loans and borrowings totalling \$6,500,000 (2019: \$7,000,000) as per Note 17.

Funding risk is the risk that arises when either the size of borrowing facilities or the pricing thereof is not able to be replaced on similar terms, at the time of review with the Group's banks. To minimise funding risk it is Board policy to spread the facilities' renewal dates and the maturity of individual loans. Where this is not possible, extensions to, or the replacement of, borrowing facilities are required to be arranged at least two months prior to each facility's expiry.

### 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 purchases that are denominated in a currency other than the Group's functional currency, New Zealand dollars (\$), which is the presentation currency of the Group.

The Group does not have any material exposure to currency risk except for the one-off purchases of assets (e.g. plant and machinery) denominated in foreign currencies. It is Group policy that foreign exchange exposures on imported goods must be hedged by way of foreign exchange forward contracts or options to a minimum of 50% at the time the exposure is known with certainty on all transactions that are material.

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 cash flow hedge reserve to the extent that the hedge is effective, until the asset is recognised. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

The Group has no foreign exchange forward contracts at balance date (2019: nil).

### INTEREST RATE RISK

Interest payable to ANZ is charged on the following basis:

- 5 year interest rate swap; and
- Variable rates based on the BKBM.

During the period the range of variable interest rates applying to the credit facility (including margin) were between 1.16% and 2.69% (2019: 2.55% and 2.82%). The Company is exposed to normal fluctuations in market interest rates.

Interest rate swap (i) – South Port has an interest rate swap in place which commenced in November 2019 and matures in November 2024. The interest rate swap has a fixed swap rate of 3.64% with a notional contract amount of \$5 million at 30 June 2020 (2019: contract in place for \$5 million @ 3.64%, commencing November 2019 and maturing November 2024).

Interest rate swap (ii) – South Port had an interest rate swap in place which matured in November 2019. The interest rate swap had a fixed swap rate of 4.45% with a notional contract amount of \$5 million at 30 June 2019, however this swap matured before balance date - 30 June 2020.

### CREDIT FACILITY

At balance date the Group had a total loan facility of \$17 million (2019: \$17 million), of which \$6,500,000 (2019: \$7,000,000) had been drawn down.

The Group also has an overdraft facility of \$200,000 (2019: \$200,000), of which \$0 (2019: \$0) 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 on the following pages:

Note 21 continued...

**FINANCIAL INSTRUMENTS CLASSIFICATION TABLE**

The Group held the following financial instruments at reporting date:

				<b>2020</b>
<b>In Thousands of New Zealand Dollars</b>	Financial Assets at Amortised Cost	Financial Liabilities at Fair Value through Profit or Loss	Financial Liabilities at Amortised Cost	Total Carrying Amount
<b>Assets</b>				
Cash and cash equivalents	1,229	—	—	1,229
Trade and other receivables	6,460	—	—	6,460
<b>Total current assets</b>	<b>7,689</b>	<b>—</b>	<b>—</b>	<b>7,689</b>
<b>Total assets</b>	<b>7,689</b>	<b>—</b>	<b>—</b>	<b>7,689</b>
<b>Liabilities</b>				
Interest rate derivatives	—	750	—	750
Loans and borrowings	—	—	5,000	5,000
Lease liabilities	—	—	333	333
<b>Total non-current liabilities</b>	<b>—</b>	<b>750</b>	<b>5,333</b>	<b>6,083</b>
Interest rate derivatives	—	—	—	—
Loans and borrowings	—	—	1,500	1,500
Trade and other payables	—	—	3,728	3,728
Lease liabilities	—	—	51	51
<b>Total current liabilities</b>	<b>—</b>	<b>—</b>	<b>5,279</b>	<b>5,279</b>
<b>Total liabilities</b>	<b>—</b>	<b>750</b>	<b>10,612</b>	<b>11,362</b>
				<b>2019</b>
<b>In Thousands of New Zealand Dollars</b>	Financial Assets at Amortised Cost	Financial Liabilities at Fair Value through Profit or Loss	Financial Liabilities at Amortised Cost	Total Carrying Amount
<b>Assets</b>				
Cash and cash equivalents	1,426	—	—	1,426
Trade and other receivables	5,702	—	—	5,702
<b>Total current assets</b>	<b>7,128</b>	<b>—</b>	<b>—</b>	<b>7,128</b>
<b>Total assets</b>	<b>7,128</b>	<b>—</b>	<b>—</b>	<b>7,128</b>
<b>Liabilities</b>				
Interest rate derivatives	—	530	—	530
Loans and borrowings	—	—	7,000	7,000
<b>Total non-current liabilities</b>	<b>—</b>	<b>530</b>	<b>7,000</b>	<b>7,530</b>
Interest rate derivatives	—	70	—	70
Loans and borrowings	—	—	—	—
Trade and other payables	—	—	3,152	3,152
<b>Total current liabilities</b>	<b>—</b>	<b>70</b>	<b>3,152</b>	<b>3,222</b>
<b>Total liabilities</b>	<b>—</b>	<b>600</b>	<b>10,152</b>	<b>10,752</b>

As per the Group's accounting policies, all carrying amounts of financial instruments at balance date approximate their fair values.

Note 21 continued...

**MATURITY PROFILE OF FINANCIAL INSTRUMENTS**

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

<b>2020</b>											
<b>In Thousands of New Zealand Dollars</b>	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
<b>Financial assets:</b>											
Cash & cash equivalents	0.25%	0.25%	1,229	1,229	1,229	—	—	—	—	—	—
Trade & other receivables	—	—	6,460	6,460	6,460	—	—	—	—	—	6,460
<b>Financial liabilities:</b>											
Trade & other payables	—	—	(3,728)	(3,728)	(3,728)	—	—	—	—	—	(3,728)
Loans & borrowings (non-current)	3.64%	1.16%	(5,000)	(5,208)	(58)	(58)	(58)	(5,034)	—	—	—
Loans & borrowings (current)	1.16%	1.16%	(1,500)	(1,510)	(1,510)	—	—	—	—	—	—
Interest rate derivatives	3.64%	3.38%	(750)	(820)	(182)	(182)	(182)	(182)	(92)	—	—
Lease liabilities (non-current)	5.00%	—	(333)	(381)	—	(68)	(68)	(69)	(69)	(107)	—
Lease liabilities (current)	5.00%	—	(51)	(68)	(68)	—	—	—	—	—	—
			<b>(3,673)</b>	<b>(4,026)</b>	<b>2,143</b>	<b>(308)</b>	<b>(308)</b>	<b>(5,285)</b>	<b>(161)</b>	<b>(107)</b>	<b>2,732</b>
<b>2019</b>											
<b>In Thousands of New Zealand Dollars</b>	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
<b>Financial assets:</b>											
Cash & cash equivalents	1.50%	1.50%	1,426	1,426	1,426	—	—	—	—	—	—
Trade & other receivables	—	—	5,702	5,702	5,702	—	—	—	—	—	5,702
<b>Financial liabilities:</b>											
Trade & other payables	—	—	(3,152)	(3,152)	(3,152)	—	—	—	—	—	(3,152)
Loans & borrowings (non-current)	3.93%	2.65%	(7,000)	(7,697)	(185)	(2,164)	(135)	(135)	(5,078)	—	—
Interest rate derivatives	4.45%	2.66%	(600)	(667)	(667)	—	—	—	—	—	—
			<b>(3,624)</b>	<b>(4,388)</b>	<b>(3,124)</b>	<b>(2,164)</b>	<b>(135)</b>	<b>(135)</b>	<b>(5,078)</b>	<b>—</b>	<b>2,550</b>

**CREDIT RISK**

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

<b>In Thousands of New Zealand Dollars</b>	Gross Receivable <b>2020</b>	Doubtful Debts <b>2020</b>	Gross Receivable <b>2019</b>	Doubtful Debts <b>2019</b>
Not past due	5,454	12	5,456	6
Past due 0-30 days	939	10	108	8
Past due 31-120 days	19	5	66	16
Past due 121-360 days	48	16	64	13
Past due more than 1 year	3	7	7	7
<b>Total</b>	<b>6,463</b>	<b>50</b>	<b>5,701</b>	<b>50</b>

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

Note 21 continued...

**SENSITIVITY ANALYSIS**

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

**2020**

In Thousands of New Zealand Dollars	Carrying Amount	Interest rate risk				Foreign exchange risk				Other price risk			
		-100bp		+100bp		-10%		+10%		-10%		+10%	
		Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
<b>Financial assets</b>													
Cash and cash equivalents	1,229	(12)	—	12	—	—	—	—	—	—	—	—	—
Trade and other receivables	6,460	—	—	—	—	—	—	—	—	—	—	—	—
<b>Financial liabilities</b>													
Loans and borrowings (non-current)	5,000	50	—	(50)	—	—	—	—	—	—	—	—	—
Loans and borrowings (current)	1,500	15	—	(15)	—	—	—	—	—	—	—	—	—
Trade and other payables	3,728	—	—	—	—	—	—	—	—	—	—	—	—
Interest rate derivatives	750	(225)	—	225	—	—	—	—	—	—	—	—	—
Lease liabilities (non-current)	333	3	—	(3)	—	—	—	—	—	—	—	—	—
Lease liabilities (current)	51	1	—	(1)	—	—	—	—	—	—	—	—	—
<b>Total increase/(decrease)</b>		<b>(168)</b>	<b>—</b>	<b>168</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>

**2019**

In Thousands of New Zealand Dollars	Carrying Amount	Interest rate risk				Foreign exchange risk				Other price risk			
		-100bp		+100bp		-10%		+10%		-10%		+10%	
		Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
<b>Financial assets</b>													
Cash and cash equivalents	1,426	(15)	—	15	—	—	—	—	—	—	—	—	—
Trade and other receivables	5,702	—	—	—	—	—	—	—	—	—	—	—	—
<b>Financial liabilities</b>													
Loans and borrowings (non-current)	7,000	70	—	(70)	—	—	—	—	—	—	—	—	—
Loans and borrowings (current)													
Trade and other payables	3,152	—	—	—	—	—	—	—	—	—	—	—	—
Interest rate derivatives	600	(25)	—	25	—	—	—	—	—	—	—	—	—
<b>Total increase/(decrease)</b>	<b>—</b>	<b>30</b>	<b>—</b>	<b>(30)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>

**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/caps) has been calculated using a derivative valuation model based on a parallel shift in interest rates of -100bps/+100bps (2019: -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 2020 or 2019 since the Group had no forward foreign exchange contracts in place at balance date.

Note 21 continued...

#### Explanation of other price risk sensitivity

The sensitivity for listed shares in the past has been calculated based on a -10%/+10% (2019: -10%/+10%) movement in the quoted bid share price at balance date for the listed shares. The Group currently does not hold any 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:

In Thousands of New Zealand Dollars	VALUATION TECHNIQUE				2020
	Total	Level 1	Level 2	Level 3	
<b>Financial liabilities</b>					
Derivatives – interest rate swaps	750	—	750	—	

In Thousands of New Zealand Dollars	VALUATION TECHNIQUE				2019
	Total	Level 1	Level 2	Level 3	
<b>Financial liabilities</b>					
Derivatives – interest rate swaps	600	—	600	—	

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.

The fair value of derivatives traded in active markets is based on quoted market prices at the reporting date. The fair value of derivatives that are not traded in active markets (for example over-the-counter derivatives), are determined by using market accepted valuation techniques incorporating observable market data about conditions existing at each reporting date.

The fair value of interest rate swaps is calculated at the present value of the estimated future cash flows.

Valuation inputs for valuing derivatives are as follows:

- Interest rate forward price - published market swap rates.
- Discount rate for valuing interest rate derivatives - published market interest rates as applicable to the remaining life of the instrument adjusted for the credit risk of the counterparty for assets and the credit risk of the Group for liabilities.

## 22 COMMITMENTS AND CONTINGENT LIABILITIES

### Capital expenditure commitments

As at 30 June 2020, South Port Group had entered into capital expenditure commitments on new storm bollards for berths 4 and 8, a light tower at FML, repairs to the service duct at berth 1, a new water connection for the town and ferry wharf and other minor capital projects at an estimated total cost of \$744,000. (2019: minor capital projects at an estimated cost of \$280,000).

### Contingent liabilities

There are no known material contingent liabilities (2019: nil).

## 23 LEASES

The Group leases certain property, plant and equipment. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases and leases of low-value assets where the Group recognises the lease payments as an other operating expense on a straight-line basis over the term of the lease.

### Right-of-Use Assets

In Thousands of New Zealand Dollars	2020									
	Cost 1 July 2019	Additions	Disposals	Cost 30 June 2020	Accumulated Deprn and Impairment charges 1 July 2019	Deprn Expense	Accumulated Deprn reversed on Disposat	Other	Accumulated Deprn and Impairment charges 30 June 2020	Carrying Amt 30 June 2020
Land	432	—	—	—	—	(57)	—	—	(57)	375
	<b>432</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(57)</b>	<b>—</b>	<b>—</b>	<b>(57)</b>	<b>375</b>

### Lease Liabilities

In Thousands of New Zealand Dollars	GROUP	
	2020	2019
Within one year	51	—
One to five years	230	—
More than five years	103	—
	<b>384</b>	<b>—</b>
Current	51	—
Non-current	333	—

Operating lease commitments (as Lessee) relate to a ten year land lease commitment with KiwiRail Limited for the lease of a parcel of land situated on the Island Harbour, Bluff, due to expire in December 2021 with a 5 year renewal option and a 9 year, 20 day lease commitment with KiwiRail for the lease of a parcel of land situated at Invercargill which expires in September 2027.

### Amount Recognised in the Statement of Comprehensive Income

In Thousands of New Zealand Dollars	GROUP
	2020
<b>Expenses</b>	
Depreciation of right-of-use assets	57
Interest on lease liabilities	20

The total cash outflow for leases relating to Right-of-Use Assets in 2020 was \$68,000.

### Operating leases where the Group is the Lessor

Included in the financial statements are land and buildings leased to customers under operating leases.

In Thousands of New Zealand Dollars	2020			2019		
	Cost	Accumulated Depreciation	Book Value	Cost	Accumulated Depreciation	Book Value
Land	750	—	750	750	—	750
Buildings	16,603	(7,489)	9,114	16,603	(7,140)	9,463
	<b>17,353</b>	<b>(7,489)</b>	<b>9,864</b>	<b>17,353</b>	<b>(7,140)</b>	<b>10,213</b>

Where the Group is the Lessor, assets leased under operating leases are included in property, plant and equipment, in the statement of financial position, as appropriate.

Future minimum lease receivables under non-cancellable operating leases (as Lessor):

In Thousands of New Zealand Dollars	GROUP	
	2020	2019
Within one year	3,260	3,157
One to five years	8,520	9,141
More than five years	38,084	39,158
	<b>49,864</b>	<b>51,456</b>

Operating lease commitments (as Lessor) relate to various port land, wharves and buildings in Bluff that are leased (both short term and long term) to a number of tenants for port related activities.

## 24 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.

In Thousands of New Zealand Dollars	GROUP	
	2020	2019
Surplus after taxation	9,430	9,787
<b>Add/(less) non-cash items</b>		
Depreciation	3,900	3,610
Net (gain)/loss on disposal	(29)	159
Decrease/(increase) in value of forward exchange contracts and interest rate swaps	152	246
(Increase)/decrease in deferred tax asset	(207)	(253)
	<b>3,816</b>	<b>3,762</b>
<b>Add/(less) movement in working capital</b>		
Decrease/(increase) in trade debtors and other receivables	(765)	(96)
(Decrease)/increase in trade creditors and other payables	751	48
(Decrease)/increase in the provision for income tax	(627)	53
	(641)	5
<b>Net cash provided by operating activities</b>	<b>12,605</b>	<b>13,554</b>

## 25 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 10% of its total revenue. The customer contributed \$10.99 million for the year ended 30 June 2020 (2019: \$10.19 million).

## 26 RELATED PARTY TRANSACTIONS

During the year South Port provided cold storage facilities and leased warehousing, land and wharf facilities to Sanford Bluff for \$620,000 (2019: \$484,000). Sanford Limited debtors balance at 30 June 2020 was \$49,500. Mr T M Foggo, a Director of South Port acted in the capacity of consultant for Sanford Limited. All of these transactions were conducted on an arms 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 2020 no amounts invoiced to Sanford were written off as bad debts or included in the doubtful debts provision at balance date (2019: nil).

### Controlling entity

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

Please refer to note 27 for additional related party transactions disclosed separately in relation to the Company's subsidiary Awarua Holdings Ltd.

## 27 INVESTMENT IN SUBSIDIARY COMPANY

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

All balances owed to Awarua Holdings Ltd by South Port are classified as inter-entity receivables and are repayable on demand. During the year ended 30 June 2020 no amounts invoiced by Awarua Holdings Ltd were written off as bad debts or included in the doubtful debts provision at balance date (2019: nil).

Total management fees paid to Awarua Holdings Ltd during the year were \$1,561,000 (2019: \$1,493,000).

The Directors have reviewed the composition of the Group and its relationship with other entities, in light of the revised definition of control and have not identified additional subsidiaries, joint ventures or associates which have not previously been recognised.

## 28 SUBSEQUENT EVENTS

### Final Dividend

On 27 August 2020 the Board declared a final dividend for the year to 30 June 2020 for 18.50 cents per share amounting to \$4.854 million (before supplementary dividends). (2019: Final dividend declared for 18.50 cents per share amounting to \$4.854 million).

### NZAS

On 9 July 2020, Rio Tinto announced that it would start planning for the wind-down of operations and the eventual closure of New Zealand Aluminium Smelters (NZAS) in August 2021. The Company estimates that the smelter's overall contribution to net profit after tax, excluding the licence fee, which is payable until 2043, is approximately \$2,000,000.

### Impairment Testing

A high-level assessment of the impact of an unmitigated NZAS exit in August 2021 on the value in use of the Group's CGUs has been completed. This assessment indicated that as at 30 June 2020, there is no impairment of assets as a result of the expected closure of NZAS in August 2021.

The following assumptions were used in the value in use calculations:

Post-tax discount rate	6%
Annual growth factor	2%

## 29 AUTHORISATION FOR ISSUE

The Chief Executive, Nigel Gear, 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 Group. This being the case, the Directors authorised the Financial Statements for issue on 27 August 2020.

## 30 COVID-19 PANDEMIC IMPACT

On 11 March 2020 the World Health Organisation declared a global pandemic as a result of the outbreak and spread of COVID-19. On 21 March, the New Zealand Government introduced a country-wide alert level system to deal with the coronavirus outbreak. There are four alert levels, with level 1 being the least risk of infection and level 4 the highest. On 25 March the New Zealand Government raised its Alert Level to 4 which is a full lockdown of non-essential services. The country moved down to alert level 3 on 28 April.

During level 4, South Port NZ continued to operate as an essential business, however the Government deemed the forestry sector as non-essential. This resulted in logs and woodchips not being exported during level 4, however the volumes picked up again significantly once New Zealand was back to level 3 so the overall impact on the Group was not material during FY20. No other divisions were significantly adversely affected.

## FINANCIAL AND OPERATIONAL FIVE YEAR SUMMARY

In Thousands of New Zealand Dollars	2020	2019	2018	2017	2016
<b>FIVE YEAR GROUP FINANCIAL SUMMARY</b>					
Revenue	44,619	44,026	41,017	36,997	36,903
Net operating surplus	13,348	13,710	13,508	11,812	12,156
Group surplus after tax	9,430	9,787	9,658	8,448	8,709
Operating cashflow	12,605	13,554	12,342	12,068	11,863
Shareholders distributions paid	6,821	6,821	6,821	6,821	6,427
Total shareholders' equity	45,635	43,026	40,060	37,223	35,596
Net interest bearing debt	6,500	7,000	7,200	9,600	10,700
Property, plant and equipment	51,189	49,571	47,471	46,570	47,368
Capital expenditure	5,498	5,976	4,385	2,503	9,850
Total assets	59,411	56,699	54,110	52,555	53,019
Interest cover (times)	32.9	28.4	28.0	21.5	22.3
Shareholders' equity ratio	76.8%	75.9%	74.0%	70.8%	67.1%
Return on shareholders' funds*	21.3%	23.6%	25.0%	23.2%	25.3%
Return on assets*	23.7%	25.6%	26.3%	23.5%	25.4%
Earnings per share	35.9c	37.3c	36.8c	32.2c	33.2c
Operating cashflow per share	48.0c	51.7c	47.0c	46.0c	45.2c
Dividends declared per share	26.00c	26.00c	26.00c	26.00c	26.00c
Net asset backing per share	\$1.74	\$1.64	\$1.53	\$1.42	\$1.36

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

	2020	2019	2018	2017	2016
<b>OPERATIONAL SUMMARY</b>					
Cargo throughput (000's tonnes)	3,269	3,521	3,445	3,053	3,048
Cargo ship departures	335	352	319	312	317
Gross registered tonnage (000's tonnes)	5,898	6,405	6,220	5,821	5,611
Number of permanent employees	105	100	100	92	95
Total cargo ship days in port	847	962	826	933	937
Turn-around time per cargo ship (days)	2.52	2.73	2.59	2.99	2.96
Cargo tonnes per ship	9,758	10,003	10,799	9,785	9,615
Dry warehousing capacity (m <sup>2</sup> )	38,100	38,100	38,100	38,100	36,200
Cold/cool storage capacity (m <sup>3</sup> )	39,500	39,500	80,115	80,115	80,115

# Management Profiles



**NIGEL  
GEAR**

**CHIEF EXECUTIVE**

**BCom, Dip Port Management**

Nigel was appointed to the role of Chief Executive on 1 October 2017. He has 25 years' experience in the port industry and has held positions in commercial, operations and finance at South Port. Nigel is currently an appointed board member of the Southland Chamber of Commerce and represents business interests on the New Zealand Oil and Gas Southern Community Panel. Prior to joining South Port, Nigel worked in the meat and oil sectors.



**GEOFF  
FINNERTY**

**PORT GENERAL MANAGER**

**BCom, ACA, PGCertEM**

Geoff originally joined the South Port Leadership team in 2004 as Finance Manager. In his current role he has responsibilities for the Company's general cargo and marine activities. In his previous positions of Cargo Operations Manager and Port Operations Manager he played an important role in establishing and developing the Company's container and dry warehouse activities. Geoff has also held positions with Goodman Fielder, Fonterra and Landbase (a Southland based farming cooperative) and is the current Chairperson of Export Southland.



**JAMIE  
MAY**

**BUSINESS DEVELOPMENT  
MANAGER**

**BCom**

Jamie was appointed to the Business Development Manager position in November 2017. Prior to this appointment he was based in Invercargill as the Supervisor of the South Port Intermodal Freight Centre during its opening and start up phase. Before this he had worked in a Marketing Analyst role based in Bluff since January 2011. Jamie held various home and personal lending positions at The National Bank before he joined the South Port team.



**HAYDEN  
MIKKELSEN**

**CONTAINER MANAGER**

**BE (Hons)**

Hayden holds a Bachelor of Mechanical Engineering degree from Canterbury University. Hayden's role as Container Manager for the Port sees him responsible for the overall container operation including the terminal, depot, crane and mobile plant maintenance functions. Hayden also oversees the Intermodal Freight Centre strategically located at the railhead in Invercargill. Hayden previously worked in heavy industries in both engineering and operations at ECNZ and Ballance Agri-Nutrients before joining South Port in 2012.



**FRANK  
O'BOYLE**

**INFRASTRUCTURE MANAGER**

**BEng (Civil), MIPENZ, CPEng**

Frank joined South Port as Infrastructure Manager in January 2015. Frank's responsibilities include providing and maintaining land, sea and wharf infrastructure associated with port operations as well as ensuring port operational practices comply with current environmental standards.

Frank is a Civil Engineer and worked as an Engineer in Ireland and Australia before moving permanently to New Zealand in 2005. Frank has been a member of Engineering New Zealand since 2006 and a Chartered Professional Engineer since 2010.



**LARA  
STEVENS**

**FINANCE MANAGER**

**BCom, DipGrad, CA**

As Finance Manager, a position Lara has held since March 2007, she is responsible for the financial management of the Port including interim and annual reporting. She continually monitors the financial performance of the business which includes preparing the annual budget and providing regular forecasts to the Board to enable them to make informed decisions about future capital projects. Among other things, Lara is responsible for managing the Company's property leases, ICT, insurance and NZX reporting obligations.



**MURRAY  
WOOD**

**WAREHOUSING MANAGER**

**DipBus**

Murray is the Manager of the Port's Warehousing operations comprising both cold and dairy dry goods storage and handling for the agriculture and aquaculture industries. He oversaw the recent amalgamation of the cold storage activities to the Island Harbour site following the termination of the lease at Foreshore Road. Murray joined South Port in 2016 after a 32-year career with the New Zealand Aluminium Smelter, a major processing and manufacturing plant where he held numerous operational and leadership roles which included responsibility for the site shipping activities.



**HELEN  
YOUNG**

**HUMAN RESOURCES MANAGER**

**LLB**

Helen has a Bachelor of Laws from the University of Canterbury and started her career as a commercial and property lawyer before specialising in employment law and transitioning into human resources. Helen started with South Port in 2015 and joined the Leadership Team in November 2017 as Human Resources Manager. Prior to this, she spent eight years as Chief Executive of Sport Southland facilitating or mediating a range of regional sports issues. Her previous experience includes two terms as a Tenancy Tribunal Adjudicator and eight years on the Council of the Southern Institute of Technology (three years as Chair).

# Glossary of Port and Shipping Terms

## BERTH

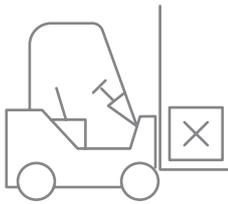
The place beside a pier, quay, or wharf where a vessel can be loaded or discharged.

## 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.



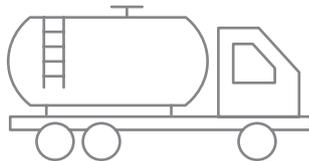
## BREAK BULK

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

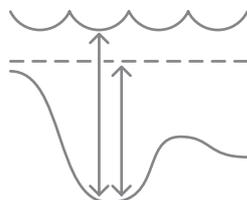
Area designed to contain any spills.

## 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.

## CONSOLIDATED CARGO

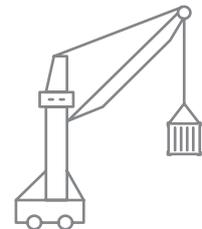
Cargo containing the shipments of two or more shippers, usually coordinated by a consolidator.

## 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 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.

## DEVANNING

The removal of freight; the unloading (unpacking, 'stripping') of a container.

## DRAFT

The depth of a ship's keel below the waterline. The number of feet that the hull of a ship is beneath the surface of the water.

### DWELL TIME

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

### FREIGHT FORWARDER

The party arranging the carriage of goods including connected services and/or associated formalities on behalf of a shipper or consignee.

### GATE / GATEHOUSE

Entry to wharf or terminal areas.

### FEU

40 foot equivalent unit is an alternative measurement for containers.

## 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.

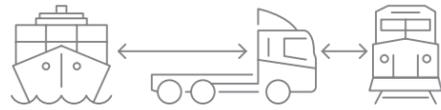


### IMPRESSED CURRENT CATHODIC PROTECTION (ICCP)

ICCP is a type of system usually applied where there are elevated current requirements for protection against corrosion. It offers permanent and automatic protection that aids in preventing galvanic corrosion and electrolysis from attacking the undersides of various mobile or fixed offshore structures i.e. concrete reinforced bridges and wharves.

### INTERNAL MOVEMENT VEHICLE

Heavy-haul truck used to move containers between facilities within the port.



## INTERMODAL

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

### JAS

Japanese Agricultural Standard. The Japanese Agricultural Standard cubic metre is a global industry standard measurement of log volume. It is an attempt to measure the volume of the log available to the saw miller, involving special methodologies of assessing log diameter and length.

### 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.

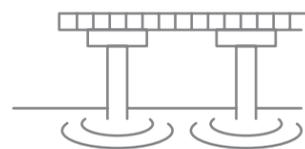


### MOORING

A location in a port or harbour used specifically for mooring vessels while not at sea.

### 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 commercial 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 AND 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

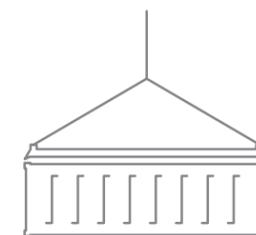
Referred to as ro-ro. A ship which has a ramp allowing cargo to be driven on and off. Cargo which is driven on and off is ro-ro cargo.

### SACRIFICIAL ANODES

Highly active metals that are used to prevent a less active material surface from corroding. Sacrificial Anodes are created from a metal alloy with a more negative electrochemical potential than the other metal it will be used to protect.

## 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.

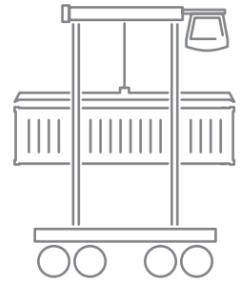


### STEVEDORE

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.

### VANNING

Stowing cargo in a container.

### VERIFIED GROSS MASS (VGM)

A mandatory requirement for shippers is to provide the verified gross mass of a packed container prior to it being loaded onto a ship.

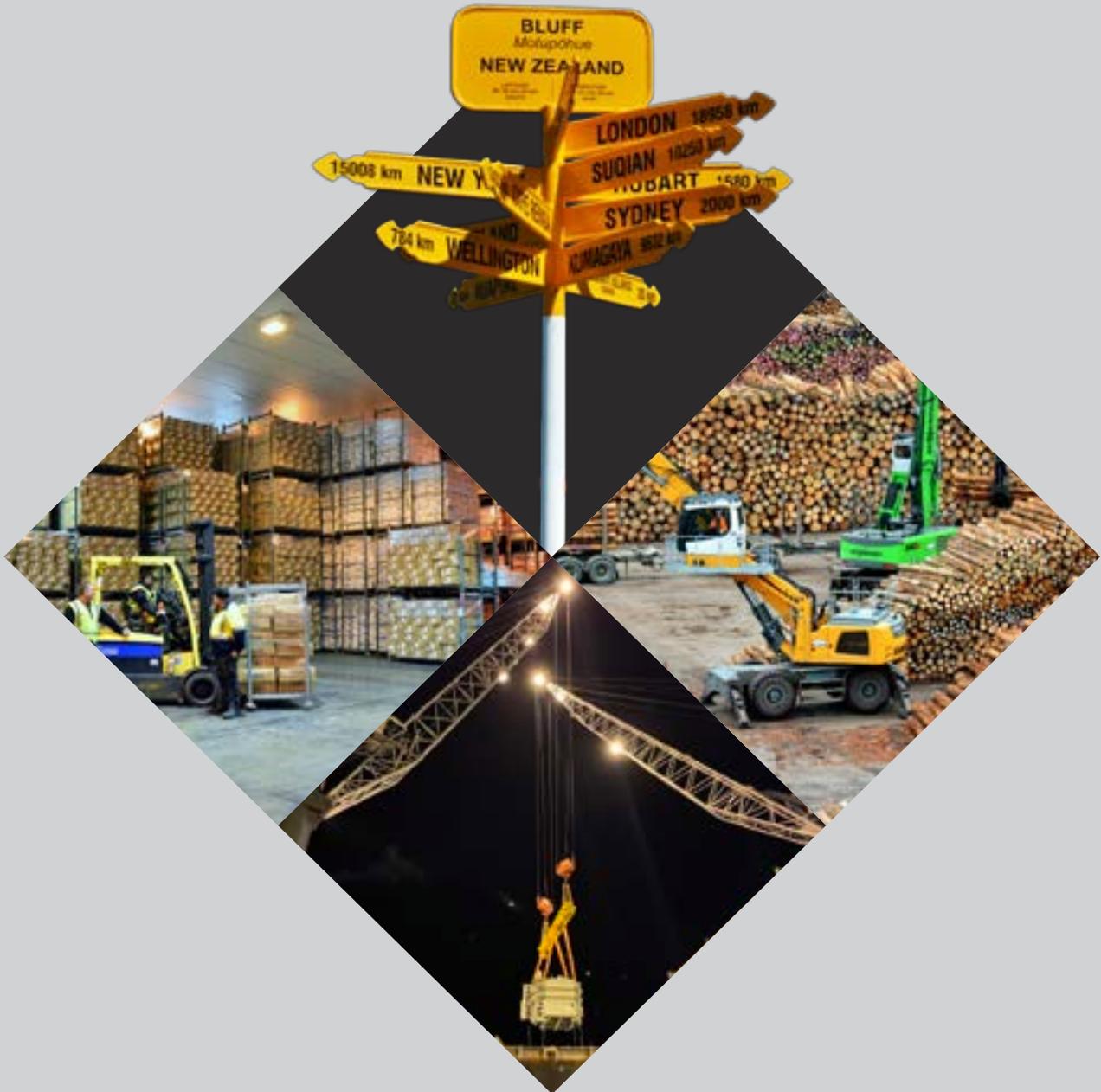




<b>6</b>	Craigpine Timber .....	60
	NZ Growing Media .....	60
	Winton Stock Feed .....	60
<b>7</b>	Fonterra Edendale .....	65
<b>8</b>	Daiken Southland .....	70
	Alliance Maitara Plant .....	75

<b>9</b>	Eastern Concrete .....	80
	Silver Fern Farms	
	- Gore Plant .....	80
	Maitara Valley Milk .....	93
<b>10</b>	Lindsay & Dixon .....	88
<b>11</b>	Silver Fern Farms	
	- Mossburn Plant .....	118

<b>12</b>	Ernslaw One .....	130
<b>13</b>	Silver Fern Farms	
	- Balclutha Plant .....	145
	Fonterra Stirling .....	145



  
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