2017 | Annual Report

PLANNING TODAY FOR AN EVEN BETTER PORT TOMORROW

South Port NZ

Contents

Financial Calendar

24 AUGUST 2017
2017 Full Year Profit Announcement

24 OCTOBER 2017
Proxies must be lodged by 10:45am

26 OCTOBER 2017
Annual Meeting – 10:45am
Venue: South Port Board Room
Island Harbour, Bluff

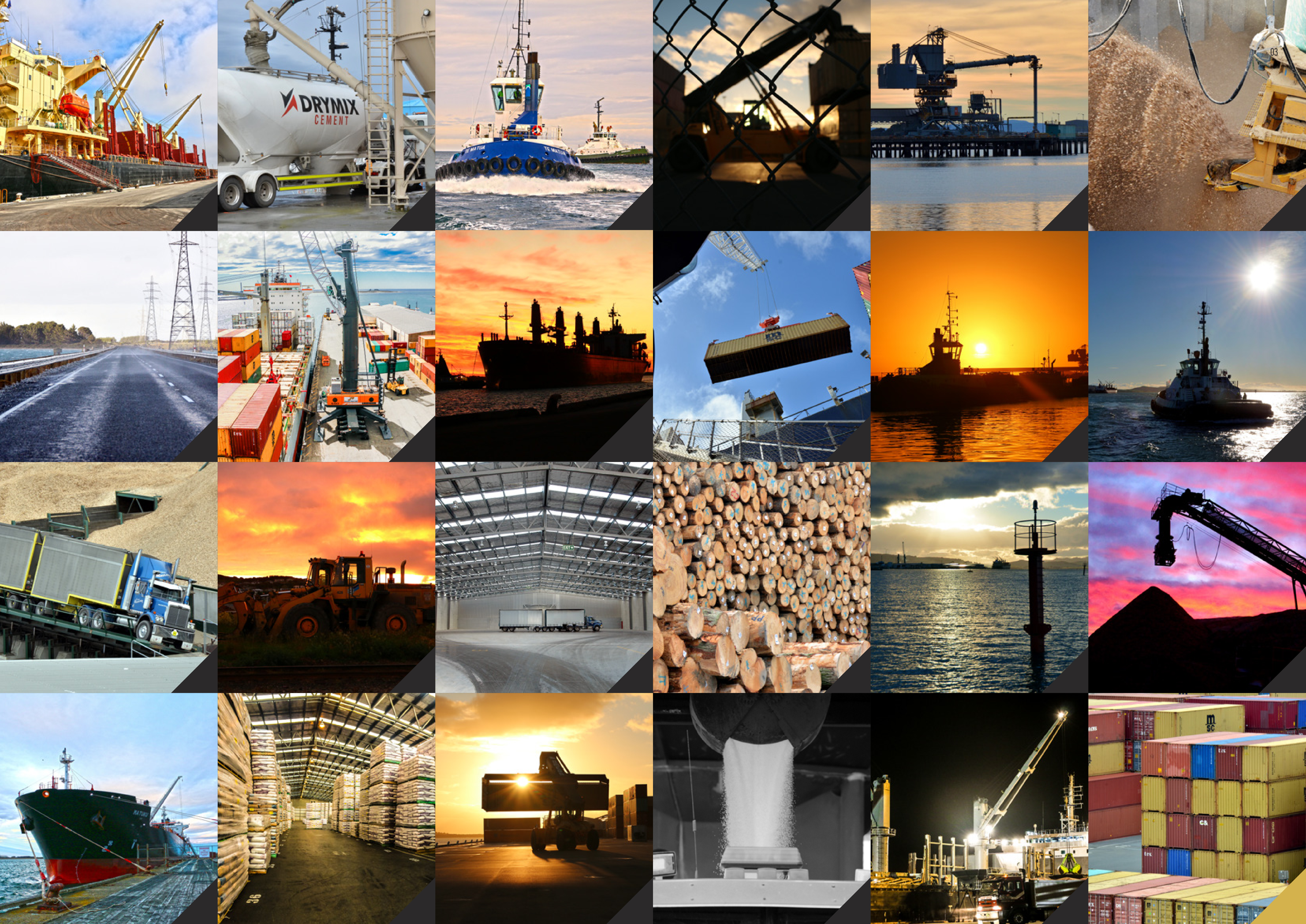
27 OCTOBER 2017
Close of Share Register for Entitlement to Final Dividend

7 NOVEMBER 2017
Final Dividend Payment

7 FEBRUARY 2018
2017 Interim Profit Announcement

MARCH 2018
2018 Interim Dividend Payment

30 JUNE 2018
2018 Financial Year End


DRYMIX
CEMENT

Ultimate Goal

"SOUTH PORT WILL BE THE BEST CARGO DISTRIBUTION OPTION FOR ALL SOUTHERN BUSINESSES THROUGH THE APPLICATION OF QUALITY PROCESSES AND INNOVATION."

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 kilometres 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 New Zealand 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.

Key Objectives

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

South Port Facts

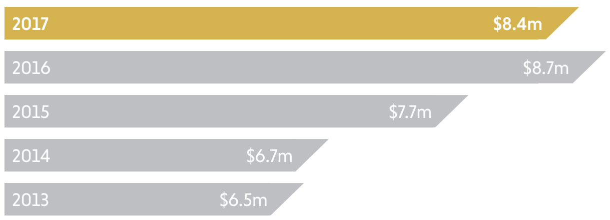
- Owns and manages assets which have a book value of $53 million
- Directly utilises more than 120 full time equivalent staff
- Is the only Southland based company listed on NZX – market capitalisation as at 30 June 2017 equated to $155 million
- Handles in excess of 3.0 million tonnes of cargo in a 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 NZAS under a long term licence
- Owns and operates an off-port container packing/unpacking facility adjacent to the railhead at Mersey Street, Invercargill. The 8,000 m2 site houses a 4,000 m2 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 7 ha. of on-port land available for further port development or industry establishment

2016/17 Significant Events

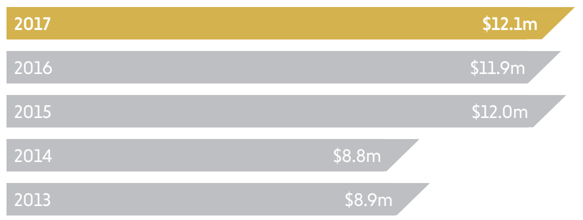
- **Achieved NPAT of $8.45 million** (2016 $8.71 million). Represented better than expected result given higher R&M expenditure [+18% YOY].
- **Paying consistent 26.0 cents** total **dividend** (2016 26.0 cents).
- **Cargo volume of 3.05 million tonnes matched prior year's record volume** (2016 - 3.05 million).
- Categories showing **largest gains were logs, NZAS exports and dairy** (both export and ingredients).
- Offsetting **cargo declines occurred for NZAS imported materials, stock food and petroleum products.**
- Maintaining activity above a **3.0 million tonne cargo threshold is significant** for the business. Demonstrates consistent period of growth since **2009** when **cargo was 1.86 million tonnes.**
- As previously signalled, **higher R&M expenditure became a reality.**
- **Continued emphasis on Health and Safety (H&S) performance** saw revised risk scoring system implemented, enhanced Permit To Work process adopted and more rigorous contractor monitoring.
- **Company embarked on major PCBU [Person Conducting a Business or Undertaking] project, likely to take 24 months** - involves identifying all third party interactions, classifying contractual relationships and documenting H&S obligations.
- Invercargill-located **Intermodal Freight Centre** (IFC) commenced **operating August 2016** – site is performing well offering logistical services.
- 2017 **log volume** generated new **record of 560,000 tonnes**, a lift of 84,000T on prior year.
- **Stock food imports continued to decline** (reduction of 30,000 tonnes or 20% fall) despite a rebuild phase in the dairy sector.
- **Container throughput record established of 39,300 TEU** (35,100), driven by dairy sector, cement and fertiliser/farm nutrition increases.
- **Restructure of Marine Division undertaken** to deliver more consistent and safer resources within this area of the business.
- **Insurance market tightened noticeably for NZ port sector** following November 2016 Kaikoura earthquake, forcing rethink of cover approach.
- **Sale of surplus tug, Monowai occurred** post year-end. This plant was retained for a period to enable major R&M on other tugs.
- **Two major infrastructure projects will be undertaken in FY2018** – provision of replacement access structure for Fuel Berth at Town Wharf plus sealing of 1.0 ha of log storage area and drainage upgrade on Island Harbour.
- **Additional warehousing services provided to Open Country Dairy** with review of operating model to occur during FY2018.
- **All dry warehouses** located on Island Harbour were **fully tenanted** during the 2017 financial period.
- **Mataura Valley Milk establishing $200M dairy processing plant** in Eastern Southland to manufacture infant formula/UHT cream provides a potential new cargo opportunity.
- **Cold storage margins significantly lower** due to product remaining in store for less time and higher operating costs.
- Continuous improvement **principles continue to be applied through** "Port Achieving Combined Excellence" **(PACE) Programme.**
- South Port **Directors and management involved in** Southland Regional Development Strategy **(SoRDS) Aquaculture Team.**

Financial Results in Brief

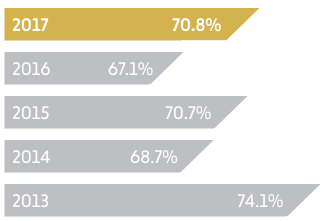
SURPLUS AFTER TAX



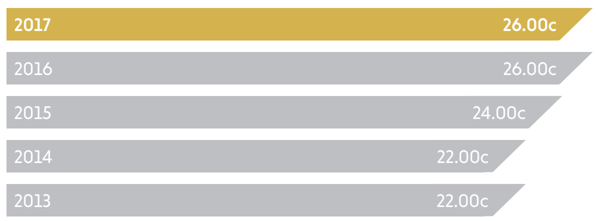
OPERATING CASH FLOW



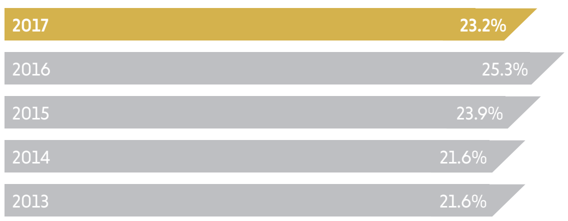
EQUITY RATIO



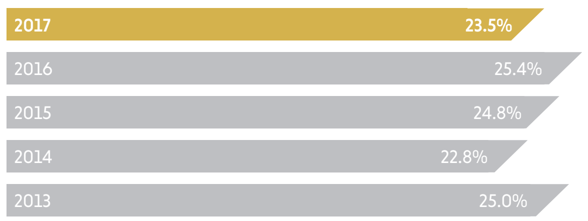
DIVIDENDS PER SHARE



RETURN ON EQUITY



RETURN ON ASSETS



In Thousands of New Zealand Dollars	2017	2016
Revenue	$36,997	$36,903
Surplus after tax	$8,448	$8,709
Cashflow from operating activities	$12,068	$11,863
Total assets	$52,555	$53,019
Total equity	$37,223	$35,596
Shareholders' equity ratio	70.8%	67.1%
Earnings per share	32.2c	33.2c
Dividends declared per share	26.0c	26.0c
Net asset backing per share	$1.42	$1.36
Return on shareholders' funds	23.2%	25.3%
Cargo throughput (000's tonnes)	3,053	3,048

Review of Operations

A FURTHER YEAR OF STRONG CARGO FLOWS AND ROBUST CUSTOMER SUPPORT ENABLED THE COMPANY TO MATCH THE RECORD VOLUME OF 3.05M TONNES ACHIEVED IN FY2016.

OVERVIEW AND CARGO

The reported after-tax profit of $8.45M was down slightly on the prior year but was noticeably higher than the level projected when reporting the FY2016 profit outcome. As previously signalled, the overall maintenance spend on fixed infrastructure had been programmed to lift and this was clearly evident in FY2017.

Bulk cargo activity remains the back bone of the business and the key product flows of forestry, NZAS-related materials, fertiliser, petroleum and other agri-products continue to demonstrate either growth or stability.

Forestry production (logs/woodchips/sawn timber) exported through South Port took a further climb and now represents almost 30% of the business throughput. Logs in particular are now a significant part of the Port landscape and registered a fresh annual high of 560,000 tonnes.

This cargo flow was made possible by a range of important export customers, the largest of which is Rayonier/Matariki Forests.

New Zealand's Aluminium Smelter (NZAS) achieved record production from its three main reduction lines (potlines) in the 12 months to 31 December 2016. The smelter is economically significant both from a regional and a national perspective, and it continues to demonstrate a high level of resilience despite facing a number of challenging external factors. In particular NZAS continues to face very high transmission costs and the Transmission Pricing Methodology (TPM) review process is now facing more delays. Initially the process was stalled when flaws were discovered in the supporting cost benefit analysis and now further delays are expected while new board members come up to speed with the underpinning principles of the reform. Despite these frustrating ongoing delays, NZAS and South Port believe the new board members have the skill and expertise to realise the Authority's aim of introducing fairer and more sustainable pricing for transmission.

A new container throughput record of 39,300 TEU (35,100) was achieved in FY2017. This lift was created by increased cargo flows by the dairy processing sector, inbound cement, fertiliser and farm nutrition products.

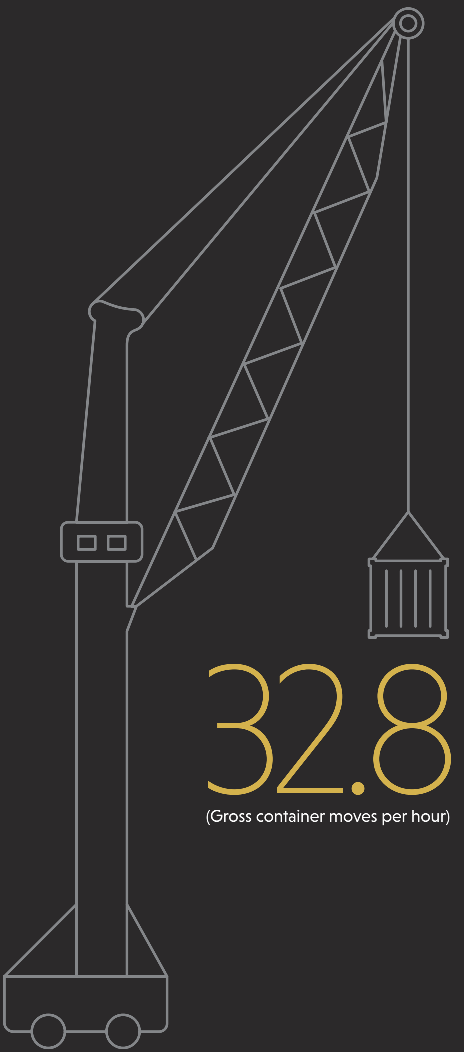
In contrast, stock food imports continued to decline despite the dairy sector going through a rebuilding phase. This demonstrates that it may take further time before farmers return to the operating models that existed prior to the recent industry payout level slump. Import levels into Bluff Port fell by 30,000 tonnes or 20% YOY.

Breaking the 3.0 million tonne cargo threshold was a significant milestone for South Port and comes on the back of consistent growth achieved over several years. To put the latest year's volume in context, during the first half of the previous decade, the Company's cargo total remained within a range of 2.0 million to 2.1 million tonnes. Over the past ten years the Company's freight volumes have climbed steadily alongside a wider range of services being offered to the market.

"BULK CARGO ACTIVITY REMAINS THE BACK BONE OF THE BUSINESS AND THE KEY PRODUCT FLOWS OF FORESTRY, NZAS-RELATED MATERIALS, FERTILISER, PETROLEUM AND OTHER AGRI-PRODUCTS CONTINUE TO DEMONSTRATE EITHER GROWTH OR STABILITY."

Mark O'Connor, Chief Executive and Rex Chapman, Chairman

CRANE PRODUCTIVITY



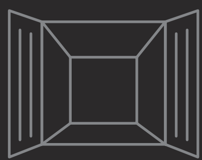
32.8

(Gross container moves per hour)

SHIP CALLS

312

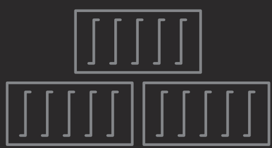
CONTAINERS



9,900

(Packed/Unpacked)

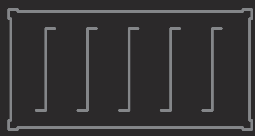
NUMBER OF CONTAINERS



39,300

(20 foot container equivalents)

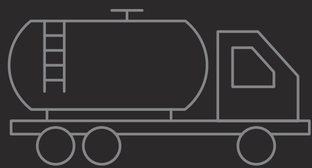
BREAKDOWN OF CARGO CONTAINERS



415,000

(Tonnage)

BREAKDOWN OF CARGO BULK



2,371,000

(Tonnage)

BREAKDOWN OF CARGO BREAK BULK

267,000

(Tonnage)

CRANE PRODUCTIVITY
(Gross container moves per hour)

2017	32.8
2016	30.6
2015	27.0 [1]
2014	17.1
2013	17.1

1: Significant increase reflects the introduction of the two mobile crane operating model part way through the financial year.

SHIP CALLS

2017	312
2016	317
2015	301
2014	316
2013	336

NUMBER OF CONTAINERS
(20 foot container equivalents)

2017	39,300
2016	35,100
2015	35,800
2014	32,700
2013	34,800

CONTAINERS
(Packed/Unpacked)

2017	9,900
2016	9,600
2015	8,400
2014	7,800
2013	7,200

BREAKDOWN OF CARGO CONTAINERS (Tonnage)

2017	415,000
2016	390,000
2015	399,000
2014	351,000
2013	323,000

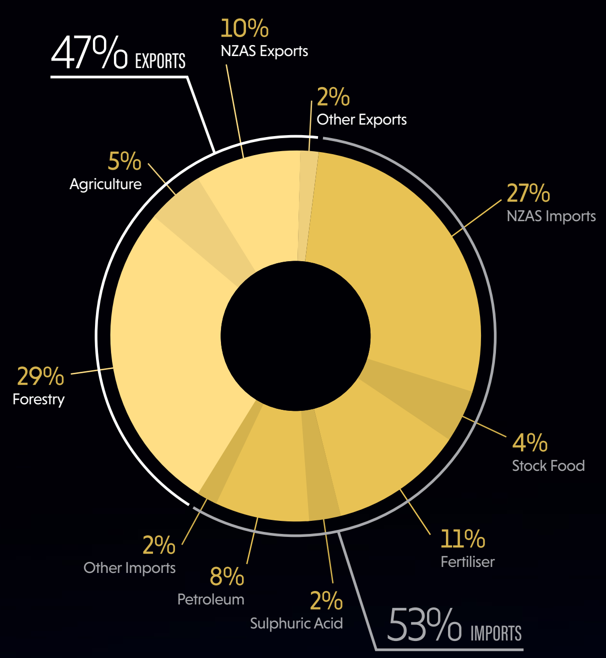
BREAKDOWN OF CARGO BULK (Tonnage)

2017	2,371,000
2016	2,428,000
2015	2,225,000
2014	2,125,000
2013	1,944,000

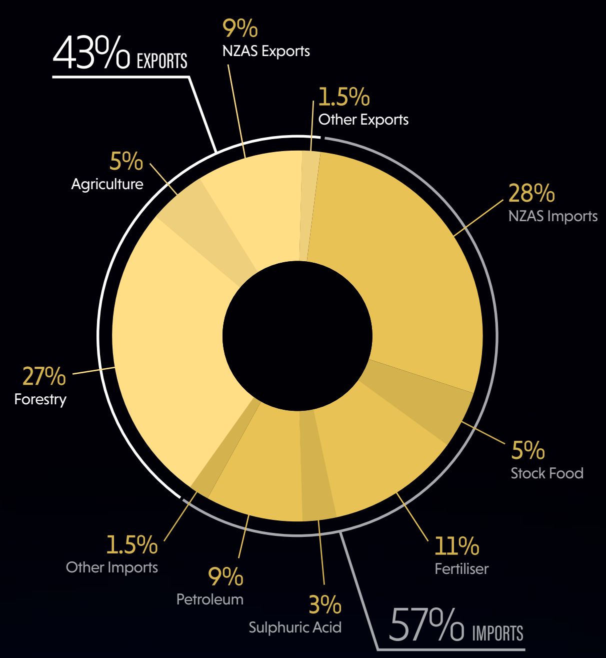
BREAKDOWN OF CARGO BREAK BULK (Tonnage)

2017	267,000
2016	230,000
2015	237,000
2014	244,000
2013	247,000

COMPARATIVE CARGO BREAKDOWN 2017



COMPARATIVE CARGO BREAKDOWN 2016



NZAS export Ingot ready for loading

HEALTH & SAFETY

South Port has been a committed member of the Business Leaders' Health & Safety Forum for approximately six years. Part of the stated intention of membership is to:

- Constantly improve health and safety (H&S) performance;
- To be held accountable before your peers by sharing H&S results;
- Champion H&S through inspiring our people, suppliers and customers to create zero harm workplaces; and
- Build systems which guarantee reported incidents are investigated and action taken.

During FY2017 the Board formed a H&S Panel comprising of the full Board, together with management and staff representatives. The Panel's function is to establish a H&S Strategic Plan, monitor its implementation, undertake scheduled operational site visits and address key H&S issues facing this business. Another important tool used to deliver H&S improvement is the Company's PACE (Process Improvement) Programme, with the H&S component being driven by the South Port H&S Committee.

Specific projects that were completed in the H&S area during FY2017 included:

- Implementing a revised risk scoring system;
- Continuing regular port user engagement via the operation of a Port Users Forum;
- Adopting an enhanced Permit To Work (PTW) process; and
- Applying more rigorous monitoring and measuring of contractor performance.

In addition, the Company embarked on a major PCBU [Person Conducting a Business or Undertaking] project, which is likely to take 24 months to complete. The project involves identifying all third party interactions, classifying contractual relationships and documenting H&S obligations of the respective parties.

ENVIRONMENT

No events occurred during the past 12 months that had a detrimental effect on the environment in which South Port and its people operate.

In October 2016, the Invercargill City Council released decisions regarding the Proposed District Plan. The Proposed District Plan sets out the rules that govern the use and development of land throughout the district.

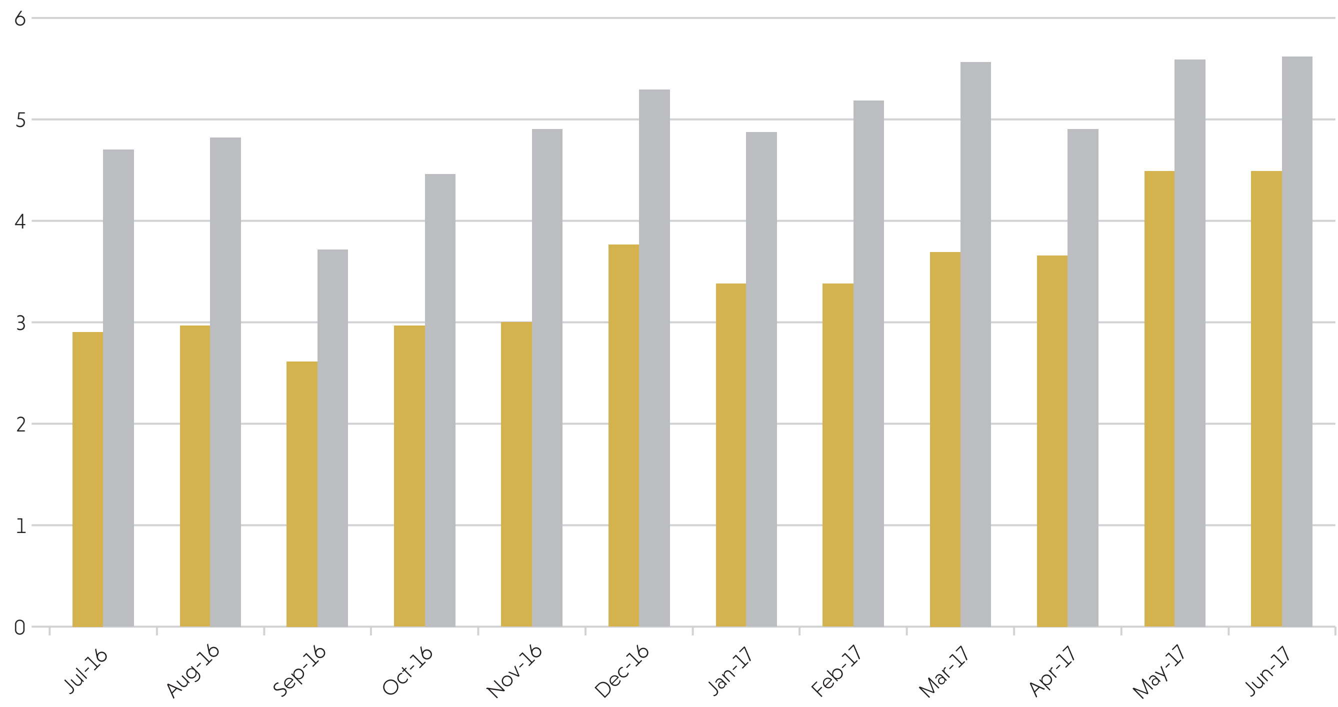
South Port has appealed various elements of the Proposed District Plan, including the Council's decision to rezone South Port's Foreshore Road landholdings from "Seaport Zone" to "Seaport 2 Zone". The Seaport 2 Zone provides less flexibility for port related undertakings and imposes restrictions on the type and scale of activities that can occur in this area without a resource consent. South Port is currently working with the Council to maintain flexibility and resolve the rezoning issue through Environment Court mediation.

The Island Harbour remains unaffected by the changes to the Proposed District Plan.

LOST TIME INJURY AND TOTAL RECORDABLE INJURY FREQUENCY RATES

Injuries per 100,000 work hours - 12 month rolling

LTIFR
TRIFR



INFRASTRUCTURE

South Port is an infrastructure-based business and accordingly has a particular focus on the planned maintenance (R&M) required for a wide range of structures and assets.

Shareholders were previously informed that a higher level of R&M expenditure has been programmed for FY2017 and the next several years. This relates to a number of significant infrastructural assets being at or near the end of their physical useful life. In order to extend the effective life of these assets, a much greater level of R&M resource will need to be applied to these structures.

Two significant capital projects will also be undertaken in the coming 12 months. Firstly, a replacement access structure will be constructed for the Town Wharf fuel import berth (estimated cost $5.0 million). This structure services the inbound petroleum products for both Southland and the Wakatipu Basin. Secondly, to assist the growth of log exports, a 1.0 ha. log storage area will be paved in conjunction with an upgrade of adjoining drainage systems (estimated cost $2.2 million).

INSURANCE MARKET TIGHTENING

The Company recently concluded its annual insurance negotiations and observed that the current insurance environment provides challenges to securing appropriate material damage cover. This is due to significant seismic events occurring in New Zealand in recent years. With large losses sustained by both Lyttelton Port in 2011 and more recently CentrePort in Wellington (as a result of the Kaikoura earthquake), both local and international insurers are hesitant to offer cover to New Zealand ports that are built on reclaimed land and therefore susceptible to liquefaction.

South Port is part of a NZ Port Collective (six ports) that traditionally purchases combined asset cover of $500 million, with some ports then purchasing cover above this level. The current renewal has been difficult with collective cover of only $250 million being secured. This leaves some exposure if there was a seismic event that impacted multiple ports and triggered claims totalling in excess of the collective cover. Both insurance premiums and excesses have increased significantly and there are concerns that in future the form of comprehensive insurance previously available for New Zealand ports may no longer be achievable.

The Company's insurance broker, Aon, had its Risk Engineer undertake loss modelling for South Port. This exercise indicated if there was a large earthquake that impacted Bluff, the level of loss would likely fall below the $250 million cover now in place. The Board and management have assessed the value required to reinstate essential port assets and are comfortable that there is adequate cover in place for the Port to re-establish critical assets if there was a large seismic event that caused extensive damage. The financial book value of South Port's total assets was $53 million (as at 30 June 2017) while the Company's market capitalisation was $155 million.

'Aurora Australis' (Southern Lights) adorning the night sky over the Port and Bluff

> “TO ASSIST THE GROWTH OF LOG EXPORTS, A 1.0 HA. LOG STORAGE AREA WILL BE PAVED IN CONJUNCTION WITH AN UPGRADE OF ADJOINING DRAINAGE SYSTEMS (ESTIMATED COST $2.2 MILLION).”

NFA grab stacking logs (on Port) for export

Above: Tug Monowai being farewelled as she departs South Port for her new home at Port Marlborough

OTHER OPERATIONAL EVENTS

Invercargill Container Packing/Unpacking Development – This facility known as the Intermodal Freight Centre (IFC) commenced operations in early FY2017 and has provided a varied range of services to freight forwarders, transport operators and a mix of import and exports parties. Focusing predominantly on import cargoes, containerised volumes have tracked budget which was particularly pleasing considering the reduced farm expenditure in a recovering dairy sector. Increased regional logistical service competition has also benefited import and export businesses operating in Southland.

Container Shipping Market – As anticipated, further consolidation of container shipping lines and the creation of new alliances occurred during the past 12 months. Although no noticeable international rate improvement is evident to date, it is highly likely that this will be necessary if the container lines are to achieve sustainable profitability.

Cold Storage – Operating margins from this area of the business came under pressure. This was due to limited carry-over of product from the previous season, less total volume requiring cold storage and the rapid movement of product to market. This situation was further complicated by parts of South Port's leased cold store facility at Foreshore Road in Bluff being rendered non-operational as a result of frost heave. Engineering reports sourced by the Company and its insurer indicate that this problem is attributable to the original design of the store which is the responsibility of the landlord.

Additionally one of South Port's seasonal customers, pet food processor Wilbur Ellis, sustained a serious fire at its Bluff based plant in April 2016. This has resulted in no storage being required by this customer until early 2017, when the plant became operational again.

Incremental Dairy Activity and Warehousing – Additional dairy warehousing capacity was provided for Open Country Dairy (OCD) to cater for the lift in milk volume processing at its Awarua site. OCD occupies a sizeable footprint on South Port's Island Harbour and is a valued containerised cargo customer. All other dry warehouses located on the Island Harbour were fully tenanted during the 2017 financial period.

Sale of Surplus Harbour Tug – Subsequent to year end, the Company concluded a sale of its surplus third tug Monowai to Port Marlborough. This tug had been retained for approximately 20 months in order to allow scheduled maintenance to occur on South Port's two larger tugs, Te Matua and Hauroko.

Marine Division Restructured – During FY2017 a total operational review of the Marine Division occurred. This has resulted in a number of role changes and a revision to the roster structure for tug operating and vessel berthing activities. These changes will allow the business to deliver a more consistent and safer marine service resource.

PACE Process Improvement Programme – South Port personnel continued to actively participate in the PACE (Port Achieving Combined Excellence) Process Improvement Programme. Designed around the review of historic processes, the sorting of physical operating environments and the elimination of waste, this Programme has already delivered positive value for both the Company and its employees. PACE delivers systems which encourage a continuing focus on operational improvement, better use of existing resources and the creation of a solid platform for future growth.

2017 FINANCIAL RESULT

(Comparatives shown in brackets)

- Revenue from port and warehousing operations equated to $36.9 million ($36.7 million) representing an increase of 1%.
- As a result of higher maintenance expenditure, operating profit before financing costs and tax decreased by 3% to $12.3 million ($12.7 million).
- Net financing costs for the Group were $450,000 ($700,000).
- The Group's overall result was a surplus of $8.45 million ($8.71 million), which represented a 3% decrease on the previous year.
- Based on the reported result, earnings per share were 32.2 cents (33.2 cents per share).
- Total equity is $37.2 million ($35.6 million) after allowing for dividend payments during the period of $6.82 million ($6.43 million).
- Group equity includes issued capital of $9.4 million ($9.4 million), which is made up of 26,234,898 ordinary shares.
- Total Group assets remain consistent at $53.0 million ($53.0 million).
- Net tangible asset backing per share equates to $1.42 ($1.36 per share).
- Current assets amount to $6.0 million ($5.6 million), with current liabilities at $5.0 million ($12.6 million). This creates a net working capital position of positive $1.0 million versus negative $7.0 million last year.
- Term liabilities total $10.4 million ($4.8 million).
- Property, Plant and Equipment stood at $46.6 million ($47.4 million).

DIVIDENDS

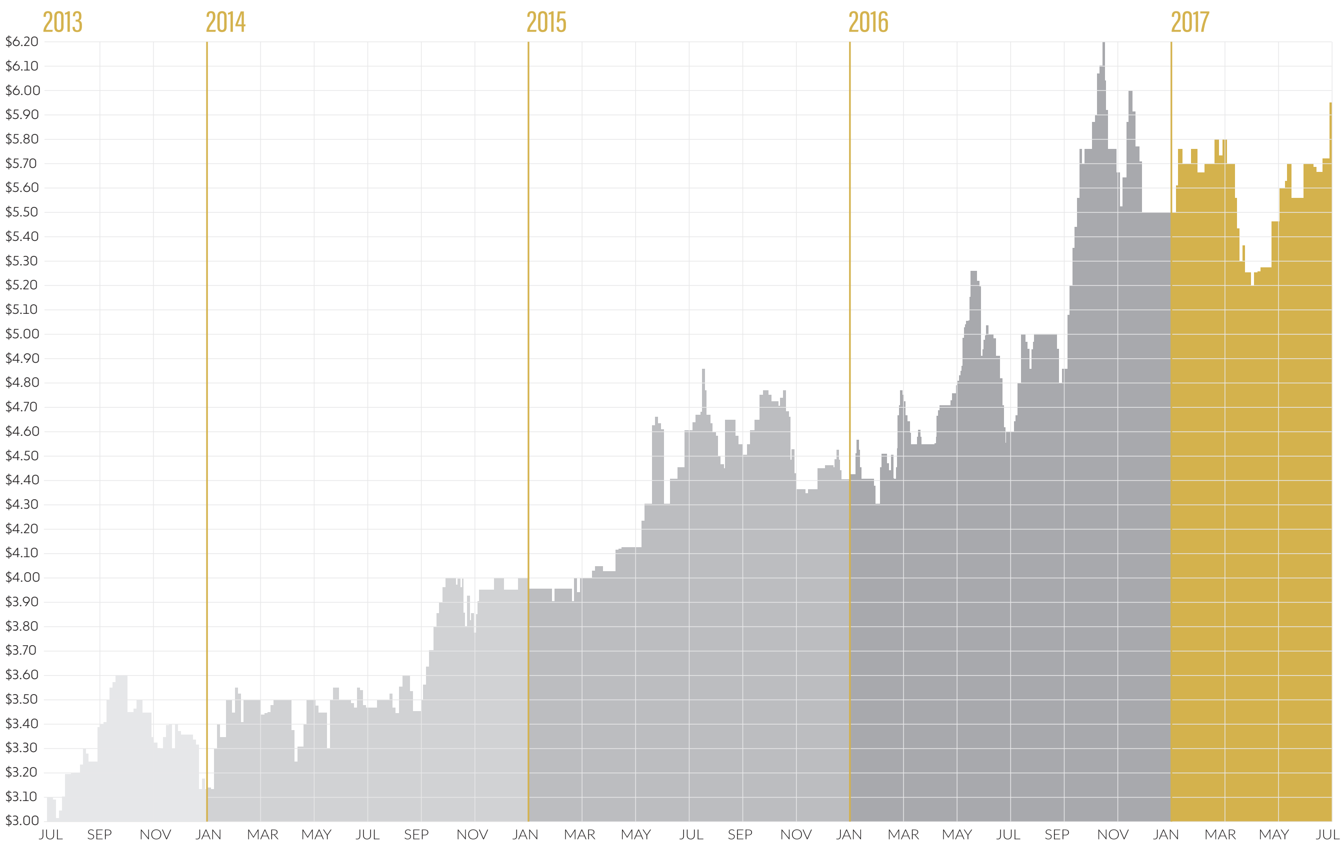
As shareholders are aware, the Directors have adopted an ongoing policy of assessing South Port's dividend flow after taking into consideration both its Free Cash Flows (FCF) and its reported profits. For the purpose of this policy, FCF is interpreted as being annual operating cash flow less net maintenance 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. Accordingly, the Board elected to pay a consistent final dividend of 18.5 cents. This translates to a full year dividend of 26.0 cents (2016 – 26.0 cents).

Full imputation credits will be attached to all distributions. The dividend payment represents a gross return of 6.1% (net 4.4%), based on a share price of $5.93 as at 30 June 2017. A dividend payout ratio of 81% results for 2017 (using reported NPAT) and equates to 65% of FCF. This level of income distribution is similar to the prior year payout ratio of 78%.

SHARE PRICE

From 1 July 2013 to 30 June 2017



South Port's two Liebherr Mobile Harbour Cranes standing at attention

Above: Rex Chapman, Mark O'Connor and Clare Kearney presenting scholarship cheques to the 2017 recipients, Billy Barrow and Lachlan Wood

STAFF CONTRIBUTION

Employee numbers remained relatively constant within the business, tracking the consistent levels of operational and support resources needed to service customers. Total full time roles increased from 95 to 97 over the past financial year. At year end a number of positions were in the process of being filled.

The Company conveys thanks to all staff for the consistent effort and energy that has been delivered during the past 12 months. Without this level of commitment and enthusiasm, South Port would not be in a position to service the region's cargo providers and ultimately generate commercial returns to its shareholders. The PACE Programme continues to provide employees with a greater ability to influence the outcomes of both existing and new work processes.

BOARD COMPOSITION

Mr Rex Chapman (current Chairman) 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.

MANAGEMENT TEAM

Long serving CEO, Mark O'Connor, announced his resignation in May of this year having signalled to the Board some time ago that he intended to step away from full time employment when he reached 55 years of age. A recruitment process involving an external consultant was completed and the South Port Board announced in August that Nigel Gear would be appointed the new CEO effective 1 October 2017. Nigel is currently the Commercial Manager of South Port and has also held management positions in Operations, Warehousing and Finance in addition to previous roles within the fuel and meat processing sectors.

The Board acknowledged it was a testament to current management that at the conclusion of the recruitment process they had been able to find a successor from within the existing team. Nigel is already well known to the South Port customer base and has been part of a very successful management team operating during the Company's recent period of growth. Further, the Board emphasised that it was looking forward to working with and supporting Nigel in his new role.

COMMUNITY AND REGIONAL ASSISTANCE

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. Organisations that received sponsorship assistance over recent financial years included:

- Bluff Community Charitable Trust (managing swimming pool upgrade project)
- Bluff Hill/Motupohue Environment Trust – pest eradication programme
- Bluff Kindergarten
- Bluff Maritime Museum
- Bluff Oyster & Food Festival
- Bluff Rugby Club
- Bluff Schools
- Bluff Yacht Club
- Bluff Promotions and various other local organisations
- Burt Munro Challenge (Bluff stage)
- Coastguard Bluff
- Fight for Kidz

- Foundation for Youth Development (FYD) – Bluff Schools
- Graeme Dingle Foundation via Kiwican Programme at Bluff School
- Invercargill Harness Racing Club (Bluff businesses race day)
- Port Softball Club
- Queens Park Golf Club
- Rugby Southland
- Southland Cricket Association
- Southland Sharks
- Te Ara o Kiwa Sea Scouts, Bluff
- Te Ara o Kiwa Venturers, Bluff
- Tour of Southland (Bluff stage)
- Venture Southland – Spirit of a Nation (Spirit Army)
- Young Enterprise Scheme (YES)

South Port also continued its primary sponsorship of Export Southland, providing financial assistance to administer this organisation and facilitate the holding of a number of events including the bi-annual Export Recognition Dinner. In addition, the Company also assisted with funding the Southern Wood Council Forestry Awards. It is an active member of the Southland Chamber of Commerce and the Otago Southland Timber Industry Association.

The Company's commitment to provide for scholarship assistance continues. An annual staff and community scholarship is offered, with this year's being awarded to Lachlan Wood and Billy Barrow. Lachlan has already completed three years of a four year degree at Lincoln University, undertaking a Bachelor of Agricultural Science. This will set him in good stead towards his chosen career path. Billy's career intentions are in the specific fields of computer programming plus network engineering and the Southern Institute of Technology's Diploma in Information Technology will steer him towards achieving this goal.

REGIONAL PROJECTS UPDATE

Mataura Valley Milk (MVM) – Construction of MVM's infant formula plant commenced in the fourth quarter of 2016. Located at McNab in Eastern Southland, the facility will have an initial capacity of 46,000 tonnes and is scheduled to be processing by Spring 2018. The company was formed and promoted by prominent local businessman Inky Tulloch and now has as its majority shareholder the state owned Chinese company China Animal Husbandry Group (CAHG). South Port will be working with this party in the coming months to establish whether it can deliver services in MVM's supply chain.

Wind Farm Projects – Trustpower announced in late 2015 that it would split off its existing wind generation assets plus its wind and solar developments into a new entity called Tilt Renewables (Tilt). This new company came into existence in October 2016 and continues to review the economic viability of a proposed Kaiwera Downs Wind Farm located across 2,568 ha. of farmland, about 15 km south east of Gore. Resource consents have been granted by the Gore District Council and the Southland Regional Council with these consents allowing for a maximum of 83 wind turbines. If this generation project is to proceed, then any development is unlikely to occur before 2019 and may well progress in several stages.

Southland Regional Development Strategy (SoRDS) – This regional strategic plan established a target of lifting Southland's population by 10,000 people by 2025. The challenges facing southern New Zealand are similar to other regional centres and these have been highlighted in the SoRDS strategic document. It is critical that Local Government now pushes forward with the necessary steps to support the Action Plan linked to this Strategy. This includes the creation of an Economic Development Agency that also draws on business and community organisations for strategic input.

South Port has been encouraged by the level of effort contributed by business and other parties to ensure SoRDS succeeds and that Southland remains a healthy and vibrant part of New Zealand. South Port Directors and management have been involved in formulation of the SoRDS Strategy and more recently with the activities of the Aquaculture Reference Group, operating under the SoRDS umbrella.

Wood chip conveyor operating with the Flat Hill wind farm as a backdrop (turbines previously project cargo at the Port)

OUTLOOK

Notwithstanding the presence of greater volatility due to international political events (Brexit and President Trump), the New Zealand economy and key export markets have remained resilient. A further unknown at this time is the outcome of the New Zealand General Election and what the make-up of the governing parties will look like.

A long-run positive economic cycle has provided South Port with a relatively stable platform to service its cargo base and support some of the recent growth-capital expenditure. As previously explained to shareholders, some of these capital outlays are predicated on further cargo gains occurring over a 4-5 year term, with necessary growth being more difficult to forecast over an extended period of time.

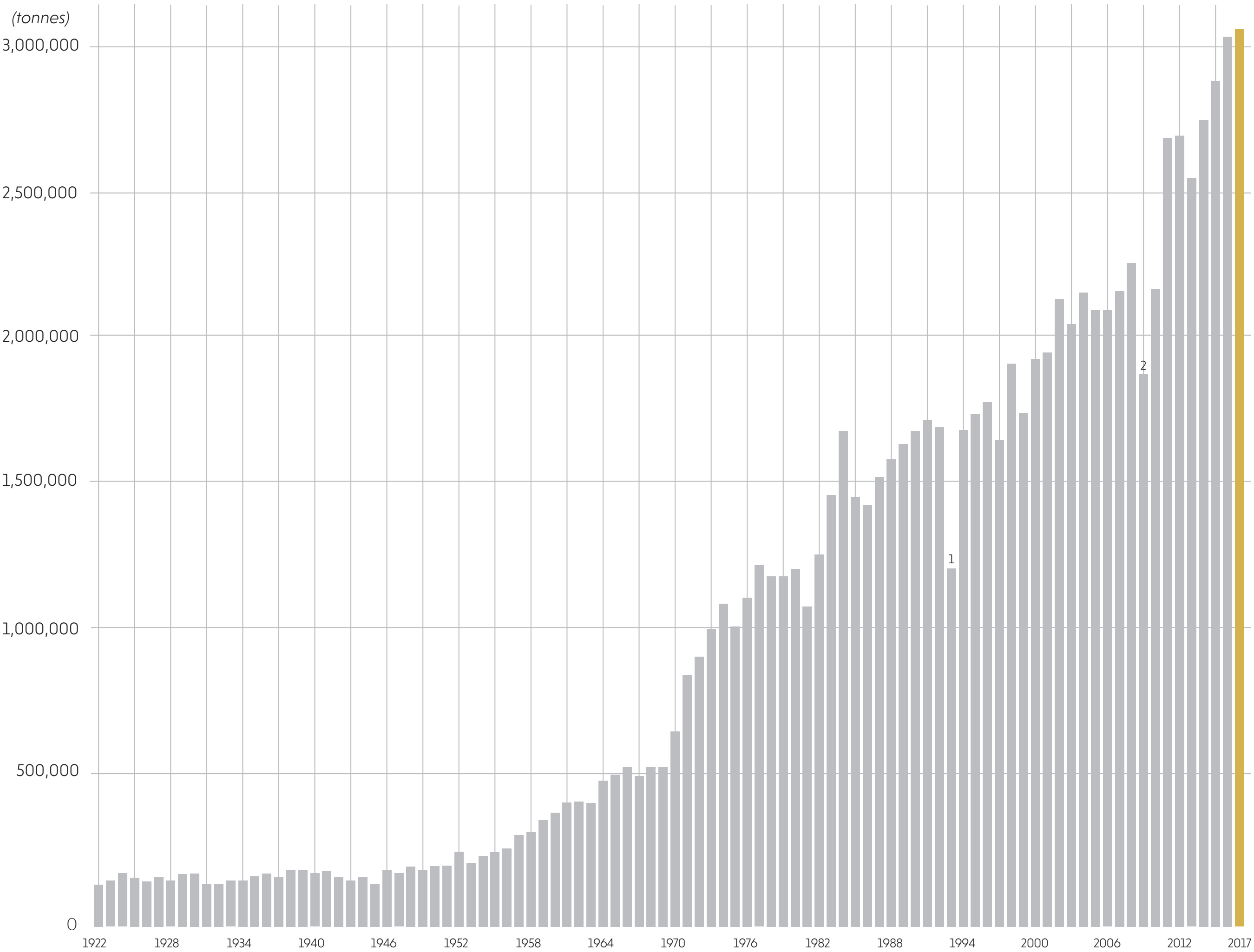
South Port's main cargo flows (logs/NZAS/dairy exports/petroleum/fertiliser) are expected to show modest upside in the coming 12 months. The dairy sector in particular looks to be experiencing improved profitability and this should assist the regional economy.

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 remain stable. In light of this steady earnings profile, Directors will be aiming to maintain the current level of dividend payment.

R T CHAPMAN
Chairman

M P O'CONNOR
Chief Executive

HISTORICAL TRADE FIGURES 1922-2017



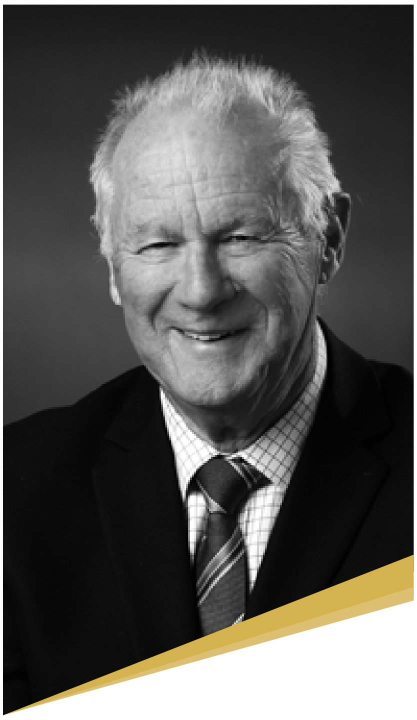
1 – 1993 9 month period due to change in financial year end
2 – 2009 drop in tonnage due to 30% decrease in NZAS throughput attributable to a pot-line outage

Directors' Profiles

REX THOMAS CHAPMAN

LLB, Chairman

Mr Chapman is a Senior Partner in Invercargill law firm Cruickshank Pryde. He has been in legal practice in Invercargill for 36 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 a member of the Southland Regional Development Strategy (SoRDS) New Industries Team and the Southland Aquaculture Reference Group (SARG).



RICHARD (RICK) GORDON MAXWELL CHRISTIE

MSc (Hons), AFInstD, CRSNZ

Mr Christie is a Company Director based in Wellington. He is currently Chairman of Service IQ, ikeGPS and independent Chairman of NeSI. He is a Director of Powerhouse Ventures Ltd, Solnet Solutions Ltd and he is a Trustee of the Victoria University Foundation. Prior to becoming a professional Director, Mr Christie held a number of government appointments and was a Chief Executive of a number of companies in the private sector. In 2011 he was made a Companion of the Royal Society of New Zealand.

PHILIP WADE CORY-WRIGHT

BCA, LLB (Hons)

Mr Cory-Wright is a Company Director and a Strategic Adviser based in Auckland. He is inaugural Chairman of Papa Rererangi i Puketapu (New Plymouth Airport), and a Director of the Local Government Funding Agency and Matariki Forests.

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 MCCUISH FOGGO

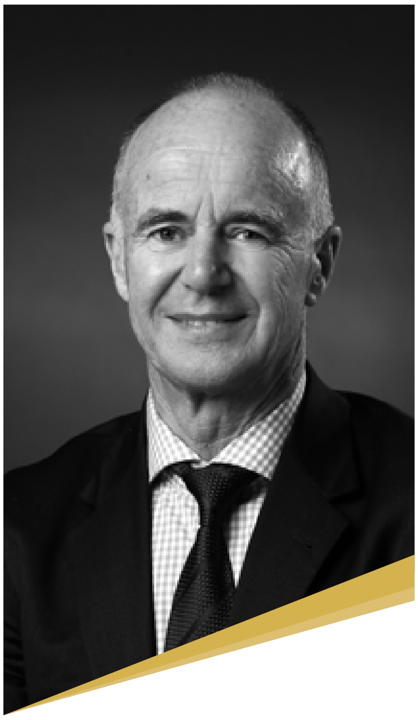
Mr Foggo is based in Invercargill and is the Salmon & Aquaculture Development Manager for Sanford. He has held senior management positions and Directorships in the seafood industry for over 38 years and, for the past 20 years, has been a Director of Live Lobster Southland. He is also Chairman of Invercargill Airport.

CLARE MARGARET KEARNEY

BAgSci

Mrs Kearney holds a degree in Agricultural Science, majoring in Farm Business Management and Dairy Science. She holds a Masters of Professional Studies, having completed her Masters' thesis on Governance in 2013.

Mrs Kearney is Chairperson of Sport Otago, the Waitaki Safer Community Trust and has recently retired from the Board of Network Waitaki Ltd. Mrs Kearney was the winner of the Institute of Directors Otago Branch Aspiring Director Award in 2014. In recognition of this award Mrs Kearney acted as an observer director to the Dunedin City Holdings subsidiary company Taieri Gorge Railway Ltd during 2015. She is a Chartered Member of the Institute of Directors.



JEREMY JAMES MCCLEAN

BCom, CA

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

Statutory Report of Directors

THE DIRECTORS HAVE PLEASURE IN SUBMITTING THEIR 2017 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 2016 to 30 June 2017.

RESULTS

The Company recorded a surplus for the period of $8,448,000.

DISCLOSURE OF SHARE DEALING BY DIRECTORS

Directors acquired no 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 2017 including the final dividend amount of $4,854,000 payable in November 2017.

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 2017 was as follows:

R T Chapman	$70,000
RGM Christie	$40,000
P W Cory-Wright	$40,000
T M Foggo	$40,000
G D Heenan	$13,333
C M Kearney	$30,000
J J McClean	$40,000

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	4
$110,001-$120,000	1
$130,001-$140,000	1
$150,001-$160,000	2
$160,001-$170,000	1
$210,001-$220,000	2
$220,001-$230,000	1
$230,001-$240,000	3
$360,001-$370,000	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

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

AUDIT & RISK COMMITTEE

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

It is the role of the 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, $50,123 was paid to the Company's Auditors, Crowe Horwath, 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 2016 to 30 June 2017.

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
Mr R T Chapman	
Forklifts NZ Ltd	Solicitor
Niagara Sawmilling Company Ltd	Solicitor
Prime Range Meats Ltd	Solicitor
SoRDS Aquaculture Working Group	Member
Winton Stock Feed Ltd	Solicitor
Mr RGM Christie	
IkeGPS	Chairman
New Zealand eScience Infrastructure (NeSI)	Chairman
Service IQ	Chairman
Solnet Solutions Ltd	Director
powerHouse Ventures Ltd	Director
Mr P W Cory-Wright	
Local Government Funding Agency Ltd	Director
Matariki Forests Ltd	Director
New Plymouth Airport	Chairman
Mr T M Foggo	
Barnes Oysters Ltd	Director
Bluff Oyster Management Co. Ltd	Director
Foundation for Youth Development Southland	Chairman
Invercargill Airport Ltd	Chairman
Live Lobster Southland 1995 Ltd	Director
Sanford Ltd	Aquaculture Manager
SoRDS Aquaculture Working Group	Member
Mr G D Heenan	
InterCity Group Ltd	Chairman
Mrs C M Kearney	
Nil	
Mr J J McClean	
Nil	

R T CHAPMAN
Chairman of Directors

J J MCCLEAN
Director

Dated 24 August 2017

Statutory Disclosure in Relation to Shareholders

AS AT 30 JUNE 2017

SIZE OF HOLDING

	Size of Holding	Number of Shareholders	Ordinary Shareholding	Percent Holders
	1 - 1,000	300	192,501	0.73
	1,001 - 5,000	413	1,104,926	4.21
	5,001 - 10,000	92	702,731	2.68
	10,001 - 100,000	63	1,517,517	5.79
	100,001 and over	8	22,717,223	86.59
Total Number of Shareholders:		**876**	**26,234,898**	**100.00**

PRICES FOR SHARES TRADED DURING THIS YEAR

As At 30 June 2017	High	Low
$5.93	$6.15	$4.60

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	1,021,684	3.89
HSBC Nominees (New Zealand) Ltd	992,299	3.78
Douglas Family Trust	516,787	1.97
Douglas Irrevocable Descendants Trust	506,192	1.93
JPMorgan Chase Bank N.A.	451,280	1.72
Daniel Martin Noonan	175,364	.67
Howard Cedric Zingel	113,556	.43
Citibank Nominees (NZ) Ltd	111,067	.42
Kenneth Ritchie Anderson	77,184	.29
Pauline Ann Stapel & Stephen Thomas McKee	70,881	.27
JBWere (NZ) Nominees Ltd	68,238	.26
Custodial Services Ltd	56,872	.22
David Grindell	56,850	.22
Forsyth Barr Custodians Ltd	51,400	.20
Glenn Owen Johnston	50,000	.19
Ian Gerald Arnot	43,978	.17
Donald Gordon Spencer	42,949	.16
Custodial Services Ltd	39,375	.15

SUBSTANTIAL SECURITY HOLDERS

According to notices given to the Company under the Financial Markets Conduct Act 2013, as at 30 June 2017, 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	2,044,663	7.79	24 December 2009
J I Urquhart Family Trust	1,334,731	5.09	28 October 2010

Corporate Governance

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

The Board has adopted a Code of Corporate Governance which is available at www.southport.co.nz. The Code has been developed after considering contemporary best practice and principles contained in the NZX Corporate Governance Best Practice Code issued in October 2013 and the Port Companies Act 1988.

South Port New Zealand Limited's Code of Corporate Governance does not materially differ from the Corporate Governance Best Practice Code found at Appendix 16 of the NZX Main Board Listing Rules.

CODE OF ETHICS

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

The Code of Ethics addresses, amongst other things:

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

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

RESPONSIBILITIES OF THE BOARD

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

Key responsibilities of the Board include:

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

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

BOARD COMPOSITION

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

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

The criteria for Director Independence are outlined in the Company's Corporate Governance Code.

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

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

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

2017	Male	Female	Total
Directors	5	1	6
Senior Management	5	1	6
	10	**2**	**12**

2016	Male	Female	Total
Directors	6	-	6
Senior Management	5	1	6
	11	**1**	**12**

Above: La Guimorais unloading fertiliser

AUDIT & RISK COMMITTEE

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

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

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

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

The Committee Chairman, appointed by the Board, cannot also be the Chairman of the Company. Jeremy McClean is the Audit & Risk Committee Chairman. 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.

Directors' Attendance at Meetings – 1 July 2016 to 30 June 2017

	Annual Meeting	Board Meeting	Audit Committee
Total Meetings	**1**	**9**	**2**
R.T. Chapman	1	9	2
R.G.M. Christie	1	8*	-
P.W. Cory-Wright	1	9*	1
T.M. Foggo	1	9	-
G.D. Heenan	1	2**	1
C.M. Kearney	1	6**	-
J.J. McClean	1	9	2

* Joined one meeting by conference call
** G.D. Heenan retired and C.M. Kearney duly elected in October 2016.

RISK MANAGEMENT

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

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

HEALTH & SAFETY PANEL

Health and Safety (H&S) continues to be a key focus of the Company and consistent improvement has been made in this area over recent years. The Company presently has two full time personnel dedicated to H&S matters in addition to all personnel having responsibility for H&S in their daily work processes.

The Board operates a H&S Panel which consists of the full Board, together with two management and two staff representatives. The H&S Panel's function is to establish a H&S Strategic Plan, monitor its implementation, undertake scheduled operational site visits and address key H&S issues facing the business, with the objective of achieving continuous improvement. The H&S Panel meets at least three times annually.

Another important tool used to deliver H&S 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.

CONTINUOUS DISCLOSURE

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

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

SHAREHOLDER COMMUNICATION

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

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

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

SENIOR MANAGEMENT REMUNERATION

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

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

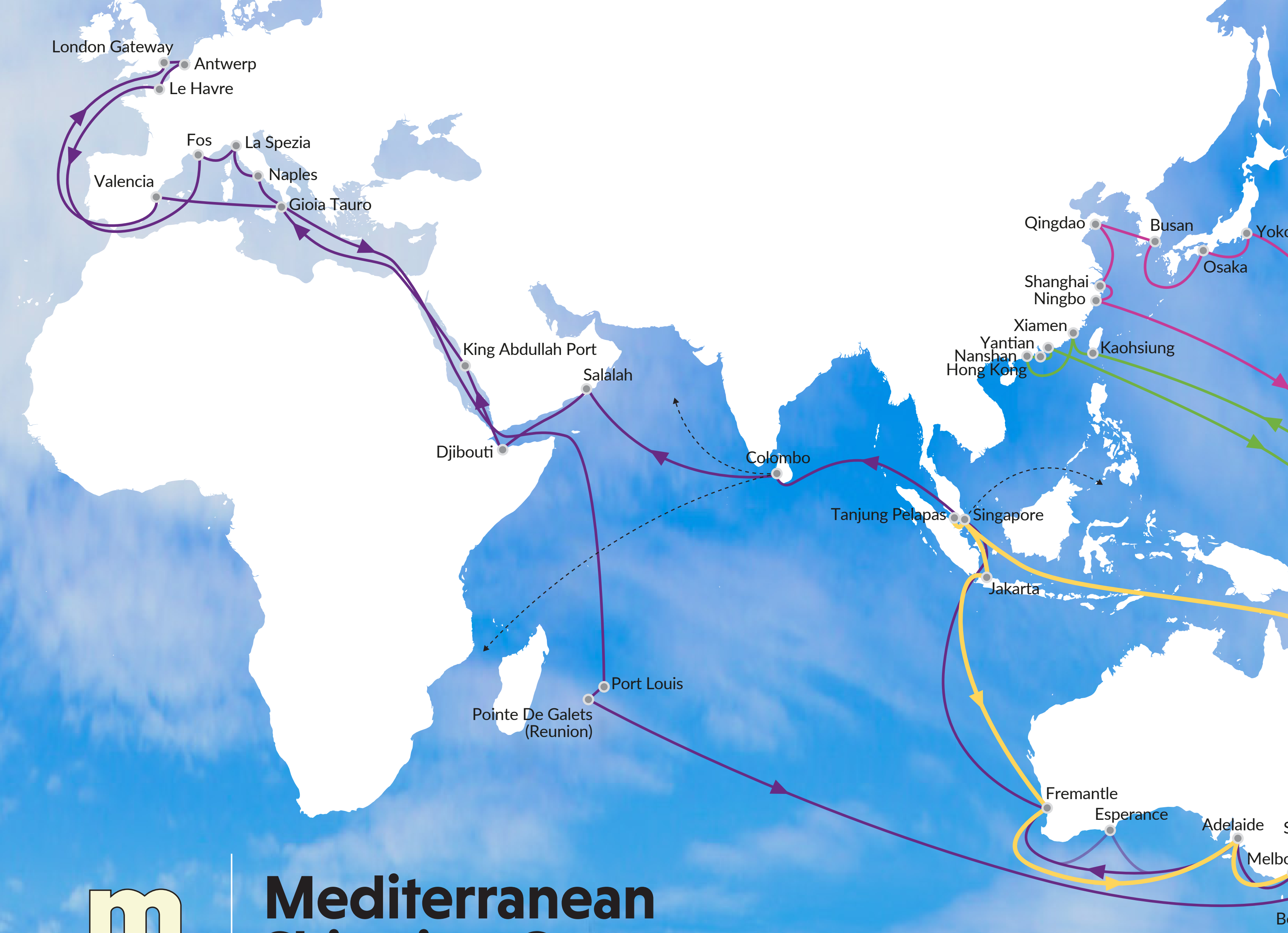
The remuneration policy for senior management is designed to attract, motivate and retain high quality employees who will enable the Company to achieve its short and long term objectives.

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

BOARD OF DIRECTORS REMUNERATION

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

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



Mediterranean Shipping Company

WEEKLY CONTAINER LINE SERVICING BLUFF

SERVICE OVERVIEW

Capricorn

Singapore - Jakarta - Fremantle - Adelaide - Melbourne - Sydney - Bluff - Port Chalmers - Timaru - Lyttelton - Nelson - Wellington - Napier - Tauranga - Auckland - Brisbane - Tanjung Pelepas - Singapore

Australia Express

Sydney - Melbourne - Adelaide - Esperance (Fortnightly) - Fremantle - Singapore - Colombo - Salalah - Djibouti - King Abdullah Port (Saudi Arabia) - Gioia Tauro - Valencia - London Gateway - Antwerp - Le Havre - Fos - La Spezia - Naples - Gioia Tauro - Port Louis - Reunion - Sydney

Panda

Kaohsiung - Xiamen - Nanshan - Hong Kong - Yantian - Melbourne - Sydney - Brisbane - Kaohsiung

Wallaby

Ningbo - Brisbane - Sydney - Melbourne - Sydney - Brisbane - Yokohama - Osaka - Busan - Qingdao - Shanghai - Ningbo

Kiwi

Melbourne - Bell Bay -
Sydney - Brisbane - Noumea -
Tauranga - Auckland -
Bell Bay - Melbourne

Oceanic Loop 1

Melbourne - Sydney - Tauranga -
Oakland - Long Beach -
Auckland - Melbourne

Oceanic Loop 2

Sydney - Melbourne -
Port Chalmers - Napier -
Tauranga - Auckland - Cristobal -
Philadelphia - Charleston -
Balboa - Auckland - Sydney

Transhipments to:

via Singapore: South East Asia

via Cristobal: Canada, South America, Central America

via Colombo: Africa, Middle East

Infrastructure – The Plan

DURING THE CALENDAR YEAR OF 2015 AND THE FIRST HALF OF 2016 THE COMPANY COMPLETED A THOROUGH REVIEW OF KEY PORT INFRASTRUCTURE ASSETS.

The purpose of this review was to develop a long term maintenance strategy for the infrastructure which will provide continuity of port operations for a further 30 years.

The following is a summary of the assets that were focused on because of either their importance to Port operations or deemed to be higher risk assets due to their age profile.

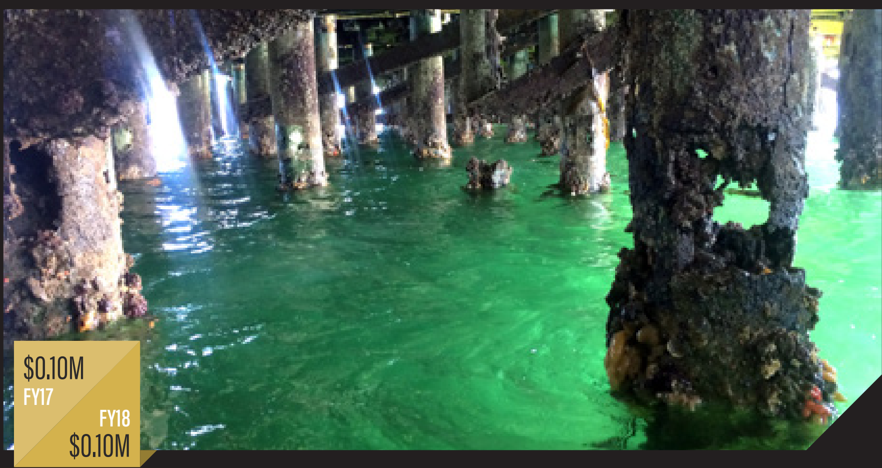
With the review completed, an Asset Management Plan (AMP) was generated which reflects the current condition of these assets and maps out the maintenance programme for the next 10 to 15 years. What this AMP indicates is that the first 5 years will be a period where significant investment is required to ensure the level of service of the Port's critical infrastructure is not compromised.

FY17 was the first year of the AMP roll out and the following is a summary of the work completed and what is in store for FY18.

SIGNIFICANT MAINTENANCE AREA

ISLAND HARBOUR ACCESS BRIDGE

- The most important infrastructure asset South Port owns
- Only access on and off the Port for rail, vehicles and pedestrians
- Almost 60 years old with a significant presence of corrosion
- Maintenance strategy to maintain current level of service
- The strategy chosen to secure the bridge for a further 30 years
- Condition of bridge is continually monitored
- FY19 budget to be between $0.75M and $1.0M



SIGNIFICANT MAINTENANCE AREA

TOWN WHARF

EAST END (FUEL BERTH) & WEST END (FISHING AND BITUMEN)

- The Town Wharf is >150 years old
- Public access prohibited
- Vehicles prohibited
- Fishing fleet to be relocated by December 2017
- Bitumen pipeline to be relocated onto fuel berth by December 2018
- Capital investment required for vehicle access and discharge jetty upgrade

SIGNIFICANT MAINTENANCE AREA

FERRY WHARF

- Areas of the Ferry Wharf are >100 years old
- Increased maintenance required to maintain level of service
- FY17 focused on operational areas with higher traffic volumes
- A similar programme adopted for next 4 years

SIGNIFICANT MAINTENANCE AREA

STEWART ISLAND WHARVES

- South Port owns both Golden Bay and Halfmoon Bay wharves
- Maintenance focused on deck upgrades to maintain level of service
- The upgrade involves concrete reinforced deck replacing old timber
- South Port currently reviewing long term ownership of Golden Bay Wharf

$0.10M FY17
FY18 $0.14M

$0.13M FY17
FY18 $0.20M

SIGNIFICANT MAINTENANCE AREA

FINGER PIER FISHING FACILITY

- Significant investment required to extend the life of the facility
- Public access prohibited
- H&S improvements underway i.e. ladders and handrails
- New licence fee structure being negotiated with berth holders
- Strengthening required to facilitate the vessels from Town Wharf

OTHER MAINTENANCE AREAS

Island Harbour Oyster Wharf	FY17 $0.16M FY18 $0.15M
Island Harbour Cold Store Buildings	FY17 $0.26M FY18 $0.16M
Log Yard Maintenance	FY17 $0.27M FY18 $0.25M
Road Network	FY17 $0.13M FY18 $0.13M
Island Harbour Berth Apron and Fenders	FY17 $0.20M FY18 $0.20M

SUMMARY OF INFRASTRUCTURE MAINTENANCE COSTS

Item	FY17 Costs (M)	FY18 Budget (M)
Access Bridge	0.50	0.50
Town Wharf	0.10	0.10
Ferry Wharf	0.26	0.26
Halfmoon Bay Wharf	0.10	0.14
Finger Pier Facility	0.13	0.20
Oyster Wharf	0.16	0.15
Cold Stores	0.26	0.16
Log Storage	0.27	0.25
Road Network	0.13	0.13
Apron and Fenders	0.20	0.20
Total	**2.11**	**2.09**

WHAT THE FUTURE HOLDS...

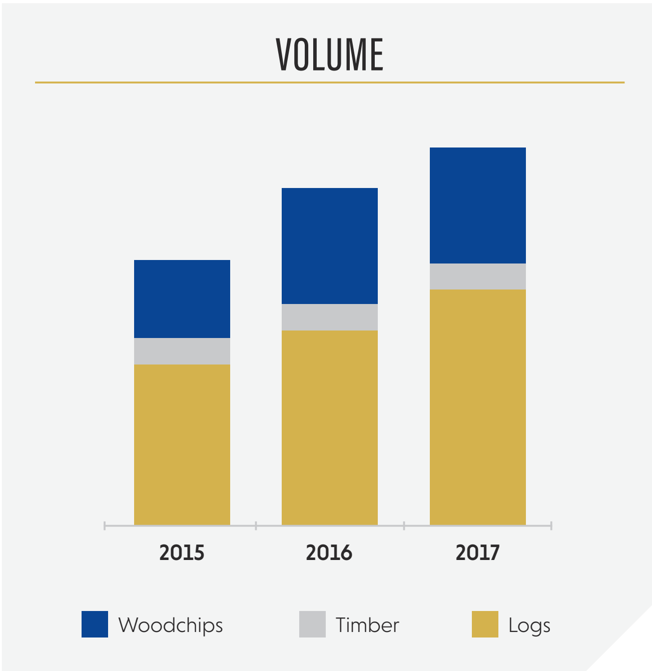
While the Company will continue to monitor the assets discussed above, over the next couple of years it will begin to develop a long term strategy for other important assets such as the sheet piles on key shipping berths and the Oyster Wharf facility. A greater knowledge of these assets is required to ensure appropriate maintenance methodologies are implemented.

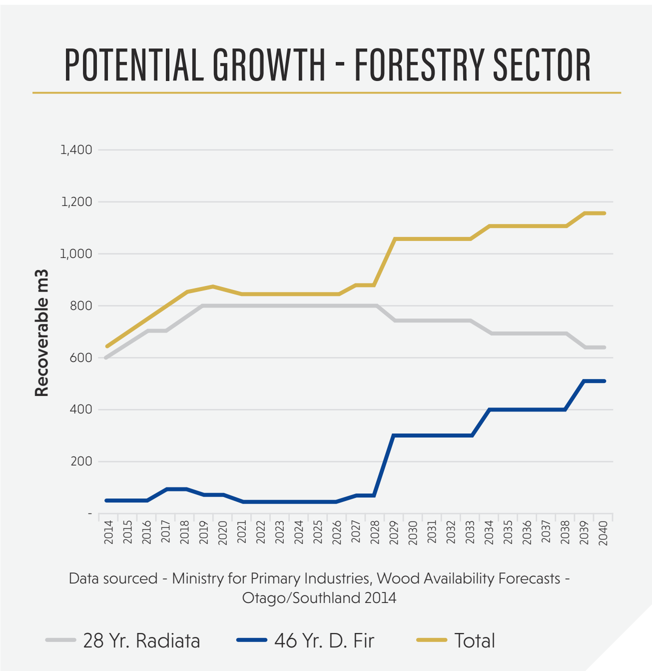
The Company will also be taking a closer look at the Town Wharf and Island Harbour mooring bollards. With the change in vessel type over the years, it is prudent to establish the suitability of the current bollard arrangement as well as undertaking a condition assessment of the assets.

Forestry Focus

FORESTRY PRODUCTION (LOGS/ WOODCHIPS/SAWN TIMBER) EXPORTED THROUGH SOUTH PORT TOOK A FURTHER CLIMB AND NOW REPRESENTS ALMOST 30% OF THE BUSINESS THROUGHPUT.

This consists of both bulk and containerised commodity. Logs in particular are now a significant part of the Port landscape and registered a fresh annual high of 560,000T. In May alone, 83,662T was exported – another Port record. This cargo flow was made possible by a range of important export customers, the largest of which is Rayonier/Matariki Forests. Secondly, to assist the growth of log exports, a 1.0 ha. log storage area will be paved in conjunction with an upgrade of adjoining drainage systems (estimated cost $2.2 million).





2017 LOG VOLUME GENERATED NEW RECORD OF 560,000 TONNES, A LIFT OF 84,000T ON PRIOR YEAR.

BERTH UTILISATION

BERTH 8
49%

BERTH 5
33%

RAIL VS. ROAD UTILISATION

ROAD
80%

RAIL
20%

NUMBER OF VESSELS IN 2017 FOR FORESTRY COMMODITIES

45 VESSELS

2017 LOG VESSEL CALLS VS. 2016

2016
38

2017
34

4 less vessel calls this year but increased annual volume by 84,000T

RECORD MONTH

MAY 2017
83,000T

AMOUNT OF LAND USED FOR FORESTRY PRODUCTS

40,000 m^2

Port Infrastructure


Dry Warehouse No.2 - 1,400m²
Petroleum Import Berth
Cold Stores Foreshore Road 40,600m³
Dry Warehouse No.3A - 4,500m²
Dry Warehouse No.1 - 2,000m²
Dry Warehouse No.3B - 3,300m²
Dry Warehouse No.3C - 1,900m²
Town Wharf
Dry Warehouse No.3 - 2,200m²
Bulk Liquid Storage Facilities
Vacant Land for Development
Dry Warehouse No.6 - 1,500m²
Fishing Boat Piers
Log Storage
Island Harbour Access Bridge
Administration Building
R&D Office
Dedicated Container Servicing Pad
Vacant Land for Development
Bulk Liquid Storage Facilities
Rail Marshalling Yard

Crowe Horwath™

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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 subsidiaries (the Group). The Auditor-General has appointed me, Ken Sandri, using the staff and resources of Crowe Horwath New Zealand Audit 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 37 to 58, that comprise the consolidated statement of financial position as at 30 June 2017, 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 2017, 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 and International Financial Reporting Standards.

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 are independent of the Group in accordance with the Auditor-General's Auditing Standards, which incorporate Professional and Ethical Standard 1 (Revised) *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.

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

Other than in our capacity as auditor and the additional services provided to the Group as outlined in note 7 of the financial statements, 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.

Key Audit Matter	How we addressed the Key Audit Matter
Property, plant and equipment	
As outlined in note 11 of the financial statements, the carrying amount of the Group's property, plant and equipment is $46,570,000. 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) and 3(f) of the financial statements. We treated the application of these accounting policies as a Key Audit Matter because of the: ▪ Significance of the property, plant and equipment in the statement of financial position, ▪ Importance to the Group of maintaining these assets in order to continue to provide expected service levels to customers, and ▪ Degree to which these assets may be susceptible to impairment.	Our procedures included: ▪ Reviewing minutes and reports of the directors and management to identify any critical maintenance discussions, ▪ Assessing that the Group is adhering to its long term property maintenance plan, by comparing actual results against the approved plan, ▪ Assessing the nature of costs incurred in capital projects by testing a sample of costs and determining whether the expenditure met the capitalisation criteria, ▪ 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, ▪ Reviewing the profitability of the Group's operations for indicators of potential impairment, and ▪ Reviewing the Group's assessment of useful lives allocated to all major assets.

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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 33 and 59 to 63, 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 New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards, 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.

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- 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.

Ken Sandri
Crowe Horwath New Zealand Audit Partnership

On behalf of the Auditor-General
Invercargill, New Zealand
24 August 2017

Statement of Comprehensive Income

OF SOUTH PORT NEW ZEALAND LIMITED FOR THE YEAR ENDED 30 JUNE 2017

In Thousands of New Zealand Dollars	NOTE	GROUP 2017	2016
Total operating revenues from port services		36,868	36,718
Total operating expenses	7	(21,549)	(20,646)
Gross profit		15,319	16,072
Administrative expenses		(3,060)	(3,391)
Operating profit before financing costs		12,259	12,681
Financial income		127	9
Financial expenses		(576)	(710)
Net financing costs	6	(449)	(701)
Other income	5	2	176
Surplus before income tax		**11,812**	**12,156**
Income tax		(3,364)	(3,447)
Total income tax	10	(3,364)	(3,447)
Net surplus after income tax		**8,448**	**8,709**
Other comprehensive income		–	–
Total other comprehensive surplus/(loss) after income tax		–	–
Total comprehensive surplus/(loss) after income tax		**8,448**	**8,709**
Basic earnings per share	**16**	**$0.322**	**$0.332**

Statement of Changes in Equity

OF SOUTH PORT NEW ZEALAND LIMITED FOR THE YEAR ENDED 30 JUNE 2017

	GROUP		
In Thousands of New Zealand Dollars	Share Capital	Retained Earnings	Total Equity
Balance 1 July 2015	**9,418**	**23,896**	**33,314**
Profit/(loss) after income tax	–	8,709	8,709
Other comprehensive income	–	–	–
Total comprehensive income	–	8,709	8,709
Contributions by and distributions to owners			
Dividends paid during the period (refer to note 14)	–	(6,427)	(6,427)
Balance as at 30 June 2016	**9,418**	**26,178**	**35,596**
Balance 1 July 2016	**9,418**	**26,178**	**35,596**
Profit/(loss) after income tax	–	8,448	8,448
Other comprehensive income	–	–	–
Total comprehensive income	–	8,448	8,448
Contributions by and distributions to owners			
Dividends paid during the period (refer to note 14)	–	(6,821)	(6,821)
Balance as at 30 June 2017	**9,418**	**27,805**	**37,223**

Statement of Financial Position

OF SOUTH PORT NEW ZEALAND LIMITED AS AT 30 JUNE 2017

In Thousands of New Zealand Dollars	NOTE	GROUP 2017	GROUP 2016
TOTAL EQUITY	**14**	**37,223**	**35,596**
NON-CURRENT ASSETS			
Property, plant and equipment	11	46,570	47,368
Total non-current assets		46,570	47,368
CURRENT ASSETS			
Cash	12	1,675	908
Trade and other receivables	13	4,310	4,743
Total current assets		5,985	5,651
Total assets		**52,555**	**53,019**
NON-CURRENT LIABILITIES			
Employee entitlements	18	67	37
Deferred tax liability	10(d)	441	379
Borrowings	17	9,600	4,000
Financial liabilities	20	254	370
Total non-current liabilities		10,362	4,786
CURRENT LIABILITIES			
Current borrowings	17	–	6,700
Trade and other payables	19	2,898	3,803
Employee entitlements	18	868	1,047
Provision for taxation	10(c)	1,204	1,087
Total current liabilities		4,970	12,637
Total liabilities		**15,332**	**17,423**
TOTAL NET ASSETS		**37,223**	**35,596**
Net asset backing per share		**$1.42**	**$1.36**

On behalf of the Board
Dated 24 August 2017

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 2017

In Thousands of New Zealand Dollars	NOTE	GROUP 2017	GROUP 2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided by (applied to):			
Receipts from customers		37,302	36,347
Payments to suppliers and employees		(21,738)	(20,348)
Interest received		10	9
Interest paid		(572)	(567)
Income taxes paid		(3,185)	(3,351)
Net goods and services tax paid		251	(227)
Net cash flow from operating activities	**23**	**12,068**	**11,863**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided by (applied to):			
Proceeds from disposal of shares/investments		–	–
Proceeds from disposal of non-current assets		2	206
Acquisition of other non-current assets		(3,382)	(9,387)
Net cash used in investing activities		**(3,380)**	**(9,181)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided by (applied to):			
Dividend paid		(6,821)	(6,427)
Drawdown/(repayment) of borrowings		(1,100)	2,500
Net cash used in financing activities		**(7,921)**	**(3,927)**
NET INCREASE (DECREASE) IN CASH HELD		767	(1,245)
Add cash at beginning of year		908	2,153
Net foreign exchange differences		–	–
TOTAL CASH AT END OF YEAR	**12**	**1,675**	**908**

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 2017

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 2017 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 24 August 2017.

(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

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 stated at their cost less impairment losses.

Interest-bearing borrowings

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

Trade and other payables

Trade and other payables are stated at cost.

(ii) Derivative financial instruments 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.

Cash Flow Hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in cash flow hedge reserve to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires, or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in the hedging reserve remains there until the highly probable forecast transaction, upon which the hedging was based, occurs. When the hedged item is a non financial asset, the amount recognised in the hedging reserve is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in the hedging reserve is transferred to the profit or loss in the same period that the hedged item affects the profit or loss.

Interest rate swaps

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

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

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

(e) Property, Plant & Equipment

(i) Recognition and measurement

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

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

(ii) Subsequent expenditure

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

(iii) Disposal of property, plant and equipment

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

(iv) Depreciation

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

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

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

(f) Impairment

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

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

(i) Impairment of receivables

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

(g) Provisions

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

(h) Revenue

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

(i) Services

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

(ii) Rental Income

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

(iii) Deferred Revenue

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

(i) Lease Payments

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

(j) Finance Income and Expenses

Finance income comprises interest income on funds invested, dividend income, foreign currency gains and changes in the fair value of financial assets at fair value through profit or loss.

Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Group's right to receive payment is established.

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

There are no new, revised or amended accounting standards issued by the International Accounting Standards Board (IASB) and the New Zealand Accounting Standards Board (NZASB) that are mandatory for application by the Group for the financial year beginning 1 July 2016.

(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 2017 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.

- **NZ IFRS 9: Financial Instruments –** this standard will replace NZ IAS 39: Financial Instruments – Recognition and Measurement and is expected to be adopted by the Group in the financial statements for the year ending 30 June 2019 (effective date 1 January 2018).

  NZ IFRS 9 introduces new requirements for the classification and measurement of financial assets. Financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new "expected credit loss" model for calculating impairment.

  NZ IFRS 9 also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationship or the requirement to measure and recognise the ineffectiveness, however, it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgement to assess that effectiveness of hedging relationships.

  The Group does not expect the standard to have a material impact on the financial statements and will likely result in small changes being required in the Group's disclosures in regard to the classification of financial assets.

- **NZ IFRS 15: Revenue from Contracts with Customers –** this standard is expected to be adopted by the Group in the financial statements for the year ending 30 June 2019 (effective date 1 January 2018).

  NZ IFRS 15 establishes principles for reporting about the nature, amount, timing and uncertainty of revenue arising from an entity's contracts with customers. The model features a contract-based five step analysis of transactions to determine whether, how much and when revenue is recognised.

  The Group does not expect the standard to have a material impact on the measurement of the Group's revenue.

- **NZ IFRS 16: Leases –** this standard is expected to be adopted by the Group in the financial statements for the year ending 30 June 2020 (effective date 1 January 2019).

  NZ IFRS 16 abolishes the concept of the operating lease and effectively requires all leases to be treated as finance leases. The standard requires lease agreements (for lessees) to be recognised on balance sheet as a right-to-use asset, with a corresponding liability.

  The Group does not expect the standard to have a material impact on the financial statements as most leases held by the Group are as lessor. There is likely to be only one land lease that will have to be recognised on the balance sheet as a right-to-use asset (with a corresponding liability) and this lease is not material.

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 OTHER INCOME

In Thousands of New Zealand Dollars	GROUP 2017	GROUP 2016
Gain on sale of property, plant and equipment	2	176
Total other income	**2**	**176**

6 FINANCE INCOME AND EXPENSES

In Thousands of New Zealand Dollars	GROUP 2017	GROUP 2016
INCOME		
Interest income	10	9
Dividend income	–	–
Change in fair value of interest rate swap	117	–
Total financial income	127	9
EXPENSES		
Interest expense	(576)	(572)
Change in fair value of interest rate swap	–	(138)
Total financial expenses	(576)	(710)
Net finance costs	**(449)**	**(701)**

7 OPERATING EXPENSES

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

In Thousands of New Zealand Dollars	GROUP 2017	GROUP 2016
Auditors' remuneration for audit services	50	45
Auditors' remuneration for other guidance	–	–
Amount paid for employment consultancy services (to associated entity of auditors)	1	2
Bad debts written off	11	3
Depreciation of property, plant & equipment	3,291	3,019
Directors' fees	273	236
Donations	4	4
Rental and lease expenses	380	439
Increase/(decrease) in liability for long-service leave	30	(3)
Loss on disposal of assets	5	24

8 EMPLOYEE BENEFITS EXPENSE

In Thousands of New Zealand Dollars	GROUP 2017	GROUP 2016
Salaries and wages	9,249	8,999
Defined contribution plans	299	298
Other employee benefits	181	173
	9,729	**9,470**

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:

	GROUP	
In Thousands of New Zealand Dollars	2017	2016
Short-term employee benefits	1,499	1,362
Defined contribution plans	68	64
Other long-term employee benefits	21	2
	1,588	**1,428**

10 | INCOME TAXES

	GROUP	
In Thousands of New Zealand Dollars	2017	2016
(A) INCOME TAX RECOGNISED IN PROFIT OR LOSS		
Tax expense/(income) comprises:		
Current tax expense / (credit):		
Current year	3,319	3,392
Adjustments for prior years	(17)	(6)
	3,302	3,386
Deferred tax expense / (credit)		
Origination and reversal of temporary differences	62	61
Adjustments for prior years	–	–
	62	61
Total tax expense / (income)	**3,364**	**3,447**
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	11,812	12,156
Income tax expense (credit) calculated at 28%	3,307	3,404
Temporary differences	15	4
Non-deductible expenses	59	84
Non assessable income	–	(39)
	3,381	3,453
Adjustments for prior years	–	–
(Over) / under provision of income tax in previous year	(17)	(6)
Income tax expense (credit)	**3,364**	**3,447**

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.

In Thousands of New Zealand Dollars	GROUP 2017	2016
(C) CURRENT TAX ASSETS AND LIABILITIES		
Current tax refundable:		
Current tax refundable	–	–
Current tax payable:		
Current tax payable	1,204	1,087

(D) DEFERRED TAX BALANCES COMPRISE:

Taxable and deductible temporary differences arising from the following:

In Thousands of New Zealand Dollars	GROUP 2017 1 July 2016 Opening Balance	Recognised in profit/loss	Recognised in equity	30 June 2017 Closing Balance
Gross deferred tax liabilities:				
Other financial assets	–	–	–	–
Property, plant and equipment	(638)	–	–	(638)
	(638)	–	–	(638)
Gross deferred tax assets:				
Other financial assets / liabilities	–	–	–	–
Employee entitlements	259	(62)	–	197
	259	(62)	–	197
Net deferred tax asset / (liability)	**(379)**	**(62)**	–	**(441)**

In Thousands of New Zealand Dollars	GROUP 2016 1 July 2015 Opening Balance	Recognised in profit/loss	Recognised in equity	30 June 2016 Closing Balance
Gross deferred tax liabilities:				
Other financial assets	–	–	–	–
Property, plant and equipment	(545)	(93)	–	(638)
	(545)	(93)	–	(638)
Gross deferred tax assets:				
Other financial assets / liabilities	–	–	–	–
Employee entitlements	228	31	–	259
	228	31	–	259
Net deferred tax asset / (liability)	**(317)**	**(62)**	**–**	**(379)**

In Thousands of New Zealand Dollars	GROUP 2017	GROUP 2016
(E) IMPUTATION CREDIT ACCOUNT BALANCES		
Balance at beginning of year	8,434	7,547
Less Taxation (payable) receivable 2016	(1,087)	(1,052)
Taxation paid	3,184	3,352
Attached to dividends paid	(2,653)	(2,500)
Add Taxation payable (receivable) 2017	1,204	1,087
Balance at end of year	**9,082**	**8,434**

11 PROPERTY, PLANT AND EQUIPMENT

2017

In Thousands of New Zealand Dollars	Cost 1 July 2016	Additions	Additions through Business Combinations	Disposals	Other	Cost 30 June 2017	Accumulated Depn and Impairment charges 1 July 2016	Depn Expense	Accumulated Depn reversed on Disposal	Other	Accumulated Depn and Impairment charges 30 June 2017	Carrying Amt 30 June 2017
Land	2,932	12	–	–	–	2,944	–	–	–	–	–	2,944
Buildings	20,796	464	–	–	(1,195)	20,065	5,691	411	–	–	6,102	13,963
Plant & machinery	63,680	2,027	–	(382)	1,195	66,520	34,349	2,880	(377)	5	36,857	29,663
	87,408	**2,503**	–	**(382)**	–	**89,529**	**40,040**	**3,291**	**(377)**	**5**	**42,959**	**46,570**

2016

In Thousands of New Zealand Dollars	Cost 1 July 2015	Additions	Additions through Business Combinations	Disposals	Other	Cost 30 June 2016	Accumulated Depn and Impairment charges 1 July 2015	Depn Expense	Accumulated Depn reversed on Disposal	Other	Accumulated Depn and Impairment charges 30 June 2016	Carrying Amt 30 June 2016
Land	2,713	219	–	–	–	2,932	–	–	–	–	–	2,932
Buildings	16,218	4,578	–	–	–	20,796	5,349	342	–	–	5,691	15,105
Plant & machinery	60,020	5,053	–	(1,393)	–	63,680	32,975	2,677	(1,332)	29	34,349	29,331
	78,951	**9,850**	**–**	**(1,393)**	**–**	**87,408**	**38,324**	**3,019**	**(1,332)**	**29**	**40,040**	**47,368**

Impairment – During the year ended 30 June 2017 there were no impairment losses (2016: nil) which were recorded in the Statement of Comprehensive Income.

12 CASH AND CASH EQUIVALENTS

In Thousands of New Zealand Dollars	GROUP 2017	GROUP 2016
Bank balances	1,671	904
Call deposits	4	4
Cash and cash equivalents	**1,675**	**908**
Bank overdrafts used for cash management purposes	–	–
Cash and cash equivalents in the statement of cash flows	**1,675**	**908**

13 RECEIVABLES AND ADVANCES

In Thousands of New Zealand Dollars	GROUP 2017	2016
Prepayments	47	53
Trade receivables	4,288	4,740
Provision for doubtful debts	(25)	(50)
	4,310	**4,743**

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 2017	2016
2016 final dividend paid on all ordinary shares @ 18.50 cents per share (2015: 17.00 cents)	4,854	4,460
2017 interim: on all ordinary shares @ 7.50 cents per share (2016: 7.50 cents)	1,967	1,967
Total distributions to shareholders	**6,821**	**6,427**

After 30 June 2017 the following dividends were proposed by the directors for 2017. 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	2017
2017 final dividend payable on 7 November 2017 @ 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 59.

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 2017 and 30 June 2016.

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 2017 was based on the profit attributable to ordinary shareholders of $8,448,000 (2016: $8,709,000) and a weighted average number of ordinary shares outstanding of 26,234,898 (2016: 26,234,898). Basic and diluted EPS are the same value.

17 | LOANS AND BORROWINGS

	GROUP	
In Thousands of New Zealand Dollars	**2017**	**2016**
Non-current		
Hong Kong and Shanghai Banking Corporation (HSBC)	9,600	4,000
	9,600	4,000
Current		
Hong Kong and Shanghai Banking Corporation (HSBC)	–	6,700
	–	6,700
Total Borrowings	**9,600**	**10,700**

South Port New Zealand Limited's credit facility of $17 million (2016: $17 million) from HSBC is split between three different lines of credit as follows:

- Facility 1 - $8 million expiring 31 October 2019
- Facility 2 - $4 million expiring 31 October 2019
- Facility 3 - $5 million expiring 31 October 2019

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.

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 2019) the Company has with HSBC. The Group had a three year interest rate cap in place for $3 million which expired on 3 March 2017. 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

	GROUP	
In Thousands of New Zealand Dollars	**2017**	**2016**
Wages, salaries, annual Leave	852	1,032
Long service leave	83	52
Balance at end of year	**935**	**1,084**
Current	**868**	**1,047**
Non-current	**67**	**37**
Total Provisions	**935**	**1,084**

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

	GROUP	
In Thousands of New Zealand Dollars	**2017**	**2016**
Trade creditors and accruals	2,898	3,803
	2,898	**3,803**

20 FINANCIAL LIABILITIES

	GROUP	
In Thousands of New Zealand Dollars	**2017**	**2016**
Non-current		
Interest rate derivatives	254	370
	254	**370**

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 that 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 that 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 $2,898,000 (2016: $3,803,000) which are all due within 30 days, and loans and borrowings totalling $9,600,000 (2016: $10,700,000) 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 three 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 (2016: nil).

INTEREST RATE RISK

Interest payable to HSBC is charged on the following basis:
(i) 5 year interest rate swap; and
(ii) 3 year interest rate cap (expired March 2017); and
(iii) Variable rates based on the BKBM.

During the period the range of variable interest rates applying to the credit facility were between 2.63% and 3.155% (2016: 3.045% and 4.34%). The Company is exposed to normal fluctuations in market interest rates.

Interest rate swap – South Port NZ Ltd has an interest rate swap in place which matures in November 2019. The interest rate swap has a fixed swap rate of 4.45% with a notional contract amount of $5 million at 30 June 2017 (2016: $5 million at 4.45% maturing November 2019).

Interest rate cap – South Port NZ Ltd had an interest rate cap in place which matured in March 2017. The interest rate cap had a fixed cap rate of 5.00% with a notional contract amount of $3 million which expired March 2017 (2016: $3 million).

CREDIT FACILITY

At balance date the Group had a total loan facility of $17 million (2016: $17 million), of which $9,600,000 (2016: $10,700,000) had been drawn down.

The Group also has an overdraft facility of $200,000 (2016: $200,000), of which $0 (2016: $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:

2017

In Thousands of New Zealand Dollars	Loans and Receivables	Financial Liabilities at Fair Value through Profit or Loss	Financial Liabilities at Amortised Cost	Total Carrying Amount
Assets				
Cash	1,675	–	–	1,675
Trade and other receivables	4,310	–	–	4,310
Total current assets	5,985	–	–	5,985
Total assets	**5,985**	**–**	**–**	**5,985**
Liabilities				
Interest rate derivatives	–	254	–	254
Borrowings	–	–	9,600	9,600
Total non-current liabilities	–	254	9,600	9,854
Borrowings	–	–	–	–
Trade and other payables	–	–	2,898	2,898
Total current liabilities	–	254	2,898	2,898
Total liabilities	**–**	**254**	**12,498**	**12,752**

2016

In Thousands of New Zealand Dollars	Loans and Receivables	Financial Liabilities at Fair Value through Profit or Loss	Financial Liabilities at Amortised Cost	Total Carrying Amount
Assets				
Cash	908	–	–	908
Trade and other receivables	4,743	–	–	4,743
Total current assets	5,651	–	–	5,651
Total assets	**5,651**	**–**	**–**	**5,651**
Liabilities				
Interest rate derivatives	–	370	–	370
Borrowings	–	–	4,000	4,000
Total non-current liabilities	–	370	4,000	4,370
Borrowings	–	–	6,700	6,700
Trade and other payables	–	–	3,803	3,803
Total current liabilities	–	–	10,503	10,503
Total liabilities	**–**	**370**	**14,503**	**14,873**

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:

2017

In Thousands of New Zealand Dollars	Weighted Average Effective Interest Rate	CCAF Interest Rate	Carrying Value $'000	Contractual Cashflows $'000	Less than 1 year $'000	1 - 2 years $'000	2 - 3 years $'000	3 - 4 years $'000	4 - 5 years $'000	5 + years $'000	Non Interest Bearing
Financial assets:											
Cash & cash equivalents	1.75%	1.75%	1,675	1,676	1,676	–	–	–	–	–	–
Trade & other receivables	–	–	4,310	4,310	4,310	–	–	–	–	–	4,310
Financial liabilities:											
Trade & other payables	–	–	(2,898)	(2,898)	(2,898)	–	–	–	–	–	(2,898)
Borrowings (non-current)	3.58%	2.64%	(9,600)	(10,192)	(253)	(253)	(9,685)	–	–	–	–
Interest rate derivatives	4.45%	2.47%	(254)	(310)	(124)	(124)	(63)	–	–	–	–
			(6,767)	**(7,415)**	**2,710**	**(377)**	**(9,748)**	**–**	**–**	**–**	**1,412**

2016

In Thousands of New Zealand Dollars	Weighted Average Effective Interest Rate	CCAF Interest Rate	Carrying Value $'000	Contractual Cashflows $'000	Less than 1 year $'000	1 - 2 years $'000	2 - 3 years $'000	3 - 4 years $'000	4 - 5 years $'000	5 + years $'000	Non Interest Bearing
Financial assets:											
Cash & cash equivalents	1.80%	1.80%	908	908	908	–	–	–	–	–	904
Trade & other receivables	–	–	4,743	4,743	4,743	–	–	–	–	–	4,743
Interest rate derivatives	5.00%	5.00%	–	–	–	–	–	–	–	–	–
Financial liabilities:											
Trade & other payables	–	–	(3,803)	(3,803)	(3,803)	–	–	–	–	–	(3,803)
Borrowings (non-current)	4.45%	3.07%	(4,000)	(4,410)	(123)	(123)	(123)	(4,041)	–	–	–
Borrowings (current)	3.29%	3.09%	(6,700)	(6,855)	(6,855)	–	–	–	–	–	–
Interest rate derivatives	4.45%	2.07%	(370)	(361)	(103)	(103)	(103)	(52)	–	–	–
			(9,222)	**(9,779)**	**(5,233)**	**(226)**	**(226)**	**(4,093)**	**–**	**–**	**1,844**

CREDIT RISK

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

In Thousands of New Zealand Dollars	Gross Receivable 2017	Doubtful Debts 2017	Gross Receivable 2016	Doubtful Debts 2016
Not past due	4,214	5	3,320	–
Past due 0-30 days	35	4	1,109	–
Past due 31-120 days	46	8	241	7
Past due 121-360 days	(8)	5	65	43
Past due more than 1 year	1	3	5	–
Total	**4,288**	**25**	**4,740**	**50**

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:

2017

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
Financial assets													
Cash and cash equivalents	1,675	(17)	–	17	–	–	–	–	–	–	–	–	–
Trade and other receivables	4,310	–	–	–	–	–	–	–	–	–	–	–	–
Financial liabilities													
Loans and borrowings (non-current)	9,600	96	–	(96)	–	–	–	–	–	–	–	–	–
Loans and borrowings (current)	–	–	–	–	–	–	–	–	–	–	–	–	–
Trade and other payables	2,898	–	–	–	–	–	–	–	–	–	–	–	–
Interest rate derivatives	254	(125)	–	125	–	–	–	–	–	–	–	–	–
Total increase/(decrease)		**(46)**	**–**	**46**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

2016

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
Financial assets													
Cash and cash equivalents	908	–	–	–	–	–	–	–	–	–	–	–	–
Trade and other receivables	4,743	–	–	–	–	–	–	–	–	–	–	–	–
Financial liabilities													
Loans and borrowings (non-current)	4,000	40	–	(40)	–	–	–	–	–	–	–	–	–
Loans and borrowings (current)	6,700	67	–	(67)	–	–	–	–	–	–	–	–	–
Trade and other payables	3,803	–	–	–	–	–	–	–	–	–	–	–	–
Interest rate derivatives	370	(175)	–	175	–	–	–	–	–	–	–	–	–
Total increase/(decrease)		**(68)**	**–**	**68**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

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 (2016: -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 2017 or 2016 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% (2016: -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:

		VALUATION TECHNIQUE		2017
In Thousands of New Zealand Dollars	Total	Level 1	Level 2	Level 3
Financial assets				
Derivatives – interest rate caps	–	–	–	–
Financial liabilities				
Derivatives – interest rate swaps	254	–	254	–

		VALUATION TECHNIQUE		2016
In Thousands of New Zealand Dollars	Total	Level 1	Level 2	Level 3
Financial assets				
Derivatives – interest rate caps	–	–	–	–
Financial liabilities				
Derivatives – interest rate swaps	370	–	370	–

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 as 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 2017, South Port Group had entered into capital expenditure commitments to complete paving on Berth 5 and to purchase a parcel of land situated on the Island Harbour from KiwiRail. The total cost of this capital is estimated to be $260,000 (2016: Completion of new warehouse at Mersey St, plus land purchase on Island Harbour from KiwiRail at a total estimated cost of $706,000).

Operating lease commitments as Lessee

Gross commitments under non-cancellable operating leases for the Group (as Lessee):

	GROUP	
In Thousands of New Zealand Dollars	2017	2016
Within one year	246	379
One to five years	255	624
More than five years	–	32
	501	**1,035**

Operating lease commitments (as Lessee) relate to two forklift leases with Gough Finance Limited which both expire in September 2018 and 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.

The Group also leases certain land and buildings. This lease is for a period of six years with a renewal option in September 2018.

Operating leases where the Group is the Lessor

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

	2017			2016		
In Thousands of New Zealand Dollars	Cost	Accumulated Depreciation	Book Value	Cost	Accumulated Depreciation	Book Value
Land	750	–	750	750	–	750
Buildings	16,603	6,371	10,232	16,254	5,986	10,268
	17,353	**6,371**	**10,982**	**17,004**	**5,986**	**11,018**

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):

	GROUP	
In Thousands of New Zealand Dollars	2017	2016
Within one year	3,052	3,639
One to five years	8,642	8,860
More than five years	44,088	45,925
	55,782	**58,424**

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.

Contingent liabilities

There are no known material contingent liabilities (2016: nil).

23 | NET CASH FLOW FROM OPERATING ACTIVITIES

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

	GROUP	
In Thousands of New Zealand Dollars	**2017**	**2016**
Surplus after taxation	8,448	8,709
Add/(less) items classified as investing/financing activities		
Foreign exchange (gain)/loss	–	–
	–	–
Add/(less) non-cash items		
Depreciation	3,291	3,019
Net (gain)/loss on disposal	3	(152)
Decrease/(increase) in value of forward exchange contracts and interest rate swaps	(117)	138
(Decrease)/increase in deferred tax liability	63	62
	3,240	**3,067**
Add/(less) movement in working capital		
Decrease/(increase) in trade debtors and other receivables	401	(375)
(Decrease)/increase in trade creditors and other payables	(138)	428
(Decrease)/increase in the provision for income tax	117	34
	380	**87**
Net cash provided by operating activities	**12,068**	**11,863**

24 | 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 $9.48 million for the year ended 30 June 2017 (2016: $8.52 million).

25 | RELATED PARTY TRANSACTIONS

During the year South Port New Zealand Limited provided cold storage facilities and leased warehousing, land and wharf facilities to Sanford Bluff for $424,000 (2016: $557,000). Sanford Limited debtors balance at 30 June 2017 was $27,000. Mr T.M. Foggo, a Director of South Port New Zealand Limited is the Salmon & Aquaculture Development Manager of Sanford Limited. All of these transactions were conducted on an arm's length basis at market rates.

All balances owing by Sanford are due by the 20th of the month following invoice and all overdue invoices are subject to interest on arrears. During the year ended 30 June 2017 no amounts invoiced to Sanford were written off as bad debts or included in the doubtful debts provision at balance date (2016: nil).

Controlling entity

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

Please refer to note 26 for additional related party transactions disclosed separately in relation to the Company's subsidiary Awarua Holdings Ltd.

26 | INVESTMENT IN SUBSIDIARY COMPANY

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

All balances owed to Awarua Holdings Ltd by South Port NZ Ltd are classified as inter-entity receivables and are repayable on demand. During the year ended 30 June 2017 no amounts invoiced by Awarua Holdings Ltd were written off as bad debts or included in the doubtful debts provision at balance date (2016: nil).

Total management fees paid to Awarua Holdings Ltd during the year were $1,391,000 (2016: $1,320,000).

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.

27 | SUBSEQUENT EVENTS

On 24 August 2017 the Board declared a final dividend for the year to 30 June 2017 for 18.50 cents per share amounting to $4.854 million (before supplementary dividends). (2016: Final dividend declared for 18.50 cents per share amounting to $4.854 million.)

28 | AUTHORISATION FOR ISSUE

The Chief Executive, Mark O'Connor, Finance Manager, Lara Stevens, and Directors certify that these Financial Statements comply with generally accepted accounting standards and New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS), and present a true and fair view of the financial affairs of the Group. This being the case, the Directors authorised the Financial Statements for issue on 24 August 2017.

Cruise Ship L'Austral, one of a number of cruise ships to visit the Port over the past season

Financial and Operational Five Year Summary

In Thousands of New Zealand Dollars	2017	2016	2015	2014	2013
FIVE YEAR GROUP FINANCIAL SUMMARY					
Revenue	36,997	36,903	34,584	31,441	29,534
Net operating surplus	11,812	12,156	10,781	9,339	9,029
Group surplus after tax	8,448	8,709	7,737	6,681	6,503
Operating cashflow	12,068	11,863	11,990	8,759	8,925
Shareholders distributions paid	6,821	6,427	6,034	5,641	5,509
Total shareholders' equity	37,223	35,596	33,314	31,408	30,571
Net interest bearing debt	9,600	10,700	8,200	10,301	6,201
Property, plant and equipment	46,570	47,368	40,627	34,741	35,795
Capital expenditure	2,503	9,850	7,239	2,888	8,574
Total assets	52,555	53,019	47,153	45,727	41,277
Interest cover (times)	21.5	22.3	15.4	17.6	20.2
Shareholders' equity ratio	70.8%	67.1%	70.7%	68.7%	74.1%
Return on shareholders' funds*	23.2%	25.3%	23.9%	21.6%	21.6%
Return on assets*	23.5%	25.4%	24.8%	22.8%	25.0%
Earnings per share	32.2c	33.2c	29.5c	25.5c	24.8c
Operating cashflow per share	46.0c	45.2c	45.7c	33.4c	34.0c
Dividends declared per share	26.00c	26.00c	24.00c	22.00c	22.00c
Net asset backing per share	$1.42	$1.36	$1.27	$1.20	$1.17

* Based on average of period start and year end balances

	2017	2016	2015	2014	2013
OPERATIONAL SUMMARY					
Cargo throughput (000's tonnes)	3,053	3,048	2,861	2,719	2,513
Cargo ship departures	312	317	301	316	336
Gross registered tonnage (000's tonnes)	5,821	5,611	5,266	5,160	5,033
Number of permanent employees	92	95	92	77	80
Total cargo ship days in port	933	937	739	932	840
Turn-around time per cargo ship (days)	2.99	2.96	2.45	2.95	2.50
Cargo tonnes per ship	9,785	9,615	9,505	8,604	7,479
Dry warehousing capacity (m2)	38,100	36,200	32,200	33,300	33,300
Cold/cool storage capacity (m3)	80,115	80,115	80,115	80,115	80,115

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

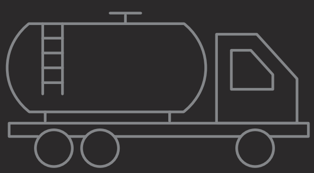
Bollard pull refers to a test of a tug's capability to pull, measuring how many tonnes of pull are being applied.

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

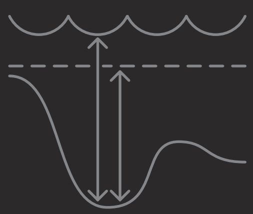
Area designed to contain any spills.

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

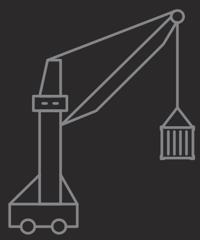
Cargo containing the shipments of two or more shippers, usually coordinated by a consolidator.

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.

HOIST / FORK HOIST

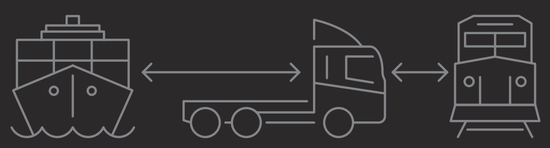
Heavy forklift machine used for lifting and stacking containers and cargo.

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.



INTERMODAL

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

INTERNAL MOVEMENT VEHICLE

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

LASH

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

LINE HANDLING

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

MARINE SERVICES

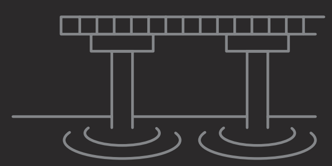
On-water services, such as piloting, towing and line handling for vessels as they arrive, depart or are moved between berths.

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

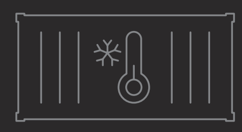
Heavy hoist machine that stacks containers.

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

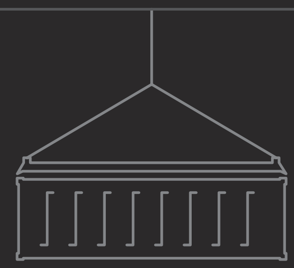
Controlled temperature container suitable for chilled or frozen cargoes. Also referred to as reefer container. A reefer container can be a porthole (must be fitted with or to refrigerating equipment) or an integral (has built-in refrigeration equipment).

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.

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.

Management Team
L-R / Frank O'Boyle, Geoff Finnerty, Lara Stevens, Mark O'Connor, Murray Wood, Nigel Gear

South Port Directory

DIRECTORS

Rex Chapman
Chairman

Rick Christie

Philip Cory-Wright

Thomas Foggo

Clare Kearney

Jeremy McClean

CORPORATE EXECUTIVES

Mark O'Connor
Chief Executive

Geoff Finnerty
Port Operations Manager

Nigel Gear
Commercial Manager

Frank O'Boyle
Infrastructure Manager

Lara Stevens
Finance Manager

Murray Wood
Warehousing Manager

GROUP COMPANIES

Parent Company
South Port New Zealand Limited

Subsidiary
Awarua Holdings Limited

AUDITOR

Crowe Horwath as Agent for the Controller and Auditor General

173 Spey Street, Invercargill 9840

SOLICITORS

Preston Russell Law
45 Yarrow Street, Invercargill 9840

AWS Legal
151 Spey Street, Invercargill 9840

BANKERS

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

ACCOUNTANTS

McIntyre Dick & Partners
160 Spey Street, Invercargill 9840

SHARE REGISTER

Link Market Services Ltd
PO Box 91976, Auckland 1142
Level 11 Deloitte Centre,
80 Queen Street, Auckland 1010

REGISTERED OFFICE

Island Harbour, PO Box 1, Bluff 9842

CONTACT DETAILS

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Photographs kindly provided by **Chris Howell** and **Tammi Topi**

Design by **Market South**

Southern Region Production/Cargo Locations

1	KM from bluff
GrainCorp	0
Agrifeeds	0
ADM NZ	0
Ravensdown	0
Sanford Bluff	0
Southfish	0
Stolthaven	0
Wilbur-Ellis (NZ)	0
NZAS Tiwai Smelter	30

2	
Ballance Agri-Nutrients	15
Open Country Dairy	15
South Pacific Meats	15
Southwood Export	15

3	
Stabicraft Marine	23
International Specialty Aggregates	27
Quality Foods Southland	27
Sims Pacific Metals	27
Rayonier Matariki	28
Prime Range Meats	33

4	
Niagara Sawmilling	38
Silver Fern Farms - Kennington Plant	38
Blue Sky Meats	55

5	
Alliance Lorneville Plant	40
Alliance Makarewa Plant	45
Pyper's Produce	45


Queenstown
Te Anau
Mossburn
Lumsden
Tapanui
Gore
Mataura
Edendale
Balclutha
Tuatapere
Winton
Bluff
TE MATUA
HAUROKO

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