South Port NZ

annual TWENTY THIRTEEN report

CONTENTS

Financial CALENDAR

22 August 2013	• 2013 Full Year Profit Announcement Date
20 September 2013	• Close of Share Register for Entitlement to Final Dividend
29 October 2013	• Proxies must be lodged by 10.45 a.m.
31 October 2013	• Annual Meeting – 10.45 a.m. Venue: South Port Board Room, Island Harbour, Bluff
8 November 2013	• Final Dividend Payment mailed
13 February 2014	• 2014 Interim Profit Announcement
March 2014	• 2014 Interim Dividend Payment
30 June 2014	• 2014 Financial Year End

Ultimate Goal

"South Port will be the best cargo distribution option for all Southern businesses through the application of quality processes and innovation."

Key Objectives

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

Company PROFILE

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

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

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

South Port FACTS

- **Owns and manages assets which have a book value of $41 million**
- **Directly employs more than 80 full time equivalent staff**
- **Is the only Southland based company listed on NZX – market capitalisation as at 30 June 2013 equates to $81 million**
- **Handles in excess of 2.5 million tonnes of cargo in a normal trading year**
- **Offers full container, break-bulk and bulk cargo capability and services the following main cargoes:**
  IMPORT – alumina, petroleum products, fertiliser, acid, fish, stock food and cement
  EXPORT – aluminium, timber, logs, dairy, meat by-products and woodchips
- **Has split its land-based operating resource into four main divisions – dairy warehousing, containers, cool & 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**
- **Services vessels carrying approximately 1.0 million tonnes of cargo destined for movement across the Tiwai Wharf each year, of which 2/3 is raw material imports while 1/3 is finished aluminium product**
- **Has approximately 7 ha of on-port land available for further port development or industry establishment**

Coastal Oil Logistics bulk carrier "Torea" heading for Bluff

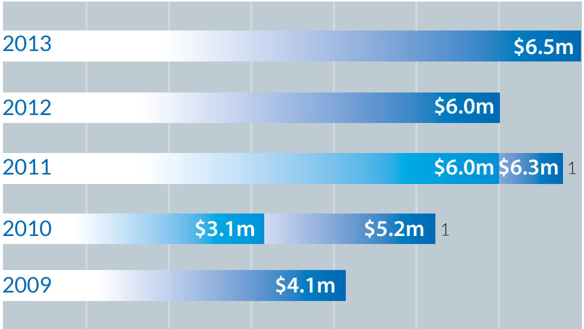

Unloading fertiliser to hopper and then onto trucks

2012/13 SIGNIFICANT EVENTS

- **Delivered record $6.50 million profit result (2012 - $5.99 million)** aided by warehousing acquisition and steady cargo activity across most sectors. Prior year's profit included $270,000 gain on sale of surplus mobile harbour crane.
- **Declared improved dividend of 22.0 cents** per share (2012 - 20.0 cents).
- **Impacted by lower NZAS throughput, South Port's overall cargo decreased by 7%** or 180,000 tonnes **to register at 2.51 million tonnes** (2012 - 2.69 million). Other cargoes to come under pressure included stock food and wood chips.
- Achieved **continued improvement in Lost Time Injury (LTI) frequency rate** and completed key infrastructure projects designed to enhance health & safety.
- **Record fertiliser/acid volume of 387,000 tonnes** flowed through the port, reflecting continuing **resilience in the agriculture sector.**
- In late August 2012 **Southland Cool Stores acquired and successful integration** of this business **completed** during past 12 months.
- **Simulation exercise undertaken** in Australia November 2012 **to assess** ability to handle **260m length container vessels.** Positive simulation outcome resulted in **larger MSC vessels (4,100 TEU size)** commencing **calling from December 2012** onwards.
- Prior to Christmas 2012 Company **purchased 0.63 ha of bare industrial land** adjacent to the main rail siding in Invercargill. **Warehousing development targeted** for this site.
- In April 2013 **Stolthaven Terminals constructed a 500m³ Nitric Acid tank** and transported the structure to Bluff where it was subsequently **installed at this customer's multi-product bulk liquid terminal on the Island Harbour.**
- Second half of 2013 financial year provided **resurgence in log export activity** with annual throughput reaching 246,000 tonnes. **Sawn timber exports also strong** with the 86,000 tonnes quantity being ahead of 2012.
- **Stock food imports pegged back compared to the prior year throughput** due to a good early growing season and later shortage of product supply.
- **6,000 m2 additional dry warehouse** located on Island Harbour completed on schedule for $4.8 million and **fully tenanted** at start of 2014 financial period.
- **Containerised cargo registered at 34,800 TEU** equivalents against 32,800 in the 2012 year. MSC weekly service continues to attract support from regional importers and exporters.
- **Lower dairy export volumes warehoused during 2013** primarily due to rapid movement of product into export markets arising from supply shortages.
- **Increased utilisation of Island Harbour Cold Storage division** due to changes in discharge locations of deep sea fishing catch.
- **Shell NZ consortium undertook extensive stakeholder consultation** relating to potential Great South Basin exploration activity. **Exploration decision is expected by January 2014.**
- In response to depressed global prices, **Solid Energy** has **refocused on its core mining business and shelved its plans for a lignite-to-fertiliser plant.**
- **Berth paving replacement** activity relating to the two most recent financial periods was **completed** at a total cost of $1.75 million.

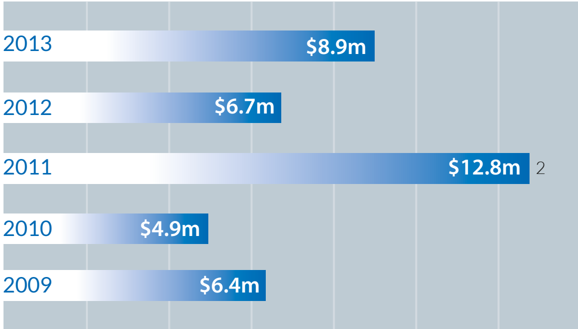
In Brief
FINANCIAL RESULTS

Surplus After Tax



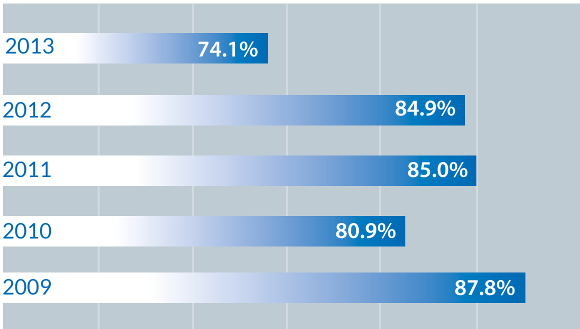
1: Restated profit with one-off deferred tax adjustments reflected

Operating Cash Flow

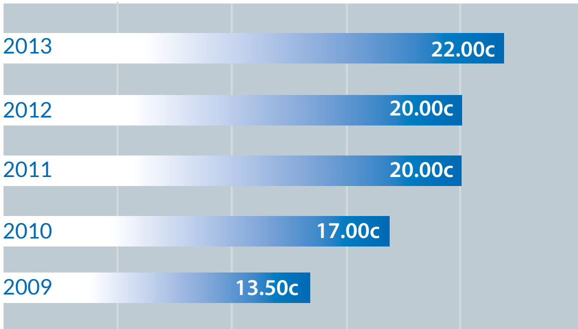


2: Includes NZAS arbitration settlement

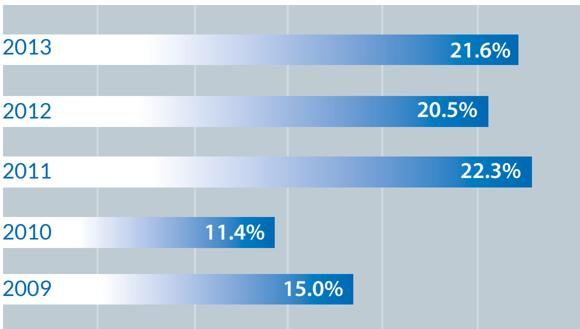
Equity Ratio



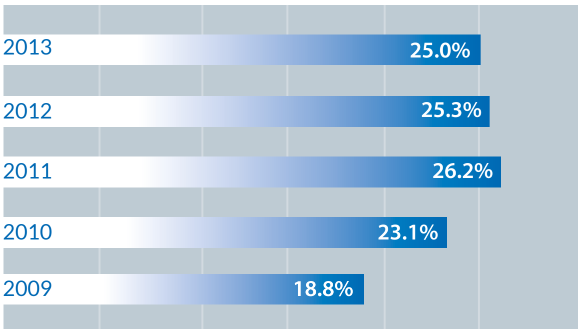
Dividends per Share



Return on Equity



Return on Assets



In Thousands of New Zealand Dollars	2013	2012
Revenue	$29,534	$26,465
Surplus after tax	$6,503	$5,989
Cashflow from operating activities	$8,925	$6,721
Total assets	$41,277	$34,812
Total equity	$30,571	$29,572
Shareholders' equity ratio	74.1%	84.9%
Earnings per share	24.8c	22.8c
Dividends declared per share	22.0c	20.0c
Net asset backing per share	$1.17	$1.13
Return on shareholders' funds	21.6%	20.5%
Cargo throughput (000's tonnes)	2,513	2,691

Review of OPERATIONS

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

OVERVIEW

Notwithstanding the fact that total cargo activity declined by 7%, South Port was able to post a new record after-tax profit in the most recent financial year. The major contributor to reduced cargo flows was one of the Company's larger customers, New Zealand Aluminium Smelters (NZAS), which continues to operate at a 15% reduction in its normal capacity, thereby generating considerably lower bulk tonnage. The improved profit level was largely driven by stronger levels of other bulk cargoes and better cold storage utilisation at both of the South Port physical storage sites.

The reported after tax profit of $6.50 million (2012 – $5.99 million) is an 8.5% increase on the previous year and bettered the prior record profit of $6.26 million set in 2011.

CARGO ACTIVITY

Total cargo volume was 2.51 million tonnes compared to the previous year's record volume level of 2.69 million tonnes. Approximately 100,000 tonnes or around 56% of the total reduction in volume related to lower NZAS activity. Other cargoes to record lower tonnages included stock food and woodchips.

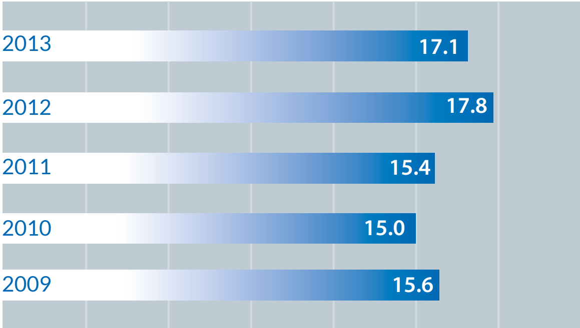
On the positive side of the ledger a record level of fertiliser product was imported through South Port during the past season. Approximately 387,000 tonnes of fertiliser raw material plus sulphuric acid made up the record throughput (2012 – 342,000 tonnes). Log exports also staged a welcome resurgence particularly in the second half of the financial year with the full year volume registering at 246,000 tonnes (2012 – 198,000 tonnes). Two new log exporters, Highlander Forests and Forest Management were active at South Port moving volume into Asian markets.

MSC, South Port's sole container shipping customer, continued to attract consistent cargo support from Southland's importers and exporters. South Port is extremely appreciative of the global linkage that MSC delivers to the region through its weekly Capricorn container shipping call.

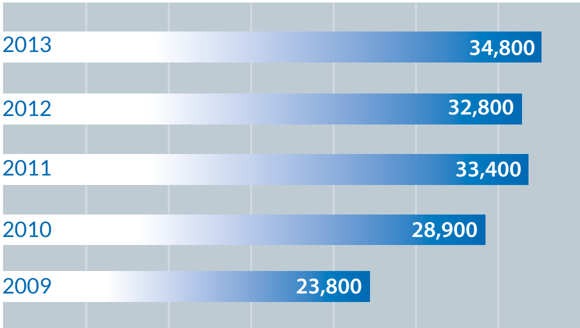
Larger vessels offering greater overall capacity, plus an increased number of refrigerated container slots, were introduced into the MSC service with effect from December 2012. The majority of ships operating on this service are now the 4,000 TEU (twenty foot container) capacity vessels. The Company's ability to handle these larger ships was thoroughly tested in advance by its senior marine personnel, plus an independent consultant using a Brisbane based state-of-the-art vessel simulator.

Ship unloader discharging alumina at Tiwai Wharf

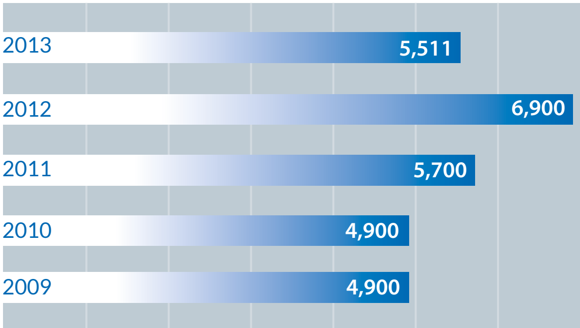
Crane Productivity
(Container moves per hour)



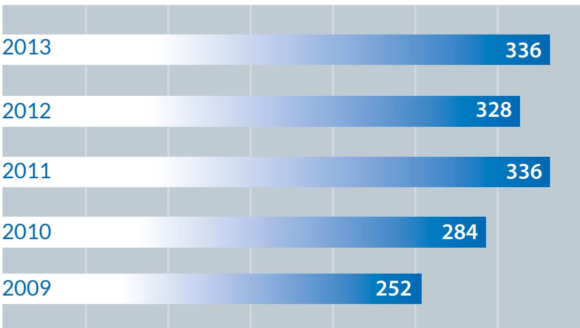
Number of Containers
(20 foot Container Equivalents)



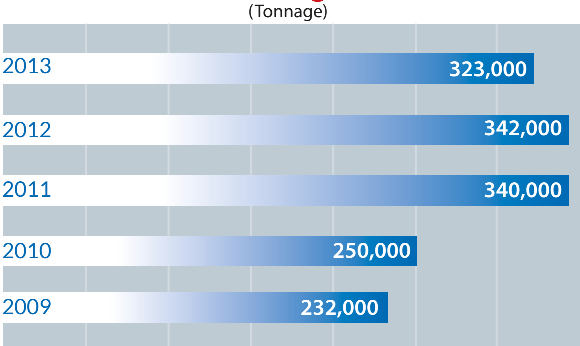
Containers
(Packed/Unpacked)



Ship Calls

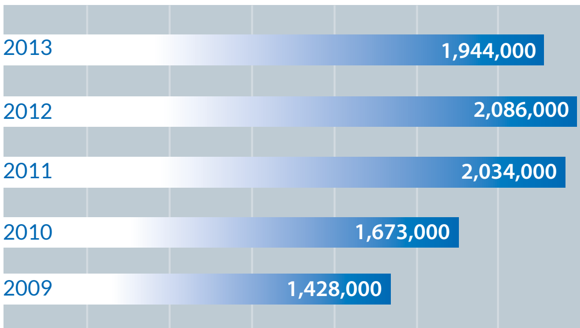


Breakdown of Cargo – Containers
(Tonnage)

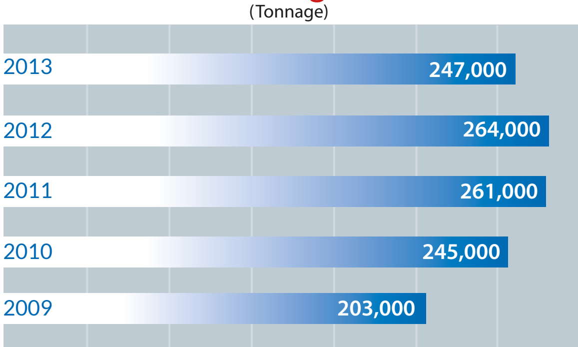


A ship load of containers departs Bluff

Breakdown of Cargo – Bulk
(Tonnage)



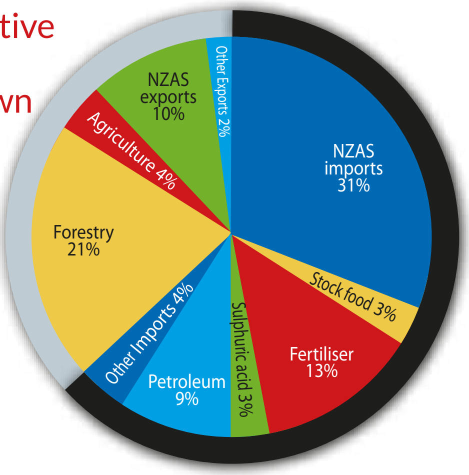
Breakdown of Cargo – Break-Bulk
(Tonnage)



Comparative Cargo Breakdown 2013

IMPORTS: 63%

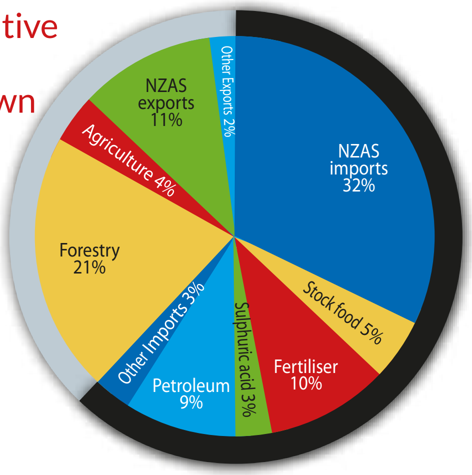
EXPORTS: 37%



Comparative Cargo Breakdown 2012

IMPORTS: 62%

EXPORTS: 38%



Extensive media coverage during the past 12 months highlighted the precarious operating position that New Zealand Aluminium Smelters Ltd (NZAS) was facing. South Port was pleased to learn that in early August 2013 Meridian Energy and NZAS had concluded the renegotiation of an electricity contract. The previous contract, which came into effect from 1 January 2013, had included price increases which threatened the future of the smelter in the face of falling aluminium prices and the strong NZ dollar. The revised contract has set new reduced pricing from 1 July 2013.

Under the deal, Meridian Energy will require NZAS to reduce its contracted load from the current 572MW to 400MW by January 2017, at which time the smelter will be able to replace that power with purchases from other generators. This will provide NZAS with several options, depending on market conditions, including being able to cancel the contract in 2017. The contract announcement has provided some much needed short term certainty for this nationally significant business and the Southland region. It is hoped that the new contract will enable NZAS to achieve a competitive cost position for the Tiwai smelter's operations in the longer term.

The global softwood chip commodity market experienced a notable down turn and this reflected in lower volumes passing across South Port's wharves. It is unclear when the market for this product will recover.

Stronger demand for dairy product by global markets meant that this sector was able to export volume more rapidly during the past season. As a consequence warehousing demand diminished and the overall dairy tonnage passing through South Port's dry warehouses decreased. Despite this fact, the dairy sector continues to be an important contributor to South Port's overall activity providing a growing volume of import and export cargoes. These include manufacturing ingredients (lactose), packaging materials, caustic soda, nitric acid, stock food, fertiliser and manufactured dairy product.

An example of this trend was the construction in Southland of a 500 m3 tank designed to house nitric acid for use by the dairy industry. This structure was successfully installed at Stolthaven Terminal's bulk-liquid facility located on the Island Harbour at Bluff.

Invercargill industrial bare land owned by South Port

OTHER OPERATIONAL EVENTS

Integration of Southland Cool Stores Business – Following the acquisition of the Bluff based Southland Cool Stores business in late August 2012, South Port took steps to integrate this business with its existing Island Harbour cold storage operation. This has been successfully achieved whereby both locations now form an enlarged single cold storage division within the Company with resulting operating efficiencies.

The expanded cold storage division provided an important contribution to the overall Company result. Higher levels of inventory that existed at the previous balance date were progressively cleared during the season and by financial year end total tonnages in the cold stores had reverted to a more normal pattern.

Invercargill Industrial Bare Land – Prior to Christmas 2012, South Port acquired 0.63 ha of bare land adjacent to the Invercargill KiwiRail area where containerised cargo is transferred to and from rail. South Port is actively exploring warehousing options for this site and also aims to establish a packing/devanning operation at this location.

Additional Dry Warehousing Resource – Construction of a further 6,000 m2 dry warehouse at the West End of the Bluff Island Harbour was completed in June 2013. Encompassing load bearing walls and divided into two separate storage areas, this new structure is designed to accommodate bulk cargoes (such as stock food and fertiliser) and will be a useful addition to South Port's warehousing resources. As at 30 June 2013 this new facility was fully tenanted.

Port Infrastructure Developments – In addition to the new dry warehouse further notable 'capex' outlays during the 2013 financial year related to:

- Completing an additional stage of the container terminal paving upgrade at a cost of over $1.1 million

South Port's Foreshore Road Cold Stores (etched in red)

- Investing in a Telemetry Monitoring System for the container forklift fleet
- Upgrading the marine pilot's portable navigational equipment

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

FINANCIAL

2013 Financial Result (comparatives shown in brackets)

- Revenue from port and warehousing operations equated to $29.3 million ($26.0 million) representing an increase of 12%.
- Consistent with the additional resources deployed within the business, operating profit before financing costs and tax increased by 11% to $9.3 million ($8.3 million).
- Net financing costs for the Group were $270,000 ($375,000).
- The Group's overall result was a surplus of $6.50 million ($5.99 million), which represented a 9% increase on the previous year.
- Based on the reported result, earnings per share were 24.8 cents per share (22.8 cents per share).
- Total equity is $30.6 million ($29.6 million) after allowing for dividend payments during the period of $5.51 million ($5.25 million).

Open Country Dairy milk powder being readied for containerisation

- Group equity includes issued capital of $9.4 million ($9.4 million), which is made up of 26,234,898 ordinary shares.
- Total Group assets stand at $41.3 million ($34.8 million).
- Net tangible asset backing per share equates to $1.17 ($1.13 per share).
- Current assets amount to $5.5 million ($5.0 million), with current liabilities at $10.0 million ($4.5 million). This creates a net working capital position of negative $4.5 million versus positive $0.5 million last year.
- Non-current assets excluding Property, Plant and Equipment stood at $28,000 ($22,000).

Island Harbour log storage, with wood chip stockpile in right background

- Term liabilities total $0.8 million ($0.8 million).
- Property, Plant and Equipment stood at $35.8 million ($29.8 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 profitability. For the purpose of this policy FCF is interpreted as being annual operating cash flow less non-growth related capital expenditure in the same period.

In establishing the level of dividend payment Directors' took into account the Company's profit improvement this year of 9% plus its ability to fund future capital expenditure. Accordingly, the Board elected to pay a final dividend of 15.5 cents. This translates to a full year dividend of 22.0 cents which is a 10% lift on the prior year (2012 – 20.0 cents).

Full imputation credits will be attached to all distributions. The dividend payment represents a gross return of 9.9% (net 7.1%) based on a share price of $3.10 as at 30 June 2013. A dividend payout ratio of 89% for 2013 using reported NPAT equates to 84% of FCF. This is consistent with the prior year payout ratio of 88% and is broadly in line with the distribution forecast in last year's Annual Report.

SAFETY

South Port has for several years adopted a policy of ensuring that all operating areas of the Company provide a safe work environment. The Board monitors the implementation and effectiveness of this policy on a continuous basis. All work place accidents and incidents are reported to the Board who ensure that appropriate corrective action has been taken in relation to these events. Against the background of the Pike River inquiry and the recommendations of the Government appointed HSE Task Force, the Company has reviewed its HSE systems/reporting. It is confident that these systems deliver both necessary compliance and a sound base for ongoing continuing improvement to health and safety in our workplace.

South Port's random drug and alcohol testing process was bedded down during the past year and this system is now an accepted part of worker Health & Safety (H&S) responsibility. Other H&S improvements were also implemented into the work environment, including a compulsory safety eyewear policy.

The Company is also working towards a renewal of the tertiary level accreditation for the ACC Workplace Safety Management Programme (WSMP). This is the highest achievable level under WSMP and further reinforces South Port's intention to seek continuous improvement in H&S.

In addition, a number of items making up the Company's capital expenditure programme contained a linkage to achieving South Port's H&S targets. Isolating the log storage area with perimeter fencing and relocating the log-trailer hoist were examples of this approach.

STAFF CONTRIBUTION

The Company's strong financial and operational results are directly attributable to the hard work and dedication demonstrated by its employees. Due to the dynamic nature of the sector in which it operates, South Port must continue to be mindful of its customers' needs and adapt where necessary to deliver more productive and cost effective services.

As a result of the Southland Cool Stores acquisition, South Port recorded an increase in total staff numbers to over 80 full-time employees. The Foreshore Road Cold Store team has blended in well to the Company structure and forms a valued part of South Port's ongoing workforce.

BOARD COMPOSITION

Mr Philip Cory-Wright and Mr Graham Heenan retire this year by rotation and being eligible offer themselves for re-election.

The Company has received no other Director nominations.

Rex Chapman and Mark O'Connor presenting scholarship cheques to 2013 recipients, Jamie Campbell and Shannan Jay

ENVIRONMENT

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

In the past 12 months the Company had no significant new capital projects that impacted on the environment.

During the period under review, the Discharge Agreement between the Company and Environment Southland was renewed by the parties for a 14 year term with annual monitoring reporting included within the Agreement conditions. The Agreement covers discharges to air and water generated through various cargo handling activities and provides for the management and self-regulation of these discharges as an alternative to resource consents. Also associated with the Agreement are Codes of Practice that set out the Company's duties and obligations in respect of carrying out the activities listed in the Agreement.

COMMUNITY AND REGIONAL ASSISTANCE

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

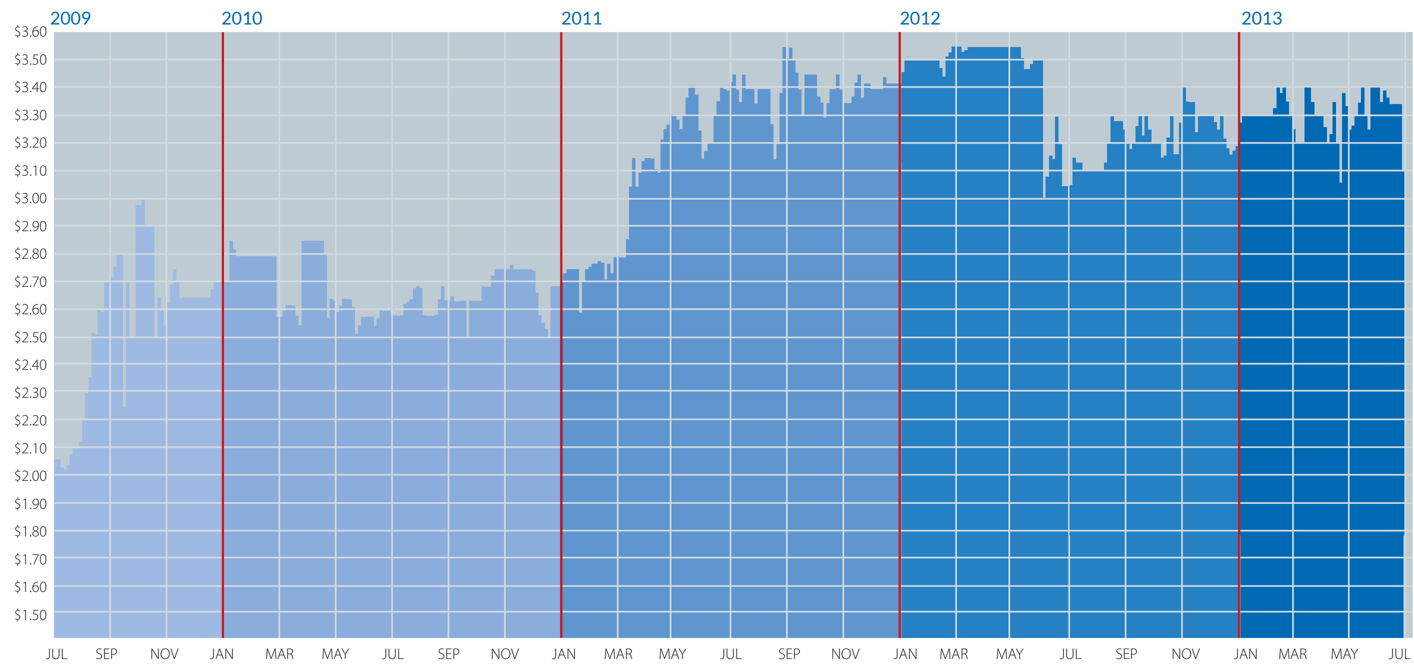
- Bluff Bowling Club
- Bluff Coastguard
- Bluff Community Medical Trust
- Bluff Golf Club
- Bluff Hill/Motupohue Environment Trust – pest eradication programme
- Bluff Maritime Museum
- Bluff Oyster & Seafood Festival
- Bluff Rugby Club
- Bluff Rugby League Club
- Bluff Watersiders' Sports Tournament
- Bluff Yacht Club
- Bluff schools, Bluff Promotions and various other local organisations
- Burt Munro Challenge (Bluff stage)
- James Hargest College Rugby Club
- Rugby Southland
- Southland Cricket Association
- Te Ara o Kiwa Sea Scouts, Bluff
- Tour of Southland (Bluff stage)
- Young Enterprise Scheme (YES)

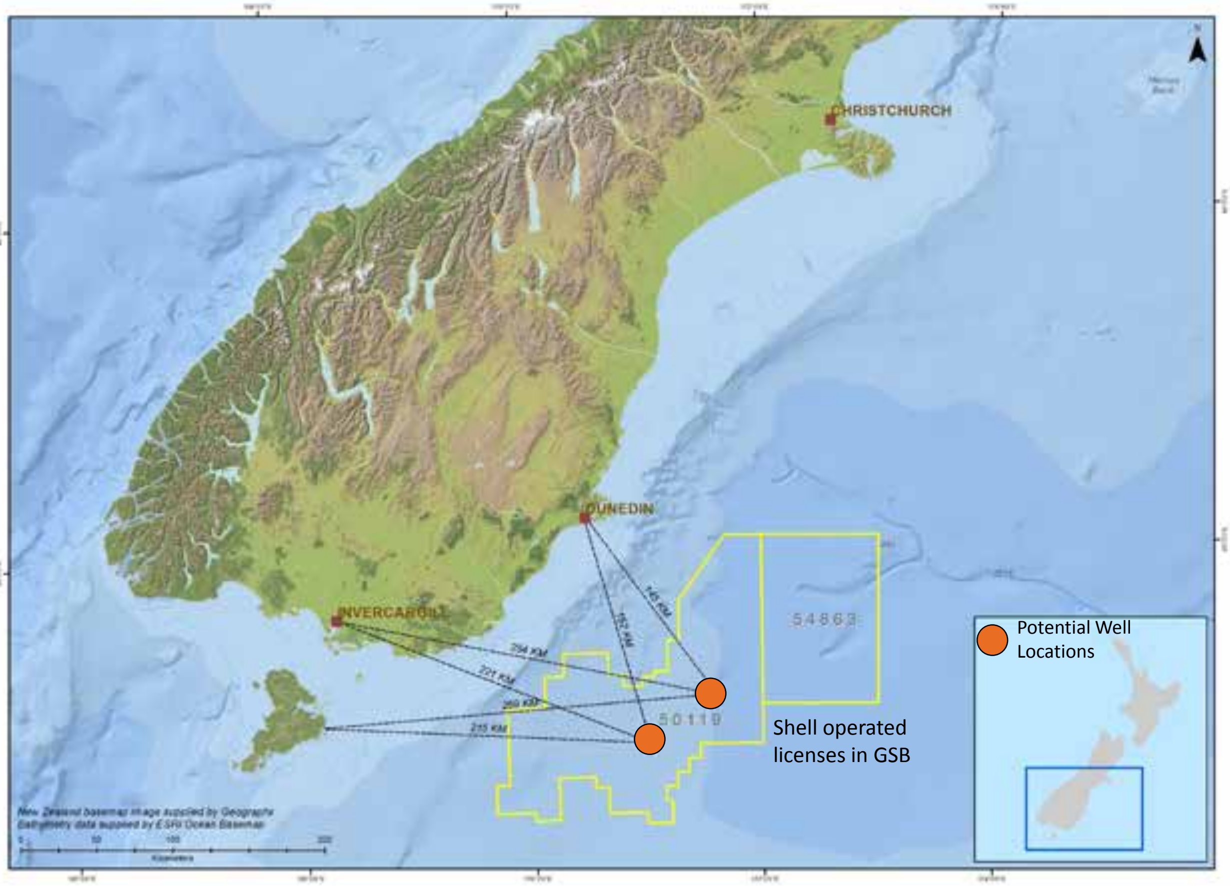
South Port continued its primary sponsorship of Export Southland providing financial assistance to administer this organsiation and facilitate the holding of a number of events.

Further, the Company's ongoing scholarship assistance comprises of both community and staff categories, with scholarships this year being awarded to Shannan Jay and Jamie Campbell. Shannan is studying at Lincoln University to gain a Bachelor of Commerce, Agriculture and is targeting a role in rural banking or supply chain management. Jamie is enrolled at SIT to complete a National Diploma in Architectural Technology and a Diploma in Quantity Surveying. On completion of the two year course he would like to secure a career in his area of training or continue with further Architecture study at Victoria University.

Share Price

from 1 July 2009 to 30 June 2013





Graphic depicting potential location of Shell Consortium exploratory wells

ENERGY SECTOR UPDATE

Oil & Gas Exploration – As outlined in last year's Annual Report, the most significant exploration licence in the Great South Basin (GSB) is held by a consortium comprising Shell NZ (50%), OMV NZ (18%), PTTEP NZ (18%) and Mitsui E&P Australia (14%). This consortium completed an extensive 3D seismic survey in March 2012. That huge amount of survey data has been processed and is now being interpreted. The processing results already provide some good information about the gas prospects. Further, extensive iwi, local government and other stakeholder consultation and engagement has been undertaken by Shell NZ on behalf of the consortium. This engagement has helped to generate an Environmental, Social and Health Impact Assessment for the proposed exploratory drilling project.

South Port and regional stakeholders continue to liaise with Shell NZ and remain optimistic about the energy potential available in GSB. The exploration licence requires the consortium to advise the NZ Government before February 2014 of its intention to commit to exploration drilling or to relinquish the licence.

An encouraging factor was the decision by a grouping of three of the above consortium members (Shell GSB/OMV NZ/Mitsui E&P Australia) to commit to an additional exploration permit (PEP 54863) in the GSB area. The new permit area lies directly to the east of exploration permit area PEP 50119, operated by Shell, and covers 8,508 km2. The combined acreage of both permits is 25,223 km2.

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

- Bluff was selected as the base for previous GSB exploration
- South Port can offer extensive lay down storage areas directly on the port
- Refuelling support vessels and the provision of diesel supplies for rig operations are more easily accessible than other ports (note support vessels normally require 7-8 metres draft which can be comfortably provided at Bluff Port)
- A wide selection of dedicated service berths are available
- South Port has established expertise handling project and break-bulk cargoes
- The Southland region has a more extensive engineering resource as a result of companies servicing the NZAS aluminium smelter and the meat processing, dairy and forestry industries over several decades
- Local government in the region also has a reputation of being willing to try harder to address the needs of new commercial ventures while still meeting the requirements of their local stakeholders.

Shareholders need to also be aware that should oil & gas industry participants choose to undertake exploration drilling in the GSB, the choice of an exploration base will be significantly influenced by the ultimate location of the exploratory wells. In other words the closest port to a defined drilling area will logically create economic advantages for the exploration party.

Development of Southland's Lignite Resource – State owned enterprise, Solid Energy, encountered challenging trading conditions forcing it to refocus on its core coal mining business and shelve its plans for a lignite-to-fertiliser plant.

Significant effort and resource had been invested by Solid Energy to evaluate the commercial case for establishing a large scale lignite-to-urea conversion process in Southland. It is unfortunate that the timing of the international down-turn in coal prices has prevented this project from progressing at this time.

It is anticipated that a new party, potentially from off-shore, will need to be introduced in order to advance any further evaluation about a Southland based lignite conversion process. One fact that remains unaltered is the existence of several billion tonnes of lignite reserves situated in the region.

Flat Hill Wind Farm Project – Located near Bluff, the Flat Hill Wind Farm site promoted by Energy 3 received consent from the Environment Court in March 2013. This consent allows for up to 8 towers or 6.8 megawatts of generation capacity to be installed. When market conditions allow, the project will be developed with the timing depending upon demand, wind turbine availability/pricing and exchange rates.

OUTLOOK

Shareholders of South Port should be pleased with the sound result and improved dividend level recorded in the 2013 financial year. As stated previously this outcome was achieved on the back of lower overall cargo activity, largely caused by reduced NZAS bulk cargo flows.

The year ahead is likely to throw up a number of challenges despite positive economic indicators being promoted in the market place. The Southern region of New Zealand is substantially dependent on our trading partners buying New Zealand's premium grade primary produce. For this reason it is necessary for global economic factors to continue demonstrating improvement.

A number of new relevant business opportunities beyond the traditional port environment have been identified by the Company. It should be noted however that South Port's ability to progress these opportunities remains principally in the hands of third party customers with whom the Company is continuing to engage.

Staff and management are also embarking on a Process Improvement Programme that is likely to roll out over an 18-month period. Having recorded reasonable cargo growth over the past 5 years it is now appropriate for the Company to review the processes that support the existing cargo flows within the business. Such a review is aimed to encourage a continuing focus on operational improvement, better use of existing resources and the creation of a solid platform for future growth.

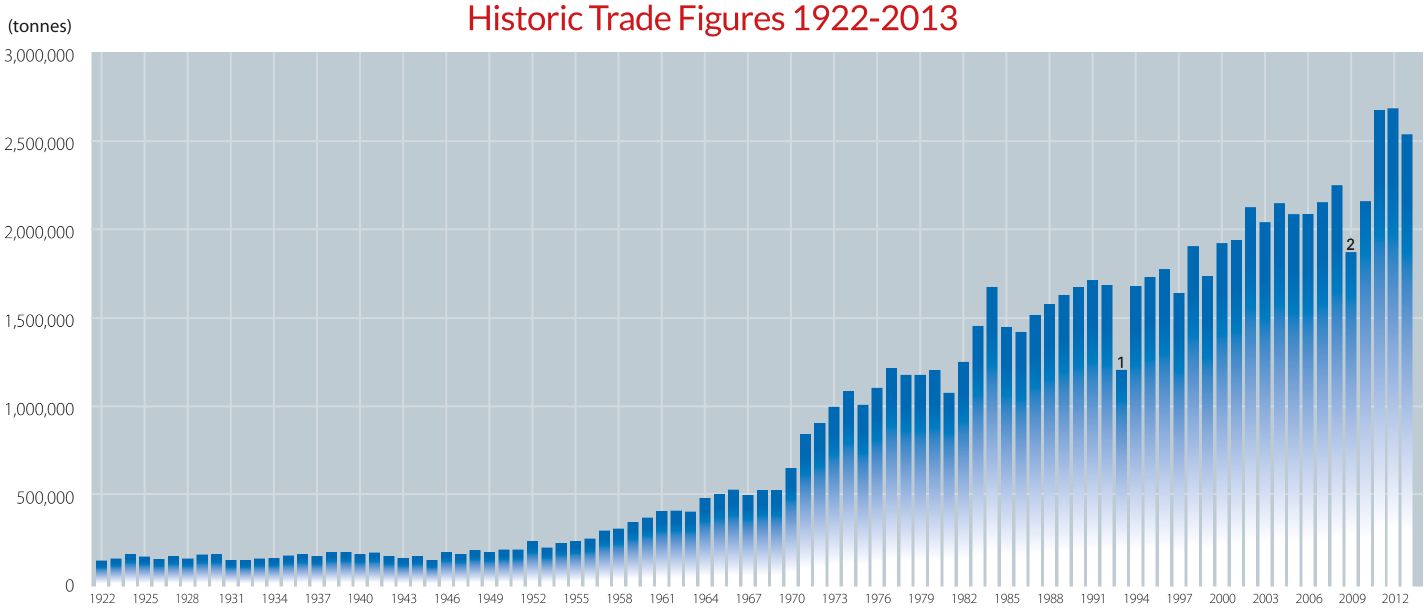
Taking into account lower warehousing inventory levels plus a slightly slower start in the cargo area South Port is forecasting a lower level of tax-paid profit (5%-10% reduction) for the 2014 financial year. This forecast does not take into account any possible new business opportunities that may present themselves over the next 12 months. As in the past a more informed update of the earnings outlook will be provided by the Company at the time of releasing its interim result.

R.T. CHAPMAN Chairman

M.P. O'CONNOR Chief Executive

Night loading of containerised cargo at the Port

Historic Trade Figures 1922-2013



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
L TO R –
Jeremy McClean, Rick Christie, Thomas Foggo, Philip Cory-Wright, Rex Chapman, Graham Heenan, Mark O'Connor (Chief Executive)

Directors' PROFILES

REX THOMAS CHAPMAN
LLB, Chairman

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

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

Mr Christie is a Company Director based in Wellington. He is currently Chairman of Ebos Group Ltd & Service IQ and independent Chairman of NeSI. Directorships are held on Acurity Health Ltd & Solnet Solutions Ltd. 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 a director of the Local Government Funding Agency and was a member of the Local Government Infrastructure Expert Advisory Group. He has specialised in infrastructure businesses and recent roles include being an adviser to Kordia, Solid Energy, Auckland Airport and ACC.

THOMAS McCUISH FOGGO

Mr Foggo is based in Invercargill and is the Southland Manager for Sanford. He has held senior management positions and Directorships in the Seafood Industry for over 36 years and has for the past 18 years been a Director of Live Lobster Southland. He is also a Director of Invercargill Airport.

GRAHAM DOUGLAS HEENAN
BCom, AFInstD, FNZIM

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

JEREMY JAMES McCLEAN
BCom, CA

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

Statutory Report of Directors

The Directors have pleasure in submitting their 2013 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 2012 to 30 June 2013.

Results

The Company recorded a surplus for the period of $6,503,000

Disclosure of Share Dealing by Directors

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

Dividend

The Directors have declared an ordinary dividend of $5,772,000 for the period ended 30 June 2013 including the final dividend amount of $4,066,000 payable in November 2013.

Directors and Officers Liability Insurance

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

Remuneration of Directors

Directors' remuneration for the 12 month period ended 30 June 2013 was as follows:

R.T. Chapman	$57,500
R.G.M. Christie	$34,500
P.W. Cory-Wright	$34,500
T.M. Foggo	$34,500
G.D. Heenan	$34,500
J.J. McClean	$34,500

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

Directors' Shareholding

There is currently no beneficial shareholding held by Directors.

Remuneration of Employees

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

Remuneration	Number of Employees
$110,001 - $120,000	3
$150,001 - $160,000	1
$170,001 - $180,000	1
$180,001 - $190,000	1
$220,001 - $230,000	2
$230,001 - $240,000	1
$300,001 - $310,000	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 G.D. Heenan (Chairman), R.T. Chapman and Mr J.J. McClean.

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

Auditor's Remuneration

During the year $41,998 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 Interests Register must in turn be disclosed in the Annual Report. No material transaction entries were recorded in the Interests Register for the period 1 July 2012 to 30 June 2013.

Disclosure of Interest

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

	Position
Mr R.T. Chapman	
Forklifts NZ Ltd	Solicitor
Prime Range Meats Ltd	Solicitor
Winton Stock Feed Ltd	Solicitor
Mr R.G.M. Christie	
Service IQ	Chairman
Solnet Solutions Ltd	Director
Mr P.W. Cory-Wright	
Local Government Funding Agency	Director
Mr T.M. Foggo	
Barnes Oysters Ltd	Director
Bluff Oyster Management Co. Ltd	Director
Invercargill Airport Ltd	Director
Live Lobster Southland 1995 Ltd	Director
Sanford Ltd	Branch Manager
Mr G.D. Heenan	
InterCity Group Ltd	Director
Mr J.J. McClean	Nil

R.T. CHAPMAN
Chairman of Directors

G.D. HEENAN
Director

Dated 22 August 2013

Statutory Disclosure in Relation to Shareholders

AS AT 30 JUNE 2013

SIZE OF HOLDING

	SIZE OF HOLDING	NUMBER OF SHAREHOLDERS	ORDINARY SHAREHOLDING	PERCENT HOLDERS
	1 - 1,000	248	177,173	.67
	1,001 - 5,000	390	1,124,416	4.29
	5,001 - 10,000	83	649,489	2.48
	10,001 - 100,000	63	1,539,750	5.87
	100,001 and over	8	22,744,070	86.69
Total Number of Shareholders:		792	26,234,898	100.00

PRICES FOR SHARES TRADED DURING THIS YEAR

AS AT 30 JUNE 2013	HIGH	LOW
$3.10	$3.40	$3.05

TOP TWENTY ORDINARY SHAREHOLDINGS

SHAREHOLDER	HOLDING	PERCENT
Southland Regional Council (Environment Southland)	17,441,573	66.48
Russell John Field & Anthony James Palmer	1,334,731	5.09
National Nominees New Zealand Ltd	1,149,430	4.38
K & M Douglas Trust	1,021,684	3.89
Douglas Family Trust	516,787	1.97
Douglas Irrevocable Descendents Trust	506,192	1.93
MA Janssen Ltd	325,615	1.45
JPMorgan Chase Bank N.A.	243,300	.93
Daniel Martin Noonan	175,364	.67
Kenneth Ritchie Anderson	77,184	.29
Pauline Ann Stapel & Stephen Thomas McKee	70,881	.27
Custodial Services Ltd	68,396	.26
Glenn Owen Johnston	60,000	.23
Howard Cedric Zingel	56,778	.22
Lynn Landmark Zingel	56,778	.22
David Grindell	54,000	.19
Tarewai Fishing Co. Ltd	47,656	.18
Custodial Services Ltd	47,285	.18
Ian Gerald Arnot	43,978	.17
Custodial Services Ltd	41,270	.16

SUBSTANTIAL SECURITY HOLDERS

As at 30 June 2013 the following persons have given notice (in terms of the Securities Markets Act 1988) that they are substantial security holders in South Port New Zealand Limited. The number of shares shown is at the date of the last advice received from the substantial security holders.

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

Corporate Governance

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

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 New Zealand Stock Exchange Corporate Governance Best Practice Code issued in October 2003 and the Port Companies Act 1988.

CODE OF ETHICS

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

The Code of Ethics addresses, amongst other things:

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

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

RESPONSIBILITIES OF THE BOARD

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

Key responsibilities of the Board include:

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

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

BOARD COMPOSITION

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

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

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

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

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

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

2013	Male	Female	Total
Directors	6	–	6
Senior Management	6	1	7
	12	1	13

2012	Male	Female	Total
Directors	6	–	6
Senior Management	5	1	6
	11	1	12

AUDIT & RISK COMMITTEE

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

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

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

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

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

Directors' Attendance at Meetings – 1 July 2012 to 30 June 2013

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

RISK MANAGEMENT

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

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

CONTINUOUS DISCLOSURE

In accordance with the NZX Listing Rules, the Company is required to disclose to the market matters which could be expected to have a material effect on the price or value of the Company's shares. Management processes are in place to ensure that all material matters which may require disclosure are promptly reported to the Board through established reporting lines. Matters reported are assessed as and when required by the NZX Listing Rules, advised to the market.

The Chairman and Chief Executive are responsible for communications with NZX and for ensuring that such information is not provided to any person or organisation until NZX has confirmed its release to the market.

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

SHAREHOLDER COMMUNICATION

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

To ensure shareholders have access to relevant information the Company:

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

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

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

SENIOR MANAGEMENT REMUNERATION

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

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

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

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

BOARD OF DIRECTORS REMUNERATION

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

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

Health & Safety and Environment

2012/13
43%
reduction
in Lost Time Frequency Injury Rate

2012/13
0.52
lowest recorded
Lost Time Frequency Injury Rate

HEALTH & SAFETY

A culture of cooperation and continuous improvement in Health & Safety (H&S) amongst all site operators on the Island Harbour is leading to ongoing improvements in onsite H&S practices. South Port continues to make infrastructure improvements and develop systems to minimise hazards for all who visit and work on the Island Harbour.

Further improvements this year aimed at reducing traffic hazards included partial fencing of the log storage areas, relocating the diesel tank to a newly developed forklift park, and re-positioning of a log gantry closer to the log yard. Access to the container terminal area was tightened significantly after a container handling forklift backed into a contractor vehicle during the year.

A sustained effort to reduce accidents is paying dividends with South Port's Lost Time Injury Frequency Rate (LTIFR) finishing the year 43% lower than the previous year. In March 2013 the Company achieved its lowest ever recorded LTIFR of 0.52. No serious harm injuries occurred during the year.

The ibright® forklift monitoring system has been installed in the Company's six container handling forklifts. This system monitors how the equipment is being driven and will help identify areas where driving behaviour could be improved through training and feedback thus reducing the potential of incidents involving forklifts.

The upcoming year will see a particular focus on further developing and enhancing contractor management processes.

ENVIRONMENT

Completion of the site code of practice upgrade and resulting advances in monitoring of bulk cargo operations continues to see ongoing improvements in handling practices on the Island Harbour.

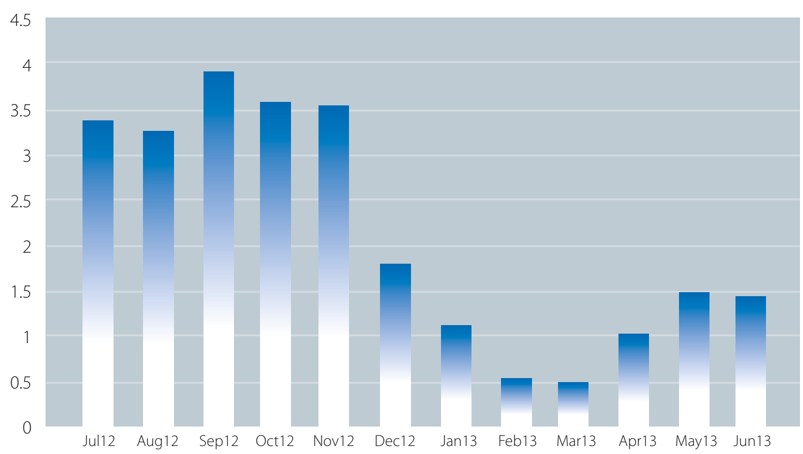
An energy audit conducted during 2012 identified a number of areas where potential energy savings could be achieved. The replacement of cooling fans in the cold stores with variable speed motors provides an opportunity for future savings and implementation is being investigated. The installation of the ibright® forklift monitoring system allows the company to monitor individual machine fuel usage and is helping to identify areas where fuel consumption may be improved.

Relocation of the diesel tank to a more suitable location provided an opportunity to upgrade the equipment and a newer double skinned 15,000 litre tank was installed replacing the old 10,000 litre single skinned tank. The year ahead will also see two single skinned waste oil tanks replaced with a new double skinned tank to be positioned also in the forklift park.

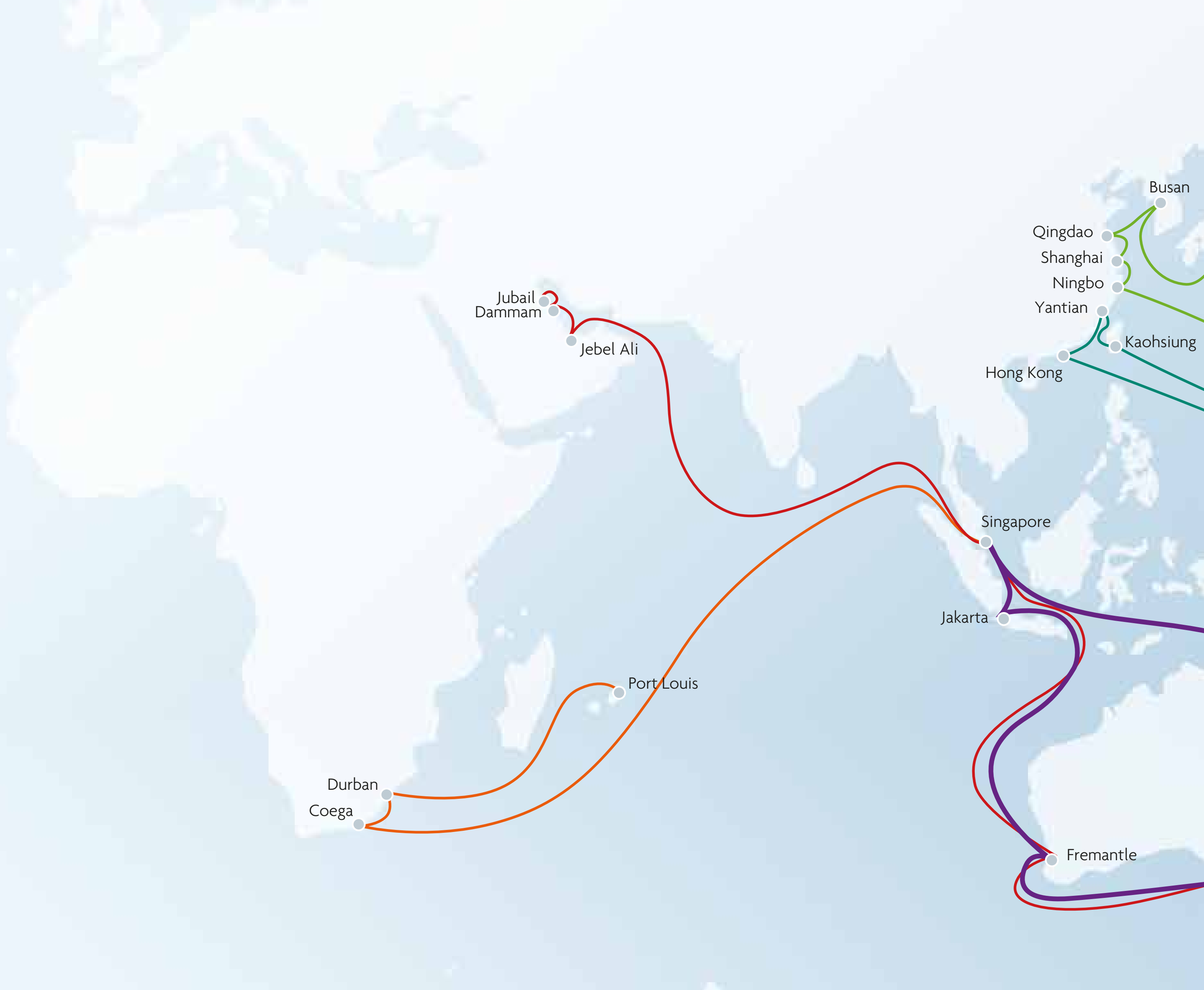
Throughout the year the company's operations were undertaken in accordance with all existing resource consents. Annual analysis of the harbour dredge spoil continues to indicate that sediment quality is significantly better than consented guidelines. South Port's primary environmental responsibilities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

Lost Time Injury Frequency Rate

(injuries per 100,000 work hours – 12 month rolling)



Mediterranean Shipping Company –



SERVICE OVERVIEW

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

Weekly Container Line Servicing Bluff

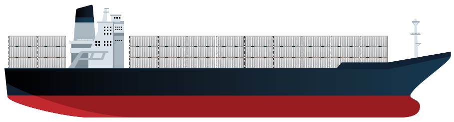
5 Year Anniversary

2007/08 AVERAGE LENGTH VESSEL
206 metres

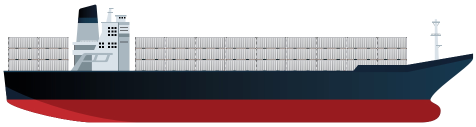
2012/13 AVERAGE LENGTH VESSEL
260 metres

Average vessel size introduced to Capricorn service

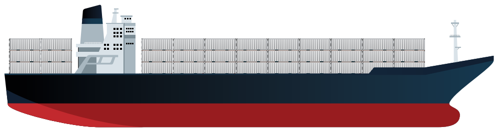
2007-08
Av. Length: 206m
Av. TEU: 1830



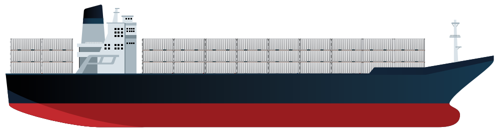
2008-09
Av. Length: 216m
Av. TEU: 2570



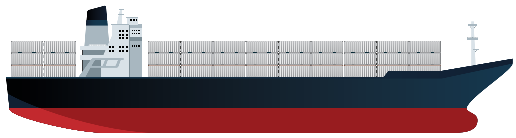
2009-10
Av. Length: 226m
Av. TEU: 2830



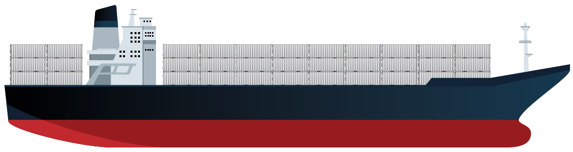
2010-11
Av. Length: 225m
Av. TEU: 2840



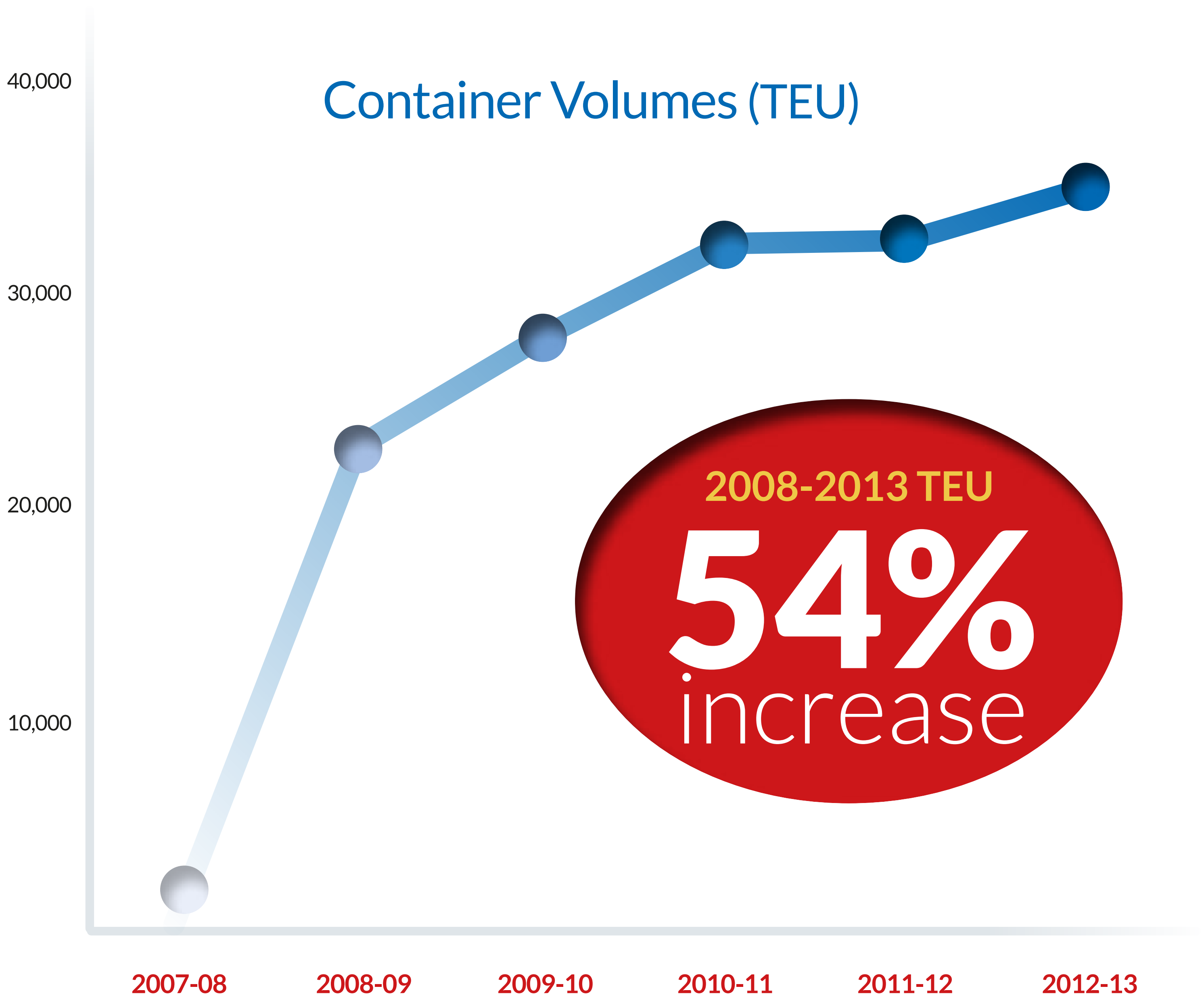
2011-12
Av. Length: 233m
Av. TEU: 3010



2012-13
Av. Length: 260m
Av. TEU: 4020



MSC calling at Bluff



12 Month G

May 2013
22%
increase
in dry warehouse
facilities

2012 -
1
ne
emplo

Sept. 2012
88%
increase
in cold storage
capacity

rowth Areas

- 2013

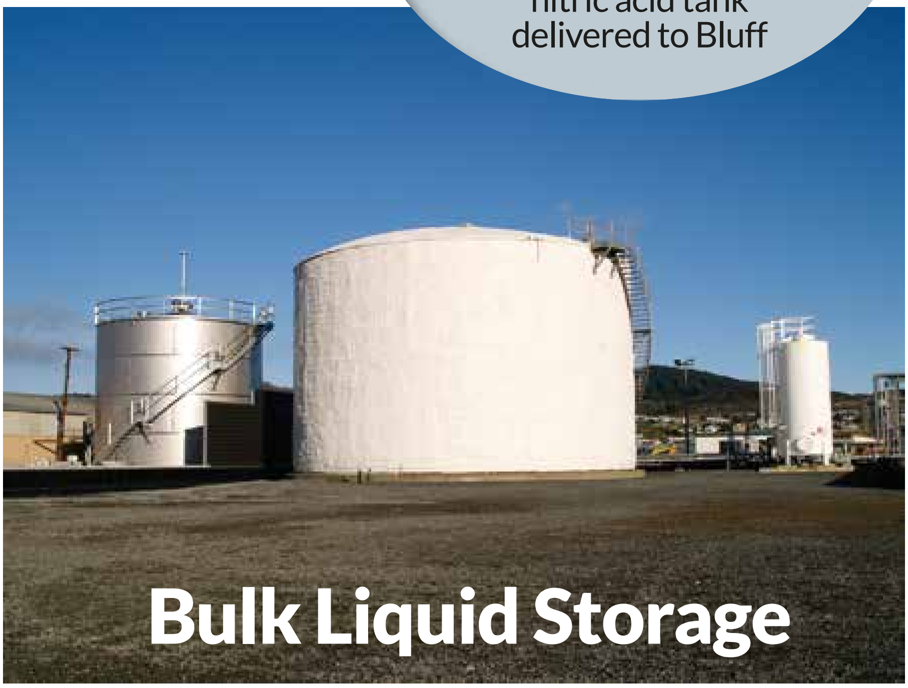
5

ew
oyees

April 2013

500 m^3

nitric acid tank
delivered to Bluff



Dec. 2012

0.63

hectares

acquired for development
in Invercargill

Port INFRASTRUCTURE

Cold Stores Foreshore Road 40,615m³
Dry Warehouse No.3A – 4,500m²
Dry Warehouse No.2 – 1,400m²
Petroleum Import Berth
ENTRANCE CHANNEL
Town Wharf
Dry Warehouse No.3B – 3,000m²
Dry Warehouse No.1 – 2,000m²
Dry Warehouse No.3 – 3,300m²
Bulk Liquid Storage Facilities
Fishing Boat Piers
Vacant Land for Development
Dry Warehouse No.6 – 1,500m²
Island Harbour Access Bridge
Administration Building
R&D Office
Dedicated Container Servicing Pad
Vacant Land for Development
Bulk Liquid Storage Facilities
Rail Marshalling Yard

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF SOUTH PORT NEW ZEALAND LIMITED AND GROUP'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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

We have audited the financial statements of the company and group on pages 27 to 49, that comprise the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

Opinion

Financial statements

In our opinion the financial statements of the company and group on pages 27 to 49:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the company and group's:
  - financial position as at 30 June 2013; and
  - financial performance and cash flows for the year ended on that date.

Other legal requirements

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

Our audit was completed on 22nd August 2013. This is the date at which our opinion is expressed.

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

Basis of opinion

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

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence shareholders' overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

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

An audit also involves evaluating:

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

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements. Also we did not evaluate the security and controls over the electronic publication of the financial statements.

In accordance with the Financial Reporting Act 1993, we report that we have obtained all the information and explanations we have required. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board of Directors

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

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

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

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

Responsibilities of the Auditor

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

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

In addition to the audit we have carried out assignments through Janet Copeland Law in the area of employment consultancy services to the value of $12,520 which are compatible with those independence requirements. Other than the audit and these assignments, we have no relationship with or interests in the Company or it's subsidiary.

Michael Lee
Crowe Horwath New Zealand Audit Partnership
On behalf of the Auditor-General
Invercargill, New Zealand

Crowe Horwath New Zealand Audit Partnership is a member of Crowe Horwath International, a Swiss verein. Each member firm of Crowe Horwath is a separate and independent legal entity.

Statement of Comprehensive Income

OF SOUTH PORT NEW ZEALAND LIMITED FOR THE YEAR ENDED 30 JUNE 2013

	NOTE	GROUP		COMPANY	
In Thousands of New Zealand Dollars		2013	2012	2013	2012
Total operating revenues	5	29,298	26,038	29,298	26,038
Total operating expenses	8	(17,637)	(15,325)	(17,637)	(15,325)
Gross profit		11,661	10,713	11,661	10,713
Administrative expenses		(2,398)	(2,387)	(2,398)	(2,387)
Operating profit before financing costs		9,263	8,326	9,263	8,326
Financial income		200	11	200	11
Financial expenses		(470)	(386)	(470)	(386)
Net financing costs	7	(270)	(375)	(270)	(375)
Other income	6	36	416	36	416
Surplus before income tax		**9,029**	**8,367**	**9,029**	**8,367**
Income tax		(2,526)	(2,378)	(2,527)	(2,376)
Total income tax	11	(2,526)	(2,378)	(2,527)	(2,376)
Net surplus after income tax		**6,503**	**5,989**	**6,502**	**5,991**
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss					
Fair value gain/(loss) on available for sale financial instruments		5	3	5	3
Income tax relating to items that may be reclassified		—	—	—	—
Total other comprehensive surplus/(loss) after income tax		**5**	**3**	**5**	**3**
Total comprehensive surplus/(loss) after income tax		**6,508**	**5,992**	**6,507**	**5,994**
Basic earnings per share	18	$0.248	$0.228	$0.248	$0.228

Statement of Changes in Equity

OF SOUTH PORT NEW ZEALAND LIMITED FOR THE YEAR ENDED 30 JUNE 2013

	NOTE	GROUP		COMPANY	
In Thousands of New Zealand Dollars		2013	2012	2013	2012
Profit/(loss) after income tax		6,503	5,989	6,502	5,991
Other comprehensive income/(loss) after income tax		5	3	5	3
Total comprehensive income/(loss) for the period		6,508	5,992	6,507	5,994
Distributions to shareholders	16	(5,509)	(5,247)	(5,509)	(5,247)
Movements in equity for the period		999	745	998	747
Equity at the beginning of year		**29,572**	**28,827**	**29,512**	**28,765**
Equity at end of year	16	**30,571**	**29,572**	**30,510**	**29,512**

Statement of Financial Position

OF SOUTH PORT NEW ZEALAND LIMITED AS AT 30 JUNE 2013

	NOTE	GROUP		COMPANY	
In Thousands of New Zealand Dollars		2013	2012	2013	2012
TOTAL EQUITY	16	**30,571**	**29,572**	**30,510**	**29,512**
NON-CURRENT ASSETS					
Property, plant and equipment	12	35,795	29,760	35,795	29,760
Investments	13	28	22	28	22
Total non-current assets		35,823	29,782	35,823	29,782
CURRENT ASSETS					
Cash	14	1,327	974	1,290	939
Trade and other receivables	15	4,127	4,056	4,127	4,056
Total current assets		5,454	5,030	5,417	4,995
Total assets		**41,277**	**34,812**	**41,240**	**34,777**
NON-CURRENT LIABILITIES					
Employee provisions	20	79	67	51	42
Deferred tax liability	11(d)	243	303	264	321
Borrowings	19	201	—	201	—
Other	23	214	397	214	397
Total non-current liabilities		737	767	730	760
CURRENT LIABILITIES					
Current borrowings	19	6,000	1,200	6,000	1,200
Trade and other payables	22	2,374	1,827	2,474	1,923
Provisions	20	772	657	707	595
Other	23	823	789	819	787
Total current liabilities		9,969	4,473	10,000	4,505
Total liabilities		**10,706**	**5,240**	**10,730**	**5,265**
TOTAL NET ASSETS		**30,571**	**29,572**	**30,510**	**29,512**
Net asset backing per share		$1.17	$1.13	$1.16	$1.12

On behalf of the Board
Dated 22 August 2013

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 2013

	NOTE	GROUP		COMPANY	
In Thousands of New Zealand Dollars		2013	2012	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash was provided by (applied to):					
Receipts from customers		29,229	24,994	29,229	24,994
Payments to suppliers and employees		(17,426)	(15,374)	(17,426)	(15,374)
Dividends received		1	1	1	1
Interest received		15	10	15	10
Interest paid		(472)	(339)	(472)	(339)
Income taxes paid		(2,552)	(2,538)	(2,552)	(2,538)
Net goods and services tax paid		130	(33)	128	(29)
Net cash flow from operating activities	27	8,925	6,721	8,923	6,725
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash was provided by (applied to):					
Proceeds from disposal of other investments		—	—	—	—
Proceeds from disposal of non-current assets		38	1,349	38	1,349
Acquisition of other non-current assets		(7,225)	(3,105)	(7,225)	(3,105)
Acquisition of non-current assets as part of business combination		(877)	—	(877)	—
Foreign Exchange gains/(losses)		—	(24)	—	(24)
Acquisition of shares/investments		—	—	—	—
Net cash used in investing activities		(8,064)	(1,780)	(8,064)	(1,780)
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash was provided by (applied to):					
Dividend paid		(5,509)	(5,247)	(5,509)	(5,247)
Drawdown/(repayment) of borrowings		4,800	900	4,800	900
Drawdown of borrowings as part of business combination		201	—	201	—
Net cash used in financing activities		(508)	(4,347)	(508)	(4,347)
NET INCREASE (DECREASE) IN CASH HELD		353	594	351	598
Add cash at beginning of year		974	380	939	341
TOTAL CASH AT END OF YEAR	14	1,327	974	1,290	939

The accompanying notes form part of these financial statements

1 REPORTING ENTITY

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

The consolidated financial statements of South Port New Zealand Limited as at and for the period ended 30 June 2013 comprise the Company and its subsidiary Awarua Holdings Ltd (together referred to as the "Group").

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

2 BASIS OF PREPARATION

(a) Statement of Compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. These financial statements comply with International Financial Reporting Standards (IFRS).

The financial statements were approved by the Board of Directors on 22 August 2013.

(b) Basis of Measurement

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

- financial instruments are measured at fair value

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

(c) Functional and Presentation Currency

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

(d) Use of Estimates and Judgements

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

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

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

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

- Provisions (Note 20)
- Commitments and Contingent Liabilities (Note 26)
- Financial Instruments (Note 25)
- Valuation of Derivatives (Note 25)

3 SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of Preparing Group Financial Statements

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

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

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

(b) Business Combinations

Acquisitions of businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (as at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under NZ IFRS 3 Business Combinations are recognised at their fair value at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

(c) Foreign Currency

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

(d) 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.

(e) Financial Instruments

(i) Non-derivative financial instruments

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

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

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

Cash and cash equivalents comprise cash balances and call deposits.

Investments in equity securities

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

Trade and other receivables

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

Interest-bearing borrowings

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

Trade and other payables

Trade and other payables are stated at cost.

(ii) Derivative financial instruments

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

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

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

Interest rate swaps

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

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

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

(f) 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.

(g) 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.

(h) 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.

(i) 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.

(j) 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.

(k) 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.

(l) 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.

(m) 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.

(n) 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.

(o) Amendments to NZ IFRS

The following new, revised or amended accounting standards have been applied by the group for the year beginning 1 July 2012:

- NZ IAS 1: (amendment) Presentation of Financial Statements

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

There are no other new, revised or amended accounting standards issued by the International Accounting Standards Board and the Accounting Standards Review Board in New Zealand that are mandatory for application by the Group for the financial year beginning 1 July 2012.

(p) NZ IFRS issued but not yet effective

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

- NZ IFRS 10: Consolidated Financial Statements – This standard will supersede NZ IAS 27: Consolidated and Separate Financial Statements and NZ SIC 12: Consolidation Special Purpose Entities and is expected to be adopted by the Group in the financial statements for the year ending 30 June 2014 (effective date 1 January 2013).
- NZ IFRS 12: Disclosure of Interests in Other Entities – This standard is expected to be adopted by the Group in the financial statements for the year ending 30 June 2014 (effective date 1 January 2013).
- NZ IFRS 13: Fair Value Measurement – This standard will replace the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance and is expected to be adopted by the Group in the financial statements for the year ending 30 June 2014 (effective date 1 January 2013).
- NZ IAS 19 Employee Benefits - This standard is expected to be adopted by the Group in the financial statements for the year ending 30 June 2014 (effective date 1 January 2013).
- NZ IAS 27 (Amendment): Separate Financial Statements - This standard is expected to be adopted by the Group in the financial statements for the year ending 30 June 2014 (effective date 1 January 2013).
- NZ IAS 32 and NZ IFRS 7 (Amendment): Financial Instruments: Disclosures: Offsetting Financial Assets and Financial Liabilities - This standard is expected to be adopted by the Group in the financial statements for the year ending 30 June 2014 (effective date 1 January 2013).
- NZ IAS 32 and NZ IFRS 7 (Amendment): Financial Instruments: Disclosures: Offsetting Financial Assets and Financial Liabilities - This standard is expected to be adopted by the Group in the financial statements for the year ending 30 June 2015 (effective date 1 January 2014).
- NZ IFRS 9: Financial Instruments – This standard will eventually replace NZ IAS 39: Financial Instruments – Recognition and Measurement and is expected to be adopted by the Group in the financial statements for the year ending 30 June 2016 (effective date 1 January 2015).

None of the above standards are expected to materially affect the Group's financial statements, except for NZ IFRS 9 Financial Instruments, which becomes mandatory for the Group's 2016 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not yet been determined.

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

4 DETERMINATION OF FAIR VALUES

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

(a) Investments in Equity and Debt Securities

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

(b) Derivative Financial Instruments

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

(c) Other Non-Derivative Financial Instruments

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

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

5 OPERATING REVENUE

In Thousands of New Zealand Dollars	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
Services	29,298	26,038	29,298	26,038
Total revenues	**29,298**	**26,038**	**29,298**	**26,038**

6 OTHER INCOME

In Thousands of New Zealand Dollars	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
Net gain on sale of property, plant and equipment	36	40	36	40
Impairment losses reversed	—	376	—	376
Total other income	**36**	**416**	**36**	**416**

7 FINANCE INCOME AND EXPENSES

In Thousands of New Zealand Dollars	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
Income				
Interest income	15	10	15	10
Dividend income	1	1	1	1
Change in fair value of interest rate swap	184	—	184	—
Total financial income	200	11	200	11
Expenses				
Interest expense	(470)	(343)	(470)	(343)
Change in fair value of interest rate swap	—	(19)	—	(19)
Foreign exchange losses	—	(24)	—	(24)
Total financial expenses	(470)	(386)	(470)	(386)
Net finance costs	**(270)**	**(375)**	**(270)**	**(375)**

8 OPERATING EXPENSES

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

In Thousands of New Zealand Dollars	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
Auditors' remuneration for audit services	42	34	42	34
Auditors' remuneration for other guidance	—	—	—	—
Amount paid for employment consultancy services (to associated entity of auditors)	13	6	13	6
Bad debts written off	—	60	—	60
Depreciation of property, plant & equipment	2,564	2,376	2,564	2,376
Directors' fees	230	200	230	200
Donations*	(17)	3	(17)	3
Rental and lease expenses	407	98	407	98
Increase/(decrease) in liability for long-service leave	12	12	9	6
Loss on disposal of trading assets	3	28	3	28

* 2013 includes reversing a provision made back in 2011 for a $20,000 donation for a project that never eventuated.

9 EMPLOYEE BENEFITS EXPENSE

In Thousands of New Zealand Dollars	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
Salaries and wages	6,759	5,570	5,869	4,709
Defined contribution plans	207	149	138	83
Other employee benefits	119	117	71	70
	7,085	**5,836**	**6,078**	**4,862**

10 KEY MANAGEMENT PERSONNEL COMPENSATION

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

In Thousands of New Zealand Dollars	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
Short-term employee benefits	1,323	1,205	765	682
Defined contribution plans	91	75	45	36
Other long-term employee benefits	4	8	2	2
	1,418	**1,288**	**812**	**720**

11 INCOME TAXES

In Thousands of New Zealand Dollars	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
(a) INCOME TAX RECOGNISED IN PROFIT OR LOSS				
Tax expense/(income) comprises:				
Current tax expense / (credit):				
Current year	2,597	2,188	2,593	2,186
Adjustments for prior years	(12)	(8)	(10)	(10)
	2,585	2,180	2,583	2,176
Deferred tax expense / (credit)				
Origination and reversal of temporary differences	(59)	198	(56)	200
Adjustments for prior years	—	—	—	—
Adjustments relating to change in tax rates	—	—	—	—
Adjustments relating to tax legislation changes	—	—	—	—
	(59)	198	(56)	200
Total tax expense / (income)	**2,526**	**2,378**	**2,527**	**2,376**
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	9,029	8,367	9,029	8,367
Income tax expense (credit) calculated at 28%	2,528	2,343	2,528	2,343
Temporary differences	(51)	149	(52)	149
Non-deductible expenses	63	—	63	—
Non assessable income	(2)	(106)	(2)	(106)
	2,538	2,386	2,537	2,386
Adjustments for prior years	—	—	—	—
(Over) / under provision of income tax in previous year	(12)	(8)	(10)	(10)
Adjustments relating to changes in tax rates	—	—	—	—
Adjustments relating to tax legislation changes	—	—	—	—
Income tax expense (credit)	**2,526**	**2,378**	**2,527**	**2,376**

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.

(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 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
(c) CURRENT TAX ASSETS AND LIABILITIES				
Current tax refundable:				
Current tax refundable	—	—	—	—
Current tax payable:				
Current tax payable	823	789	819	787

Note 11 continued...

(d) DEFERRED TAX BALANCES COMPRISE:

Taxable and deductible temporary differences arising from the following:

In Thousands of New Zealand Dollars	GROUP 1 July 2012 Opening Balance	Recognised in profit/loss	Recognised in equity	30 June 2013 Closing Balance
2013				
Gross deferred tax liabilities:				
Other financial assets	—	—	—	—
Property, plant and equipment	(485)	39	—	(446)
	(485)	39	—	(446)
Gross deferred tax assets:				
Other financial assets / liabilities	—	—	—	—
Provisions	182	21	—	203
	182	21	—	203
Net deferred tax asset / (liability)	**(303)**	**60**	**—**	**(243)**

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

In Thousands of New Zealand Dollars	COMPANY 1 July 2012 Opening Balance	Recognised in profit/loss	Recognised in equity	30 June 2013 Closing Balance
2013				
Gross deferred tax liabilities:				
Other financial assets	—	—	—	—
Property, plant and equipment	(485)	39	—	(446)
	(485)	39	—	(446)
Gross deferred tax assets:				
Other financial assets / liabilities	—	—	—	—
Provisions	164	18	—	182
	164	18	—	182
Net deferred tax asset / (liability)	**(321)**	**57**	**—**	**(264)**

Note 11 continued...

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

In Thousands of New Zealand Dollars	COMPANY 2013	2012
(e) IMPUTATION CREDIT ACCOUNT BALANCES		
Balance at beginning of year	5,389	5,100
Taxation paid	2,552	2,538
Attached to dividends paid	(2,361)	(2,249)
Balance at end of year	**5,580**	**5,389**

12 PROPERTY, PLANT AND EQUIPMENT

In Thousands of New Zealand Dollars — 2013

	Cost 1 July 2012	Additions	Additions through Business Combinations	Disposals	Other	Cost 30 June 2013	Accumulated Depn and Impairment charges 1 July 2012	Depn Expense	Accumulated Depn reversed on Disposal	Other	Accumulated Depn and Impairment charges 30 June 2013	Carrying Amt 30 June 2013
Land	2,034	679	—	—	—	2,713	—	—	—	—	—	2,713
Buildings	10,779	4,838	—	—	—	15,617	4,485	253	—	—	4,738	10,879
Plant & machinery	48,658	2,142	915	(246)	—	51,469	27,226	2,311	(240)	(31)	29,266	22,203
	61,471	**7,659**	**915**	**(246)**	**—**	**69,799**	**31,711**	**2,564**	**(240)**	**(31)**	**34,004**	**35,795**

In Thousands of New Zealand Dollars — 2012

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

Note 12 continued...

Impairment

During the year ended 30 June 2013 there were no impairment losses (2012 : nil) which were recorded in the Statement of Comprehensive Income.

Disposal of non-current assets

During the year ended 30 June 2013, there were no material items of plant disposed of.

During the year ended 30 June 2012, a material item of plant (Liebherr LHM 320 mobile harbour crane) was advertised for sale and at interim was therefore reclassified as Available for Sale (current asset). This asset had previously been recognised as a non-current asset as an item of Property, Plant and Equipment. This plant was excess to requirements.

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

13 OTHER INVESTMENTS

	GROUP		COMPANY	
In Thousands of New Zealand Dollars	2013	2012	2013	2012
Non-current investments				
Available-for-sale investments	28	22	28	22

14 CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
In Thousands of New Zealand Dollars	2013	2012	2013	2012
Bank balances	651	763	614	728
Call deposits	676	211	676	211
Cash and cash equivalents	1,327	974	1,290	939
Bank overdrafts used for cash management purposes	—	—	—	—
Cash and cash equivalents in the statement of cash flows	1,327	974	1,290	939

15 RECEIVABLES AND ADVANCES

	GROUP		COMPANY	
In Thousands of New Zealand Dollars	2013	2012	2013	2012
Prepayments	45	41	45	41
Trade receivables	4,107	4,040	4,107	4,040
Provision for doubtful debts	(25)	(25)	(25)	(25)
	4,127	4,056	4,127	4,056

16 CAPITAL AND RESERVES

Reconciliation of movement in capital and reserves

In Thousands of New Zealand Dollars	GROUP Asset Revaluation Reserve	GROUP Share Capital	GROUP Retained Earnings	GROUP Total Equity	COMPANY Asset Revaluation Reserve	COMPANY Share Capital	COMPANY Retained Earnings	COMPANY Total Equity
Balance 1 July 2011	13	9,418	19,396	28,827	13	9,418	19,334	28,765
Total recognised income and expense	—	—	5,989	5,989	—	—	5,991	5,991
Dividends to equity holders	—	—	(5,247)	(5,247)	—	—	(5,247)	(5,247)
Change in value of available-for-sale financial assets	3	—	—	3	3	—	—	3
Balance at 30 June 2012	16	9,418	20,138	29,572	16	9,418	20,078	29,512
Balance 1 July 2012	16	9,418	20,138	29,572	16	9,418	20,078	29,512
Total recognised income and expense	—	—	6,503	6,503	—	—	6,502	6,502
Dividends to equity holders	—	—	(5,509)	(5,509)	—	—	(5,509)	(5,509)
Change in value of available-for-sale financial assets	5	—	—	5	5	—	—	5
Balance at 30 June 2013	21	9,418	21,132	30,571	21	9,418	21,071	30,510

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

SHARE CAPITAL

In Thousands of New Zealand Dollars	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
Balance at beginning of year	9,418	9,418	9,418	9,418
Balance at end of year	**9,418**	**9,418**	**9,418**	**9,418**

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

DIVIDENDS

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

In Thousands of New Zealand Dollars	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
2012 final dividend paid on all ordinary shares @ 14.50 cents per share (2011: 14.50 cents)	3,804	3,804	3,804	3,804
2013 interim: on all ordinary shares @ 6.50 cents per share (2012: 5.50 cents)	1,705	1,443	1,705	1,443
Total distributions to shareholders	5,509	5,247	5,509	5,247

After 30 June 2013 the following dividends were proposed by the directors for 2013.The dividends have not been provided for and there are no income tax consequences.

In Thousands of New Zealand Dollars	2013
2013 final dividend payable on 8 November 2013 @ 15.50 cents per share	4,066

17 CAPITAL MANAGEMENT

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

Key statistics and ratios are reported as part of the financial and operational five year summary on page 50.

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

The Group is required to comply with certain financial covenants in respect of external borrowings set by the Group's bankers. All covenants have been adhered to throughout the years ended 30 June 2013 and 30 June 2012.

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

18 EARNINGS PER SHARE

The calculation of basic earnings per share at 30 June 2013 was based on the profit attributable to ordinary shareholders of $6,503,000 (2012: $5,989,000) and a weighted average number of ordinary shares outstanding of 26,234,898 (2012: 26,234,898). Basic and diluted EPS are the same value.

19 LOANS AND BORROWINGS

	GROUP		COMPANY	
In Thousands of New Zealand Dollars	2013	2012	2013	2012
Non-current				
Southland Cool Stores Ltd	201	—	201	—
	201	—	201	—
Current				
Hong Kong and Shanghai Banking Corporation (HSBC)	6,000	1,200	6,000	1,200
	6,000	1,200	6,000	1,200
Total Borrowings	6,201	1,200	6,201	1,200

South Port New Zealand Limited's revolving credit facility of $8 million from HSBC is on a 30 day rolling basis. The facility is secured by way of a general security registered over all assets both present and future, and uncalled capital of South Port New Zealand Limited. Interest on the first $4 million drawn at any one time is payable according to the 5 year interest rate swap agreement the Company has with HSBC and interest on the balance of funds drawn at any time is a variable rate based on the cost of funds.

The non-current loan was entered into with Southland Cool Stores Ltd as part of the business combination in September 2012 for a period of 2 years repayable on 1 September 2014. Interest is paid six monthly at a rate of 2% per annum.

20 PROVISIONS

In Thousands of New Zealand Dollars	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
Provision for employee entitlements				
Balance at beginning of year	724	710	637	632
Additional provisions made	165	30	159	20
Amount utilised	(38)	(16)	(38)	(15)
Balance at end of year	**851**	**724**	**758**	**637**
Provision for unforeseen repairs and maintenance				
Balance at beginning of year	—	100	—	100
Additional provisions made	—	—	—	—
Amount utilised	—	(100)	—	(100)
Balance at end of year	—	—	—	—
Current	**772**	**657**	**707**	**595**
Non-current	**79**	**67**	**51**	**42**
Total Provisions	**851**	**724**	**758**	**637**

Employee entitlements

(i) *Defined contribution plans*

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

(ii) *Annual leave*

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

(iii) *Long service leave*

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

Unforeseen repairs and maintenance

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

21 EMPLOYEE ENTITLEMENTS

In Thousands of New Zealand Dollars	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
Accrued salary and wages (including bonuses)	271	223	255	209
Annual leave	487	412	439	369
Long service leave	93	89	64	59
	851	**724**	**758**	**637**

22 TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
In Thousands of New Zealand Dollars	2013	2012	2013	2012
Trade creditors and accruals	2,374	1,827	2,336	1,792
Inter entity creditors	—	—	138	131
	2,374	**1,827**	**2,474**	**1,923**

23 OTHER LIABILITIES

	GROUP		COMPANY	
In Thousands of New Zealand Dollars	2013	2012	2013	2012
Non-current				
Interest rate derivatives	214	397	214	397
	214	**397**	**214**	**397**
Current				
Forward exchange contract	—	—	—	—
Income tax payable/(refund)	823	789	819	787
	823	**789**	**819**	**787**
	1,037	**1,186**	**1,033**	**1,184**

24 BUSINESS COMBINATIONS

On 3 September 2012 the Group purchased the cold storage business of Southland Cool Stores Ltd located at Bluff. The primary reason for the business combination was to broaden the Group's involvement in the cold storage industry in the region and control was obtained by taking over the operating assets and existing customer contracts of Southland Cool Stores Ltd. A long term lease of the former Southland Cool Stores premises was executed as part of the transaction and the integration of this operating site with the Group's existing cold storage division was undertaken during the year ended 30 June 2013. The cost of the acquisition was $877,000 and was paid mostly in cash except for $201,000 that was loaned by the Acquiree to the Group for a period of 2 years.

	GROUP	
In Thousands of New Zealand Dollars	2013	2012
Total purchase consideration	877	—
Less: Acquiree's loan advance (Note 19)	(201)	—
Net cash outflow on acquisition	676	—

Analysis of assets and liabilities acquired

In Thousands of New Zealand Dollars	Book value	Fair value adjustment	Fair value on acquisition
Non-current assets:			
Plant & Machinery (Note 12)	915	—	915
Current liabilities:			
Employee provisions (Note 20)	(38)	—	(38)
	877	—	877
Goodwill on acquisition			—
			877

Since this business was acquired, it has been integrated into the existing cold storage operations of the Group and not operated as a standalone function. Resources, including the most appropriate storage location for product, labour and management are shared between the two sites and therefore it is impracticable to disclose the amount of profit of the acquiree included in the consolidated statement of comprehensive income since the acquisition date. The Company's cold storage facilities have contributed positively to the group results.

25 FINANCIAL INSTRUMENTS

Credit risk

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

Liquidity risk

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

The only liquidity risks the Group has at balance date are trade payables totalling $2,374,000 (2012: $1,827,000) which are all due within 30 days, and short term borrowings totalling $6,000,000 (2012: $1,200,000) which is due within one month of balance date.

Market risk

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

Foreign exchange risk

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

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

The Group has no forward exchange contracts at balance date.

During the year no Forex contracts were entered into, and no foreign currency was received. During the year ended 30 June 2012 foreign currency was received for the sale of plant and net losses of $24,000 have been added to the financial income and financial expenses in profit or loss for that period.

Interest rate risk

Interest payable to HSBC is charged on the following basis:

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

During the period the range of interest rates applying to the revolving credit facility was between 3.86% and 3.97% (2012: 3.86% and 4.09%). The Company is exposed to normal fluctuations in market interest rates.

Interest rate swap – South Port NZ Ltd has an interest rate swap in place which matures in June 2015. The interest rate swap has a fixed swap rate of 6.23% with a notional contract amount of $4 million at 30 June 2013 (2012: $5 million).

Credit facility

At balance date the Group had a total bank facility of $8 million (2012: $5 million), of which $6,000,000 (2012: $1,200,000) had been drawn down.

Fair values

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

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

Note 25 continued...

FINANCIAL INSTRUMENTS CLASSIFICATION TABLE

The Group held the following financial instruments at reporting date:

2013 In Thousands of New Zealand Dollars	Available for sale financial assets	Loans and Receivables	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total Carrying Amount
Assets					
Investments	28	—	—	—	28
Total non-current assets	28	—	—	—	28
Cash	—	1,327	—	—	1,327
Trade and other receivables	—	4,127	—	—	4,127
Total current assets	—	5,454	—	—	5,454
Total assets	**28**	**5,454**	**—**	**—**	**5,482**
Liabilities					
Interest rate derivatives	—	—	214	—	214
Borrowings	—	—	—	201	201
Total non-current liabilities	—	—	214	201	415
Borrowings	—	—	—	6,000	6,000
Trade and other payables	—	—	—	2,374	2,374
Total current liabilities	—	—	—	8,374	8,374
Total liabilities	**—**	**—**	**214**	**8,575**	**8,789**

2012 In Thousands of New Zealand Dollars	Available for sale financial assets	Loans and Receivables	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total Carrying Amount
Assets					
Investments	22	—	—	—	22
Total non-current assets	22	—	—	—	22
Cash	—	974	—	—	974
Trade and other receivables	—	4,056	—	—	4,056
Total current assets	—	5,030	—	—	5,030
Total assets	**22**	**5,030**	**—**	**—**	**5,052**
Liabilities					
Interest rate derivatives	—	—	397	—	397
Borrowings	—	—	—	—	—
Total non-current liabilities	—	—	397	—	397
Borrowings	—	—	—	1,200	1,200
Trade and other payables	—	—	—	1,827	1,827
Total current liabilities	—	—	—	3,027	3,027
Total liabilities	**—**	**—**	**397**	**3,027**	**3,424**

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

Note 25 continued...

MATURITY PROFILE OF FINANCIAL INSTRUMENTS

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

2013	Weighted Average Effective Interest Rate	CCAF Interest Rate	Carrying Value $'000	Contractual Cashflows $'000	Less than 1 year $'000	1 - 2 years $'000	2 - 3 years $'000	3 - 4 years $'000	4 - 5 years $'000	5 + years $'000	Non Interest Bearing
Financial assets:											
Cash & cash equivalents	3.00%	3.00%	1,327	1,327	—	—	—	—	—	—	651
Trade & other receivables	—	—	4,127	4,127	—		—	—	—	—	4,127
Other financial assets											
– Equity investments	—	—	28	28	—	—	—	—	—	—	28
Financial liabilities:											
Trade & other payables	—	—	(2,374)	(2,374)	—	—	—	—	—	—	(2,374)
Borrowings (non-current)	2.00%	2.00%	(201)	(206)	(4)	(202)	—	—	—	—	—
Borrowings (current)	7.53%	3.94%	(6,000)	(6,019)	(6,019)	—	—	—	—	—	—
Interest rate derivatives	6.23%	3.59%	(214)	(251)	(143)	(107)	—	—	—	—	—
			(3,307)	(3,368)	(6,167)	(309)	—	—	—	—	2,432

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

CREDIT RISK

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

Trade receivables In Thousands of New Zealand Dollars	Gross Receivable 2013	Doubtful Debts 2013	Gross Receivable 2012	Doubtful Debts 2012
Not past due	3,650	—	3,565	4
Past due 0-30 days	430	1	431	4
Past due 31-120 days	4	3	6	6
Past due 121-360 days	14	12	36	9
Past due more than 1 year	9	9	2	2
Total	**4,107**	**25**	**4,040**	**25**

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

Note 25 continued...

SENSITIVITY ANALYSIS

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

2013		Interest rate risk				Foreign exchange risk				Other price risk			
In Thousands of New Zealand Dollars	Carrying	-100bp		+100bp		-10%		+10%		-10%		+10%	
	Amount	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
Financial assets													
Cash and cash equivalents	1,327	(7)	—	7	—	—	—	—	—	—	—	—	—
Trade and other receivables	4,127	—	—	—	—	—	—	—	—	—	—	—	—
Available-for-sale investments	28	—	—	—	—	—	—	—	—	—	(3)	—	3
Financial liabilities													
Loans and borrowings (current)	6,000	60	—	(60)	—	—	—	—	—	—	—	—	—
Loans and borrowings (non-current)	201	2	—	(2)	—	—	—	—	—	—	—	—	—
Trade and other payables	2,374	—	—	—	—	—	—	—	—	—	—	—	—
Derivatives – interest rate swaps	214	(70)	—	70	—	—	—	—	—	—	—	—	—
Total increase/(decrease)		(15)	—	15	—	—	—	—	—	—	(3)	—	3

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

Explanation of interest rate risk sensitivity

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

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

Explanation of foreign exchange risk sensitivity

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

No sensitivity for derivatives (forward foreign exchange contracts) has been calculated for 2013 or 2012 since the Company had no forward foreign exchange contracts in place.

Explanation of other price risk sensitivity

The sensitivity for listed shares has been calculated based on a –10%/+10% (2012: -10%/+10%) movement in the quoted bid share price at balance date for the listed shares.

FAIR VALUE HIERARCHY

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

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

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

2013		Valuation Technique		
In Thousands of New Zealand Dollars	Total	Level 1	Level 2	Level 3
Financial assets				
Available-for-sale investments (shares)	28	28	—	—
Financial liabilities				
Derivatives – interest rate swaps	214	—	214	—

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

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.

26 COMMITMENTS AND CONTINGENT LIABILITIES

Capital expenditure commitments

As at 30 June 2013, South Port Group had entered into a capital expenditure commitment to purchase two Hyster Forklifts at a total cost of $157,000 due to arrive in August 2013. (2012: two material capital expenditure commitments as follows):

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

Operating lease commitments

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

In Thousands of New Zealand Dollars	2013	2012
Within one year	390	123
One to five years	1,448	262
More than five years	262	272
	2,100	**657**

Note 26 continued...

Operating lease commitments (as Lessee) relate to two forklift leases with Forklifts NZ Limited which expire in 2013 and a ten year land lease commitment with KiwiRail Limited for the lease of a parcel of land situated on the Island Harbour, Bluff, due to expire in December 2021.

During the year the Group also entered into a lease for certain land and buildings. This lease is for a period of six years with a renewal option in September 2018.

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

In Thousands of New Zealand Dollars	2013	2012
Within one year	3,133	3,415
One to five years	8,260	7,931
More than five years	50,197	51,914
	61,590	**63,260**

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 (2012: nil).

27 NET CASH FLOW FROM OPERATING ACTIVITIES

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

	GROUP		COMPANY	
In Thousands of New Zealand Dollars	2013	2012	2013	2012
Surplus after taxation	6,503	5,989	6,502	5,991
Add/(less) items classified as investing/financing activities				
Foreign exchange (gain)/loss	—	24	—	24
	—	**24**	—	**24**
Add/(less) non-cash items				
Depreciation	2,564	2,376	2,564	2,376
Net (gain)/loss on disposal	(34)	(388)	(34)	(388)
Decrease/(increase) in value of forward exchange contracts and interest rate swaps	(183)	19	(183)	19
(Decrease)/increase in deferred tax liability	(60)	198	(57)	200
	2,287	**2,205**	**2,290**	**2,207**
Add/(less) movement in working capital				
Decrease/(increase) in trade debtors and other receivables	(76)	(1,053)	(69)	(1,043)
(Decrease)/increase in trade creditors and other payables	177	(85)	168	(91)
(Decrease)/increase in the provision for income tax	34	(359)	32	(363)
	135	**(1,497)**	**131**	**(1,497)**
Net cash provided by operating activities	**8,925**	**6,721**	**8,923**	**6,725**

28 SEGMENTAL REPORTING

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

South Port engages with one major customer which contributed individually greater than ten percent of its total revenue. The customer contributed $7.26 million for the year ended 30 June 2013 (2012: $6.95 million).

29 RELATED PARTY TRANSACTIONS

During the year South Port New Zealand Limited provided cold storage facilities and leased warehousing, land and wharf facilities to Sanford Limited for $1.08 million (2012: $1.01 million). Sanford Limited debtors balance at 30 June 2013 was $59,000. Mr T.M. Foggo, a Director of South Port New Zealand Limited is the Southland Manager of Sanford Limited. All of these transactions were conducted on an arm's length basis at market rates.

All balances owing by Sanford are due by the 20th of the month following invoice and all overdue invoices are subject to interest on arrears. During the year ended 30 June 2013 no amounts invoiced to Sanford were written off as bad debts or included in the doubtful debts provision at balance date (2012: nil).

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

Please refer to note 30 for additional related party transactions disclosed separately in relation to the Company's subsidiary Awarua Holdings Limited.

30 INVESTMENT IN SUBSIDIARY COMPANY

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

All balances owed to Awarua Holdings Limited by South Port NZ Ltd are classified as inter-entity receivables and are repayable on demand. During the year ended 30 June 2013 no amounts invoiced by Awarua Holdings Limited were written off as bad debts or included in the doubtful debts provision at balance date (2012: nil).

Total management fees paid to Awarua Holdings Ltd during the year were $979,000 (2012: $946,000).

31 SUBSEQUENT EVENTS

On 22 August 2013 the Board declared a final dividend for the year to 30 June 2013 for 15.50 cents per share amounting to $4.066 million (before supplementary dividends). (2012: Final dividend declared for 14.50 cents per share amounting to $3.804 million.)

2012: In late July 2012 South Port entered into an agreement to purchase the cold storage business of Southland Cool Stores Ltd located at Bluff. The transaction was dependent on the successful outcome of a due diligence process and it was subsequently confirmed that the business acquisition would proceed. A long term lease of the former Southland Cool Stores premises was executed as part of the transaction and integration of this operating site with South Port's existing cold storage division is now incorporated into the financial statements for the year ended 30 June 2013.

32 AUTHORISATION FOR ISSUE

The Chief Executive, Mark O'Connor, Finance Manager, Lara Stevens, and Directors certify that these Financial Statements comply with generally accepted accounting standards and New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS), and present a true and fair view of the financial affairs of the Company. This being the case, the Directors authorised the Financial Statements for issue on 22 August 2013.

Financial and Operational Five Year Summary

In Thousands of New Zealand Dollars	2013	2012	2011	2010	2009
FIVE YEAR GROUP FINANCIAL SUMMARY					
Revenue	29,534	26,465	25,343	22,937	20,077
Net operating surplus	9,029	8,367	8,503	7,453	5,684
Group surplus	6,503	5,989	6,258	3,129	4,118
Operating cashflow	8,925	6,721	12,806	4,942	6,459
Shareholders distributions paid	5,509	5,247	4,722	3,542	2,951
Total shareholders' equity	30,571	29,572	28,827	27,287	27,700
Net interest bearing debt	6,201	1,200	300	1,950	—
Property, plant and equipment	35,795	29,760	30,500	26,068	25,226
Capital expenditure	8,572	2,648	6,810	3,598	4,876
Total assets	41,277	34,812	33,907	33,715	31,539
Interest cover (times)	20.2	25.4	26.0	85.7	407.0
Shareholders' equity ratio	74.1%	84.9%	85.0%	80.9%	87.8%
Return on shareholders' funds*	21.6%	20.5%	22.3%	11.4%	15.0%
Return on assets*	25.0%	25.3%	26.2%	23.1%	18.8%
Earnings per share	24.8	22.8c	23.9c	11.9c	15.7c
Operating cashflow per share	34.0c	25.6c	48.8c	18.8c	24.6c
Dividends paid per share	21.00c	20.00c	18.00c	13.50c	11.25c
Net asset backing per share	$1.17	$1.13	$1.10	$1.04	$1.06

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

	2013	2012	2011	2010	2009
OPERATIONAL SUMMARY					
Cargo throughput (000's tonnes)	2,513	2,691	2,636	2,169	1,863
Cargo ship departures	336	328	336	284	252
Gross registered tonnage (000's tonnes)	5,024	4,926	5,057	4,243	3,880
Number of full-time employees	80	65	63	60	60
Total cargo ship days in port	840	597	749	687	635
Turn-around time per cargo ship (days)	2.50	1.82	2.23	2.42	2.52
Cargo tonnes per ship	7,479	8,204	7,845	7,637	7,392
Dry warehousing capacity (m^2)	33,300	27,400	27,400	27,400	27,400
Cold/cool storage capacity (m^3)	80,115	39,500	39,500	39,500	39,500

Glossary of Port and Shipping Terms

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

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

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

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

Bund – Area designed to contain any spills.

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

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

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

Coastal Services – Shipping service between ports within New Zealand.

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

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

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

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

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

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

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

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

Gate/Gatehouse – Entry to wharf or terminal areas.

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

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

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

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

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

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

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

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

Reach Stacker – Heavy hoist machine that stacks containers.

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

Reefer Container – See refrigerated container.

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

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

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

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

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

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

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

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

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

Work boat "Oreti" towing sand barge to the dredge disposal site

Management

L TO R –
Geoff Finnerty, Steve Kellett, Lara Stevens, Mark O'Connor, Hayden Mikkelsen, Russell Slaughter, Nigel Gear

South Port DIRECTORY

DIRECTORS

Rex Chapman
Chairman

Rick Christie

Philip Cory-Wright

Thomas Foggo

Graham Heenan

Jeremy McClean

CORPORATE EXECUTIVES

Mark O'Connor
Chief Executive

Russell Slaughter
Port General Manager

Geoffrey Finnerty
Cargo Operations Manager

Nigel Gear
Commercial Manager

Steve Kellett
Cold Store Manager

Hayden Mikkelsen
Cold Store Operations Manager

Lara Stevens
Finance 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 9810

SOLICITORS

Preston Russell Law
92 Spey Street, Invercargill 9810

AWS Legal
151 Spey Street, Invercargill 9810

BANKERS

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

ACCOUNTANTS

McIntyre Dick & Partners
160 Spey Street,
Invercargill 9810

SHARE REGISTER

Link Market Services Limited
138 Tancred Street,
Ashburton 7700

REGISTERED OFFICE

Island Harbour,
PO Box 1, Bluff 9842

CONTACT DETAILS

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Website
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Southern Region
PRODUCTION/CARGO LOCATIONS

1	KM FROM BLUFF
Gardner Smith/Pacific Terminals	0
International Nutritionals	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	
International Specialty Aggregates	30
Quality Foods Southland	30
Stabicraft Marine	30
Prime Range Meats	33

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

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

6	
Craigpine Timber	60
NZ Growing Media	60
Winton Stock Feed	60

7	
Fonterra Edendale	65

8	
Dongwha Patinna NZ	70
Alliance Mataura Plant	75

9	
Eastern Concrete	80
Silver Fern Farms Gore Plant	80

10	
Lindsay & Dixon	88

11	
Silver Fern Farms Mossburn Plant	118

12	
Ernslaw One	30

13	
Silver Fern Farms Balclutha Plant	145
Fonterra Stirling	145

Container vessel "JRS Brisbane" heading towards Bluff

South Port NZ

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