South Port NZ

ANNUAL REPORT

2014

CELEBRATING 25 YEARS

contents

FINANCIAL CALENDAR

20 August 2014	• 2014 Full Year Profit Announcement Date
28 October 2014	• Close of Share Register for Entitlement to Final Dividend
28 October 2014	• Proxies must be lodged by 10.45 a.m.
30 October 2014	• Annual Meeting – 10.45 a.m. Venue: South Port Board Room, Island Harbour, Bluff Port Tour – 10 a.m.
10 November 2014	• Final Dividend Payment mailed
12 February 2015	• 2015 Interim Profit Announcement
March 2015	• 2015 Interim Dividend Payment
30 June 2015	• 2015 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 kms of the Port.

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

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

SOUTH PORT FACTS

- Owns and manages assets which have a book value of $46 million
- Directly employs more than 77 full time equivalent staff
- Is the only Southland based company listed on NZX – market capitalisation as at 30 June 2014 equates to $91 million
- Handles in excess of 2.6 million tonnes of cargo in a normal trading year
- Offers full container, break-bulk and bulk cargo capability and services the following main cargoes:
  IMPORT – alumina, petroleum products, fertiliser, acid, fish, stock food and cement
  EXPORT – aluminium, timber, logs, dairy, meat by-products and 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 approx 1.0 million tonnes of cargo destined for movement across the Tiwai Wharf each year, of which 2/3 is raw material imports while 1/3 is finished aluminium product
- Has approximately 7 ha of on-port land available for further port development or industry establishment

2013/14 significant events

- **Continued improvement in Lost Time Injury (LTI) frequency rate** and completion of key projects designed to enhance Health & Safety.

- Achieved a record $6.68 million profit, slightly higher than previous year level of $6.50 million. Upgrade of anticipated result **driven by bulk cargo tonnages.**

- Set **consistent dividend level of 22.0 cents** per share (2013 22.0 cents).

- **Bulk cargo activity drove overall cargo increase of 8%** or 210,000 tonnes providing **new record volume of 2.72 million tonnes** (2013 - 2.51 million). Categories showing largest gains included logs & stock food.

- **Record log volume of 390,000 tonnes** flowed through port, reflecting buoyant demand from China, however this **activity tapered off at year end.**

- **Overall forest products** (logs/chips/sawn timber) exported through South Port **now represents approximately 25% of total cargo** throughput.

- **Warehousing contract entered into** to service increased dairy tonnage within the region.

- **Process Improvement principles introduced to business via** commencement of “Port Achieving Combined Excellence” **(PACE) programme.**

- Driven by the financial strength of the dairy sector, **stock food imports were approximately double** the previous year’s throughput.

- **All dry warehouses** located on Island Harbour were **fully tenanted** during the 2014 financial period.

- After slow first quarter, **containerised cargo registered at 32,700 TEU** versus 34,800 in 2013. MSC weekly service continues to generate consistent regional support with a **record number of full containers handled.**

- **Cold storage profit contribution declined markedly during 2013** due to product moving to end-consumers more rapidly plus changing market requirements impacting labour costs.

- Two milestones registered during F2014, **25 years since South Port created** as a corporate entity and **20 year anniversary of NZX listing.**

- **Second Liebherr mobile-crane & further container forklift purchased** to handle projected growth in containerised cargo over next 5 years.

- Further **reach-stacker purchased for $800,000** taking South Port’s container capable plant fleet to a total of 7.

- **New senior roles of Infrastructure & EHS (Environment, Health & Safety) plus Warehousing created** with appointments made for each position. Previous Port General Manager role was disestablished.

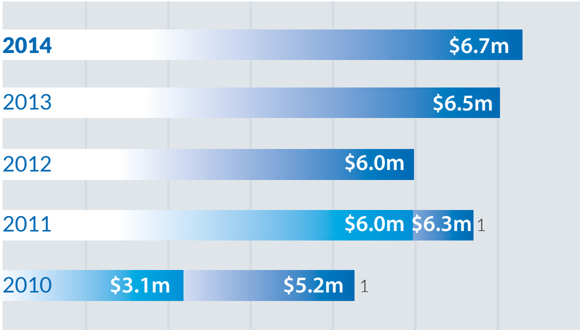
- **Shell NZ consortium announces intent to undertake** Great South Basin (GSB) **exploration** during 15/16 summer period. **Woodside Petroleum & NZOG secure new GSB exploration** licence approx 100 km South of Bluff.

- **Solid Energy** disposes of large parcels of Eastern Southland land but **retains ownership of underlying mineral deposits** and able to discuss potential resource use.

Logs arriving for storage at the Island Harour

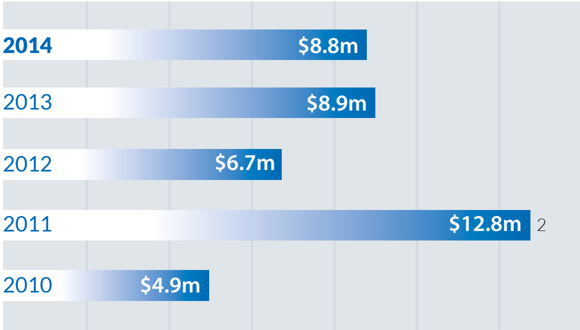
financial results in brief

SURPLUS AFTER TAX



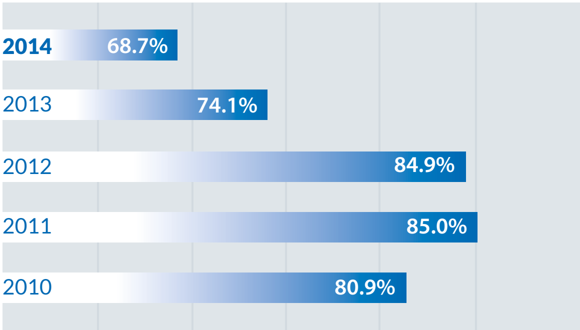
1: Restated profit with one-off deferred tax adjustments reflected

OPERATING CASH FLOW

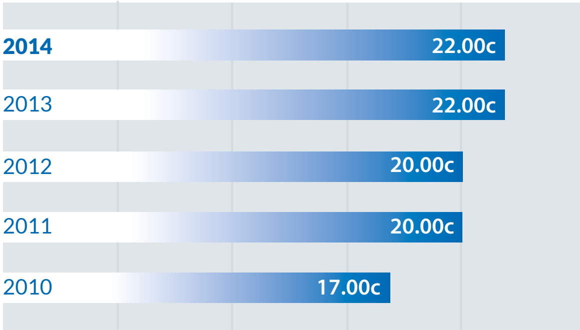


2: Includes NZAS arbitration settlement

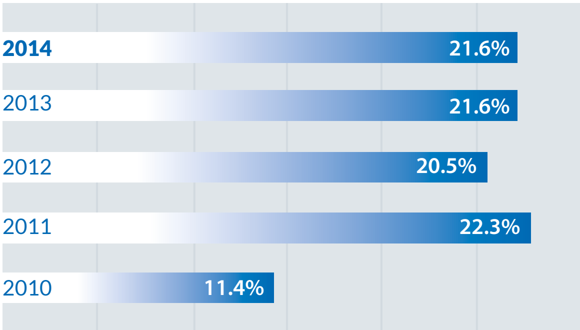
EQUITY RATIO



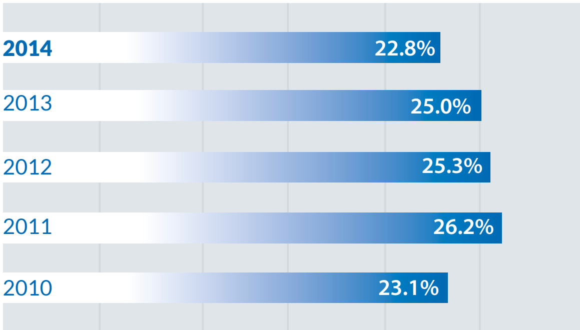
DIVIDENDS PER SHARE



RETURN ON EQUITY



RETURN ON ASSETS



In Thousands of New Zealand Dollars	2014	2013
Revenue	$31,441	$29,534
Surplus after tax	$6,681	$6,503
Cashflow from operating activities	$8,759	$8,925
Total assets	$45,727	$41,277
Total equity	$31,408	$30,571
Shareholders' equity ratio	68.7%	74.1%
Earnings per share	25.5c	24.8c
Dividends declared per share	22.0c	22.0c
Net asset backing per share	$1.20	$1.17
Return on shareholders' funds	21.6%	21.6%
Cargo throughput (000's tonnes)	2,719	2,513

review of operations

OVERVIEW

South Port as an entity passed two significant milestones during the past 12 months:

1. Twenty five years have elapsed since the assets of the former Southland Harbour Board passed to the newly formed corporate South Port New Zealand Limited.
2. The twentieth anniversary of South Port achieving listing on NZX occurred in July 2014.

It was therefore pleasing to see stronger bulk cargo activity lift total cargo for the business to a new record level of 2.72 million tonnes resulting in a record net profit after tax of $6.68 million.

In other areas of the business margins were however mixed with cold storage returns being negatively impacted by changing market patterns and handling requirements. Conversely dry warehousing activity delivered a more consistent contribution to NPAT.

The reported after tax profit of $6.68 million (2013 – $6.50 million) is a 2.8% increase on the previous year and represents a better result compared to earlier South Port expectations.

CARGO ACTIVITY

Total cargo volume at 2.72 million tonnes was an increase on the previous year of 2.51 million tonnes and was just slightly ahead of the prior record volume level of 2.69 million tonnes set in F2012. The 8% improvement in volume was largely driven by stock food and logs while other cargo categories also maintained their more recent buoyant pattern.

In the case of imported stock food, this product was double the previous year's volume and registered a new record for this cargo category. Log exports through South Port also surged to their highest level with 390,000 tonnes passing across the wharves. The majority of this log material was destined for the Chinese market where demand has since softened, bringing with it a corresponding drop-off in export activity. It is worthwhile noting that forestry exports (logs/woodchips & sawn timber) now represent close to 25% of the total cargo volume being handled by South Port.

Fertiliser and petroleum products are two other sizeable bulk cargoes that contribute positively to the port's overall performance. Both of these cargo categories delivered volumes which tracked closely to the prior year's buoyant levels.

MSC, South Port's sole container shipping customer, continued to attract consistent cargo support from Southland's importers and exporters. Consisting of seven vessels averaging 3,500 TEU (standard twenty foot container) capacity, the weekly Capricorn container service provides an effective global linkage for the region through its various trans-shipment connections in Tauranga, Brisbane and Singapore.

After a slow first quarter in F2014, annual containerised cargo registered at 32,700 TEU compared with the 34,800 TEU handled the previous year. Of note, total full container numbers increased year on year from 19,700 TEU to 20,700 TEU highlighting the lift in full imported containers of which stock food and feed supplements were a significant component. NZAS related tonnages mirrored those of the previous year with staff and management at the Tiwai plant continuing to focus on securing further business efficiency gains. Key decisions will be required by this significant customer within the next 18 months as it works through the implications of potentially securing a reduced contracted parcel of electricity from Meridian Energy. NZAS currently sources 572 MW annually under contract from Meridian Energy but an opportunity for this supply commitment to reduce to 400 MW or terminate exists under the 2013 renegotiated agreement entered into by the parties.

Rex Chapman
Chairman

Mark O'Connor
Chief Executive

CRANE PRODUCTIVITY *(Gross container moves per hour)*

2014	17.1
2013	17.1
2012	17.8
2011	15.4
2010	15.0

NUMBER OF CONTAINERS *(20 foot Container Equivalents)*

2014	32,700
2013	34,800
2012	32,800
2011	33,400
2010	28,900

CONTAINERS *(Packed/Unpacked)*

2014	6,037
2013	5,511
2012	6,900
2011	5,700
2010	4,900

'Cape Madrid' loaded with import and export cargo

SHIP CALLS

2014	316
2013	336
2012	328
2011	336
2010	284

BREAKDOWN OF CARGO – BULK *(Tonnage)*

2014	2,125,000
2013	1,944,000
2012	2,086,000
2011	2,034,000
2010	1,673,000

BREAKDOWN OF CARGO – CONTAINERS *(Tonnage)*

2014	351,000
2013	323,000
2012	342,000
2011	340,000
2010	250,000

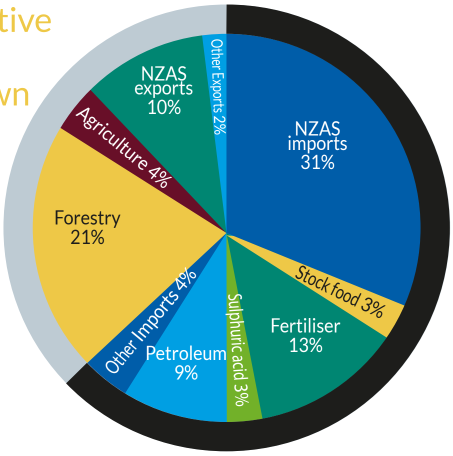
BREAKDOWN OF CARGO – BREAK-BULK *(Tonnage)*

2014	244,000
2013	247,000
2012	264,000
2011	261,000
2010	245,000

Comparative Cargo Breakdown 2013

IMPORTS: 63%

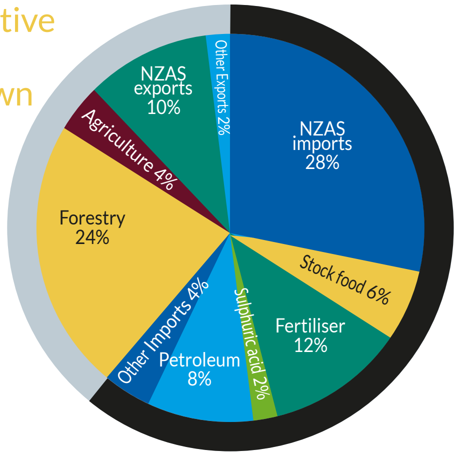
EXPORTS: 37%



Comparative Cargo Breakdown 2014

IMPORTS: 60%

EXPORTS: 40%



The international softwood chip commodity market continues to reflect a down turn and this resulted in lower 12-monthly volumes once again passing through South Port. It is unclear when the market for this product will recover.

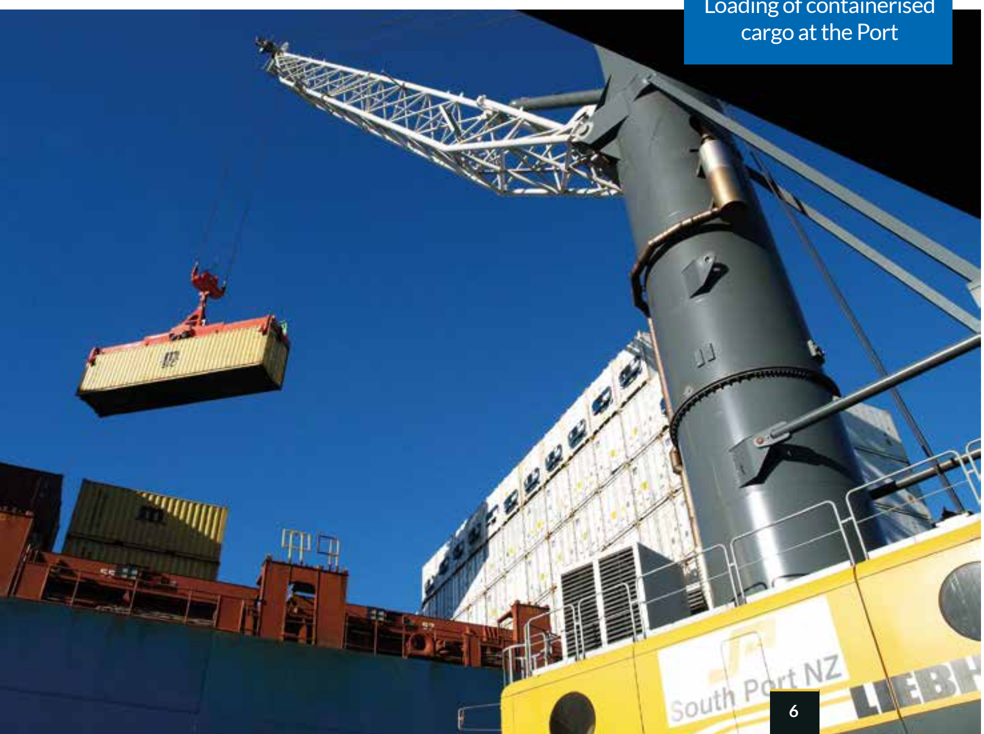
Despite a recent trend of falling global dairy prices, participants in this sector would have experienced strong financial returns over the past season. This meant that the dairy industry continued to be an important contributor to South Port's overall activity providing a growing volume of import and export cargoes. These products include imports of manufacturing ingredients (lactose), packaging materials, caustic soda, nitric acid, stock food, fertiliser and exported manufactured dairy product.

OTHER OPERATIONAL EVENTS

Commitment to purchase second mobile harbour crane and supporting infrastructure – In March of this year South Port announced its decision to purchase a second Liebherr mobile harbour crane and an additional heavy-lift container forklift for an outlay of $6.3 million. This decision will enable a two container crane operating model to be made available for the MSC Capricorn Service, thus providing the following benefits:

- Allows MSC to reduce its "time-in-port" operating window,
- Enables an increased volume of containerised cargo to be exchanged within this reduced operating window,
- Facilitates South Port's ability to effectively service the projected growth in containerised cargo over the next 5-10 years.

This capital transaction is a major commitment by South Port and was only undertaken after lengthy consultation with its shipping line customer. Whilst acknowledging that there will be a gap between the level of container revenue generated and the investment return being targeted over the next 3-4 years, the Company is committed to working with MSC to build the required containerised cargo volume which will support this capital expenditure.



Loading of containerised cargo at the Port

New warehousing contract – In May 2014 the Company concluded a new third-party warehousing contract which will service increased dairy tonnage within the region. Following the execution of this new storage contract, all available dry warehouses located on the port environment are fully tenanted for the coming financial year.

Invercargill industrial bare land – South Port continues to evaluate the most appropriate use of 0.63 ha of bare land in Mersey Street adjacent to the Invercargill KiwiRail area where containerised cargo is transferred to and from rail. The most likely use of this land is the establishment of a packing/unpacking operation supported by a base warehousing activity.

"Port Achieving Combined Excellence" (PACE) Programme – During the first six months of F2014 South Port senior managers and supervisors undertook training in Process Improvement in order to roll out an internal programme titled PACE (Port Achieving Combined Excellence). The programme is designed to encourage a continuing focus on operational improvement, better use of existing resources and the creation of a solid platform for future growth. A wide range of positive changes to the business have already been introduced as a result of this continuing programme.

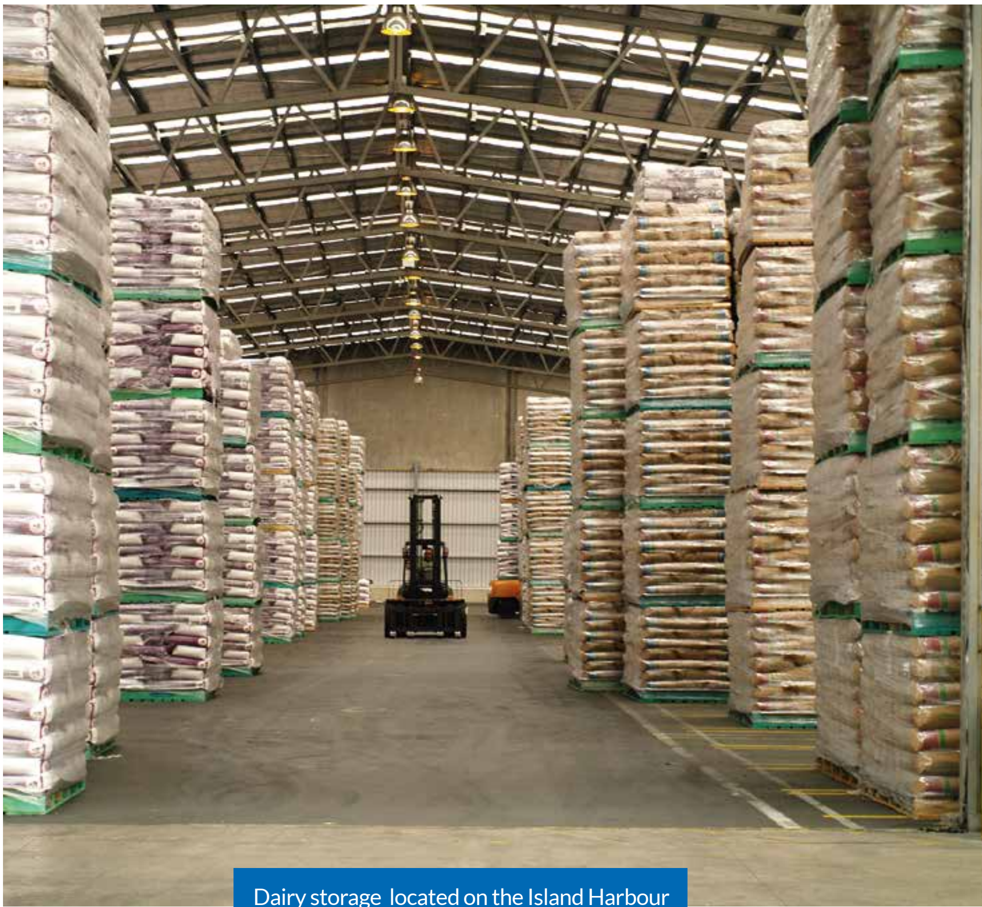
FINANCIAL

2014 Financial Result (comparatives shown in brackets)

- Revenue from port and warehousing operations equated to $31.3 million ($29.3 million) representing an increase of 7%.
- Additional resources deployed in the business supported operating profit before financing costs and tax increasing by 3% to $9.3 million ($9.0 million).
- Net financing costs for the Group were $390,000 ($270,000).

Logs being loaded for export market

- The Group's overall result was a surplus of $6.68 million ($6.50 million), which represented a 3% increase on the previous year.
- Based on the reported result, earnings per share were 25.5 cents per share (24.8 cents per share).
- Total equity is $31.4 million ($30.6 million) after allowing for dividend payments during the period of $5.64 million ($5.51 million).
- Group equity includes issued capital of $9.4 million ($9.4 million), which is made up of 26,234,898 ordinary shares.
- Total Group assets stand at $45.7 million ($41.3 million).
- Net tangible asset backing per share equates to $1.20 ($1.17 per share).
- Current assets amount to $11.0 million ($5.5 million), with current liabilities at $13.9 million ($10.0 million). This creates a net working capital position of negative $2.9 million versus negative $4.5 million last year.
- Term liabilities total $0.4 million ($0.7 million).
- Property, Plant and Equipment stood at $34.7 million ($35.8 million).



Dairy storage located on the Island Harbour

MSC 'Patricia' entering Bluff Harbour to exchange containers

DIVIDENDS

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

In establishing the level of dividend payment Directors took into account the Company's slight profit improvement this year plus its need to fund future capital expenditure. Accordingly, the Board elected to pay a final dividend of 16.0 cents. This translates to a full year dividend of 22.0 cents which is consistent with the prior year (2013 – 22.0 cents).

Full imputation credits will be attached to all distributions. The dividend payment represents a gross return of 8.8% (net 6.4%) based on a share price of $3.46 as at 30 June 2014. A dividend payout ratio of 86% results for 2014 (using reported NPAT) and equates to 79% of FCF. This level of income distribution is similar to the prior year payout ratio of 89%.

ENVIRONMENT AND HEALTH & SAFETY

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

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

The Company has made considerable progress towards achieving these objectives but still has further work to do. One H&S area that requires greater attention is ensuring that our numerous contractors and suppliers adhere to the same H&S standards that South Port now imposes on itself.

An important element assisting this target is the development of a regional contractor pre-qualification and induction system known as the "HSE Passport". South Port played a lead role in conjunction with Southern Institute of Technology and several larger Southland industries to create this flexible on-line system. The Company will be refining the site specific content of its contractor induction material over coming months to further enhance the safety message being delivered to suppliers who undertake on-site activity.

South Port once again gained 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.

As noted previously the Company's PACE (Process Improvement) programme also contains an important H&S component which is driven by the South Port Health & Safety Committee.

No events occurred during the past 12 months which had a detrimental effect on the environment in which South Port and its people function. In addition key customers have been encouraged to become signatories to the Environmental Code of Practice which South Port's primary activities directly reference back to.

STAFF CONTRIBUTION

Once again the performance of the Company during the past 12 months is a direct reflection of the hard work and enthusiasm demonstrated by staff. The PACE (Process Improvement) programme encourages staff to influence the outcome of both existing and new work practices and this has had a positive impact within the business. South Port must continue to be conscious of its customers' needs and react to the constantly changing market dynamics.

As a result of the two container crane operating model being introduced plus other generic growth, South Port will be undertaking recruitment over coming months to further supplement its workforce.

BOARD COMPOSITION

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

The Company has received no other Director nominations.

MANAGEMENT TEAM

Long serving manager Russell Slaughter who had responsibility for the Infrastructure and Marine areas of the business retired at the end of F2014. The Company acknowledges the valuable contribution made by Russell over several decades and wishes him well for his retirement.

As a consequence of this retirement and of recent growth encountered by South Port, new management roles were created for;

- Infrastructure & EHS (Environment Health & Safety), and
- Warehousing (encompassing dry and cold warehousing functions).

The company's former Foreshore Road Cold Store Operations Manager, Hayden Mikkelsen was appointed to the Infrastructure & EHS position while an external appointment of Mark Billcliff was made for the Warehousing role. Both these individuals have most recently been involved in the fertiliser sector and have the useful attributes of being exposed to large scale manufacturing and Process Improvement systems.

COMMUNITY AND REGIONAL ASSISTANCE

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

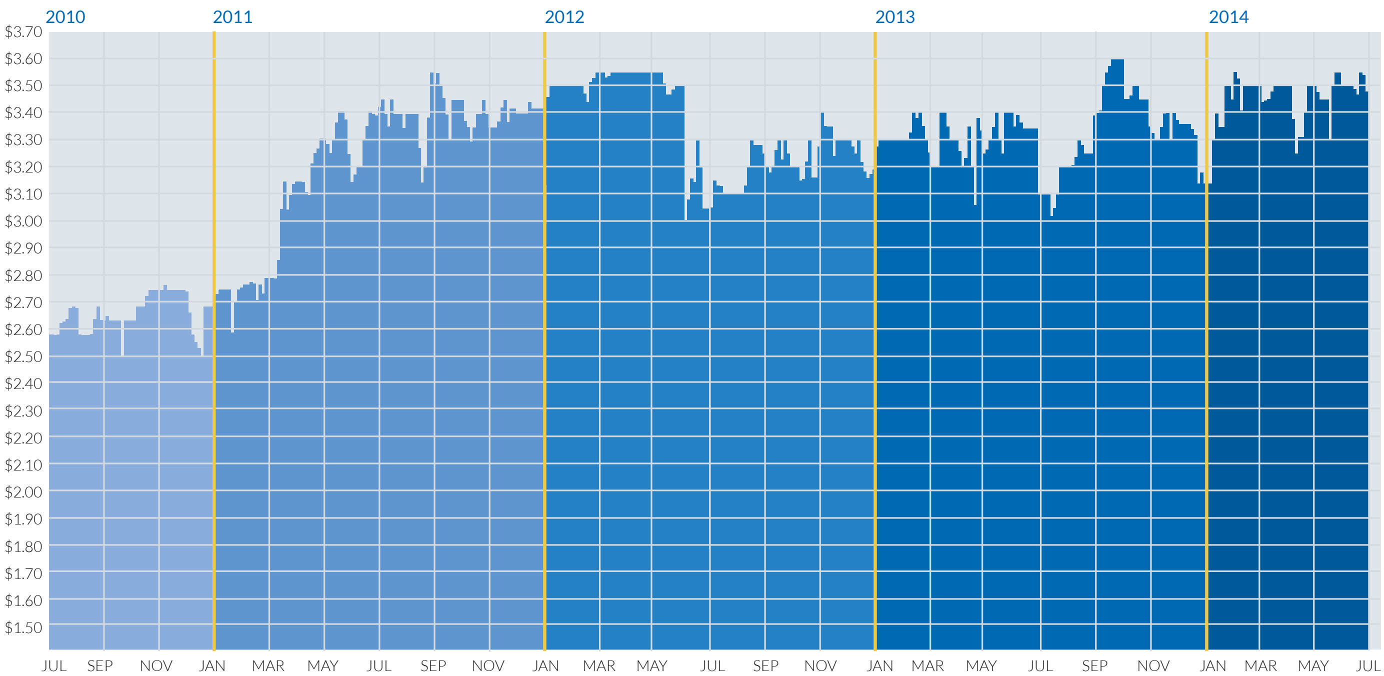
- Bluff Bowling Club
- Bluff Coastguard
- Bluff Community Medical Trust
- Bluff Golf Club
- Bluff Hill/Motupohue Environment Trust – pest eradication programme
- Bluff Maritime Museum
- Empaua Netball, Bluff
- Bluff Oyster & Seafood Festival
- Bluff Rugby Club
- Bluff Rugby League Club
- Bluff Yacht Club
- Bluff Schools
- Bluff Promotions and various other local organisations
- Invercargill Harness Racing Club (Bluff businesses race day)
- 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)
- Venture Southland – Spirit of a Nation
- Young Enterprise Scheme (YES)

Mark Billcliff

South Port also continued its primary sponsorship of Export Southland providing financial assistance to administer this organisation and facilitate the holding of a number of events including the bi-annual Export Recognition Dinner.

Further, the Company's ongoing scholarship assistance comprises of both community and staff categories, with scholarships this year being awarded to Hannah Allan, Brock Fairweather and Danielle Johnson. Hannah is studying at Otago University to gain a Bachelor of Arts, Psychology and is targeting a career in social work. Brock is enrolled at Otago University in his final year of a Bachelor of Science majoring in Biochemistry. On completion he would like a career in

SHARE PRICE from 1 July 2010 to 30 June 2014



scientific research. Danielle is attending Otago Polytechnic and studying towards a Bachelor of Culinary Arts with the goal of travelling internationally to indulge in her passion for cooking.

ENERGY SECTOR UPDATE

Oil & Gas Exploration – Shell New Zealand, together with its consortium partners OMV New Zealand Ltd and Mitsui E&P Australia Pty Ltd announced in January 2014 that it would be advancing exploration in the Great South Basin (GSB) around the first quarter of calendar 2016. This exploration activity is likely to involve a 40-50 day operating period and a one well drilling exercise estimated to cost around NZ$100 million. In addition, the same consortium has acquired further 2D seismic data in a new permit area adjacent to the targeted exploration location.

In the latest round of off-shore exploration permits issued by the NZ Government, Woodside Petroleum and NZOG secured permit 55794 situated in the GSB. This permit covers an area of 9,800 km^2 off the south-east coast of the South Island and requires the permit holder to acquire 900 km2 of 3-D seismic data prior to April 2015.

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

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 infrastructure (catering for support vessels and diesel supplies for rig operations) is more easily accessible than other ports – note support vessels normally require 7-8 metres draft which is comfortably provided at Bluff
- 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 – As previously reported to shareholders, significant effort and resource has previously been invested by Solid Energy to evaluate the commercial case for establishing a large scale lignite-to-urea conversion process in Southland. Solid Energy is no longer in a position to champion this potential project and although it is disposing of the Eastern Southland land which overlies the most-prospective blocks of the lignite resource, it has retained ownership of any underlying mineral deposits it acquired and remains willing to discuss potential uses of the resource with other interested parties.

It follows that a new player, logically from off-shore, will need to be introduced in order to complete further evaluation work associated with a Southland-based lignite conversion process. One fact that remains unaltered is the existence of several billion tonnes of lignite reserves strategically located in the region.

Flat Hill Wind Farm Project – Located near Bluff, the Flat Hill Wind Farm site is to be developed by Pioneer Generation having received consent from the Environment Court in March 2013. The consent allows for up to 8 towers or 6.8 megawatts of generation capacity to be installed. This smaller scale project is targeted to be undertaken during F2015.

OUTLOOK

As this report goes to print several key areas of uncertainty hover around the New Zealand freight sector. A major topic occupying freight participants' minds is the flow on effect for cargo providers of a freight alliance formed between Kotahi/Port of Tauranga/Maersk Shipping Line. Note Kotahi is the freight logistics arm of dairy producer Fonterra. The other areas of uncertainty relate more to continuing global demand for NZ goods, in particular dairy and forestry products.

Tackling the first topic, it is not unreasonable to predict that the significant scale of the freight now being directed by Kotahi/Port of Tauranga/Maersk will send ripples out into the NZ market. Logically because a greater proportion of the total freight generated will be influenced by these parties, other container shipping lines will need to reassess their commitment to the NZ market both in terms of resources and connecting markets being serviced. Whether this ultimately results in less competition and capacity and as a result creates higher costs for some exporters and importers will take some time to become clear.

South Port maintains a view that market forces will ultimately dictate what level of service capacity and frequency is required by NZ exporters and importers. If collaboration enhances the form and efficiency of freight movements then it is to be applauded. If it has the opposite effect then at some point decisions will

Mark O'Connor and Rex Chapman presenting scholarship cheques to Hannah Allan and Brock Fairweather. Inset: Danielle Johnson.

be made by cargo providers which will target restabilising the freight market equilibrium. In South Port's case it will continue to work hard to provide cost effective freight solutions for Southern regional operators to assist their businesses participate in global markets.

Addressing the other issue of cyclical weakness for dairy and forestry goods, the immediate outlook for these products is certainly not encouraging and will place downwards pressure on certain cargo categories. In the case of dairy this does not tend to have an impact on the finished product tonnages or the imported ingredients used in production but rather the decisions made by milk suppliers in relation to their farm inputs (fertiliser/fuel/supplementary stock food). Diminished demand for forestry in comparison does translate to a direct reduction in export tonnages. Because of these current factors South Port and its customers operating in these sectors are taking a more conservative view of projected activity for the coming season.

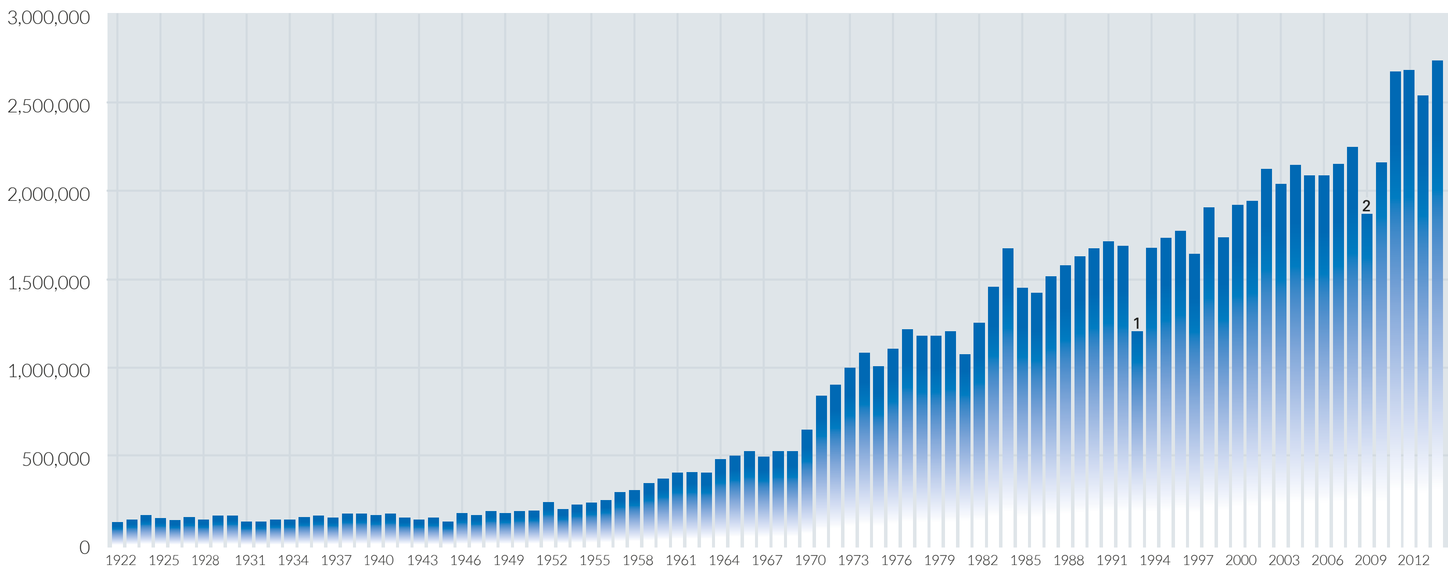
Taking into account the above cyclical cargo factors, South Port is forecasting a similar overall cargo level but a slightly lower level of tax-paid profit for the 2015 financial year. This forecast takes into account both anticipated challenging conditions in certain sectors and the impact of investing in new container handling infrastructure which will require a number of years of container cargo growth to generate an appropriate financial return. 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.

A shipload of containers departs Bluff

R.T. CHAPMAN
Chairman

M.P. O'CONNOR
Chief Executive

(tonnes) **HISTORIC TRADE FIGURES 1922-2014**



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

directors' profiles

Rex Thomas Chapman
LLB, Chairman

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

Richard 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 & ikeGPS 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, Matariki Forests and Top Country Properties. Mr Cory-Wright was previously a member of the Local Government Infrastructure Expert Advisory Group. He has specialised in infrastructure businesses and recent roles include being 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 37 years and has for the past 19 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 2014 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 2013 to 30 June 2014.

Results

The Company recorded a surplus for the period of $6,681,000.

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 2014 including the final dividend amount of $4,198,000 payable in November 2014.

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 2014 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
$100,001 - $110,000	3
$110,001 - $120,000	1
$130,001 - $140,000	1
$140,001 - $150,000	1
$150,001 - $160,000	1
$170,001 - $180,000	1
$190,001 - $200,000	3
$250,001 - $260,000	1
$260,001 - $270,000	1
$330,001 - $340,000	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 changes in accounting policies during the period. These related to the adoption of hedge accounting and the spreading of interest expenses relating to interest rate caps. With the exception of these minor changes, 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 $40,266 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 2013 to 30 June 2014.

Disclosure of Interest

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

Mr R.T. Chapman	*Position*
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
Foundation for Youth Development Southland	Chairman
Invercargill Airport Ltd	Director
Live Lobster Southland 1995 Ltd	Director
Sanford Ltd	Branch Manager
Mr G.D. Heenan	
InterCity Group Ltd	Chairman
Mr J.J. McClean	Nil

R.T. CHAPMAN
Chairman of Directors

G.D. HEENAN
Director

Dated 20 August 2014

statutory disclosure in relation to shareholders

AS AT 30 JUNE 2014

SIZE OF HOLDING

SIZE OF HOLDING	NUMBER OF SHAREHOLDERS	ORDINARY SHAREHOLDING	PERCENT HOLDERS
1 - 1,000	275	185,705	.71
1,001 - 5,000	408	1,136,977	4.33
5,001 - 10,000	91	696,439	2.66
10,001 - 100,000	65	1,465,787	5.59
100,001 and over	9	22,749,990	86.72
Total Number of Shareholders:	848	26,234,898	100.00

PRICES FOR SHARES TRADED DURING THIS YEAR

AS AT 30 JUNE 2014	HIGH	LOW
$3.46	$3.60	$3.02

TOP TWENTY ORDINARY SHAREHOLDINGS

SHAREHOLDER	HOLDING	PERCENT
Southland Regional Council (Environment Southland)	17,441,573	66.48
J I Urquhart Family Trust	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 Descendants Trust	506,192	1.93
JPMorgan Chase Bank N.A.	255,950	.98
MA Janssen Ltd	175,474	.67
Daniel Martin Noonan	175,364	.67
Howard Cedric Zingel	113,556	.43
Kenneth Ritchie Anderson	77,184	.29
Pauline Ann Stapel & Stephen Thomas McKee	70,881	.27
Custodial Services Ltd	61,102	.23
Citibank Nominees (NZ) Ltd)	58,399	.22
David Grindell	56,850	.22
Glenn Owen Johnston	50,000	.19
Tarewai Fishing Co. Ltd	47,656	.18
Ian Gerald Arnot	43,978	.17
Ivan Tomishenko Alach & Geraldine Anna Alach	42,500	.16
Henry James Williams	37,684	.14

SUBSTANTIAL SECURITY HOLDERS

As at 30 June 2014 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 Descendants Trust	2,044,663	7.79	24 December 2009
J I Urquhart Family Trust	1,334,731	5.09	28 October 2010

corporate governance

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

The Board has adopted a Code of Corporate Governance which is available at www.southport.co.nz. The Code has been developed after considering contemporary best practice and principles contained in the 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, including Health & Safety.

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

BOARD COMPOSITION

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

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

The criteria for Director Independence 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:

2014	Male	Female	Total
Directors	6	–	6
Senior Management	6	1	7
	12	1	13

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

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 2013 to 30 June 2014

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

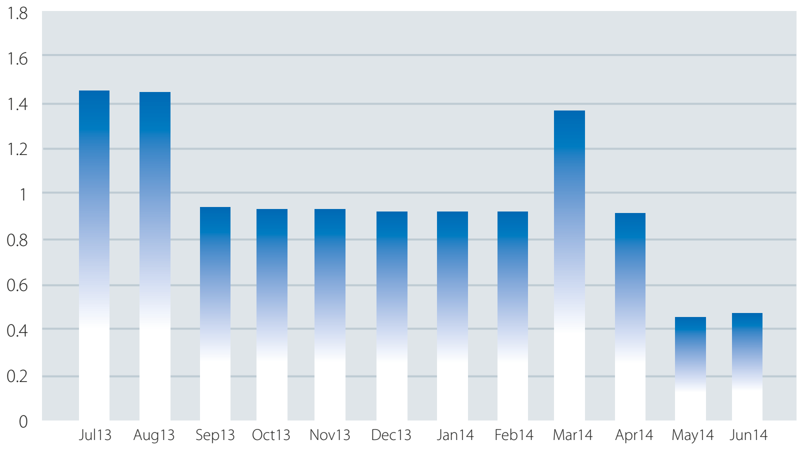
BOARD OF DIRECTORS REMUNERATION

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

LOST TIME INJURY FREQUENCY RATE
(injuries per 100,000 work hours – 12 month rolling)



HEALTH & SAFETY

The Company's sustained focus on Health & Safety (H&S) and a greater public awareness continues to drive significant improvements in the safety culture at South Port. Proposed new legislation is further driving the pace of safety system development amongst all companies that visit the Port. The Company continues to lift the expected H&S standard on the Island Harbour and is working to ensure all parties who work at the Port meet the continuously evolving safety requirements.

Throughout the year South Port renewed its tertiary level accreditation for ACC's Work Place Safety Management Programme (WSMP). This is the highest achievable level under this system and reflects our commitment to developing strong H&S systems.

Injury rates have continued to fall over the year with our Lost Time Injury Frequency Rate (LTIFR) finishing the year at another record low of 0.45 injuries per 100,000 hours. Only one lost time injury was recorded which was minor in nature and required only two days off work. No employees suffered a serious harm injury during the year.

South Port has played a leading role in conjunction with several of Southland's larger industries by developing the "HSE Passport" system. This online system helps principal companies ensure their contracting suppliers meet an expected level of H&S performance and also makes the process of contractor induction simpler by delivering it online.

Traffic management has been further improved by the addition of new road markings, the development of a "three strikes" traffic policy, updating the Port Safety & Security Guide, and the addition of a new walkway to help keep pedestrians isolated from traffic. Other key developments include the establishment of a "Golden Rules" campaign and implementation of formal departmental toolbox meetings. Wellbeing initiatives included the purchase of new gym equipment and the opportunity for staff to spend time with a personal trainer.

To further assist with increasing health, safety and environmental (HSE) requirements, a Process Improvement Co-ordinator role has been established and this person will assist with both HSE development and the administration of South Port's Process Improvement Programme, PACE (Port Achieving Combined Excellence).

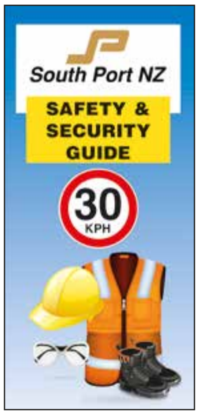
ENVIRONMENT

South Port continues to encourage all operators on the Port to follow good practices and minimise environmental risks when operating on the Island Harbour. The adoption this year of a Process Improvement Programme is helping to minimise areas of waste and encourages operators on site to identify opportunities for improvements.

The majority of Port users understand the importance of operating in an environmentally sustainable way and South Port has been pleased with the level of compliance and support from these parties. Regular reviews of cargo handling operations are carried out and effective communication lines are in place between the Port, its customers and regulatory bodies.

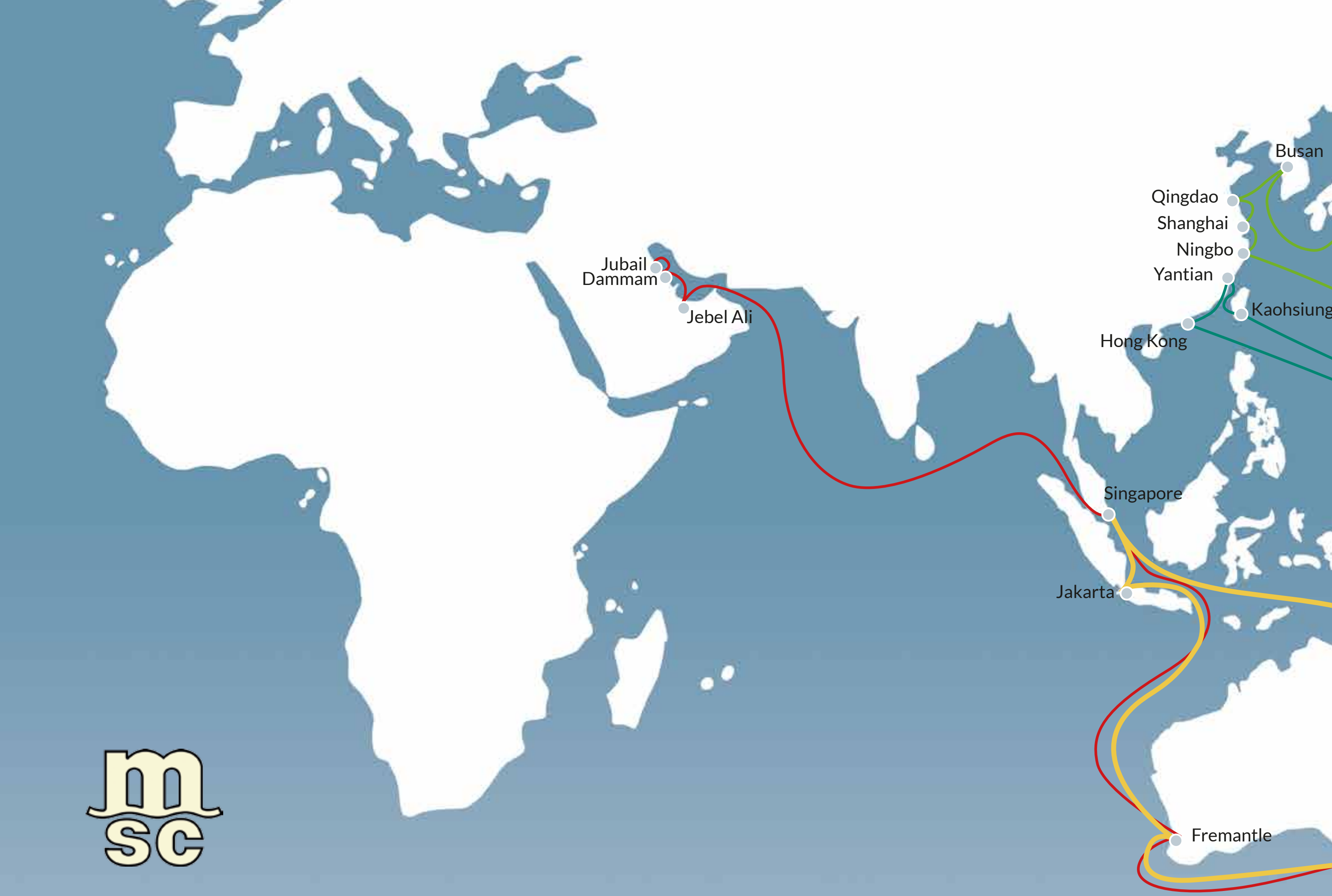
The upcoming year will see us adopt Environment Southland's "Pollution Prevention Guide", which is a self-audit system designed to help improve environmental performance.

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.



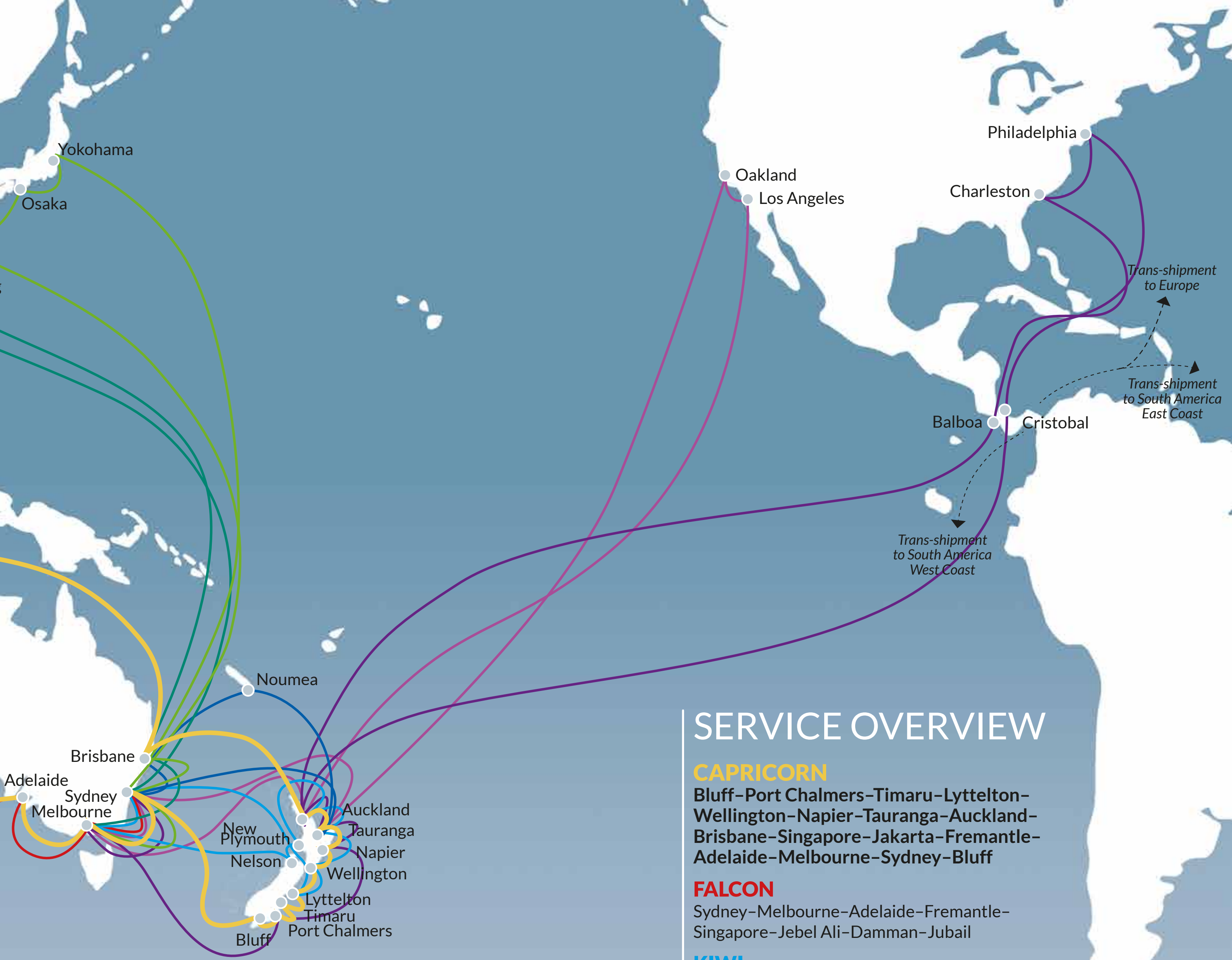
The recently updated 'Safety & Security Guide' helps convey key site requirements which are designed to keep South Port visitors safe.

The development of the regional 'HSE Passport' on-line system is aimed at improving regional worker safety while at the same time making inductions a simpler process for suppliers.



mediterranean shipping company

WEEKLY CONTAINER LINE SERVICING BLUFF



SERVICE OVERVIEW

CAPRICORN

Bluff–Port Chalmers–Timaru–Lyttelton–Wellington–Napier–Tauranga–Auckland–Brisbane–Singapore–Jakarta–Fremantle–Adelaide–Melbourne–Sydney–Bluff

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

PACE

Process Improvement in Action

Operational Process Improvement
Reviews existing processes and looks at ways to redesign / refine to make these more efficient whilst removing waste.

Communication
A forum for latest news from the Chief Executive.

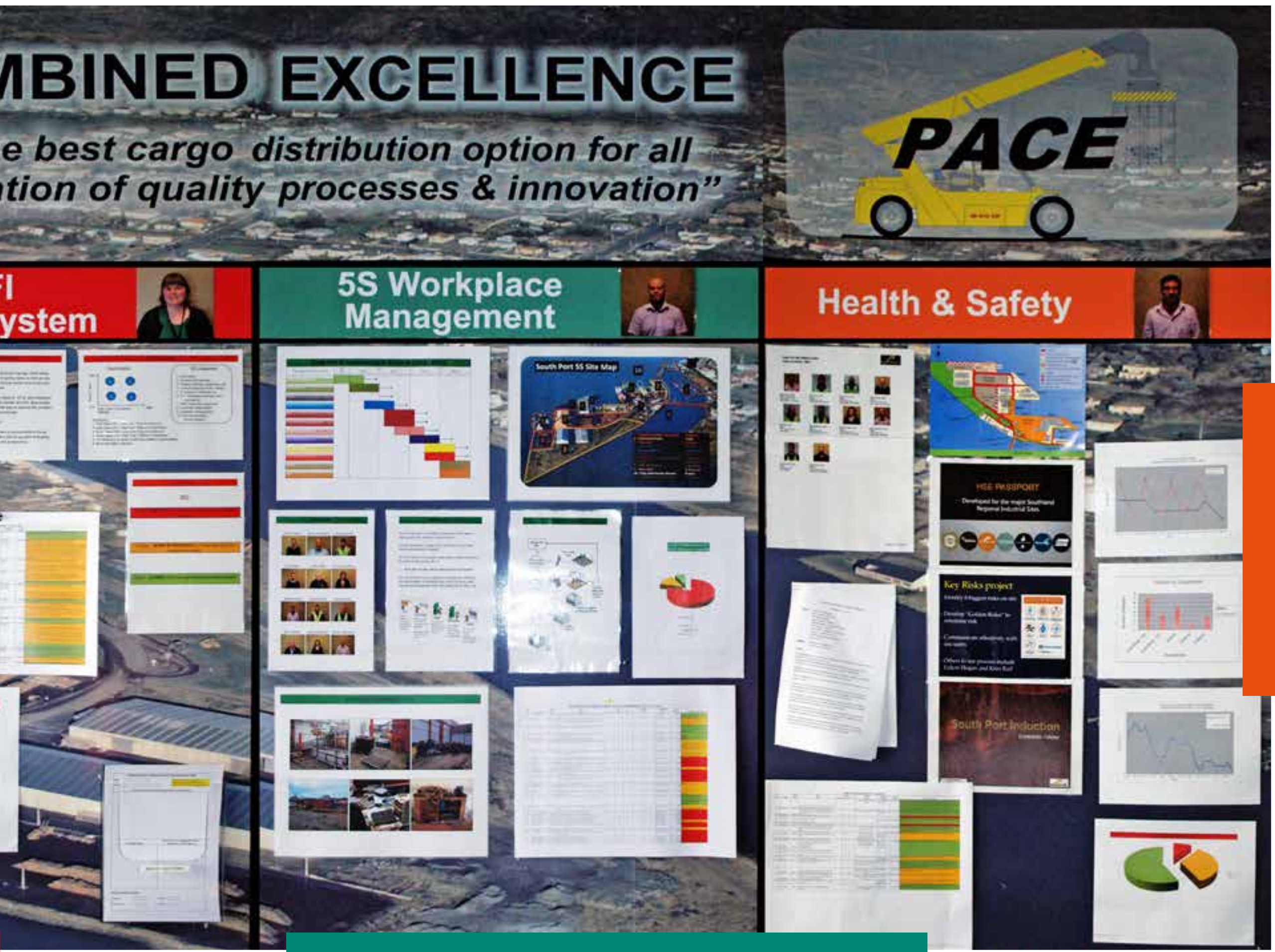
Ideas / OFI Management System
Staff are encouraged to raise new ideas / opportunities for improvement (OFI's) through a structured forum receiving information on priority, timeframe and results.

During the past year the Company has implemented a process improvement model called PACE – **Port Achieving Combined Excellence**

The key objective is to improve productivity through eliminating non value-adding activities (wastes) and PACE provides the tools and processes to achieve this outcome.

PACE is not meant to deliver a dramatic change to a business overnight, but through a series of smaller steps and the tackling of individual projects we will over time see steady improvement within the port operation and make all our jobs more satisfying and productive . . .

Mark O'Connor
Chief Executive
South Port



Health & Safety
Allows staff to engage with Health & Safety issues on a strategic level.

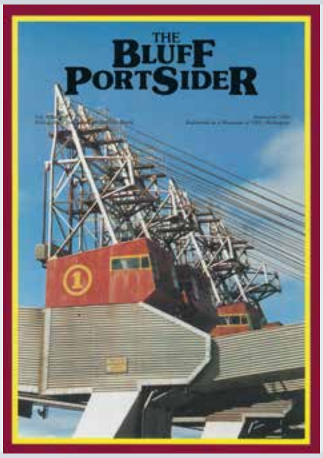
5S Workplace Management
5S is an approach to workplace organisation that creates a highly productive, safe and visual workplace.
The basic principals of 5S are:
Sort, Set in order, Shine, Standardise & Sustain.

South Port NZ

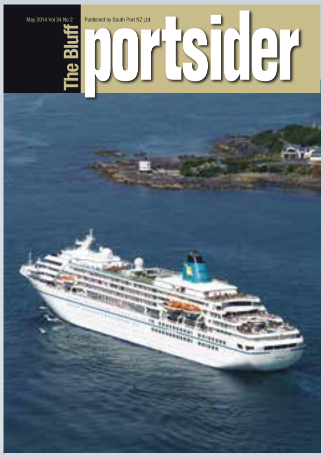
25 Years of

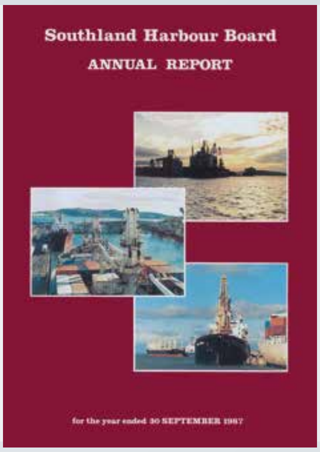
A BRIEF COMPARISON

1988		2014
1.6 million	Tonnes	**2.7 million** *(72% increase)*
21,500m^2	Dry Warehousing	**33,300m^2**
39,500m^3	Cold Storage	**80,115m^3**



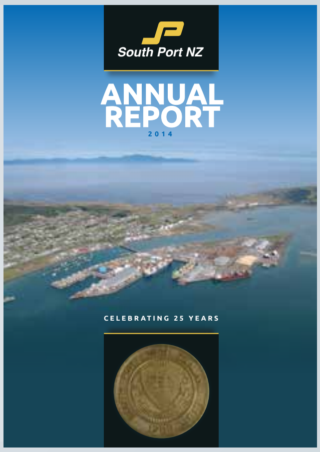
Portsider





Last Annual Report as a Harbour Board

Annual Report



5 South Port

NZX LISTED

20 Year Anniversary
of NZX listing

largest vessel

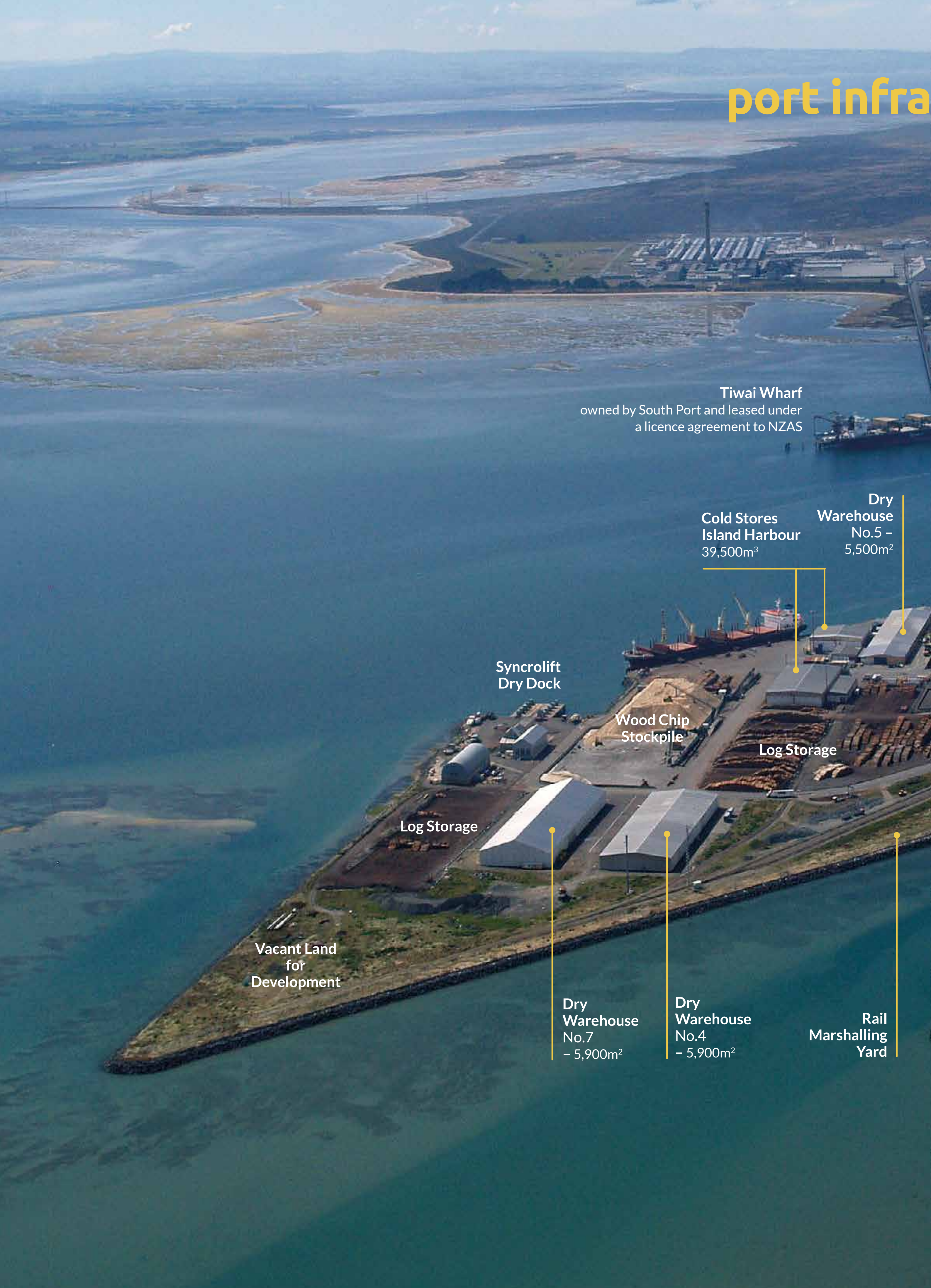
to call by G.R.T
in the past 25 years
– *Positive Passion* -

43,810 G.R.T

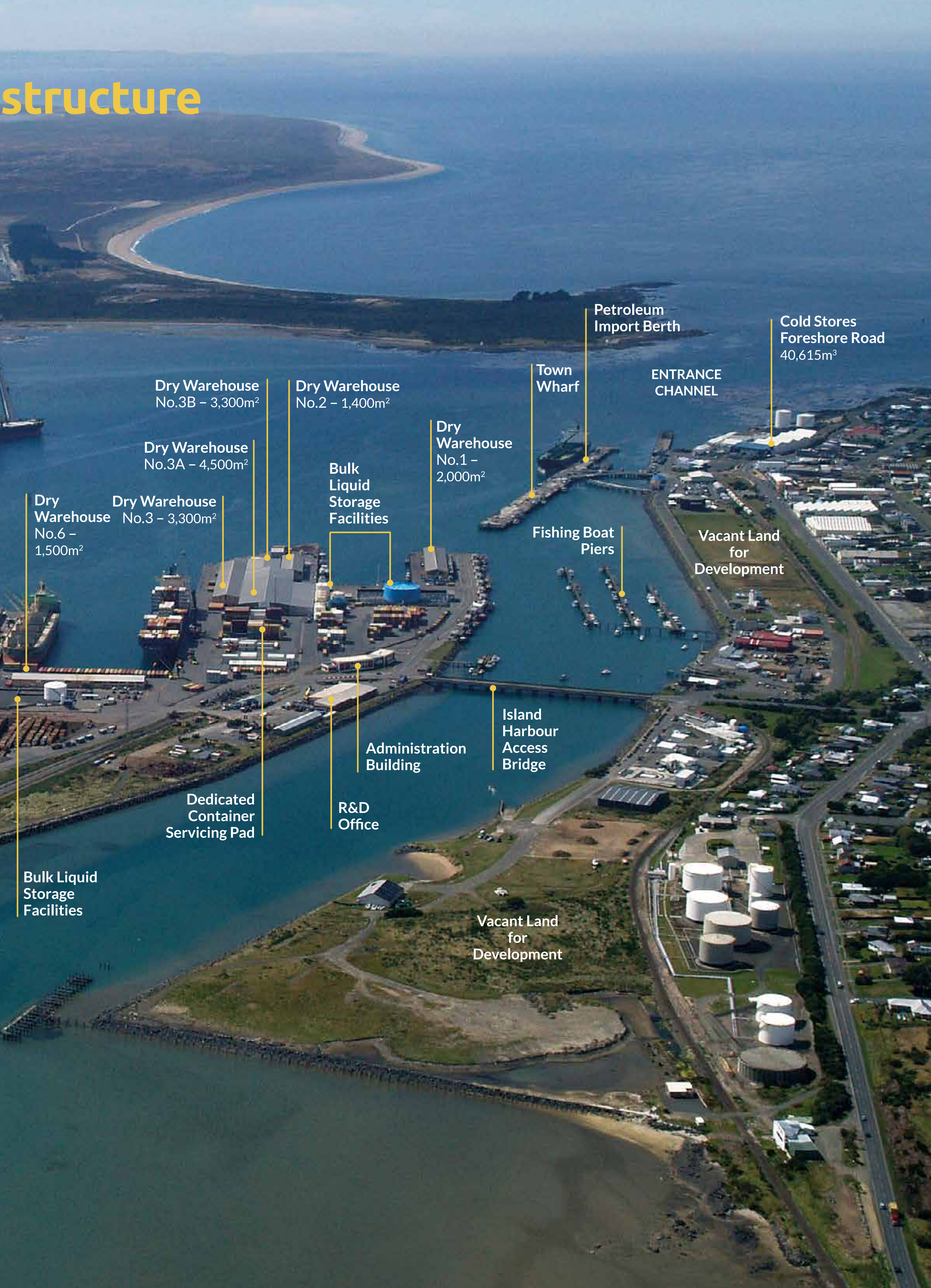
largest container vessel

to call by G.R.T in the past 25 years
– *MSC Rafaela* -

42,307 G.R.T


port infra
Tiwai Wharf
owned by South Port and leased under
a licence agreement to NZAS
Dry
Warehouse
No.5 –
5,500m²
Cold Stores
Island Harbour
39,500m³
Syncrolift
Dry Dock
Wood Chip
Stockpile
Log Storage
Log Storage
Vacant Land
for
Development
Dry
Warehouse
No.7
– 5,900m²
Dry
Warehouse
No.4
– 5,900m²
Rail
Marshalling
Yard

structure



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

Crowe Horwath

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF SOUTH PORT NEW ZEALAND LIMITED AND GROUP'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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 2014, 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 2014; 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 20th August 2014. 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 $9,321which are compatible with those independence requirements. Other than the audit and these assignments, we have no relationship with or interests in the Company or its 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 2014

In Thousands of New Zealand Dollars	NOTE	GROUP 2014	GROUP 2013	COMPANY 2014	COMPANY 2013
Total operating revenues from port services		31,258	29,298	31,258	29,298
Total operating expenses	7	(18,843)	(17,637)	(18,843)	(17,637)
Gross profit		12,415	11,661	12,415	11,661
Administrative expenses		(2,698)	(2,398)	(2,698)	(2,398)
Operating profit before financing costs		9,717	9,263	9,717	9,263
Financial income		168	200	168	200
Financial expenses		(561)	(470)	(561)	(470)
Net financing costs	6	(393)	(270)	(393)	(270)
Other income	5	15	36	15	36
Surplus before income tax		**9,339**	**9,029**	**9,339**	**9,029**
Income tax		(2,658)	(2,526)	(2,659)	(2,527)
Total income tax	10	(2,658)	(2,526)	(2,659)	(2,527)
Net surplus after income tax		**6,681**	**6,503**	**6,680**	**6,502**
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss					
Fair value gain/(loss) on available for sale financial instruments		–	5	–	5
Effective portion of changes in fair value of cash flow hedges		(203)	–	(203)	–
Income tax on other comprehensive income		–	–	–	–
Total other comprehensive surplus/(loss) after income tax		**(203)**	**5**	**(203)**	**5**
Total comprehensive surplus/(loss) after income tax		**6,478**	**6,508**	**6,477**	**6,507**
Basic earnings per share	16	$0.255	$0.248	$0.255	$0.248

statement of changes in equity

OF SOUTH PORT NEW ZEALAND LIMITED FOR THE YEAR ENDED 30 JUNE 2014

In Thousands of New Zealand Dollars	NOTE	GROUP 2014	GROUP 2013	COMPANY 2014	COMPANY 2013
Profit/(loss) after income tax		6,681	6,503	6,680	6,502
Other comprehensive income/(loss) after income tax		(203)	5	(203)	5
Total comprehensive income/(loss) for the period		6,478	6,508	6,477	6,507
Distributions to shareholders	14	(5,641)	(5,509)	(5,641)	(5,509)
Movements in equity for the period		837	999	836	998
Equity at the beginning of year		**30,571**	**29,572**	**30,510**	**29,512**
Equity at end of year	14	**31,408**	**30,571**	**31,346**	**30,510**

statement of financial position

OF SOUTH PORT NEW ZEALAND LIMITED FOR THE YEAR ENDED 30 JUNE 2014

In Thousands of New Zealand Dollars	NOTE	GROUP 2014	GROUP 2013	COMPANY 2014	COMPANY 2013
TOTAL EQUITY	14	**31,408**	**30,571**	**31,346**	**30,510**
NON-CURRENT ASSETS					
Property, plant and equipment	11	34,741	35,795	34,741	35,795
Investments		—	28	—	28
Total non-current assets		34,741	35,823	34,741	35,823
CURRENT ASSETS					
Cash	12	4,980	1,327	4,941	1,290
Trade and other receivables	13	6,006	4,127	6,006	4,127
Total current assets		10,986	5,454	10,947	5,417
Total assets		**45,727**	**41,277**	**45,688**	**41,240**
NON-CURRENT LIABILITIES					
Employee provisions	18	38	79	30	51
Deferred tax liability	10(d)	276	243	298	264
Borrowings	17	—	201	—	201
Other	20	55	214	55	214
Total non-current liabilities		369	737	383	730
CURRENT LIABILITIES					
Current borrowings	17	10,301	6,000	10,301	6,000
Trade and other payables	19	1,905	2,374	2,015	2,474
Provisions	18	817	772	718	707
Other	20	927	823	925	819
Total current liabilities		13,950	9,969	13,959	10,000
Total liabilities		**14,319**	**10,706**	**14,342**	**10,730**
TOTAL NET ASSETS		**31,408**	**30,571**	**31,346**	**30,510**
Net asset backing per share		$1.20	$1.17	$1.19	$1.16

On behalf of the Board
Dated 20 August 2014

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 2014

	NOTE	GROUP		COMPANY	
In Thousands of New Zealand Dollars		2014	2013	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash was provided by (applied to):					
Receipts from customers		30,765	29,229	30,765	29,229
Payments to suppliers and employees		(19,032)	(17,426)	(19,034)	(17,426)
Dividends received		1	1	1	1
Interest received		9	15	9	15
Interest paid		(553)	(472)	(553)	(472)
Income taxes paid		(2,521)	(2,552)	(2,519)	(2,552)
Net goods and services tax paid		90	130	88	128
Net cash flow from operating activities	24	8,759	8,925	8,757	8,923
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash was provided by (applied to):					
Proceeds from disposal of shares/investments		28	–	28	–
Proceeds from disposal of non-current assets		43	38	43	38
Acquisition of other non-current assets		(3,433)	(7,225)	(3,433)	(7,225)
Acquisition of non-current assets as part of business combination		–	(877)	–	(877)
Net cash used in investing activities		(3,362)	(8,064)	(3,362)	(8,064)
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash was provided by (applied to):					
Dividend paid		(5,641)	(5,509)	(5,641)	(5,509)
Drawdown/(repayment) of borrowings		4,100	4,800	4,100	4,800
Drawdown of borrowings as part of business combination		–	201	–	201
Net cash used in financing activities		(1,541)	(508)	(1,541)	(508)
NET INCREASE (DECREASE) IN CASH HELD		3,856	353	3,854	351
Add cash at beginning of year		1,327	974	1,290	939
Net foreign exchange differences		(203)	–	(203)	–
TOTAL CASH AT END OF YEAR	12	4,980	1,327	4,941	1,290

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 2014 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 20 August 2014.

(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 18)
- Commitments and Contingent Liabilities (Note 23)
- Financial Instruments (Note 22)
- Valuation of Derivatives (Note 22)

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 with the exception of the adoption of hedge accounting as per note (e) (ii) and the spreading of interest expenses relating to interest rate caps per note (k). These policies represent changes to the accounting policies for the year ended 30 June 2014.

(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 and hedgeing activities

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

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

Derivative financial instruments are recognised initially at fair value and transaction costs are expensed immediately. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the hedging relationship.

Cash Flow Hedges

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

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

Interest rate swaps

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

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

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

(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, apart from interest expenses relating to interest rate caps which are recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the cap arrangement.

(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 2013:

- NZ IFRS 10: Consolidated Financial Statements
- NZ IFRS 12: Disclosure of Interests in Other Entities
- NZ IFRS 13: Fair Value Measurement
- NZ IAS 19: Employee Benefits
- NZ IAS 27 (Amendment): Separate Financial Statements

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

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 2013.

(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 IAS 32 (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 OTHER INCOME

In Thousands of New Zealand Dollars	GROUP 2014	GROUP 2013	COMPANY 2014	COMPANY 2013
Net gain on sale of property, plant and equipment	15	36	15	36
Total other income	**15**	**36**	**15**	**36**

6 FINANCE INCOME AND EXPENSES

In Thousands of New Zealand Dollars	GROUP 2014	GROUP 2013	COMPANY 2014	COMPANY 2013
Income				
Interest income	9	15	9	15
Dividend income	1	1	1	1
Change in fair value of interest rate swap	158	184	158	184
Total financial income	168	200	168	200
Expenses				
Interest expense	(561)	(470)	(561)	(470)
Change in fair value of interest rate swap	—	—	—	—
Total financial expenses	(561)	(470)	(561)	(470)
Net finance costs	**(393)**	**(270)**	**(393)**	**(270)**

7 OPERATING EXPENSES

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

In Thousands of New Zealand Dollars	GROUP 2014	GROUP 2013	COMPANY 2014	COMPANY 2013
Auditors' remuneration for audit services	40	42	40	42
Auditors' remuneration for other guidance	—	—	—	—
Amount paid for employment consultancy services (to associated entity of auditors)	9	13	9	13
Bad debts written off	3	—	3	—
Depreciation of property, plant & equipment	2,478	2,564	2,478	2,564
Directors' fees	230	230	230	230
Donations*	56	(17)	56	(17)
Rental and lease expenses	449	407	449	407
Increase/(decrease) in liability for long-service leave	(41)	12	(21)	9
Loss on disposal of trading assets	10	3	10	3

* 2014 includes $20,000 for Coastguard Bluff's new rescue vessel and $25,000 donated to the Lyttelton Skate Park post-earthquake upgrade.
2013 includes reversing a provision made back in 2011 for a $20,000 donation for a project that never eventuated.

8 EMPLOYEE BENEFITS EXPENSE

In Thousands of New Zealand Dollars	GROUP 2014	GROUP 2013	COMPANY 2014	COMPANY 2013
Salaries and wages	7,417	6,759	6,424	5,869
Defined contribution plans	270	207	190	138
Other employee benefits	118	119	69	71
	7,805	**7,085**	**6,683**	**6,078**

9 KEY MANAGEMENT PERSONNEL COMPENSATION

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

	GROUP		COMPANY	
In Thousands of New Zealand Dollars	2014	2013	2014	2013
Short-term employee benefits	1,446	1,323	850	765
Defined contribution plans	102	91	51	45
Other long-term employee benefits	3	4	1	2
	1,551	**1,418**	**902**	**812**

10 INCOME TAXES

	GROUP		COMPANY	
In Thousands of New Zealand Dollars	2014	2013	2014	2013
(a) INCOME TAX RECOGNISED IN PROFIT OR LOSS				
Tax expense/(income) comprises:				
Current tax expense / (credit):				
Current year	2,666	2,597	2,664	2,593
Adjustments for prior years	(42)	(12)	(40)	(10)
	2,624	2,585	2,624	2,583
Deferred tax expense / (credit)				
Origination and reversal of temporary differences	34	(59)	35	(56)
Adjustments for prior years	–	–	–	–
	34	(59)	35	(56)
Total tax expense / (income)	**2,658**	**2,526**	**2,659**	**2,527**
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	9,339	9,029	9,339	9,029
Income tax expense (credit) calculated at 28%	2,615	2,528	2,615	2,528
Temporary differences	24	(51)	23	(52)
Non-deductible expenses	60	63	60	63
Non assessable income	1	(2)	1	(2)
	2,700	2,538	2,699	2,537
Adjustments for prior years	–	–	–	–
(Over) / under provision of income tax in previous year	(42)	(12)	(40)	(10)
Income tax expense (credit)	**2,658**	**2,526**	**2,659**	**2,527**

The tax rate used in the above reconciliation is the corporate tax rate of 28% payable on taxable profits under New Zealand tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

Note 10 continued...

(b) INCOME TAX RECOGNISED DIRECTLY IN EQUITY

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

	GROUP		COMPANY	
In Thousands of New Zealand Dollars	2014	2013	2014	2013
(c) CURRENT TAX ASSETS AND LIABILITIES				
Current tax refundable:				
Current tax refundable	–	–	–	–
Current tax payable:				
Current tax payable	927	823	925	819

(d) DEFERRED TAX BALANCES COMPRISE:

Taxable and deductible temporary differences arising from the following:

	GROUP			
In Thousands of New Zealand Dollars	1 July 2013 Opening Balance	Recognised in profit/loss	Recognised in equity	30 June 2014 Closing Balance
2014				
Gross deferred tax liabilities:				
Other financial assets	–	–	–	–
Property, plant and equipment	(446)	(15)	–	(461)
	(446)	(15)	–	(461)
Gross deferred tax assets:				
Other financial assets / liabilities	–	–	–	–
Provisions	203	(18)	–	185
	203	(18)	–	185
Net deferred tax asset / (liability)	**(243)**	**(33)**	**–**	**(276)**

	GROUP			
In Thousands of New Zealand Dollars	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)**

Note 10 continued...

In Thousands of New Zealand Dollars	COMPANY 1 July 2013 Opening Balance	Recognised in profit/loss	Recognised in equity	30 June 2014 Closing Balance
2014				
Gross deferred tax liabilities:				
Other financial assets	–	–	–	–
Property, plant and equipment	(446)	(15)	–	(461)
	(446)	(15)	–	(461)
Gross deferred tax assets:				
Other financial assets / liabilities	–	–	–	–
Provisions	182	(19)	–	163
	182	(19)	–	163
Net deferred tax asset / (liability)	**(264)**	**(34)**	**–**	**(298)**

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)**

	GROUP		COMPANY	
In Thousands of New Zealand Dollars	2014	2013	2014	2013
(e) IMPUTATION CREDIT ACCOUNT BALANCES				
Balance at beginning of year	6,460	6,235	6,399	6,176
Less Taxation (payable) receivable 2013	(823)	(789)	(819)	(787)
Taxation paid	2,521	2,552	2,519	2,552
Attached to dividends paid	(2,194)	(2,361)	(2,194)	(2,361)
Add Taxation payable (receivable) 2014	927	823	925	819
Balance at end of year	**6,891**	**6,460**	**6,830**	**6,399**

11 PROPERTY, PLANT AND EQUIPMENT

In Thousands of New Zealand Dollars — 2014

	Cost 1 July 2013	Additions	Additions through Business Combin-ations	Disposals	Other	Cost 30 June 2014	Accumulated Depn and Impairment charges 1 July 2013	Depn Expense	Accumulated Depn reversed on Disposal	Other	Accumulated Depn and Impairment charges 30 June 2014	Carrying Amt 30 June 2014
Land	2,713	–	–	–	–	2,713	–	–	–	–	–	2,713
Buildings	15,617	–	–	–	–	15,617	4,738	310	–	–	5,048	10,569
Plant & machinery	51,469	1,478	–	(373)	–	52,574	29,266	2,168	(339)	20	31,115	21,459
	69,799	1,478	–	(373)	–	70,904	34,004	2,478	(339)	20	36,163	34,741

In Thousands of New Zealand Dollars — 2013

	Cost 1 July 2012	Additions	Additions through Business Combin-ations	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

Impairment

During the year ended 30 June 2014 there were no impairment losses (2013: nil) which were recorded in the Statement of Comprehensive Income.

12 CASH AND CASH EQUIVALENTS

In Thousands of New Zealand Dollars	GROUP 2014	GROUP 2013	COMPANY 2014	COMPANY 2013
Bank balances	1,174	651	1,135	614
Call deposits	106	676	106	676
Euro deposit	3,700	–	3,700	–
Cash and cash equivalents	**4,980**	**1,327**	**4,941**	**1,290**
Bank overdrafts used for cash management purposes	–	–	–	–
Cash and cash equivalents in the statement of cash flows	**4,980**	**1,327**	**4,941**	**1,290**

13 RECEIVABLES AND ADVANCES

In Thousands of New Zealand Dollars	GROUP 2014	GROUP 2013	COMPANY 2014	COMPANY 2013
Prepayments	1,449	45	1,449	45
Trade receivables	4,582	4,107	4,582	4,107
Provision for doubtful debts	(25)	(25)	(25)	(25)
	6,006	4,127	6,006	4,127

14 CAPITAL AND RESERVES

Reconciliation of movement in capital and reserves

In Thousands of New Zealand Dollars	GROUP Hedging Reserve	GROUP Asset Revaluation Reserve	GROUP Share Capital	GROUP Retained Earnings	GROUP Total Equity	COMPANY Hedging Reserve	COMPANY Asset Revaluation Reserve	COMPANY Share Capital	COMPANY Retained Earnings	COMPANY Total Equity
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
Net effective portion of changes in fair value of cash flow hedges	–	–	–	–	–	–	–	–	–	–
Balance at 30 June 2013	–	21	9,418	21,132	30,571	–	21	9,418	21,071	30,510
Balance 1 July 2013	–	21	9,418	21,132	30,571	–	21	9,418	21,071	30,510
Total recognised income and expense	–	–	–	6,681	6,681	–	–	–	6,680	6,680
Dividends to equity holders	–	–	–	(5,641)	(5,641)	–	–	–	(5,641)	(5,641)
Change in value of available-for-sale financial assets	–	–	–	–	–	–	–	–	–	–
Net effective portion of changes in fair value of cash flow hedges	(203)	–	–	–	(203)	(203)	–	–	–	(203)
Balance at 30 June 2014	(203)	21	9,418	22,172	31,408	(203)	21	9,418	22,110	31,346

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.

Hedging reserve – The hedging reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedging instruments, related to hedged transactions that have not yet occurred.

SHARE CAPITAL

In Thousands of New Zealand Dollars	GROUP 2014	GROUP 2013	COMPANY 2014	COMPANY 2013
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.

Note 14 continued...

DIVIDENDS

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

	GROUP		COMPANY	
In Thousands of New Zealand Dollars	2014	2013	2014	2013
2013 final dividend paid on all ordinary shares @ 15.50 cents per share (2012: 14.50 cents)	4,066	3,804	4,066	3,804
2014 interim: on all ordinary shares @ 6.00 cents per share (2013: 6.50 cents)	1,575	1,705	1,575	1,705
Total distributions to shareholders	5,641	5,509	5,641	5,509

After 30 June 2014 the following dividends were proposed by the directors for 2014. The dividends have not been provided for and there are no income tax consequences. Total imputation credits to be attached to the dividend are $1,632,000.

In Thousands of New Zealand Dollars	2014
2014 final dividend payable on 10 November 2014 @ 16.00 cents per share	4,198

15 CAPITAL MANAGEMENT

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

Key statistics and ratios are reported as part of the financial and operational five year summary on page 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 2014 and 30 June 2013.

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

16 EARNINGS PER SHARE

The calculation of basic earnings per share at 30 June 2014 was based on the profit attributable to ordinary shareholders of $6,681,000 (2013: $6,503,000) and a weighted average number of ordinary shares outstanding of 26,234,898 (2013: 26,234,898). Basic and diluted EPS are the same value.

17 LOANS AND BORROWINGS

In Thousands of New Zealand Dollars	GROUP 2014	GROUP 2013	COMPANY 2014	COMPANY 2013
Non-current				
Southland Cool Stores Ltd	–	201	–	201
	–	**201**	–	**201**
Current				
Hong Kong and Shanghai Banking Corporation (HSBC)	10,100	6,000	10,100	6,000
Southland Cool Stores Ltd	201	–	201	–
	10,301	**6,000**	**10,301**	**6,000**
Total Borrowings	**10,301**	**6,201**	**10,301**	**6,201**

South Port New Zealand Limited's revolving credit facility of $13 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 $3 million drawn at any one time is payable according to the 5 year interest rate swap agreement the Company has with HSBC. Interest on the next $3 million drawn at any one time is payable according to the 3 year interest rate cap agreement the Company has with HSBC. Interest on the balance of funds drawn at any time is a variable rate based on the cost of funds.

The other 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.

18 PROVISIONS

In Thousands of New Zealand Dollars	GROUP 2014	GROUP 2013	COMPANY 2014	COMPANY 2013
Provision for employee entitlements				
Balance at beginning of year	851	724	758	637
Additional provisions made	284	165	251	159
Amount utilised	(280)	(38)	(261)	(38)
Balance at end of year	**855**	**851**	**748**	**758**
Current	**817**	**772**	**718**	**707**
Non-current	**38**	**79**	**30**	**51**
Total Provisions	**855**	**851**	**748**	**758**

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.

19 TRADE AND OTHER PAYABLES

In Thousands of New Zealand Dollars	GROUP 2014	GROUP 2013	COMPANY 2014	COMPANY 2013
Trade creditors and accruals	1,905	2,374	1,864	2,336
Inter entity creditors	—	—	151	138
	1,905	2,374	2,015	2,474

20 OTHER LIABILITIES

In Thousands of New Zealand Dollars	GROUP 2014	GROUP 2013	COMPANY 2014	COMPANY 2013
Non-current				
Interest rate derivatives	55	214	55	214
	55	214	55	214
Current				
Income tax payable/(refund)	927	823	925	819
	927	823	925	819
	982	1,037	980	1,033

21 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. Since this business was acquired, it has been integrated into the existing cold storage operations of the Group and not operated as a stand-alone function.

In Thousands of New Zealand Dollars	GROUP 2014	GROUP 2013
Total purchase consideration	—	877
Less: Acquiree's loan advance (Note 19)	—	(201)
Net cash outflow on acquisition	—	676

22 FINANCIAL INSTRUMENTS

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

- Credit risk
- Liquidity risk
- Market risk

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

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

Credit risk

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

Liquidity risk

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

The only liquidity risks the Group has at balance date are trade payables totalling $1,905,000 (2013: $2,374,000) which are all due within 30 days, and short term borrowings totalling $10,301,000 (2013: $6,000,000) which is mostly 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 purchases that are denominated in a currency other than the Group's functional currency, New Zealand dollars ($), which is the presentation currency of the Group.

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

The purpose of these contracts is to reduce the risk from price fluctuations of foreign currency commitments associated with these one-off purchases. Any resulting differential to be paid or received as a result of the currency change is reflected in the cash flow hedge reserve to the extent that the hedge is effective, until the asset is recognised. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

The Group has no foreign exchange forward contracts at balance date however does hold EUR to pay for the balance of the Liebherr Mobile Harbour Crane that has been committed to.

During the year two foreign exchange forward contracts were entered into and closed out in line with expected foreign payments being made in relation to the purchase of the Liebherr Crane. Net losses of $203,000 have been transferred to the cash flow hedge reserve and to the extent that the hedge is effective, will be reversed next year and added to the carrying cost of the asset. No amounts affected profit or loss during the year ended 30 June 2014. Further cash flows in relation to this transaction are expected to occur in the year ended 30 June 2015.

No amounts were removed from equity during the period and included in the initial cost or other carrying amount of a non-financial asset that resulted from a hedged highly probable forecast transaction.

Interest rate risk

Interest payable to HSBC is charged on the following basis:

(i) 5 year interest rate swap; and
(ii) 3 year interest rate cap; and
(iii) Variable rates based on the cost of funds.

During the period the range of interest rates applying to the revolving credit facility was between 3.84% and 4.41% (2013: 3.86% and 3.97%). 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 $3 million at 30 June 2014 (2013: $4 million).

Interest rate cap – South Port NZ Ltd has an interest rate cap in place which matures in March 2017. The interest rate cap has a fixed cap rate of 5.00% with a notional contract amount of $3 million at 30 June 2014 (2013:nil).

Credit facility

At balance date the Group had a total bank facility of $13 million (2013: $8 million), of which $10,100,000 (2013: $6,000,000) 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:

FINANCIAL INSTRUMENTS CLASSIFICATION TABLE

The Group held the following financial instruments at reporting date:

2014 In Thousands of New Zealand Dollars	Designated cash flow hedging instruments	Loans and Receivables	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total Carrying Amount
Assets					
Investments	–	–	–	–	–
Total non-current assets	–	–	–	–	–
Cash	3,700	1,280	–	–	4,980
Trade and other receivables	–	6,006	–	–	6,006
Total current assets	3,700	7,286	–	–	10,986
Total assets	**3,700**	**7,286**	–	–	10,986
Liabilities					
Interest rate derivatives	–	–	55	–	55
Borrowings	–	–	–	–	–
Total non-current liabilities	–	–	55	–	55
Borrowings	–	–	–	10,301	10,301
Trade and other payables	–	–	–	1,905	1,905
Total current liabilities	–	–	–	12,206	12,206
Total liabilities	–	–	55	12,206	12,261

Note 22 continued...

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

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

MATURITY PROFILE OF FINANCIAL INSTRUMENTS

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

2014	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%	4,980	4,980	4,980	–	–	–	–	–	4,874
Trade & other receivables	–	–	6,006	6,006	6,006	–	–	–	–	–	6,006
Other financial assets											
– Equity investments	–	–	–	–	–	–	–	–	–	–	–
Interest rate derivatives	5.00%	5.00%	15	–	–	–	–	–	–	–	–
Financial liabilities:											
Trade & other payables	–	–	(1,905)	(1,905)	(1,905)	–	–	–	–	–	(1,905)
Borrowings (current)	7.22%	4.41%	(10,301)	(10,338)	(10,338)	–	–	–	–	–	–
Interest rate derivatives	6.23%	2.81%	(70)	(84)	(84)	–	–	–	–	–	–
			(1,275)	(1,341)	(1,341)	–	–	–	–	–	8,975

Note 22 continued...

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	1,327	–	–	–	–	–	651
Trade & other receivables	–	–	4,127	4,127	4,127		–	–	–	–	4,127
Other financial assets											
– Equity investments	–	–	28	28	28	–	–	–	–	–	28
Financial liabilities:											
Trade & other payables	–	–	(2,374)	(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)	(3,059)	(309)	–	–	–	–	2,432

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 2014	Doubtful Debts 2014	Gross Receivable 2013	Doubtful Debts 2013
Not past due	3,925	9	3,650	–
Past due 0-30 days	594	2	430	1
Past due 31-120 days	46	1	4	3
Past due 121-360 days	12	7	14	12
Past due more than 1 year	5	6	9	9
Total	**4,582**	**25**	**4,107**	**25**

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

SENSITIVITY ANALYSIS

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

2014		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	4,980	(1)	–	1	–	–	411	–	(336)	–	–	–	–
Trade and other receivables	6,006	–	–	–	–	–	–	–	–	–	–	–	–
Interest rate derivatives	15	–	–	–	–	–	–	–	–	–	–	–	–
Financial liabilities													
Loans and borrowings (current)	10,301	103	–	(103)	–	–	–	–	–	–	–	–	–
Trade and other payables	1,905	–	–	–	–	–	–	–	–	–	–	–	–
Derivatives – interest rate swaps	70	(30)	–	30	–	–	–	–	–	–	–	–	–
Total increase/(decrease)		**72**	**–**	**(72)**	**–**	**–**	**411**	**–**	**(336)**	**–**	**–**	**–**	**–**

Note 22 continued...

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

Explanation of interest rate risk sensitivity

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

The sensitivity for derivatives (interest rate swaps/caps) has been calculated using a derivative valuation model based on a parallel shift in interest rates of -100bps/+100bps (2013: -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 2014 or 2013 since the Company had no forward foreign exchange contracts in place at balance date.

Explanation of other price risk sensitivity

The sensitivity for listed shares has been calculated based on a –10%/+10% (2013: -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.

Note 22 continued...

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

2014

In Thousands of New Zealand Dollars	Total	Valuation Technique Level 1	Level 2	Level 3
Financial assets				
Derivatives – interest rate caps	15	–	15	–
Financial liabilities				
Derivatives – interest rate swaps	70	–	70	–

2013

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

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.

23 COMMITMENTS AND CONTINGENT LIABILITIES

Capital expenditure commitments

As at 30 June 2014, South Port Group had entered into capital expenditure commitments to purchase a Liebherr Mobile Harbour Crane due to arrive in September 2014 and a Hyster heavy-lift container forklift due to arrive in October 2014. The total cost of this capital is estimated to be $6.3 million (2013: two Hyster Forklifts at a total cost of $157,000).

Operating lease commitments

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

In Thousands of New Zealand Dollars	2014	2013
Within one year	377	390
One to five years	1,192	1,448
More than five years	151	262
	1,720	2,100

Note 23 continued...

Operating lease commitments (as Lessee) relate to two forklift leases with Forklifts NZ Limited which expire in 2014 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 2013 year the Group 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	2014	2013
Within one year	3,812	3,133
One to five years	9,202	8,260
More than five years	49,480	50,197
	62,494	**61,590**

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 (2013: nil).

24 NET CASH FLOW FROM OPERATING ACTIVITIES

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

	GROUP		COMPANY	
In Thousands of New Zealand Dollars	2014	2013	2014	2013
Surplus after taxation	6,681	6,503	6,680	6,502
Add/(less) items classified as investing/financing activities				
Foreign exchange (gain)/loss	–	–	–	–
	–	–	–	–
Add/(less) non-cash items				
Depreciation	2,478	2,564	2,478	2,564
Net (gain)/loss on disposal	(5)	(34)	(5)	(34)
Decrease/(increase) in value of forward exchange contracts and interest rate swaps	(158)	(183)	(158)	(183)
(Decrease)/increase in deferred tax liability	32	(60)	34	(57)
	2,347	**2,287**	**2,349**	**2,290**
Add/(less) movement in working capital				
Decrease/(increase) in trade debtors and other receivables	(505)	(76)	(493)	(69)
(Decrease)/increase in trade creditors and other payables	131	177	115	168
(Decrease)/increase in the provision for income tax	105	34	106	32
	(269)	**135**	**(272)**	**131**
Net cash provided by operating activities	**8,759**	**8,925**	**8,757**	**8,923**

25 SEGMENTAL REPORTING

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

South Port engages with one major customer which contributed individually greater than ten percent of its total revenue. The customer contributed $6.96 million for the year ended 30 June 2014 (2013: $7.26 million).

26 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 $572,000 (2013: $1.08 million). Sanford Limited debtors balance at 30 June 2014 was $38,000. 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 2014 no amounts invoiced to Sanford were written off as bad debts or included in the doubtful debts provision at balance date (2013: 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 27 for additional related party transactions disclosed separately in relation to the Company's subsidiary Awarua Holdings Limited.

27 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 2014 no amounts invoiced by Awarua Holdings Limited were written off as bad debts or included in the doubtful debts provision at balance date (2013: nil).

Total management fees paid to Awarua Holdings Ltd during the year were $1,094,000 (2013: $979,000).

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

28 SUBSEQUENT EVENTS

On 20 August 2014 the Board declared a final dividend for the year to 30 June 2014 for 16.00 cents per share amounting to $4.198 million (before supplementary dividends). (2013: Final dividend declared for 15.50 cents per share amounting to $4.066 million.)

29 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 20 August 2014.

financial and operational five year summary

In Thousands of New Zealand Dollars	2014	2013	2012	2011	2010
FIVE YEAR GROUP FINANCIAL SUMMARY					
Revenue	31,441	29,534	26,465	25,343	22,937
Net operating surplus	9,339	9,029	8,367	8,503	7,453
Group surplus after tax	6,681	6,503	5,989	6,258	3,129
Operating cashflow	8,759	8,925	6,721	12,806	4,942
Shareholders distributions paid	5,641	5,509	5,247	4,722	3,542
Total shareholders' equity	31,408	30,571	29,572	28,827	27,287
Net interest bearing debt	10,301	6,201	1,200	300	1,950
Property, plant and equipment	34,741	35,795	29,760	30,500	26,068
Capital expenditure	2,888	8,574	2,648	6,810	3,598
Total assets	45,727	41,277	34,812	33,907	33,715
Interest cover (times)	17.6	20.2	25.4	26.0	85.7
Shareholders' equity ratio	68.7%	74.1%	84.9%	85.0%	80.9%
Return on shareholders' funds*	21.6%	21.6%	20.5%	22.3%	11.4%
Return on assets*	22.8%	25.0%	25.3%	26.2%	23.1%
Earnings per share	25.5c	24.8c	22.8c	23.9c	11.9c
Operating cashflow per share	33.4c	34.0c	25.6c	48.8c	18.8c
Dividends paid per share	21.50c	21.00c	20.00c	18.00c	13.50c
Net asset backing per share	$1.20	$1.17	$1.13	$1.10	$1.04

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

	2014	2013	2012	2011	2010
OPERATIONAL SUMMARY					
Cargo throughput (000's tonnes)	2,719	2,513	2,691	2,636	2,169
Cargo ship departures	316	336	328	336	284
Gross registered tonnage (000's tonnes)	5,160	5,033	4,926	5,057	4,243
Number of full-time employees	77	80	65	63	60
Total cargo ship days in port	932	840	597	749	687
Turn-around time per cargo ship (days)	2.95	2.50	1.82	2.23	2.42
Cargo tonnes per ship	8,604	7,479	8,204	7,845	7,637
Dry warehousing capacity (m^2)	33,300	33,300	27,400	27,400	27,400
Cold/cool storage capacity (m^3)	80,115	80,115	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.

'Maritime Fortune' arriving at Bluff to discharge alumina

MANAGEMENT BACK: Steve Kellett, Nigel Gear, Lara Stevens, Geoff Finnerty
FRONT: Russell Slaughter, Mark O'Connor, Hayden Mikkelsen

directory

DIRECTORS

Rex Chapman – *Chairman*
Rick Christie
Philip Cory-Wright
Thomas Foggo
Graham Heenan
Jeremy McClean

CORPORATE EXECUTIVES

Mark O'Connor – *Chief Executive*
Russell Slaughter – *Port General Manager*
Geoff Finnerty – *Port Operations Manager*
Nigel Gear – *Commercial Manager*
Steve Kellett – *Cold Store Manager*
Hayden Mikkelsen – *Infrastructure & EHS Manager*
Lara Stevens – *Finance Manager*
Mark Billcliff – *Warehousing Manager*

GROUP COMPANIES

Parent Company – South Port New Zealand Limited
Subsidiary – Awarua Holdings Limited

AUDITOR

Crowe Horwath as Agent for the Controller and Auditor General – 173 Spey Street, Invercargill 9810

SOLICITORS

Preston Russell Law – 45 Yarrow 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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Email reception@southport.co.nz
Website www.southport.co.nz

Southern Region Production / Cargo Locations

Bluff Harbour at dawn

	KM FROM BLUFF
1	
GrainCorp	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	130
13	
Silver Fern Farms – Balclutha Plant	145
Fonterra Stirling	145

South Port NZ

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