

2018 Annual Report

GROWING OUR SERVICES

INVESTING FOR OUR FUTURE



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Financial Calendar

23 AUGUST 2018

2018 Full Year Profit Announcement

23 OCTOBER 2018

Proxies must be lodged by 11:00am

25 OCTOBER 2018

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

26 OCTOBER 2018

Close of Share Register for
Entitlement to Final Dividend

6 NOVEMBER 2018

Final Dividend Payment

11 FEBRUARY 2019

2018 Interim Profit Announcement

MARCH 2019

2019 Interim Dividend Payment

30 JUNE 2019

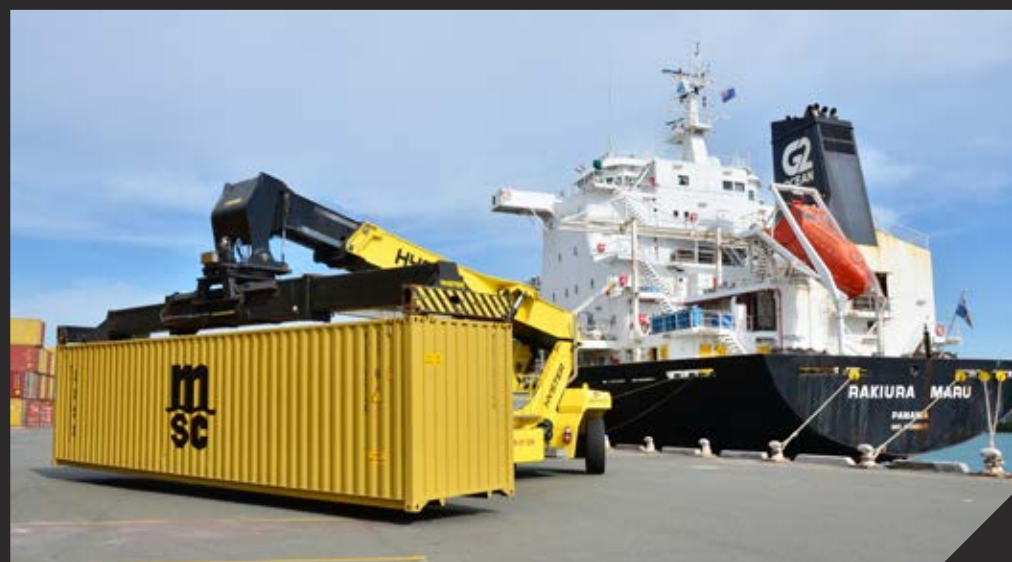
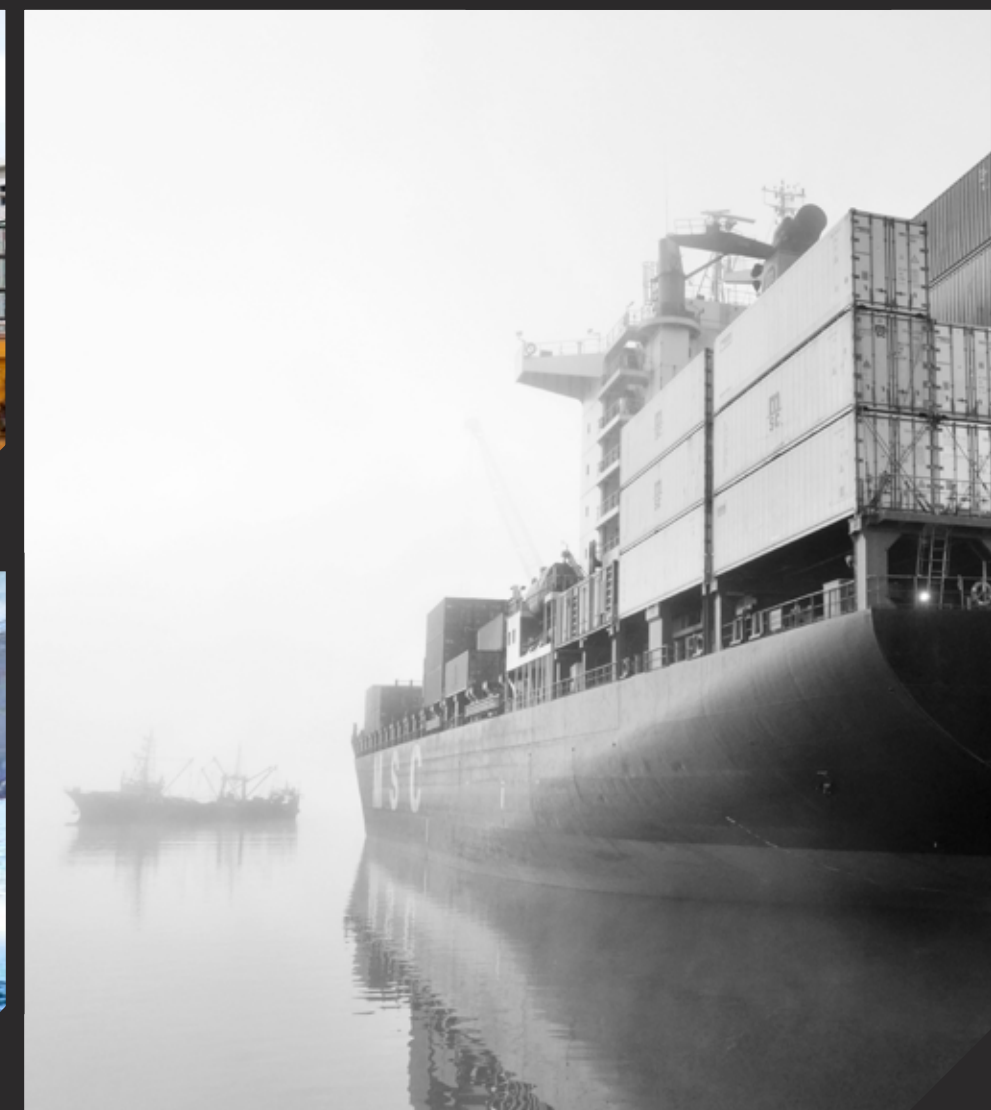
2019 Financial Year End



A record number of woodchips were handled across the wharf during the past 12 months.



“ TOTAL CARGO VOLUME THROUGH BLUFF SET A FURTHER RECORD OF 3,445,000 TONNES (FY17 3,053,000 TONNES) DUE TO STRONG GROWTH IN BULK CARGOES AND A POSITIVE DEVELOPMENT IN SHIPPING LINE CONNECTIVITY. ”



“ BULK FORESTRY CARGO (LOGS AND WOODCHIPS) FOR THE FIRST TIME IN THE PORT'S HISTORY, HAVE ECLIPSED THE ONE MILLION TONNE MARK AND IS NOW THE LARGEST CONTRIBUTOR TO THE PORT'S VOLUME AND PROFIT. ”

Ultimate Goal

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

Company Profile

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

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

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

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

Key Objectives

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

South Port Facts

- Owns and manages assets which have a book value of \$54 million
- Directly utilises more than 120 full time equivalent staff
- Is the only Southland based company listed on NZX – market capitalisation as at 30 June 2018 equated to \$184 million
- Handles in excess of 3.4 million tonnes of cargo in a normal trading year
- Offers full container, break bulk and bulk cargo capability and services the following main cargoes:
 - import – alumina, petroleum products, fertiliser, acid, stock food and cement
 - export – aluminium, timber, logs, dairy, meat by-products, fish and woodchips
- Has split its land-based operating resource into four main divisions – dairy warehousing, containers, cool and cold storage and general cargo
- Undertakes its primary port operation on a 40 ha. man-made Island Harbour situated at Bluff
- Operates a separate dedicated fuel berth at Bluff Town Wharf plus provides the Tiwai Wharf facility to NZAS under a long term licence
- Owns and operates an off-port container packing/unpacking facility adjacent to the railhead at Mersey Street, Invercargill. The 8,000 m² site houses a 4,000 m² customs controlled and MPI transitional facility
- Services vessels carrying approximately 1 million tonnes of cargo destined for movement across the Tiwai Wharf each year, of which two thirds is raw material imports while one third is finished aluminium product
- Has approximately 3 ha. of on-port land available for further port development or industry establishment

2017/18 Significant Events

- **NPAT of \$9.66 million** (2017 - \$8.45 million), a 14% increase on last year and a record result
- **Total cargo of 3.44 million tonnes** (2017 3.05 million tonnes) up 13% to another record volume
- **Bulk forestry cargoes exceeded 1 million tonne** mark for the first time
- **Log exports were 671,000 tonnes a record volume** and a 20% increase on the prior year throughput
- **A record volume of woodchips exported** of 343,000 tonnes representing a 21% increase on the prior year throughput
- A dry summer saw a **record volume of stock food imported through the Port** of 212,000 tonnes
- **Total container throughput of 39,000 20-foot equivalent 1% down on last year's volumes** (includes empty and full containers)
- **A record throughput of full containers at the Port of 24,200 20-foot equivalent** a 4% increase on the previous year
- **A full year dividend of 26.0 cents maintained** (2017 – 26.0 cents)
- **A \$2.7 million paving upgrade to a log storage area completed** that provides improved efficiencies, health and safety outcomes and environmental impacts
- **The completion of the Common User Safety Protocol (CUSP)** which outlines the duty of care for all parties on environmental, health and safety rules that apply when working in South Port operational areas
- Announcement by **New Zealand's Aluminium Smelter (NZAS)** that they are **restarting Potline 4**.
- MSC restructure of the Capricorn Container Service **providing additional capacity for Southern region exporters and importers**
- **Higher R&M expenditure** on the Island Harbour infrastructure as previously signalled
- **The Intermodal Freight Centre** performing to expectations and providing a **competitive** option at Invercargill for importers and exporters
- **Increased frequency of health and safety forums** being undertaken with port users providing an excellent means of communication
- Announcement that the **Foreshore Road Cold Store Lease Agreement is not to be renewed** with all customers being consolidated at the Island Harbour facility
- Island Harbour Cold Stores load-out and load-in infrastructure being **upgraded to improve handling efficiencies**
- **A blast freezer being installed** adding to the Island Harbour Cold Store service offerings
- **Successful insurance renewal in a tight insurance market** after recent earthquakes in New Zealand and weather events to offshore port companies
- **Significant maintenance work occurring** in the next financial year for the Port tug, Hauroko
- **Royal Dutch Shell sells their remaining New Zealand business** to OMV (Austrian oil and gas giant), including their share in the GSB Exploration Permit 50119
- **Mataura Valley Milk has commissioned its purpose-built** nutrition plant at McNab near Gore
- **South Port Directors involved in the Southland Regional Development Strategy (SoRDS)** Aquaculture Team

Financial Results in Brief

SURPLUS AFTER TAX

2018	\$9.6m
2017	\$8.4m
2016	\$8.7m
2015	\$7.7m
2014	\$6.7m

OPERATING CASH FLOW

2018	\$12.3m
2017	\$12.1m
2016	\$11.9m
2015	\$12.0m
2014	\$8.8m

EQUITY RATIO

2018	74.0%
2017	70.8%
2016	67.1%
2015	70.7%
2014	68.7%

DIVIDENDS PER SHARE

2018	26.00c
2017	26.00c
2016	26.00c
2015	24.00c
2014	22.00c

RETURN ON EQUITY

2018	25.0%
2017	23.2%
2016	25.3%
2015	23.9%
2014	21.6%

RETURN ON ASSETS

2018	26.3%
2017	23.5%
2016	25.4%
2015	24.8%
2014	22.8%

In Thousands of New Zealand Dollars

	2018	2017
Revenue	\$41,017	\$36,997
Surplus after tax	\$9,658	\$8,448
Cashflow from operating activities	\$12,342	\$12,068
Total assets	\$54,110	\$52,555
Total equity	\$40,060	\$37,223
Shareholders' equity ratio	74.0%	70.8%
Earnings per share	36.8c	32.2c
Dividends declared per share	26.0c	26.0c
Net asset backing per share	\$1.53	\$1.42
Return on shareholders' funds	25.0%	23.2%
Cargo throughput (000's tonnes)	3,445	3,053

Review of Operations

OVERVIEW AND CARGO

The reported after-tax profit of \$9.66 million (2017 - \$8.45 million) is a 14% increase on last year which is an excellent result for the Port, underpinned by a 13% increase in cargo flows. Total cargo was 3,445,000 tonnes (2017 3,053,000 tonnes) representing another record volume and a significant uplift from previous years.

The mainstay of our business continues to be bulk cargoes representing 85% of all volumes handled across the Port wharves. Bulk forestry cargo (logs and woodchips) for the first time in the Port's history, have eclipsed the one million tonne mark and is now the largest contributor to the Port's volume and profit. Favourable market conditions in both China and India have supported the increase in log trade and the export of eucalyptus woodchip into Japan has remained buoyant.

Due to a particularly dry summer and poor pasture growth, the import of stock food increased this past year by 80% on the previous period. Stock food has been imported into the region for a number of years, primarily as supplementary feed for the dairy industry. Specialised products are typically shipped in containers with bulk coming in the form of molasses and palm kernel.

In March 2018, the Mediterranean Shipping Company (MSC) who call at South Port on a weekly basis with their Capricorn Container Service, announced that they would be enhancing their South-East Asia – Oceania network. This entailed splitting the current service into two separate loops, one to cover the South Island and the other the North Island. This change greatly improves the service out of Bluff with increased capacity to load/discharge more cargo and provides faster transit times to markets worldwide. These changes have already delivered an increase in containerised cargoes handled through the Port.

This year South Port, MSC and customers also celebrated the 10th anniversary of the Capricorn Container Service first call into Bluff (MSC Hobart arriving on 28 May 2008). The Capricorn call has been an integral part of the service offerings into the Port during this time and provides a much needed competitive option to the importers and exporters of the region.

New Zealand's Aluminium Smelter (NZAS) is an important manufacturing business for the Southland region and export earner for the New Zealand economy. Although paying extremely high transmission costs, in recent times NZAS has delivered record export volumes and been profitable in

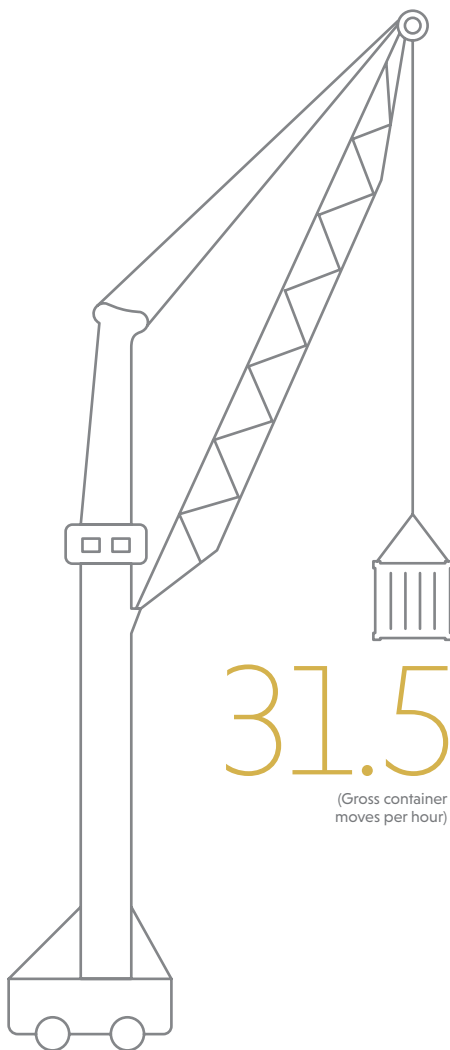
challenging trading conditions. It was therefore especially pleasing when NZAS recently announced the decision to restart its fourth potline. This was made possible by securing a power contract for an additional 50 MW until 2022 with potential to renew the contract past this date. This is an exciting time for NZAS, South Port and the region with the announcement of 32 new jobs and the increase in production of an additional 85 tonnes of metal per day or around 31,000 tonnes per annum. It is expected to take six months to get Line 4 up and running.

The Intermodal Freight Centre (IFC) has been operating successfully for two years, based at Mersey Street and adjacent to the KiwiRail container transfer site at Invercargill. The IFC was set up initially to service the containerised import cargo flows coming into the region, moving containers from port by rail and then distributing unpacked goods to customers by road. The ability to deliver imported containers into Invercargill by rail has been a great success, saving road transporters the additional time of the journey to/from Bluff to collect their cargo. While imports have previously been the focus, this year there will be greater emphasis on balancing out the trade at this site and growing the export base through the facility.

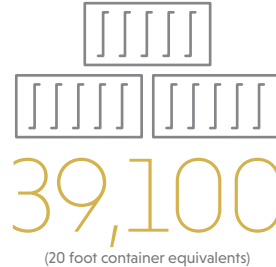


Rex Chapman, Chairman and Nigel Gear, Chief Executive

CRANE PRODUCTIVITY



SHIP CALLS

CONTAINERS PACKED/
UNPACKEDNUMBER OF
CONTAINERS

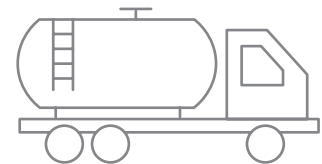
BREAKDOWN OF CARGO

CONTAINERS



431,000
Tonnes

BULK



2,719,000
Tonnes

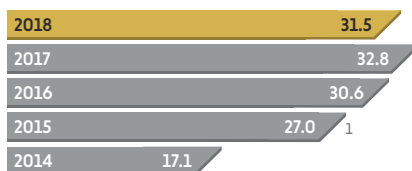
BREAK BULK



295,000
Tonnes

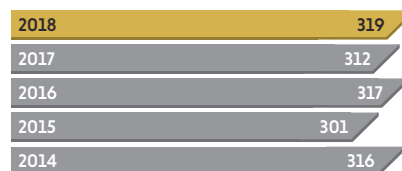
CRANE PRODUCTIVITY

(Gross container moves per hour)



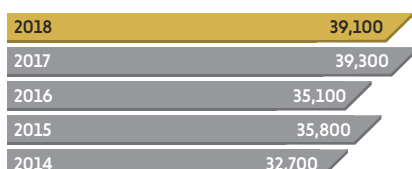
1: Significant increase reflects the introduction of the two mobile crane operating model part way through the financial year.

SHIP CALLS



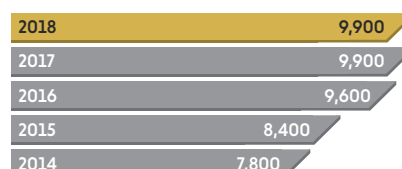
NUMBER OF CONTAINERS

(20 foot container equivalents)



CONTAINERS

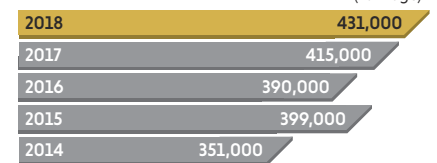
(Packed/Unpacked)



BREAKDOWN OF CARGO

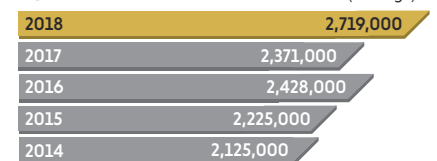
CONTAINERS

(Tonnage)



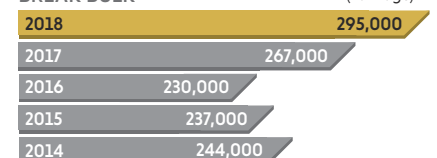
BULK

(Tonnage)

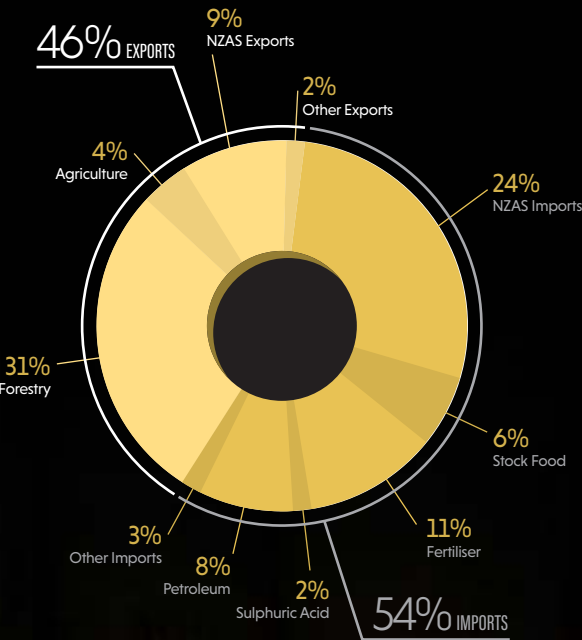


BREAK BULK

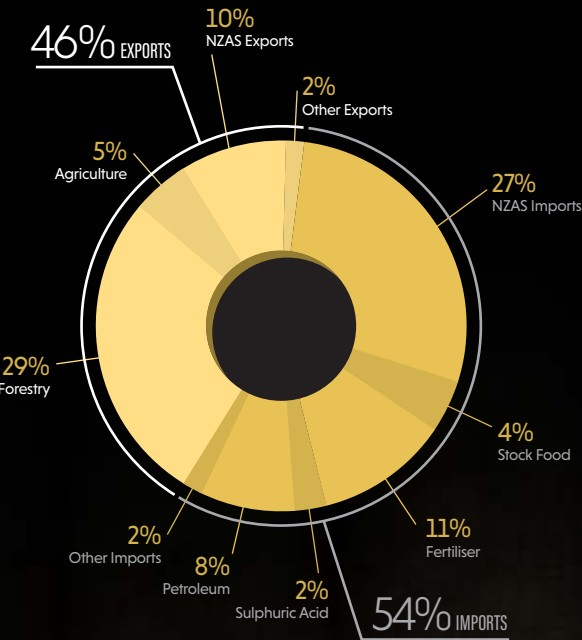
(Tonnage)



COMPARATIVE CARGO
BREAKDOWN 2018



COMPARATIVE CARGO
BREAKDOWN 2017



Imported fertiliser volumes remained strong over the past 12 months.

INFRASTRUCTURE TO SUPPORT CARGO FLOWS

The development and refurbishment of new and existing infrastructure on the Island Harbour is important to encourage new cargo volumes across the wharves and to improve the quality of the existing operations. Land around ports in New Zealand is becoming a scarce resource and it is important that any decisions on development are made with an eye to the future.

Log Storage

During the past year the paving of a 15,000 m² log storage area was completed on the Island Harbour. This project involved extensive consultation with our log export customer base and delivers quality storage infrastructure. There are a number of benefits derived from this development including improvements to safe working conditions for mobile plant operators, the separation of log truck discharge activity from general traffic on the Island Harbour, a cleaner work surface and an improved environmental outcome from the introduction of a filter system in the drainage network.

Fuel Berth

Design specifications have been finalised for the \$5.0 million upgrade to the Town Wharf fuel import berth. Construction is due to begin in February 2019 and is expected to take 12 months from start to completion. This significant project will future proof the wharf infrastructure for the next 50 years and allow for the continued efficient distribution of fuel imports into the Southland region and Wakatipu Basin.

Cold Stores

Over the last five years South Port has operated two cold storage facilities, one owned on the Island Harbour and a leased store on the Foreshore Road in the Bluff Township. The decision was made in March 2018 not to renew the Foreshore Road cold store lease and to consolidate the two operations on the Island Harbour. To accommodate the increased business activity on the Island Harbour \$2.2 million is being spent on increasing the operational efficiency of the cold stores. This includes the addition of a new blast freezer, an operation that has traditionally occurred off site in the past.

Maintenance

It is 58 years since the completion of the Island Harbour in 1960. As has been signalled in previous Annual Reports, there are a number of assets that are now at or near the end of their physical useful life. South Port has an Asset Management Plan that details programmed maintenance spend on the Island Harbour infrastructure for a 20 year period. To extend the life of a number of these assets, maintenance expenditure has been lifted and will continue to increase over the next five years.

MARINE PLANT UPGRADE

Marine plant such as our harbour tugs periodically have to be lifted out of the water and placed on hardstand for survey, engine maintenance and upgrades. This year the South Port tug Hauroko was docked on the Company's syncrolift facility in July. The planned work was completed by a number of local engineering firms and includes the removal and servicing of a Voith unit (specialised marine propulsion system for harbour tugs) as well as an overhaul of one of the main engines. To allow the marine activity to continue, a replacement tug was hired from Port of Marlborough for the period of the docking.

INSURANCE MARKET

The insurance market continues to be tight and a considerable amount of time was spent negotiating an acceptable agreement, especially for material damage cover. Recent earthquake damage to both Lyttelton Port Company and CentrePort in addition to weather events at offshore port companies has made these negotiations challenging.

However, South Port has recently been successful in renewing its insurance cover, including material damage up to \$250 million.

Insurance companies are now raising the issue of whether ports need to carry out additional strengthening work on critical assets in coming years to maintain insurance cover. This could have significant cost implications for the Port and the Leadership team has started to investigate these requirements.



Logs being prepared for export.

BUSINESS IMPROVEMENT

Health & Safety (H&S)

The Company continually strives to ensure systems are in place to safeguard employees, contractors, suppliers, port users and customers upon entering the port environment. One such system that has recently been adopted is the Common User Safety Protocol (CUSP).

The CUSP applies to all Persons Conducting a Business or Undertaking (PCBUs) and workers that enter South Port's operational areas and common users' sites to perform work related duties. The document outlines the collective responsibility and duty of care for all parties on the health, safety and environmental rules and requirements that apply when working in shared South Port operational areas.

Effective engagement is a crucial aspect to obtain buy-in from PCBUs and workers entering the Port. This year the Company has held a number of on-Port meetings to encourage communication and to share ideas. These include:

- Contractors Health and Safety Forum
- Quarterly Port Users Forum
- Syncrolift Users Forum
- Log Hoist Forum

These meetings provide an effective forum to discuss not only health and safety but all other issues that we deal with on a day to day basis on the Port.

A PCBU project has been underway for 12 months. The project involves identifying all third party interactions, classifying contractual relationships and documenting health and safety obligations of the respective parties. This is a huge undertaking and it is pleasing that a draft procedural document has been completed and is now under review. Once the review is finalised, the next step is to formalise contractual obligations for each PCBU entering the Port.

Environment

There has been much activity in the environmental sector both nationally and internationally.

New Zealand has recently formalised its first Determined Contribution under the Paris Agreement to reduce emissions by 30 percent below 2005 levels by 2030. In April this year the International Maritime Organisation (IMO) also officially committed to reducing international shipping Greenhouse Gas (GHG) emissions by at least 50% by 2050.

On 28 April, the Productivity Commission released a draft 'Low-emissions economy' report which includes recommendations such as introducing mandatory GHG emissions reporting and financial disclosures about climate risk for all sectors.

South Port will be taking a watching brief to determine the outcome of the Productivity Commission's recommendations in the coming months, and will continue to take measures ensuring that any investment decision made has the potential impact on the environment as a key consideration.

Environmental Sustainability

Some initiatives that South Port has implemented during the past year to minimise the Company's impact on the environment and reduce our carbon emissions include:

- Putting new antifoul on the hulls of our tugs and pilot vessel resulting in reduced fuel usage;
- Installing a new compressor in our cold store engine room to reduce our electricity consumption;
- Installing LED lighting in various locations around the port and in our warehouses (with further work to come);
- Recycling the pallet wrap used in our warehousing operations.

In the near future South Port will establish benchmarks for our annual environmental emissions performance (baseline carbon foot printing) and voluntarily report our greenhouse gas emissions.

Ultimately this will lead on to a South Port specific Carbon Reduction Plan being produced.

MSC Banu departing Bluff after exchanging containers.



Port Achieving Combined Excellence (PACE)

The PACE programme continues to deliver efficiency gains in the work place with staff playing an important role in the improvements in operations. Many aspects of the PACE programme are now ingrained in the way we do business. One of the more pleasing aspects developing, is the workforce identifying "opportunities for improvement" (OFIs) and proactively addressing these opportunities, rather than having the PACE Committee provide direction.

PEOPLE

South Port currently has 100 permanent, 21 fixed-term and can have up to 20 casual employees working during the peak of the agricultural season. The majority of the Port's operational employees work in the warehousing division, container terminal, marine department and the IFC.

In the coming year a staff engagement survey will be undertaken to gain feedback from all levels within the organisation on how they perceive the Company is performing across a number of areas. The results of this survey will then filter into a values exercise to be carried out later in the year (involving all employees up to and including the Board). These core values will be used to help support our vision and shape the culture of the Company into the future.

The subject of diversity is becoming more topical in the workplace especially with the increase of immigrants into the provincial sectors of New Zealand.

South Port recognises that building a diverse and inclusive workforce provides significant opportunities to leverage engagement, innovation, productivity and improved service to our customers. While the "best person for the job" will always take precedence, the Port will be developing measureable objectives over the coming 12 months to track diversity within each sector of our operation.

The Company would like to thank all staff for the considerable time and effort spent at work to ensure the business functions safely, efficiently and to a high standard over what has been a very busy year.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

South Port has begun the process of integrating CSR into our business model. CSR is a business approach that contributes to sustainable development by delivering economic, social and environmental benefits for all stakeholders. Implementation of more CSR measures will occur in the coming 12 months and be reported on in our June 2019 Annual Report. This Annual Report covers some of the work we are already undertaking in this area including commentary on H&S and the environment, as well as a section on community, regional and national partnerships the Company is involved in.

FINANCIAL

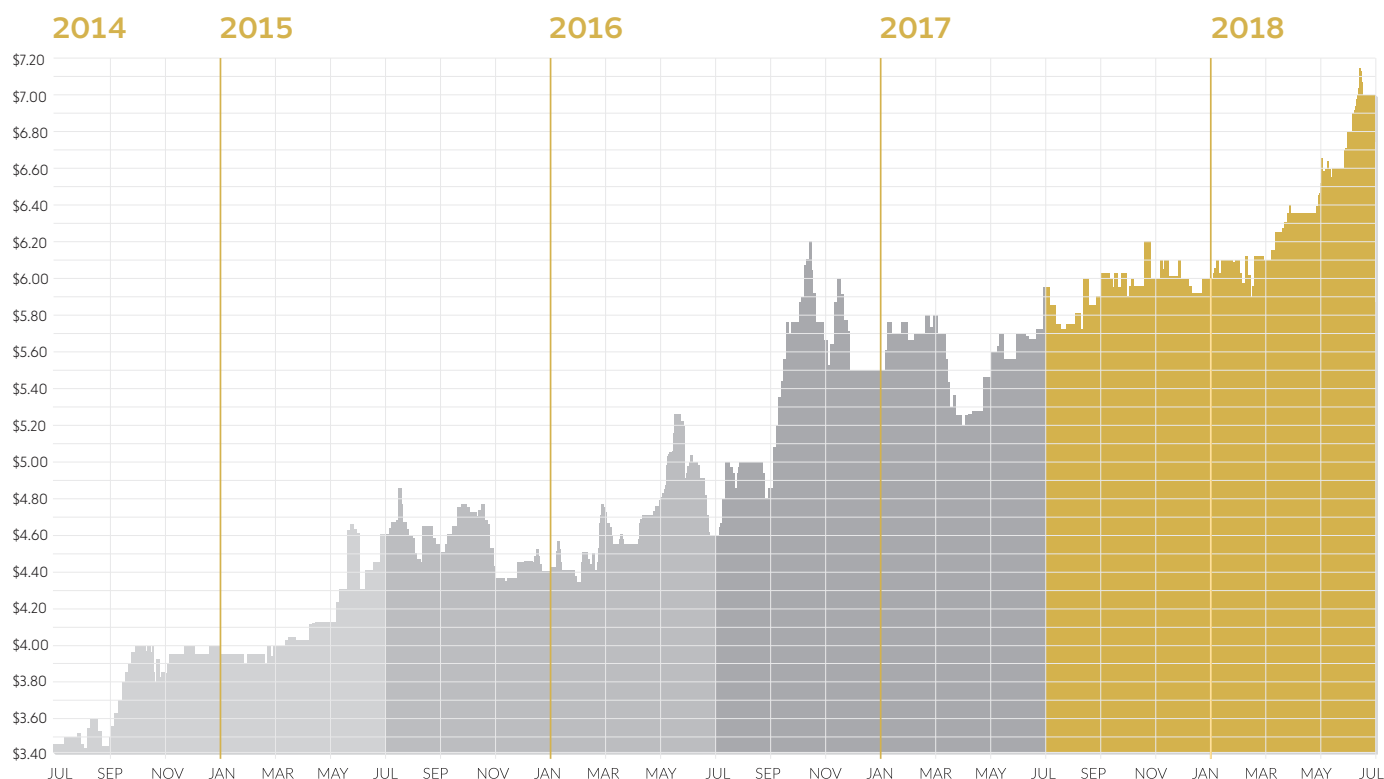
2018 Financial Result (comparatives shown in brackets)

- Revenue from port and warehousing operations equated to \$40.7 million (\$36.9 million), an increase of 10%.
- As a result of higher volumes through the port, operating profit before financing costs and tax increased by 13% to \$13.8 million (\$12.3 million).
- Net financing costs for the Group were \$579,000 (\$449,000).
- The Group's overall result was a surplus of \$9.66 million (\$8.45 million), which represented a 14% increase on the previous year.
- Based on the reported result, earnings per share were 36.8 cents (32.2 cents per share).

- Total equity is \$40.1 million (\$37.2 million) after allowing for dividend payments during the period of \$6.82 million (\$6.82 million).
- Group equity includes issued capital of \$9.4 million (\$9.4 million), made up of 26,234,898 ordinary shares.
- Total Group assets at \$54.1 million (\$52.6 million).
- Net tangible asset backing per share equates to \$1.53 (\$1.42 per share).
- Current assets amount to \$6.6 million (\$6.0 million), with current liabilities at \$6.1 million (\$5.0 million). This creates a net working capital position of positive \$0.5 million versus positive \$1.0 million last year.
- Term liabilities total \$7.9 million (\$10.4 million).
- Property, Plant and Equipment was at \$47.5 million (\$46.6 million).

SHARE PRICE

From 1 July 2014 to 30 June 2018



DIVIDENDS

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

In establishing the dividend payment level, Directors took into account the Company's annual profit movement plus future maintenance requirements that are expected to impact profitability. Accordingly, the Board elected to pay a consistent dividend of 18.5 cents. This translates to a full year dividend of 26.0 cents (2017 – 26.0 cents).

Full imputation credits will be attached to all distributions. The dividend payment represents a gross return of 5.2% (net 3.7%), based on a share price of \$7.00 as at 30 June 2018. A dividend pay-out ratio of 71% results for 2018 (using reported NPAT) and equates to 61% of FCF.

BOARD COMPOSITION

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

The Company has received no other valid Director nominations.

LEADERSHIP TEAM

Following the appointment of Nigel Gear to the Chief Executive position in 2017, three new Managers were promoted to the Leadership team; Hayden Mikkelsen – Container Manager, Helen Young – Human Resources Manager and Jamie May – Business Development Manager. Also, Geoff Finnerty was appointed Port General Manager and to the role of Acting Chief Executive when required.

REGIONAL PROJECTS UPDATE

Mataura Valley Milk (MVM)

Located at McNab near Gore, the MVM purpose-built nutrition plant, one of the world's most technologically advanced, is currently undergoing production testing. MVM (major shareholder China Animal Husbandry Group) has a vision to be one of the world's best businesses in the manufacturing and production of premium nutritional powders and creams for high-end markets. South Port will continue to work with MVM in the coming months to determine whether we can provide an efficient and cost competitive distribution channel for their import and export cargoes.

Great South Basin (GSB)

The recent announcement by the coalition government to ban future offshore oil and gas exploration will have a negative impact on international oil companies when making future investment decisions in New Zealand (this decision does not impact awarded permits).

Royal Dutch Shell recently made the decision to sell their remaining New Zealand business to OMV (Austrian oil and gas giant), including their share in the GSB Exploration Permit 50119.

South Port will look to establish communication channels with OMV to determine whether the Port can be of any assistance in the coming years.

OUTLOOK

At the time of writing this Report, international markets are in a state of flux with the United States of America (USA) and China embarking on a tariff war that has no immediate end in sight. The USA appears however to be softening their stance on both North American and European trading partners which could eventually lead to a truce with China. Brexit continues to be the major shake-up for the European Union (EU) with Britain due to leave the EU by March 2019.

Locally, the New Zealand government continues to work on free trade agreements including the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and a number of other agreements that aim to improve our exporters' access to international markets and a more balanced playing field with Australia, especially into markets such as Japan.

Trade forecasts for the Port remain steady with forestry exporters still predicting healthy export market conditions in China, India and Japan. The dairy industry has increased their forecasted farm-gate milk price for the coming season while sheep and beef prices remain strong. This bodes well for agricultural inputs that are shipped into the region annually such as fertiliser, stock food and fuels.

It is expected that increased expenditure this year will continue to be a factor that will have a bearing on profitability. Increased infrastructure maintenance

activity (as signalled over the past couple of years), the docking of the Port tug, Hauroko, and insurance renewals will all have an impact in the next financial year.

Based on all known factors at the date of compiling this Report, South Port estimates that earnings in the next financial year will likely be approximately 10% lower. Notwithstanding this lower earnings profile and in the absence of any unforeseen circumstances, the Directors will be endeavouring to maintain the current level of dividend payment.

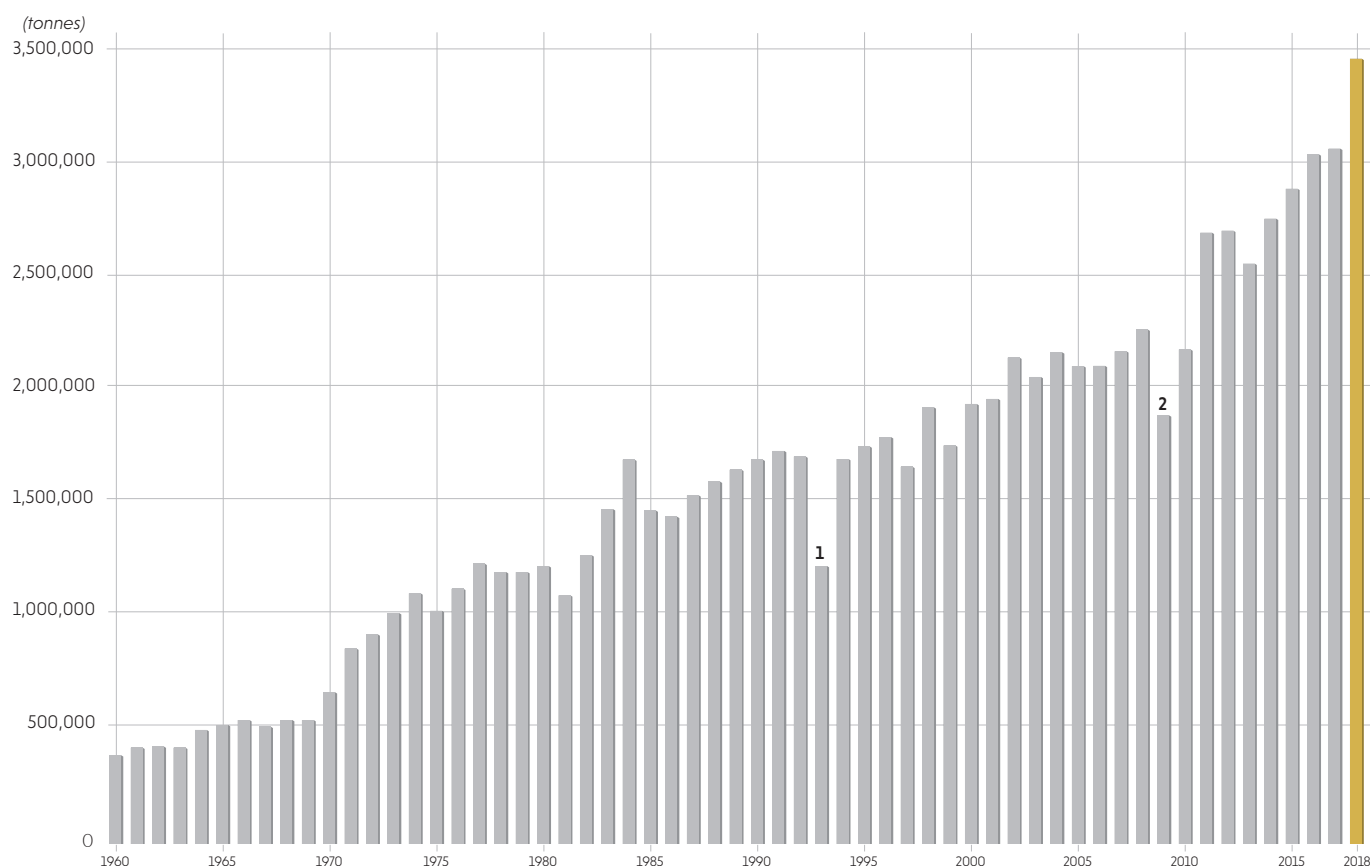


REX CHAPMAN
Chairman



NIGEL GEAR
Chief Executive

HISTORICAL TRADE FIGURES 1960-2018



Community, Regional and National Partnerships

COMMUNITY AND REGIONAL ASSISTANCE

Sponsorship of sporting, cultural and community groups is part of a long-term commitment to support the local community and region in which South Port operates. The Company also supports employees that give up their valuable time to work in the volunteer fire fighting and ambulance services which are crucial to the local Bluff community.

Organisations that received sponsorship assistance over recent financial years include:

- › Badminton Southland
- › Bluff Bowling Club
- › Bluff Hill / Motupöhue Environment Trust
- › Bluff Kindergarten
- › Bluff Netball Club
- › Bluff Oyster Festival
- › Bluff Promotions
- › Bluff Rugby Club
- › Bluff Schools
- › Bluff Yacht Club
- › Bluff Volunteer Fire Brigade
- › Burt Munro Challenge (Bluff Stage)
- › Coastguard Bluff
- › Graeme Dingle Foundation (Kiwi Can at Bluff School)
- › Hospice Southland
- › Invercargill Harness Racing Club (Bluff Race Day)
- › Invercargill Lions Club
- › Police Managers Guild Trust
- › Port Softball Club
- › Queens Park Golf Club
- › Rugby Southland
- › St John Ambulance Service Bluff
- › Southland Cancer Society
- › Southland Cricket Association
- › Southland Football
- › Southland Sharks
- › Southland Spirit of a Nation
- › Te Ara O Kiwa Sea Scouts Bluff
- › Tour of Southland (Bluff Stage)



Rex Chapman (left) and Nigel Gear (right) presenting scholarship cheques to the 2018 recipients, Maria Sutherland and Katarina Coote

COMMUNITY SCHOLARSHIP

Maria Sutherland – Maria finished High School at Verdon College at the end of 2017 and has chosen to study a Bachelor of Visual Arts at Otago Polytechnic. She has always been the creative type and a career in the arts is what she is passionate about pursuing. Ultimately, Maria would like to become an art teacher, so this will require further study at the Otago University College of Education.

Maria has participated in both sporting and cultural activities, including coaching and playing netball, rowing, jazz band, choir, played lead roles in school productions, has completed her Bronze Duke of Edinburgh Service Award and was an active member of the Te Ara O Kiwa Sea Scouts.

Maria is naturally very talented and there is no doubt that with her proven academic ability, drive and determination her well thought out goals will be realised.

STAFF SCHOLARSHIP

Katarina Coote – Katarina graduated from Southland Girls' High School in 2014 and has been attending University of Otago, Dunedin undertaking a Bachelor of Law. She is the daughter of one of South Port's Pilots, Bob Coote. She has already completed two years of a four year degree which will set her in good stead towards her chosen career path.

Katarina is a very motivated person who continually strives to better herself and has demonstrated this through her studies, on the netball court and touch rugby field. Her other interests include the performing arts, amnesty international and she is a member of the Students Against Dangerous Driving (SADD) Committee.

Katarina is a genuine, positive, respectful and determined young woman and it is these qualities which will enable her to achieve every goal she sets herself.



The Company has had a long standing relationship with the Bluff Rugby Club. Being the primary sponsor of the club gives South Port a real feel of community belonging at grass roots level. A number of the work force is actively involved in the playing and administration of the club.

From left: Geoff Finnerty (Port General Manager) and Bluff Rugby Club President, Shane Pearsey.



South Port is proud to be associated with the Bluff Hill / Motupohue Environment Trust. The Trust is currently in the planning stages of clearing more trap lines on the border of the farmland and the protected forest so when the traps are ready, they will be the first line of defence. South Port's contribution was 28 new traps for the project.

Courtney Forde (South Port Marketing Analyst) in the foreground with members of the Bluff Hill / Motupohue Environment Trust.

In recent times South Port has become involved in supporting the Southland Sharks basketball team. This contribution means staff are given the opportunity to attend each home game via random draw, as well as the ability to invite customers to games courtside.

From left: Judd Flavell (Sharks Coach), Frank O'Boyle (South Port Infrastructure Manager) and Captain Reuben Te Rangi courtside at ILT Stadium Southland.



The New Zealand Port industry is a close knit group and when disasters like the Lyttelton earthquakes strike it results in communities rallying around each other. As such the commonalities between Bluff and Lyttelton meant it just 'made sense' to be involved in a community project like the redevelopment of the Skate Park.

South Port Business Development Manager Jamie May, Marketing Analyst Courtney Forde and Deputy Mayor of Christchurch Andrew Turner accepting the donation on behalf of the Lyttelton Skate Park.



Directors' Profiles



REX THOMAS CHAPMAN

LLB, Chairman, CMInstD

Mr Chapman is a Senior Partner in Southland/Queenstown Law Firm Cruickshank Pryde based in Invercargill. He has been in legal practice in Invercargill for 37 years. Mr Chapman's practice covers a wide range of legal services including commercial and company law, litigation, dispute resolution and resource management. He is also a member of the Southland Aquaculture Working Group which is investigating and promoting new water space for aquaculture in Southland.



RICHARD (RICK) GORDON MAXWELL CHRISTIE

MSc (Hons), CFInstD, CRSNZ

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



PHILIP WADE CORY-WRIGHT

BCA, LLB (Hons), CFInstD

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



THOMAS MCCUISH FOGGO

Mr Foggo moved to semi-retirement from Sanford Limited in late 2017. After 39 years in Senior Management positions in the seafood industry and holding a number of governance positions, his future focus is to concentrate on professional governance opportunities. Mr Foggo is also Chairman of Invercargill Airport.



CLARE MARGARET KEARNEY

BAGSci, CMInstD

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

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



JEREMY JAMES MCCLEAN

BCom, CA, MInstD

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

Statutory Report of Directors

THE DIRECTORS HAVE PLEASURE IN SUBMITTING THEIR 2018 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 2017 to 30 June 2018.

RESULTS

The Company recorded a surplus for the period of \$9,658,000.

DISCLOSURE OF SHARE DEALING BY DIRECTORS

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

DIVIDEND

The Directors have declared an ordinary dividend of \$6,821,000 for the period ended 30 June 2018 including the final dividend amount of \$4,854,000 payable in November 2018.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

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

REMUNERATION OF DIRECTORS

Directors' remuneration for the 12 month period ended 30 June 2018 was as follows:

R T Chapman	\$70,000
RGM Christie	\$40,000
P W Cory-Wright	\$40,000
T M Foggo	\$40,000
C M Kearney	\$40,000
J J McClean	\$40,000

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

DIRECTORS' SHAREHOLDING

There is currently no beneficial shareholding held by Directors.

REMUNERATION OF EMPLOYEES

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

Remuneration	Number of Employees
\$100,001-\$110,000	3
\$110,001-\$120,000	3
\$150,001-\$160,000	1
\$170,001-\$180,000	2
\$180,001-\$190,000	1
\$210,001-\$220,000	1
\$230,001-\$240,000	2
\$250,001-\$260,000	2
\$260,001-\$270,000	1
\$270,001-\$280,000	1

The Chief Executive Officer's Employment Contract is reviewed annually by the Board. It is not a fixed term Contract.

The remuneration of senior management is reviewed annually and is determined in a transparent, deliberate and objective manner.

NOTICE AND PAUSE PROVISIONS

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

ACCOUNTING POLICIES

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

AUDIT & RISK COMMITTEE

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

It is the role of the 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 \$53,911 was paid to the Company's Auditors, Crowe Horwath, for audit services carried out as agent for the Controller and Auditor General. The Company did not pay the Auditors for any advice or guidance on other matters.

INTEREST REGISTER

The Company maintains an Interest Register in which particulars of certain transactions and matters involving the Directors are recorded. Entries in the Interest Register must in turn be disclosed in the Annual Report. No material transaction entries were recorded in the Interests Register for the period 1 July 2017 to 30 June 2018.

DISCLOSURE OF INTEREST

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

	Position
Mr R T Chapman	
Cruickshank Pryde	Partner
Forklifts NZ Ltd	Solicitor
Niagara Sawmilling Company Ltd	Solicitor
Prime Range Meats Ltd	Solicitor
Pyper's Produce Ltd	Solicitor
Rakiura Adventures Ltd	Solicitor
SoRDS Aquaculture Working Group	Member
Winton Stock Feed Ltd	Solicitor
Mr RGM Christie	
ikeGPS	Chairman
New Zealand eScience Infrastructure (NeSi)	Chairman
Service IQ	Chairman
Solnet Solutions Ltd	Director
powerHouse Ventures Ltd	Director
Mr P W Cory-Wright	
Local Government Funding Agency	Director
New Plymouth Airport	Chairman
Mr T M Foggo	
Invercargill Airport Ltd	Chairman
Sanford Ltd	Consultant
SoRDS Aquaculture Working Group	Member
Mrs C M Kearney	
Nil	
Mr J J McClean	
Malloch McClean Ltd	Partner



R T CHAPMAN
Chairman of Directors

Dated 23 August 2018



J J MCCLEAN
Director

Statutory Disclosure in Relation to Shareholders

AS AT 30 JUNE 2018

SIZE OF HOLDING

Size of Holding	Number of Shareholders	Ordinary Shareholding	Percent Holders
1 - 1,000	311	198,038	0.76
1,001 - 5,000	406	1,091,162	4.16
5,001 - 10,000	90	679,618	2.59
10,001 - 50,000	59	1,201,568	4.58
50,001 - 100,000	6	383,249	1.46
100,001 and over	8	22,681,263	86.45
Total Number of Shareholders:	880	26,234,898	100.00

PRICES FOR SHARES TRADED DURING THIS YEAR

	As At 30 June 2018	High	Low
	\$7.00	\$7.15	\$5.71

TOP TWENTY ORDINARY SHAREHOLDINGS

Shareholder	Holding	Percent
Southland Regional Council (Environment Southland)	17,441,573	66.48
J I Urquhart Family Trust	1,370,000	5.22
K & M Douglas Trust	1,021,684	3.89
HSBC Nominees (New Zealand) Ltd	955,838	3.64
Douglas Family Trust	516,787	1.97
Douglas Irrevocable Descendants Trust	506,192	1.93
JPMorgan Chase Bank N.A.	441,121	1.68
Daniel Martin Noonan	175,364	.67
Citibank Nominees (NZ) Ltd	125,667	.48
Howard Cedric Zingel	113,556	.43
Kenneth Ritchie Anderson	77,184	.29
Pauline Ann Stapel & Stephen Thomas McKee	70,881	.27
JBWere (NZ) Nominees Ltd	68,238	.26
Custodial Services Ltd	57,906	.22
David Grindell	56,850	.22
Custodial Services Limited	52,190	.20
Glenn Owen Johnston	50,000	.19
Forsyth Barr Custodians Ltd	49,400	.19
Ian Gerald Arnot	43,978	.17
JP Thull Trust	40,824	.16

SUBSTANTIAL SECURITY HOLDERS

According to notices given to the Company under the Financial Markets Conduct Act 2013, as at 30 June 2018, the substantial product holders in the Company and their relevant interests are noted below:

Holder	No. of Shares	% of Issued Capital	Date of Notice
Southland Regional Council (Environment Southland)	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 Statement

The Board and Senior Management of South Port New Zealand Limited (South Port) are committed to maintaining the highest standards of governance by implementing best practice principles and policies. This Corporate Governance Statement sets out the corporate governance policies, practices and processes adopted and followed by South Port as at 30 June 2018 and has been approved by the Board.

The best practice principles and underlying recommendations used in determining the governance approach of South Port are the principles set out in the NZX Corporate Governance Code 2017 (NZX Code). The Board's view is that South Port's corporate governance policies, practices and processes generally follow the recommendations set by the NZX Code. This Corporate Governance Statement includes disclosure to the extent to which South Port has followed each of the recommendations of the NZX Code or, if applicable, an explanation of why a recommendation was not followed and any alternative practices followed in lieu of the recommendation.

The Company's Constitution, the Board and Committee charters, codes and policies referred to in this statement are available to view on the Company's website, www.southport.co.nz.

These documents should be read in conjunction with this statement:

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

PRINCIPLE 1 CODE OF ETHICAL BEHAVIOUR

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

CODE OF ETHICS

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

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

SENSITIVE EXPENDITURE POLICY

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

SECURITIES TRADING POLICY

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

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

PRINCIPLE 2 BOARD COMPOSITION AND PERFORMANCE

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

BOARD CHARTER

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

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



South Port's two mobile harbour cranes exchanging containers in the Bluff terminal.

NOMINATION AND APPOINTMENT OF DIRECTORS

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

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

DIRECTOR PARTICULARS

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

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

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

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

DIVERSITY

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

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

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

Diversity and inclusion is a commitment to recognising and appreciating the variety of characteristics that make individuals unique, for example gender, age, race,

ethnicity, culture, disability, education and background.

The South Port Diversity and Inclusion Policy is disclosed on the company's website.

Only one specific KPI measure is currently in place with respect to diversity, being that it is the company's desire to have female representation at both board and senior management level. The intention is to determine what other measures should be in place and this will be addressed in the 2018/19 financial year.

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

2018	Male	Female	Total
Directors	5	1	6
Senior Management	6	2	8
	11 (79%)	3 (21%)	14

2017	Male	Female	Total
Directors	5	1	6
Senior Management	5	1	6
	10 (83%)	2 (17%)	12

DIRECTOR TRAINING

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

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

EVALUATION OF PERFORMANCE OF DIRECTORS

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

The Chair of the board leads an annual performance review and evaluation of the board as a whole and of the board committees against the board and committee charters including seeking director's views relating to board and committee process, efficiency and effectiveness, for discussion by the full board. The Chair of the board also engages with individual directors to evaluate and discuss performance and professional development. While there is no prescribed process in place this will be formalised during the 2018/19 financial year.

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

Recommendation 2.8: The Chair and CEO should be different people.

The positions of the Chair and the CEO of South Port are held by different people.

PRINCIPLE 3 BOARD COMMITTEES

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

AUDIT & RISK COMMITTEE

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

The Audit & Risk Committee provides the board with assistance in fulfilling their responsibilities to shareholders, the investment community and others for overseeing the company's financial

statements, financial reporting processes, internal accounting systems, financial controls and South Port's relationship with its independent auditors.

The Committee is governed by an Audit & Risk Committee Charter which is available on the company's website. The Board regularly reviews the performance of the Committee in accordance with the Charter.

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

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

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

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

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

REMUNERATION COMMITTEE

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

The board does not operate a separate remuneration committee as director and senior management remuneration is considered by the entire board. The Director and Executive Remuneration

Policy outlines the structure of director and executive/management remuneration, the formal process for shareholder review, transparency and reporting of actual remuneration paid and bi-annual review of the remuneration policy and process.

NOMINATION COMMITTEE

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

The board does not operate a separate nomination committee. The process and procedure for appointment of directors to the board is outlined in the Board Charter. The appointment of a director is a shareholder decision. Director nominations are called for from

shareholders in accordance with the Rules. The board will then consider the candidates who have been nominated for appointment as a director. Directors are selected based on a range of factors including the needs of the board at the time.

OVERVIEW OF BOARD COMMITTEES

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

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

DIRECTORS' ATTENDANCE AT MEETINGS – 1 JULY 2017 TO 30 JUNE 2018

	Annual Meeting	Board Meeting	Audit Committee
Total Meetings	1	9	2
R T Chapman	1	9	2
RGM Christie	1	9	-
P W Cory-Wright	1	9	2
T M Foggo	1	9	-
C M Kearney	-	7	-
J J McClean	1	9	2

TAKEOVER PROTOCOLS

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

Magpie SW discharging stock food at Berth 5 in November.





A rake of rail wagons being positioned into the container terminal.

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

PRINCIPLE 4 REPORTING AND DISCLOSURE

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

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

CONTINUOUS DISCLOSURE

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

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

South Port is committed to providing accurate, timely and consistent disclosures that comply with its continuous disclosure regime, in accordance with the NZX Listing Rules. The company is required to disclose to the market matters which could be expected to have a material effect on the price or value of the company's shares. Management processes are in place to ensure that all material matters which may require disclosure are promptly reported to the board through established reporting lines. Matters reported are assessed as and when required by the NZX Listing Rules and advised to the market. The Chairman and CEO are responsible for communications with NZX and for ensuring that such information is not provided to any person or organisation until NZX has confirmed its release to the market.

All material announcements are posted on the company's website.

CHARTERS AND POLICIES

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

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



FINANCIAL REPORTING AND NON-FINANCIAL REPORTING

Recommendation 4.3: Financial reporting should be balanced, clear and objective. An issuer should provide non-financial disclosures at least annually, including considering material exposure to environmental, economic and social sustainability risks. It should explain how it plans to manage these risks and how operational and non-financial targets are measured.

FINANCIAL REPORTING

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

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

Management accountability for the integrity of the company's financial reporting is reinforced by the certification from the Chief Executive and the Finance Manager. The Chief Executive and the Finance Manager have provided the board with written confirmation that the company's financial report presents a true and fair view, in all material respects, of the company's financial position for the year ended 30 June 2018, and that the operational results are in accordance with relevant accounting standards.

NON-FINANCIAL REPORTING - SUSTAINABILITY

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

Currently the Company's sustainability initiatives cover:

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

PRINCIPLE 5 REMUNERATION

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

BOARD OF DIRECTORS REMUNERATION

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

Director remuneration is paid in the form of director's fees. On 20 October 2016 the shareholders approved the directors' fee pool limit of \$270,000 per annum.

Information on director remuneration is available in the South Port Annual Report 2018; refer "Statutory Report of Directors" (page 18). It includes a breakdown of remuneration for board fees. There are no separate fees provided for members of the Audit & Risk Committee. Directors are entitled to reimbursement of reasonable travel and other expenses incurred by them in connection with their attendance at Board or Annual Meetings, or otherwise in connection with South Port business.

REMUNERATION POLICY

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

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

EMPLOYEES' REMUNERATION

The board is responsible for reviewing the remuneration of the company's senior management in consultation with the Chief Executive of the company. The remuneration packages of senior management consist of a mixture of a base remuneration package and a variable remuneration component based on relevant performance measures, designed to attract, motivate and retain high quality employees who will enable the company to achieve its short and long-term objectives.

Details relating to the number of employees and former employees who received remuneration and other benefits in excess of \$100,000 during the year ended 30 June 2018 is available in the South Port Annual Report 2018, refer "Statutory Report of Directors" (page 18, in various escalating bands).



IVS Sunbird at Berth 5 after being loaded with logs for export.

CHIEF EXECUTIVE REMUNERATION

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

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

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

The Chief Executive's remuneration for the year ended 30 June 2018 was made up as follows:

Current Chief Executive – Appointed 11/09/2017

Fixed Remuneration (FY18)	\$188,708
Short Term Incentive (FY17)	—
Long Term Incentive	—
Total	\$188,708

Former Chief Executive – Retired 10/11/2017

Fixed Remuneration (FY18)	\$166,248
Short Term Incentive (FY17)	\$21,600
Long Term Incentive	—
Total	\$187,848

The short-term incentive (STI) is set at a maximum of \$40,000 per annum for the Chief Executive. Fifty percent of the STI is linked to the Company's financial performance with the actual opportunity in the range of 0% to 100%. Fifty percent is based on achieving strategic objectives with the actual opportunity in the range of 0% to 100%. Objectives are set each year by the board and for the 2018 year included financial and other targets for the company overall, as well as personal objectives and targets, appropriate for the role.

PRINCIPLE 6 RISK MANAGEMENT

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

RISK MANAGEMENT FRAMEWORK

Recommendation 6.1: *An issuer should have a risk management framework for its business and the issuer's board should receive and review regular reports. A framework should also be put in place to manage any existing risks and to report the material risks facing the business and how they are being managed.*

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

RISK MANAGEMENT AND RESPONSIBILITIES

The Board is ultimately responsible for reviewing and approving the company's risk management strategy.

The Audit & Risk Committee is responsible for overseeing risk management practices and works closely with management, external advisors and the company's auditors to ensure that risk management issues are properly identified and addressed.

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

RISK MONITORING AND EVALUATION

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

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

HEALTH & SAFETY

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

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

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

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

ENVIRONMENTAL SOCIAL AND GOVERNANCE (ESG) FACTORS

The Board does not believe that the company has any material exposure to economic, environmental or social sustainability risks that are not appropriately managed. The material risks which may impact the company's ability to achieve its strategic objectives and secure its financial prospects, are managed through the strategic planning process.

PRINCIPLE 7 AUDITORS

"The Board should ensure the quality and independence of the external audit process."

EXTERNAL AUDIT

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

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

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

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

ENGAGEMENT OF THE EXTERNAL AUDITOR

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

ATTENDANCE AT THE ANNUAL MEETING

Crowe Horwath, as auditor of the 2018 financial statements, has been invited to attend the Annual Meeting and will be available to answer questions about the conduct of the audit, preparation and content of the auditor's report, accounting policies adopted by South Port and the independence of the auditor in relation to the conduct of the audit.

INTERNAL AUDIT

Recommendation 7.3: Internal audit functions should be disclosed.

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

PRINCIPLE 8

SHAREHOLDER RIGHTS AND RELATIONS

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

INFORMATION FOR SHAREHOLDERS

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

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

To ensure shareholders have access to relevant information, the company:

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

COMMUNICATING WITH SHAREHOLDERS

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

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

SHAREHOLDER VOTING RIGHTS

Recommendation 8.3 and 8.4:

Shareholders have the right to vote on major decisions which may change the nature of the company in which they are invested in. Each person who invests money in the company should have one vote per share of the company they own equally with other shareholders.

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

NOTICE OF ANNUAL MEETING

Recommendation 8.5: The board should ensure that the annual shareholders notice of meeting is posted on the issuer's website as soon as possible and at least 28 days prior to the meeting.

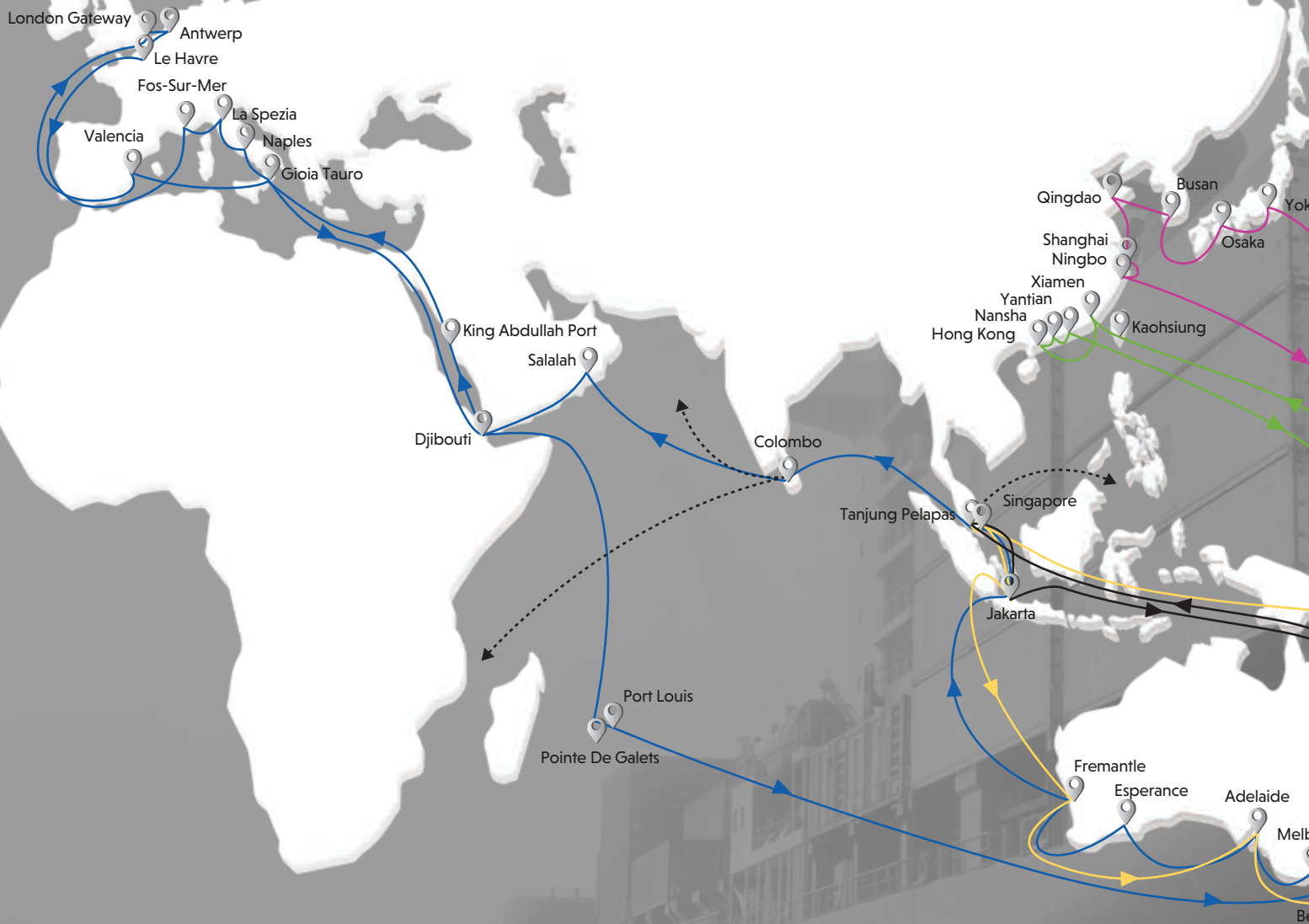
South Port posts any Notices of Shareholder Meetings on the website and as soon as these are available. The general practice is to make these available not less than four weeks prior to the shareholder meeting.

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

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

Right: Project cargo being twin lifted by the Port's two mobile harbour cranes onto a waiting transporter.





Mediterranean Shipping Company

WEEKLY CONTAINER LINE SERVICING BLUFF

CELEBRATING
10 YEARS

SERVICE OVERVIEW

Capricorn

Singapore - Jakarta - Fremantle - Adelaide - Bell Bay - Melbourne - Bluff - Port Chalmers - Lyttelton - Nelson - Tauranga - Tanjung Pelepas - Singapore

Australia Express

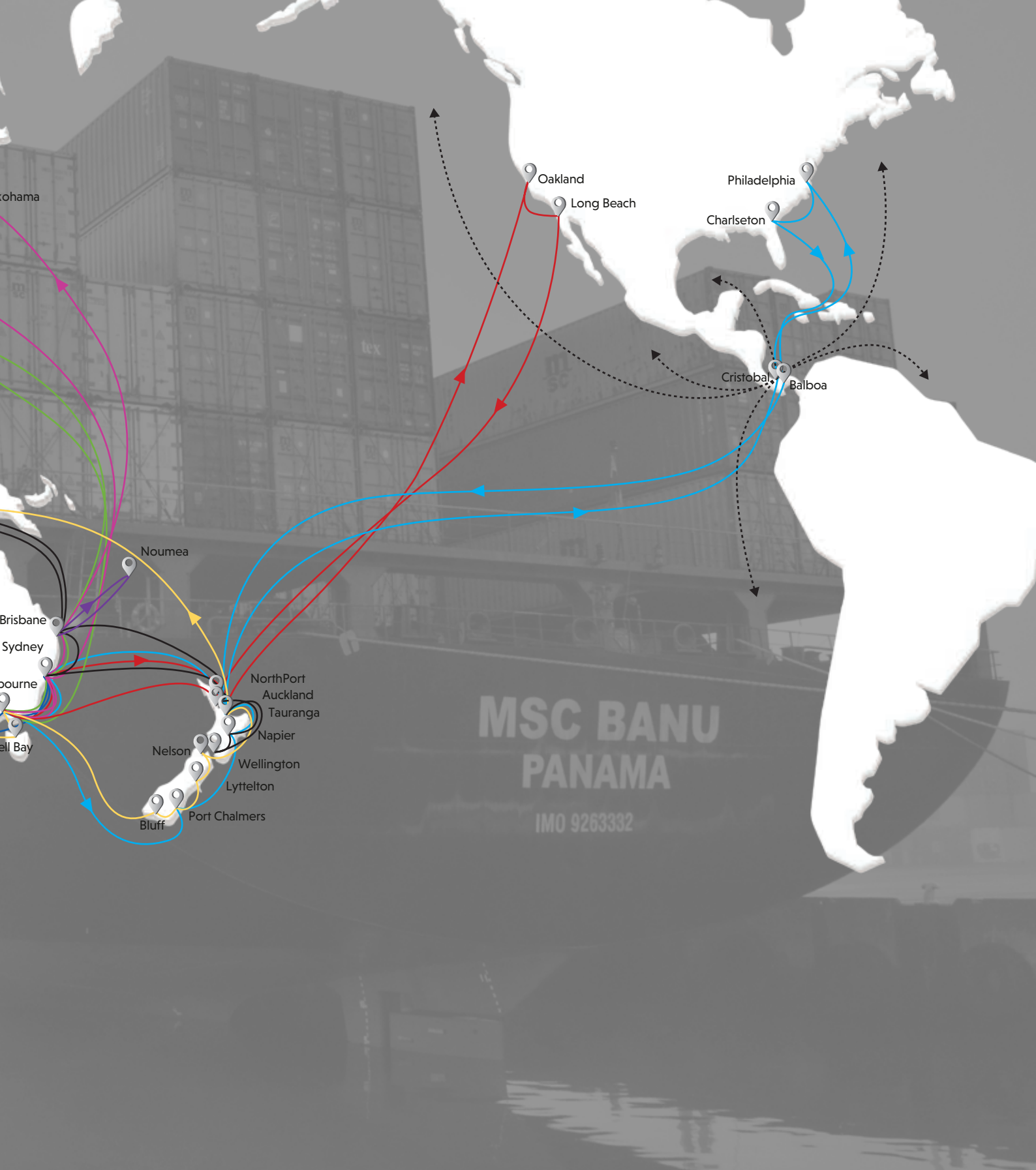
Sydney - Melbourne - Adelaide - Esperance (Fortnightly) - Fremantle - Singapore - Colombo - Salah - Djibouti - King Abdullah Port (Saudi Arabia) - Gioia Tauro - Valencia - London Gateway - Antwerp - Le Havre - Fos-Sur-Mer - La Spezia - Naples - Gioia Tauro - Pointe Des Galets - Port Louis - Sydney

Panda

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

Wallaby

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



Kiwi

Singapore - Jakarta - Brisbane -
Sydney - Auckland - Tauranga -
Wellington - Napier - Auckland -
Northport (Fortnightly) -
Brisbane - Tanjung Pelepas -
Singapore

Noumea Express

Sydney - Noumea - Sydney

Oceanic Loop 1

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

Oceanic Loop 2

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

Transhipments to: ----->

via Singapore: South East Asia

via Cristobal: Canada, South America, Central America

via Colombo: Africa, Middle East

Infrastructure/ Port Improvement



LOG PAVING

This project involved converting approximately 1,500 m² of gravel hardstand into an asphalt pavement log storage facility. As a result of the conversion, the adjacent stormwater reticulation needed to be upgraded to handle the additional runoff from the yard. Included in this drainage upgrade was the introduction of a primary and secondary stormwater treatment system to improve the characteristics of the stormwater discharge entering the receiving environment.

This project has increased storage capacity, improved handling efficiencies and reduced equipment maintenance costs for the log marshall company operating onsite. The drainage upgrade has alleviated the flooding which occurred in the area following a significant rainfall event.

The total cost of the project was \$2.8M of which over \$0.7M was for the drainage upgrade.



FUEL BERTH

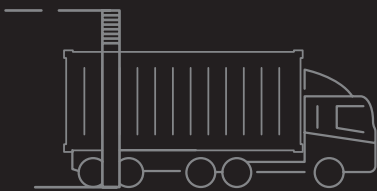
Vehicle access on to the Town Wharf has been restricted since 2016. As it is a requirement of the fuel companies that vehicle access is provided to the discharge platform, South Port will be investing \$5M on upgrading the eastern end of the town wharf (fuel berth). This will involve the construction of a piled accessway and pipe corridor as well as upgrading the discharge platform itself.

This project is currently in the design phase with the tender phase scheduled for September/October period. It is unlikely construction will start in 2018 but we expect that the contractor will establish on site during the first quarter of 2019.



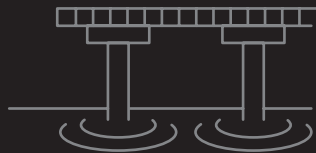
CCTV CAMERAS

- > Phase One - May 2017 – 9 Cameras.
- > Phase Two – Feb 2018 – 13 Cameras.
- > Total of 22 cameras now on Island Harbour.
- > Another 3 ready to install.
- > Allows us to view the berths, vessels loading/unloading, all movements on or off the Island, roadways etc.
- > Have assisted with Health & Safety, training, incident investigations, contractor management, general security for staff and the wider community.



ENVIRONMENTAL LOADOUT AREA AND BLAST FREEZER

- Following the lease expiry of the South Port operated Foreshore Road Cold Store complex the storage operation has been amalgamated into the Port's Island Harbour Cold Store.
- To accommodate the increased activity a capital works program is underway that doubles the product receipt and loadout areas and provides a new 20 tonne/day blast freezing facility and will be fully commissioned by 1 December 2018.
- It further provides sealed docks for both containers and trucks that comply with all export regulations.
- The new layout design will improve productivity and the H&S of all staff.



FINGER PIERS & TOWN WHARF FISHING BERTH

South Port has been undertaking a full review of its infrastructure over the past 2 years. Part of this review focused on the finger pier facility (Legs A, B & C) and the west end of the Town Wharf which accommodates several fishing vessels.

The review findings are as follows:

- a) The finger piers will be "non-operational" within the next 2 to 5 years without significant capital upgrade and ongoing maintenance investment.
- b) The Town Wharf structure is at the end of life and in the near future will become unsuitable for berthing vessels.

Following this review, SPNZ evaluated the long term financial viability of the finger pier facility and Town Wharf fishing berths. In order to retain these structures South Port will be investing approximately \$1M over the next 2 years on piling, handrails, timber deck, fenders and lighting.



LIGHTING UPGRADE

The infrastructure team are developing a port wide lighting upgrade plan which will improve visibility across the Island Harbour significantly. It is intended that this upgrade will be rolled out over the next few years with the key operational areas targeted first. Berth 5 and 8 are to be upgraded during FY19. The upgrades will be a mixture of installing new LED bulbs on existing light columns as well as installing completely new light columns in other operational areas.

There are several operational, environmental and health & safety benefits with LED lighting, with some of these being:

- Improved lighting quality and reliability.
- Reduced energy consumption.
- Automated system allows lights to be dimmed and turned on and off quickly.
- LED lights last longer resulting in fewer bulb changes which means less working at height activity.

Health & Safety Achievements

H&S PACE PROJECT INCLUDING H&S OFI COMMITTEE



DEVELOPMENT OF HSE PASSPORT

Regional Contractor Pre-qualification and generic induction

4 PORTS MEMBER

Critical risk project – Bowtie software

DEVELOPMENT OF GOLDEN RULES

Westpac Business H&S Award winners



PCBU POLICY DEVELOPMENT IN PROGRESS

Safety agreements

ASSISTANCE TO SMALL CONTRACTORS

To implement H&S systems. Ongoing guidance to site operators to lift general regional H&S performance.

PACE BRIEFINGS, STAFF NEWSLETTERS, TOOLBOX MEETINGS

Prizes supplied to attendees of briefings.



WELLBEING SYSTEMS

Site gym, bi-annual medicals, drug and alcohol policy, fatigue project, physio presentation on back strains, stop smoking programmes.

H&S FORUMS

For regular contractors, port users, syncrolift and log hoist.

FORMATION OF BOARD H&S PANEL

Including employee representatives at board meetings. Includes board departmental walks.

PERMIT TO WORK (PTW) SYSTEM DEVELOPMENT (MADE AVAILABLE TO OTHER COMPANIES)



TRAFFIC MANAGEMENT PLAN

Three strikes policy. In excess of 150 strikes issued. Extra security resource for onsite monitoring.

IMPLEMENTATION OF 25 MONITORING CAMERAS



GROWING H&S TEAM

2.5 FTE safety team, increasing to 3.5 FTE.

**A PORT IS A VERY DYNAMIC WORKING ENVIRONMENT.
THE KEY TO A SAFE, EFFICIENT AND HAPPY WORKPLACE
IS A HIGH LEVEL OF COMMUNICATION, COOPERATION AND
COMMITMENT FROM ALL STAKEHOLDERS.**

DEVELOPMENT OF COMMON USER SAFETY PROTOCOL (CUSP)



VAULT UPGRADE UNDER WAY

Including reporting via smart
phone including reporting via
smart phone.

BUSINESS H&S LEADERS FORUM MEMBERS



TRANSPORT SYSTEM IMPLEMENTED

For ships crew to gate.

CONTRACTOR SUPPORT, H&S SYSTEM DEVELOPMENT



LED LIGHTING PROJECT UPGRADES UNDERWAY

SAFEGUARD CONFERENCE ATTENDANCE

ACC WORKPLACE SAFETY MANAGEMNET PRACITCES (WSMP) TERTIARY ACCREDITATION HOLDER



ATTENDANCE AT QUARTERLY NZ PORTS FORUM

Industry consultation
with regulators.

PPE STANDARDS

Working with site users
to meet AS/NZS PPE
standards for all port
visitors.



7,000+ PERSONS INDUCTED TO SITE

Up to 1,000 inwards traffic
movements on to site each day,
1,200 PCBU's registered for site.

SITewise GREEN STATUS ACCREDITATION



H&S AUDITS

Contractor audit process,
Site walk audits by H&S
committee, board, and
managers.

NZ PORTS TOOL

Displayed on website
and promoted with
site operators.



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

Port Infrastructure

Dry Warehouse
No.5 - 5,500m²

Cold Stores
Island Harbour
39,500m³

Syncrolift
Dry Dock

Woodchip
Stockpile

Log
Storage

Log Storage

Vacant Land for
Development

Dry Warehouse
No.4 - 5,900m²

Dry Warehouse
No.7 - 5,900m²



Dry Warehouse
No.2 - 1,400m²

Petroleum
Import Berth

Cold Stores Foreshore
Road 40,600m³

Dry Warehouse
No.3A - 4,500m²

Dry Warehouse
No.1 - 2,000m²

Dry Warehouse
No.3B - 3,300m²

Dry Warehouse
No.3C - 1,900m²

Dry Warehouse
No.3 - 2,200m²

Bulk Liquid
Storage
Facilities

Town Wharf

Vacant Land for
Development

Dry Warehouse
No.6 - 1,500m²

Log
Storage

Fishing
Boat Piers

Island Harbour
Access Bridge

Administration
Building

R&D
Office

Dedicated Container
Servicing Pad

Bulk Liquid
Storage Facilities

Vacant Land for
Development

Rail
Marshalling
Yard

Inset – South Port Intermodal Freight
Centre (IFC), a 4,000m² warehouse
with rail connection servicing the
Otago and Southland regions,
strategically located adjacent to the
Invercargill KiwiRail rail head.





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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF SOUTH PORT NEW ZEALAND LIMITED

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

Opinion

We have audited the consolidated financial statements of the Group on pages 43 to 64, that comprise the consolidated statement of financial position as at 30 June 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the Auditor-General's Auditing Standards, which incorporate Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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

Key Audit Matters

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

Key Audit Matter	How we addressed the Key Audit Matter
<p>Property, plant and equipment</p> <p>As outlined in note 11 of the financial statements, the carrying amount of the Group's property, plant and equipment is \$47,471,000.</p> <p>Amounts are capitalised to property, plant and equipment and the Group assesses the recoverable amount of these assets in accordance with the accounting policies outlined in notes 3(e) and 3(f) of the financial statements.</p> <p>We treated the application of these accounting policies as a Key Audit Matter because of the:</p> <ul style="list-style-type: none"> Significance of the property, plant and equipment in the statement of financial position, Importance to the Group of maintaining these assets in order to continue to provide expected service levels to customers, and Degree to which these assets may be susceptible to impairment. 	<p>Our procedures included:</p> <ul style="list-style-type: none"> Reviewing minutes and reports of the directors and management to identify any critical maintenance discussions, Assessing that the Group is adhering to its long term property maintenance plan, by comparing actual results against the approved plan, Assessing the nature of costs incurred in capital projects by testing a sample of costs and determining whether the expenditure met the capitalisation criteria, Assessing the nature of costs incurred in repairs and maintenance projects by testing a sample of costs and determining whether the expenditure met the repairs and maintenance criteria, Reviewing the profitability of the Group's operations for indicators of potential impairment, and Reviewing the Group's assessment of useful lives allocated to all major assets.



Other information

The directors are responsible on behalf of the Group for the other information. The other information comprises the information included on pages 2 to 39 and 65 to 71, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

Directors' responsibilities for the consolidated financial statements

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Our responsibilities arise from the Public Audit Act 2001.

A handwritten signature in blue ink, appearing to read "Ken Sandri", written over a horizontal line.

Ken Sandri

Crowe Horwath New Zealand Audit Partnership

On behalf of the Auditor-General
Invercargill, New Zealand

23 August 2018

Statement of Comprehensive Income

OF SOUTH PORT NEW ZEALAND LIMITED FOR THE YEAR ENDED 30 JUNE 2018

In Thousands of New Zealand Dollars	NOTE	GROUP	
		2018	2017
Total operating revenues from port services	7	40,705	36,868
Total operating expenses		(23,258)	(21,549)
Gross profit		17,447	15,319
Administrative expenses		(3,650)	(3,060)
Operating profit before financing costs		13,797	12,259
Financial income		22	127
Financial expenses		(601)	(576)
Net financing costs	6	(579)	(449)
Other income	5	290	2
Surplus before income tax		13,508	11,812
Income tax		(3,850)	(3,364)
Total income tax	10	(3,850)	(3,364)
Net surplus after income tax		9,658	8,448
Other comprehensive income		—	—
Total other comprehensive surplus/(loss) after income tax		—	—
Total comprehensive surplus/(loss) after income tax		9,658	8,448
Basic earnings per share	16	\$0.368	\$0.322

Statement of Changes in Equity

OF SOUTH PORT NEW ZEALAND LIMITED FOR THE YEAR ENDED 30 JUNE 2018

In Thousands of New Zealand Dollars	GROUP		
	Share Capital	Retained Earnings	Total Equity
Balance 1 July 2016	9,418	26,178	35,596
Profit/(loss) after income tax	—	8,448	8,448
Other comprehensive income	—	—	—
Total comprehensive income	—	8,448	8,448
Contributions by and distributions to owners			
Dividends paid during the period (refer to note 14)	—	(6,821)	(6,821)
Balance as at 30 June 2017	9,418	27,805	37,223
Balance 1 July 2017	9,418	27,805	37,223
Profit/(loss) after income tax	—	9,658	9,658
Other comprehensive income	—	—	—
Total comprehensive income	—	9,658	9,658
Contributions by and distributions to owners			
Dividends paid during the period (refer to note 14)	—	(6,821)	(6,821)
Balance as at 30 June 2018	9,418	30,642	40,060

Statement of Financial Position

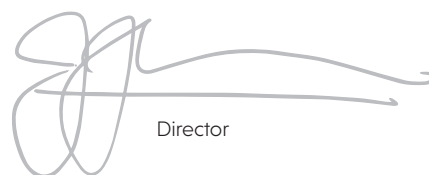
OF SOUTH PORT NEW ZEALAND LIMITED as at 30 JUNE 2018

In Thousands of New Zealand Dollars	NOTE	GROUP	
		2018	2017
TOTAL EQUITY	14	40,060	37,223
NON-CURRENT ASSETS			
Property, plant and equipment	11	47,471	46,570
Total non-current assets		47,471	46,570
CURRENT ASSETS			
Cash	12	991	1,675
Trade and other receivables	13	5,648	4,310
Total current assets		6,639	5,985
Total assets		54,110	52,555
NON-CURRENT LIABILITIES			
Employee entitlements	18	47	67
Deferred tax liability	10(d)	301	441
Borrowings	17	7,200	9,600
Financial liabilities	20	353	254
Total non-current liabilities		7,901	10,362
CURRENT LIABILITIES			
Current borrowings	17	—	—
Trade and other payables	19	3,388	2,898
Employee entitlements	18	1,132	868
Provision for taxation	10(c)	1,629	1,204
Total current liabilities		6,149	4,970
Total liabilities		14,050	15,332
TOTAL NET ASSETS		40,060	37,223
Net asset backing per share		\$1.53	\$1.42

On behalf of the Board
Dated 23 August 2018



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 2018

	NOTE	GROUP	
In Thousands of New Zealand Dollars		2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided by (applied to):			
Receipts from customers		39,366	37,302
Payments to suppliers and employees		(22,614)	(21,738)
Interest received		22	10
Interest paid		(505)	(572)
Income taxes paid		(3,564)	(3,185)
Net goods and services tax paid		(363)	251
Net cash flow from operating activities	23	12,342	12,068
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided by (applied to):			
Proceeds from disposal of non-current assets		388	2
Acquisition of other non-current assets		(4,193)	(3,382)
Net cash used in investing activities		(3,805)	(3,380)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided by (applied to):			
Dividend paid		(6,821)	(6,821)
Drawdown/(repayment) of borrowings		(2,400)	(1,100)
Net cash used in financing activities		(9,221)	(7,921)
NET INCREASE (DECREASE) IN CASH HELD		(684)	767
Add cash at beginning of year		1,675	908
Net foreign exchange differences		—	—
TOTAL CASH AT END OF YEAR	12	991	1,675

The accompanying notes form part of these financial statements

Notes to the Financial Statements

OF SOUTH PORT NEW ZEALAND LIMITED FOR THE YEAR ENDED 30 JUNE 2018

1 REPORTING ENTITY

South Port New Zealand Limited (the "Company") is a company domiciled in New Zealand, registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange ("NZX"). The Company is an issuer in terms of the Financial Reporting Act 2013.

The consolidated financial statements of South Port New Zealand Limited as at and for the period ended 30 June 2018 comprise the Company and its subsidiary Awarua Holdings Ltd (together referred to as the "Group"). South Port New Zealand Ltd is primarily involved in providing and managing port and warehousing services.

2 BASIS OF PREPARATION

(a) Statement of Compliance

The Parent Company is a Financial Markets Conduct (FMC) reporting entity for the purposes of the Financial Reporting Act 2013 and the Financial Markets Conduct Act 2013. These financial statements comply with these Acts and have been prepared in accordance with the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. These financial statements comply with International Financial Reporting Standards (IFRS).

The financial statements were approved by the Board of Directors on 23 August 2018

(b) Basis of Measurement

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

- financial instruments measured at fair value

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

(c) Functional and Presentation Currency

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

(d) Use of Estimates and Judgements

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of Consolidation

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

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

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

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

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

(b) Foreign Currency

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

(c) Goods and Services Tax (GST)

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

(d) Financial Instruments

(i) *Non-derivative financial instruments*

The Group is party to financial instruments as part of its normal operations. These financial instruments include cash and cash equivalents, trade and other receivables, loans and borrowings, and trade and other payables.

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

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

Cash and cash equivalents comprise cash balances and call deposits.

Trade and other receivables

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

Interest-bearing borrowings

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

Trade and other payables

Trade and other payables are stated at cost.

(ii) *Derivative financial instruments and hedging activities*

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from financing and investment activities.

In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

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

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

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

Cash Flow Hedges

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

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

Interest rate swaps

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

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

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

(e) Property, Plant & Equipment

(i) *Recognition and measurement*

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

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

(ii) *Subsequent expenditure*

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

(iii) Disposal of property, plant and equipment

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

(iv) Depreciation

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

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

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

(f) Impairment

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

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

(i) Impairment of receivables

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

(g) Provisions

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

(h) Revenue

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

(i) Services

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

(ii) Rental Income

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

(iii) Deferred Revenue

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

(i) Lease Payments

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

(j) Finance Income and Expenses

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

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

Finance expenses comprise interest expense on borrowings, foreign currency losses, interest rate swap losses, and impairment losses recognised on financial assets. All borrowing costs are recognised in the Statement of Comprehensive Income using the effective interest method, apart from interest expenses relating to interest rate caps which are recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the cap arrangement.

(k) Income Tax Expense

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

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

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future.

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

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

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

(l) Earnings per Share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the net surplus after income tax attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

There is no value difference between basic EPS and diluted EPS.

(m) Segment Reporting

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

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

(n) Amendments to NZ IFRS

There are no new, revised or amended accounting standards issued by the International Accounting Standards Board (IASB) and the New Zealand Accounting Standards Board (NZASB) that are mandatory for application by the Group for the financial year beginning 1 July 2017.

(o) NZ IFRS issued but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods ending after 30 June 2018 and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

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

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

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

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

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

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

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

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

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

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

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

4 DETERMINATION OF FAIR VALUES

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

(a) Derivative Financial Instruments

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

(b) Other Non-Derivative Financial Instruments

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

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

5 | OTHER INCOME

In Thousands of New Zealand Dollars	GROUP	
	2018	2017
Gain on sale of property, plant and equipment	290	2
Total other income	290	2

6 | FINANCE INCOME AND EXPENSES

In Thousands of New Zealand Dollars	GROUP	
	2018	2017
Income		
Interest income	22	10
Dividend income	—	—
Change in fair value of interest rate swap	—	117
Total financial income	22	127
Expenses		
Interest expense	(501)	(576)
Change in fair value of interest rate swap	(100)	—
Total financial expenses	(601)	(576)
Net finance costs	(579)	(449)

7 | OPERATING EXPENSES

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

In Thousands of New Zealand Dollars	GROUP	
	2018	2017
Auditors' remuneration for audit services	54	50
Auditors' remuneration for other guidance	—	—
Amount paid for employment consultancy services (to associated entity of auditors)	—	1
Bad debts written off	—	11
Depreciation of property, plant & equipment	3,361	3,291
Directors' fees	270	273
Donations	4	4
Rental and lease expenses	178	380
Increase/(decrease) in liability for long-service leave	(21)	30
Loss on disposal of assets	47	5

8 | EMPLOYEE BENEFITS EXPENSE

In Thousands of New Zealand Dollars	GROUP	
	2018	2017
Salaries and wages	9,505	9,249
Defined contribution plans	319	299
Other employee benefits	156	181
	9,980	9,729

9 | KEY MANAGEMENT PERSONNEL COMPENSATION

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

In Thousands of New Zealand Dollars	GROUP	
	2018	2017
Short-term employee benefits	1,822	1,499
Defined contribution plans	55	68
Other long-term employee benefits	33	21
	1,910	1,588

10 | INCOME TAXES

In Thousands of New Zealand Dollars	GROUP	
	2018	2017
(a) INCOME TAX RECOGNISED IN PROFIT OR LOSS		
Tax expense/(income) comprises:		
Current tax expense / (credit):		
Current year	3,996	3,319
Adjustments for prior years	(6)	(17)
	3,990	3,302
Deferred tax expense / (credit)		
Origination and reversal of temporary differences	(140)	62
Adjustments for prior years	—	—
	(140)	62
Total tax expense / (income)	3,850	3,364
The prima facie income tax expense on pre-tax accounting surplus reconciles to the income tax expense in the financial statements as follows:		
Surplus / (deficit) before income tax	13,508	11,812
Income tax expense (credit) calculated at 28%	3,782	3,307
Temporary differences	21	15
Non-deductible expenses	63	59
Non assessable income	(10)	—
	3,856	3,381
Adjustments for prior years	—	—
(Over) / under provision of income tax in previous year	(6)	(17)
Income tax expense (credit)	3,850	3,364

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

Note 10 continued...

(b) INCOME TAX RECOGNISED DIRECTLY IN EQUITY

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

In Thousands of New Zealand Dollars	2018	2017
(c) CURRENT TAX ASSETS AND LIABILITIES		
Current tax refundable:		
Current tax refundable	—	—
Current tax payable:		
Current tax payable	1,629	1,204

(d) DEFERRED TAX BALANCES COMPRISE:

Taxable and deductible temporary differences arising from the following:

In Thousands of New Zealand Dollars	GROUP			2018
	1 July 2017 Opening Balance	Recognised in profit/loss	Recognised in equity	30 June 2018 Closing Balance
Gross deferred tax liabilities:				
Other financial assets	—	—	—	—
Property, plant and equipment	(638)	73	—	(565)
	(638)	73	—	(565)
Gross deferred tax assets:				
Other financial assets / liabilities	—	—	—	—
Employee entitlements	197	67	—	264
	197	67	—	264
Net deferred tax asset / (liability)	(441)	140	—	(301)

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

In Thousands of New Zealand Dollars	GROUP	
	2018	2017
(e) IMPUTATION CREDIT ACCOUNT BALANCES		
Balance at beginning of year	9,082	8,434
Less Taxation (payable) receivable 2017	(1,204)	(1,087)
Taxation paid	3,564	3,184
Attached to dividends paid	(2,653)	(2,653)
Add Taxation payable (receivable) 2018	1,629	1,204
Balance at end of year	10,418	9,082

11 | PROPERTY, PLANT AND EQUIPMENT

2018

In Thousands of New Zealand Dollars	Cost 1 July 2017	Additions	Additions through Business Combinations	Disposals	Other	Cost 30 June 2018	Accumulated Depn and Impairment charges 1 July 2017	Depn Expense	Accumulated Depn reversed on Disposal	Other	Accumulated Depn and Impairment charges 30 June 2018	Carrying Amt 30 June 2018
Land	2,944	134	—	—	—	3,078	—	—	—	—	—	3,078
Buildings	20,065	569	—	(4)	—	20,630	6,102	421	(3)	—	6,520	14,110
Plant & machinery	66,520	3,682	—	(1,435)	—	68,767	36,857	2,940	(1,304)	(9)	38,484	30,283
	89,529	4,385	—	(1,439)	—	92,475	42,959	3,361	(1,307)	(9)	45,004	47,471

2017

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

Impairment – During the year ended 30 June 2018 there were no impairment losses (2017: nil) which were recorded in the Statement of Comprehensive Income.

12 | CASH AND CASH EQUIVALENTS

In Thousands of New Zealand Dollars	GROUP	
	2018	2017
Bank balances	991	1,671
Call deposits	—	4
Cash and cash equivalents	991	1,675
Bank overdrafts used for cash management purposes	—	—
Cash and cash equivalents in the statement of cash flows	991	1,675

13 | RECEIVABLES AND ADVANCES

In Thousands of New Zealand Dollars	GROUP	
	2018	2017
Prepayments	41	47
Trade receivables	5,657	4,288
Provision for doubtful debts	(50)	(25)
	5648	4,310

14 | SHARE CAPITAL

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

DIVIDENDS

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

In Thousands of New Zealand Dollars	GROUP	
	2018	2017
2017 final dividend paid on all ordinary shares @ 18.50 cents per share (2016: 18.50 cents)	4,854	4,854
2018 interim: on all ordinary shares @ 7.50 cents per share (2017: 7.50 cents)	1,967	1,967
Total distributions to shareholders	6,821	6,821

After 30 June 2018 the following dividends were proposed by the directors for 2018. The dividends have not been provided for and there are no income tax consequences. Total imputation credits to be attached to the dividend are \$1,887,000.

In Thousands of New Zealand Dollars	2018
2018 final dividend payable on 6 November 2018 @ 18.50 cents per share	4,854

15 | CAPITAL MANAGEMENT

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

Key statistics and ratios are reported as part of the financial and operational five year summary on page 65.

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

The Group is required to comply with certain financial covenants in respect of external borrowings set by the Group's bankers. All covenants have been adhered to throughout the years ended 30 June 2018 and 30 June 2017.

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 2018 was based on the profit attributable to ordinary shareholders of \$9,658,000 (2017: \$8,448,000) and a weighted average number of ordinary shares outstanding of 26,234,898 (2017: 26,234,898). Basic and diluted EPS are the same value.

17 | LOANS AND BORROWINGS

In Thousands of New Zealand Dollars	GROUP	
	2018	2017
Non-current		
Hong Kong and Shanghai Banking Corporation (HSBC)	7,200	9,600
	7,200	9,600
Current		
Hong Kong and Shanghai Banking Corporation (HSBC)	—	—
	—	—
Total Borrowings	7,200	9,600

South Port New Zealand Limited's credit facility of \$17 million (2017: \$17 million) from HSBC is split between three different lines of credit as follows:

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

The total facility is secured by way of a general security registered over all assets both present and future of South Port New Zealand Limited.

Interest on the first \$5 million drawn at any one time is payable according to the five year interest rate swap agreement (expiring 4 November 2019) the Company has with HSBC. Interest on the balance of funds drawn at any time is calculated using a variable rate based on the BKBM (3 month bank bill rate).

18 | EMPLOYEE ENTITLEMENTS

In Thousands of New Zealand Dollars	GROUP	
	2018	2017
Wages, salaries, annual Leave	1,124	852
Long service leave	55	83
Balance at end of year	1,179	935
Current	1,132	868
Non-current	47	67
Total Provisions	1,179	935

EMPLOYEE ENTITLEMENTS

(i) Wages, salaries and annual leave

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

(ii) Long service leave

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

19 | TRADE AND OTHER PAYABLES

In Thousands of New Zealand Dollars	GROUP	
	2018	2017
Trade creditors and accruals	3,388	2,898
	3,388	2,898

20 | FINANCIAL LIABILITIES

In Thousands of New Zealand Dollars	GROUP	
	2018	2017
Non-current		
Interest rate derivatives	353	254
	353	254

21 | FINANCIAL INSTRUMENTS

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

- Credit risk
- Liquidity risk
- Market risk

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

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

CREDIT RISK

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

LIQUIDITY RISK

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

The only liquidity risks the Group has at balance date are trade payables totalling \$3,388,000 (2017: \$2,898,000) which are all due within 30 days, and loans and borrowings totalling \$7,200,000 (2017: \$9,600,000) as per Note 17.

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

MARKET RISK

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

FOREIGN EXCHANGE RISK

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

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

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

The Group has no foreign exchange forward contracts at balance date (2017: nil).

INTEREST RATE RISK

Interest payable to HSBC is charged on the following basis:

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

During the period the range of variable interest rates applying to the credit facility were between 2.56% and 2.695% (2017: 2.63% and 3.155%). The Company is exposed to normal fluctuations in market interest rates.

Interest rate swap – South Port has an interest rate swap in place which matures in November 2019. The interest rate swap has a fixed swap rate of 4.45% with a notional contract amount of \$5 million at 30 June 2018 (2017: \$5 million at 4.45% maturing November 2019).

South Port Ltd has another interest rate swap in place which commences in November 2019 and matures in November 2024. The interest rate swap has a fixed swap rate of 3.64% with a notional contract amount of \$5 million at 30 June 2018 (2017: Nil).

CREDIT FACILITY

At balance date the Group had a total loan facility of \$17 million (2017: \$17 million), of which \$7,200,000 (2017: \$9,600,000) had been drawn down.

The Group also has an overdraft facility of \$200,000 (2017: \$200,000), of which \$0 (2017: \$0) had been drawn down.

FAIR VALUES

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

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

Note 21 continued...

FINANCIAL INSTRUMENTS CLASSIFICATION TABLE

The Group held the following financial instruments at reporting date:

2018

In Thousands of New Zealand Dollars	Loans and Receivables	Financial Liabilities at Fair Value through Profit or Loss	Financial Liabilities at Amortised Cost	Total Carrying Amount
Assets				
Cash	991	—	—	991
Trade and other receivables	5,648	—	—	5,648
Total current assets	6,639	—	—	6,639
Total assets	6,639	—	—	6,639
Liabilities				
Interest rate derivatives	—	353	—	353
Borrowings	—	—	7,200	7,200
Total non-current liabilities	—	353	7,200	7,553
Borrowings	—	—	—	—
Trade and other payables	—	—	3,388	3,388
Total current liabilities	—	—	3,388	3,388
Total liabilities	—	353	10,588	10,941

2017

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

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

Note 21 continued...

MATURITY PROFILE OF FINANCIAL INSTRUMENTS

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

2018

In Thousands of New Zealand Dollars	Weighted Average Effective Interest Rate	CCAF Interest Rate	Carrying Value \$'000	Contractual Cashflows \$'000	Less than 1 year \$'000	1 - 2 years \$'000	2 - 3 years \$'000	3 - 4 years \$'000	4 - 5 years \$'000	5 + years \$'000	Non Interest Bearing
Financial assets:											
Cash & cash equivalents	1.75%	1.75%	991	991	991	—	—	—	—	—	—
Trade & other receivables	—	—	5,648	5,648	5,648	—	—	—	—	—	5,648
Financial liabilities:											
Trade & other payables	—	—	(3,388)	(3,388)	(3,388)	—	—	—	—	—	(3,388)
Borrowings (non-current)	3.91%	2.69%	(7,200)	(7,459)	(194)	(7,265)	—	—	—	—	—
Borrowings (current)	—	—	—	—	—	—	—	—	—	—	—
Interest rate derivatives	4.45%	2.42%	(353)	(359)	(121)	(238)	—	—	—	—	—
			(4,302)	(4,567)	2,936	(7,503)	—	—	—	—	2,260

2017

In Thousands of New Zealand Dollars	Weighted Average Effective Interest Rate	CCAF Interest Rate	Carrying Value \$'000	Contractual Cashflows \$'000	Less than 1 year \$'000	1 - 2 years \$'000	2 - 3 years \$'000	3 - 4 years \$'000	4 - 5 years \$'000	5 + years \$'000	Non Interest Bearing
Financial assets:											
Cash & cash equivalents	1.75%	1.75%	1,675	1,676	1,676	—	—	—	—	—	—
Trade & other receivables	—	—	4,310	4,310	4,310	—	—	—	—	—	4,310
Financial liabilities:											
Trade & other payables	—	—	(2,898)	(2,898)	(2,898)	—	—	—	—	—	(2,898)
Borrowings (non-current)	3.58%	2.64%	(9,600)	(10,192)	(253)	(253)	(9,685)	—	—	—	—
Interest rate derivatives	4.45%	2.47%	(254)	(310)	(124)	(124)	(63)	—	—	—	—
			(6,767)	(7,414)	2,711	(377)	(9,748)	—	—	—	1,412

CREDIT RISK

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

In Thousands of New Zealand Dollars	Gross Receivable 2018	Doubtful Debts 2018	Gross Receivable 2017	Doubtful Debts 2017
Not past due	5,022	11	4,214	5
Past due 0-30 days	229	2	35	4
Past due 31-120 days	374	6	46	8
Past due 121-360 days	27	26	(8)	5
Past due more than 1 year	5	5	1	3
Total	5,657	50	4,288	25

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

Note 21 continued...

SENSITIVITY ANALYSIS

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

2018

In Thousands of New Zealand Dollars	Carrying Amount	Interest rate risk				Foreign exchange risk				Other price risk			
		-100bp		+100bp		-10%		+10%		-10%		+10%	
		Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
Financial assets													
Cash and cash equivalents	991	(10)	—	10	—	—	—	—	—	—	—	—	—
Trade and other receivables	5,648	—	—	—	—	—	—	—	—	—	—	—	—
Financial liabilities													
Loans and borrowings (non-current)	7,200	72	—	(72)	—	—	—	—	—	—	—	—	—
Loans and borrowings (current)	—	—	—	—	—	—	—	—	—	—	—	—	—
Trade and other payables	3,388	—	—	—	—	—	—	—	—	—	—	—	—
Interest rate derivatives	353	(75)	—	75	—	—	—	—	—	—	—	—	—
Total increase/(decrease)		(13)	—	13	—	—	—	—	—	—	—	—	—

2017

In Thousands of New Zealand Dollars	Carrying Amount	Interest rate risk				Foreign exchange risk				Other price risk			
		-100bp		+100bp		-10%		+10%		-10%		+10%	
		Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
Financial assets													
Cash and cash equivalents	1,675	(17)	—	17	—	—	—	—	—	—	—	—	—
Trade and other receivables	4,310	—	—	—	—	—	—	—	—	—	—	—	—
Financial liabilities													
Loans and borrowings (non-current)	9,600	96	—	(96)	—	—	—	—	—	—	—	—	—
Loans and borrowings (current)	—	—	—	—	—	—	—	—	—	—	—	—	—
Trade and other payables	2,898	—	—	—	—	—	—	—	—	—	—	—	—
Interest rate derivatives	254	(125)	—	125	—	—	—	—	—	—	—	—	—
Total increase/(decrease)		(46)	—	46	—	—	—	—	—	—	—	—	—

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 (2017: -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 2018 or 2017 since the Group had no forward foreign exchange contracts in place at balance date.

Note 21 continued...

Explanation of other price risk sensitivity

The sensitivity for listed shares in the past has been calculated based on a -10%/+10% (2017: -10%/+10%) movement in the quoted bid share price at balance date for the listed shares. The Group currently does not hold any listed shares.

FAIR VALUE HIERARCHY

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

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

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

In Thousands of New Zealand Dollars	VALUATION TECHNIQUE			2018
	Total	Level 1	Level 2	Level 3
Financial liabilities				
Derivatives – interest rate swaps	353	–	353	–

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

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

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

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

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

Valuation inputs for valuing derivatives are as follows:

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

22 COMMITMENTS AND CONTINGENT LIABILITIES

Capital expenditure commitments

As at 30 June 2018, South Port Group had entered into capital expenditure commitments to complete an extension of the No.1 cold store ELA, build a blast freezer, install a new screw compressor, upgrade the access road paving, build a new security hut facility and upgrade fishing berth assets. The total cost of this remaining capital is estimated to be \$2,150,000 (2017: completion of paving on berth 5 and the purchase of some land situated on the Island Harbour from KiwiRail at a total estimated cost of \$260,000).

Operating lease commitments as Lessee

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

In Thousands of New Zealand Dollars	GROUP	
	2018	2017
Within one year	94	246
One to five years	160	255
More than five years	—	—
	254	501

Operating lease commitments (as Lessee) relate to two forklift leases with Gough Finance Limited which both expire in September 2018 and a ten year land lease commitment with KiwiRail Limited for the lease of a parcel of land situated on the Island Harbour, Bluff, due to expire in December 2021.

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

Operating leases where the Group is the Lessor

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

In Thousands of New Zealand Dollars	2018			2017		
	Cost	Accumulated Depreciation	Book Value	Cost	Accumulated Depreciation	Book Value
Land	750	—	750	750	—	750
Buildings	16,603	6,759	9,844	16,603	6,371	10,232
	17,353	6,759	10,594	17,353	6,371	10,982

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

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

In Thousands of New Zealand Dollars	GROUP	
	2018	2017
Within one year	4,273	3,052
One to five years	9,073	8,642
More than five years	41,016	44,088
	54,362	55,782

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 (2017: nil).

23 | NET CASH FLOW FROM OPERATING ACTIVITIES

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

In Thousands of New Zealand Dollars	GROUP	
	2018	2017
Surplus after taxation	9,658	8,448
Add/(less) items classified as investing/financing activities		
Foreign exchange (gain)/loss	—	—
	—	—
Add/(less) non-cash items		
Depreciation	3,361	3,291
Net (gain)/loss on disposal	(243)	3
Decrease/(increase) in value of forward exchange contracts and interest rate swaps	99	(117)
(Decrease)/increase in deferred tax liability	(140)	63
	3,077	3,240
Add/(less) movement in working capital		
Decrease/(increase) in trade debtors and other receivables	(1,322)	401
(Decrease)/increase in trade creditors and other payables	503	(138)
(Decrease)/increase in the provision for income tax	426	117
	(393)	380
Net cash provided by operating activities	12,342	12,068

24 | SEGMENTAL REPORTING

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

South Port engages with one major customer which contributed individually greater than 10% of its total revenue. The customer contributed \$8.74 million for the year ended 30 June 2018 (2017: \$9.48 million).

25 | RELATED PARTY TRANSACTIONS

During the year South Port provided cold storage facilities and leased warehousing, land and wharf facilities to Sanford Bluff for \$393,000 (2017: \$424,000). Sanford Limited debtors balance at 30 June 2018 was \$29,000. Mr T M Foggo, a Director of South Port was the Salmon & Aquaculture Development Manager of Sanford Limited. All of these transactions were conducted on an arm's length basis at market rates.

All balances owing by Sanford are due by the 20th of the month following invoice and all overdue invoices are subject to interest on arrears. During the year ended 30 June 2018 no amounts invoiced to Sanford were written off as bad debts or included in the doubtful debts provision at balance date (2017: nil).

Controlling entity

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

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

26 | INVESTMENT IN SUBSIDIARY COMPANY

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

All balances owed to Awarua Holdings Ltd by South Port are classified as inter-entity receivables and are repayable on demand. During the year ended 30 June 2018 no amounts invoiced by Awarua Holdings Ltd were written off as bad debts or included in the doubtful debts provision at balance date (2017: nil).

Total management fees paid to Awarua Holdings Ltd during the year were \$1,435,000 (2017: \$1,391,000).

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

27 | SUBSEQUENT EVENTS

On 23 August 2018 the Board declared a final dividend for the year to 30 June 2018 for 18.50 cents per share amounting to \$4.854 million (before supplementary dividends). (2017: Final dividend declared for 18.50 cents per share amounting to \$4.854 million.)

28 | AUTHORISATION FOR ISSUE

The Chief Executive, Nigel Gear, Finance Manager, Lara Stevens, and Directors certify that these Financial Statements comply with generally accepted accounting standards and New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS), and present a true and fair view of the financial affairs of the Group. This being the case, the Directors authorised the Financial Statements for issue on 23 August 2018.

Matuku discharging fuel at Town Wharf.



Financial and Operational Five Year Summary

In Thousands of New Zealand Dollars	2018	2017	2016	2015	2014
FIVE YEAR GROUP FINANCIAL SUMMARY					
Revenue	41,017	36,997	36,903	34,584	31,441
Net operating surplus	13,508	11,812	12,156	10,781	9,339
Group surplus after tax	9,658	8,448	8,709	7,737	6,681
Operating cashflow	12,342	12,068	11,863	11,990	8,759
Shareholders distributions paid	6,821	6,821	6,427	6,034	5,641
Total shareholders' equity	40,060	37,223	35,596	33,314	31,408
Net interest bearing debt	7,200	9,600	10,700	8,200	10,301
Property, plant and equipment	47,471	46,570	47,368	40,627	34,741
Capital expenditure	4,385	2,503	9,850	7,239	2,888
Total assets	54,110	52,555	53,019	47,153	45,727
Interest cover (times)	28.0	21.5	22.3	15.4	17.6
Shareholders' equity ratio	74.0%	70.8%	67.1%	70.7%	68.7%
Return on shareholders' funds*	25.0%	23.2%	25.3%	23.9%	21.6%
Return on assets*	26.3%	23.5%	25.4%	24.8%	22.8%
Earnings per share	36.8c	32.2c	33.2c	29.5c	25.5c
Operating cashflow per share	47.0c	46.0c	45.2c	45.7c	33.4c
Dividends declared per share	26.00c	26.00c	26.00c	24.00c	22.00c
Net asset backing per share	\$1.53	\$1.42	\$1.36	\$1.27	\$1.20

* Based on average of period start and year end balances

	2018	2017	2016	2015	2014
OPERATIONAL SUMMARY					
Cargo throughput (000's tonnes)	3,445	3,053	3,048	2,861	2,719
Cargo ship departures	319	312	317	301	316
Gross registered tonnage (000's tonnes)	6,220	5,821	5,611	5,266	5,160
Number of permanent employees	100	92	95	92	77
Total cargo ship days in port	826	933	937	739	932
Turn-around time per cargo ship (days)	2.59	2.99	2.96	2.45	2.95
Cargo tonnes per ship	10,799	9,785	9,615	9,505	8,604
Dry warehousing capacity (m ²)	38,100	38,100	36,200	32,200	33,300
Cold/cool storage capacity (m ³)	80,115	80,115	80,115	80,115	80,115

Management Profiles



NIGEL GEAR

CHIEF EXECUTIVE

BCom, Dip Port Management

Nigel was appointed to the role of Chief Executive on 1 October 2017. He has 23 years' experience in the port industry and has held positions in commercial, operations and finance at South Port. Prior to joining South Port, Nigel worked in the Meat and Oil sectors.



GEOFF FINNERTY

PORT GENERAL MANAGER

BCom, ACA, PGCertEM

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



JAMIE MAY

BUSINESS DEVELOPMENT
MANAGER

BCom (Marketing/Management)

Jamie was appointed to the Business Development Manager position in November 2017. Prior to this appointment, he was based in Invercargill as the Supervisor of the South Port Intermodal Freight Centre for 18 months during its opening and start up phase. Before this he had worked in the Marketing Analyst role based in Bluff since January 2011. Jamie held various home and personal lending positions at The National Bank before he joined the South Port team.



HELEN YOUNG

HUMAN RESOURCES MANAGER

LLB

Helen has been employed at South Port since September 2015 as Human Resources Advisor and joined the Senior Management team in November 2017 as Human Resources Manager. Helen has had a long and varied career. She graduated from the University of Canterbury with a law degree and

after moving to Invercargill practiced commercial and company law for nearly twenty years. Helen then took up a position as Chief Executive of Sport Southland before returning to law, specialising in employment and human resources. Helen has extensive experience in community-focused roles, including 5 years as a Tenancy Tribunal Adjudicator as well as acting as a Mediator or Facilitator on regional and national sports issues.



LARA STEVENS

FINANCE MANAGER

BCom, DipGrad, CA

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



HAYDEN MIKKELSEN

CONTAINER MANAGER

BE (Hons)

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



MURRAY WOOD

WAREHOUSING MANAGER

Murray is the Manager of the Warehousing Division comprising both Cold and Dairy Dry Goods Storage. He started with South Port in 2016 after a 32 year career with the New Zealand Aluminium Smelter, a major processing and manufacturing plant where he held numerous operational and leadership roles.



FRANK O'BOYLE

INFRASTRUCTURE MANAGER

BEng (Civil), MIPENZ, CPEng

Frank joined South Port as Infrastructure Manager in January 2015 and has been responsible for the construction of several multi-million dollar capital projects such as South Port's Intermodal Freight Centre (IFC), North Rail Log Yard and Fuel Berth upgrade.

Frank is a qualified Civil Engineer having graduated with a Bachelor of Engineering (Civil) from Institute of Technology, Sligo in 1999.

Prior to South Port Frank worked for 10 years at Opus International Consultants in Invercargill; starting out as a site engineer before working his way up through the ranks and becoming part of the Management team in 2013.

Frank has been a member of Engineering New Zealand since 2006 and became a Chartered Professional Engineer in 2010.

Glossary of Port and Shipping Terms

BERTH

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

BOLLARD

Post on wharf, ship or tug for securing lines.

BOLLARD PULL

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

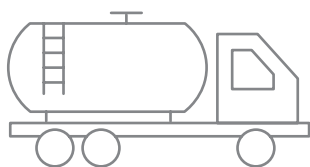


BREAK BULK

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

BULK

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



BUND

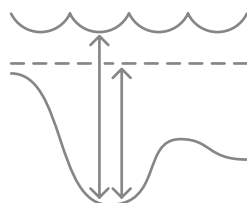
Area designed to contain any spills.

CARTER'S NOTE

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

CHART DATUM

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



COASTAL SERVICES

Shipping service between ports within New Zealand.

CONSOLIDATED CARGO

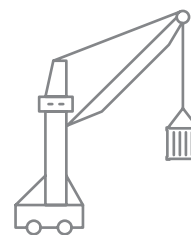
Cargo containing the shipments of two or more shippers, usually coordinated by a consolidator.

CONTAINER

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

CONTAINER CRANE

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



CONTAINER TERMINAL

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

CRANE RATE

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

DEVANNING

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

DRAFT

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

DWELL TIME

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

FREIGHT FORWARDER

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

GATE / GATEHOUSE

Entry to wharf or terminal areas.

HOIST /
FORK
HOIST

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

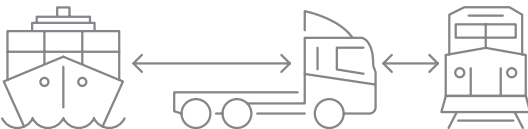


HUB PORT / SERVICE

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

HYDROGRAPHIC SURVEY

Scientific mapping of the sea bed for navigation.



INTERMODAL

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

INTERNAL MOVEMENT VEHICLE

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

LASH

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

LINE HANDLING

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

MARINE
SERVICES

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

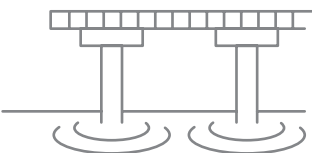


MOORING

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

MUDCRETE

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



PIERS

Floating pontoons used in marinas to provide access to commercial craft.

PILOTAGE

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



REACH
STACKER

Heavy hoist machine that stacks containers.

RECEIVING AND DELIVERY

Export cargo is received into the port and import cargo is delivered to truck or rail.

REEFER CONTAINER

See refrigerated container.



REFRIGERATED
CONTAINER

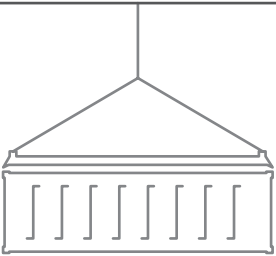
Controlled temperature container suitable for chilled or frozen cargoes. Also referred to as reefer container. A reefer container can be a porthole (must be fitted with or to refrigerating equipment) or an integral (has built-in refrigeration equipment).

ROLL-ON, ROLL-OFF VESSEL

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

SPREADER

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

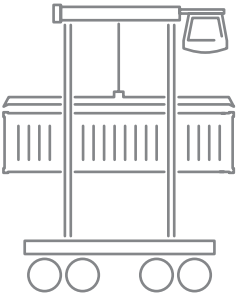


STEVEDORE

Individual or company employed to load and unload a vessel.

STRADDLE
CARRIER

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



TEU

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



TOWAGE

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

TRANS-SHIP

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

TURNAROUND TIME

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

VANNING

Stowing cargo in a container.

VERIFIED GROSS MASS (VGM)

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



Marshallled aluminium prepared for packing.

South Port Directory

DIRECTORS

Rex Chapman
Chairman

Rick Christie

Philip Cory-Wright

Thomas Foggo

Clare Kearney

Jeremy McClean

CORPORATE EXECUTIVES

Nigel Gear
Chief Executive

Geoff Finnerty
Port General Manager

Jamie May
Business Development Manager

Hayden Mikkelsen
Container Manager

Frank O'Boyle
Infrastructure Manager

Lara Stevens
Finance Manager

Murray Wood
Warehousing Manager

Helen Young
Human Resources Manager

GROUP COMPANIES

Parent Company
South Port New Zealand Limited

Subsidiary
Awarua Holdings Limited

AUDITOR

Crowe Horwath as Agent for the
Controller and Auditor General
173 Spey Street, Invercargill 9840

SOLICITORS

Preston Russell Law
45 Yarrow Street, Invercargill 9840

AWS Legal
151 Spey Street, Invercargill 9840

BANKERS

HSBC
HSBC Tower, Level 25,
195 Lambton Quay, Wellington 6011

TAX ADVISERS

McIntyre Dick & Partners
160 Spey Street, Invercargill 9840

SHARE REGISTER

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

REGISTERED OFFICE

Island Harbour, PO Box 1, Bluff 9842

CONTACT DETAILS

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Facebook South Port NZ

Photographs provided by
Chris Howell

Design by **Market South**

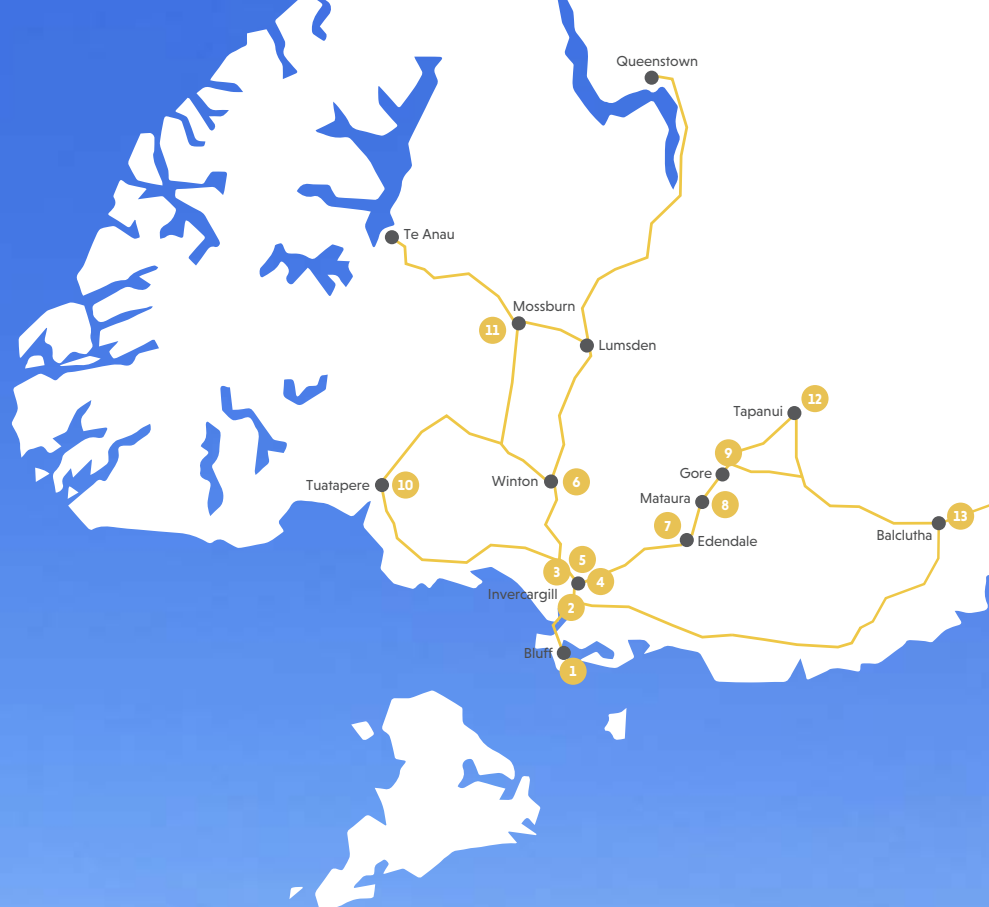
Southern Region Production/Cargo Locations



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

2	
Ballance Agri-Nutrients	15
Open Country Dairy	15
South Pacific Meats	15
Southwood Export	15
3	
Stabicraft Marine	23
International Specialty Aggregates.....	27
Quality Foods Southland	27
Sims Pacific Metals	27
Rayonier Matariki	28
Prime Range Meats	33

4	
Niagara Sawmilling	38
Silver Fern Farms - Kennington Plant	38
Blue Sky Meats	55
5	
Alliance Lorneville Plant	40
Alliance Makarewa Plant	45
Pyper's Produce	45



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

7	Fonterra Edendale.....	65
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8	Daiken Southland.....	70
	Alliance Mataura Plant.....	75

9	Eastern Concrete.....	80
	Silver Fern Farms	
	- Gore Plant.....	80
	Mataura Valley Milk.....	93

10	Lindsay & Dixon.....	88
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11	Silver Fern Farms	
	- Mossburn Plant.....	118

12	Ernslaw One.....	130
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13	Silver Fern Farms	
	- Balclutha Plant.....	145
	Fonterra Stirling.....	145



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