South Port NZ

ANNUAL REPORT 2016

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FINANCIAL CALENDAR

18 August 2016
2016 Full Year Profit Announcement Date

18 October 2016
Proxies must be lodged by 11:00am

20 October 2016
Annual Meeting – 11:00am
Venue: South Port Board Room, Island Harbour, Bluff

26 October 2016
Close of Share Register for Entitlement to Final Dividend

7 November 2016
Final Dividend Payment mailed

9 February 2017
2017 Interim Profit Announcement

March 2017
2017 Interim Dividend Payment

30 June 2017
2017 Financial Year End

ULTIMATE GOAL

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

KEY OBJECTIVES

- To increase customer usage of South Port and improve customer satisfaction.
- To make the best use of South Port's resources and develop the assets of Bluff Harbour.
- To improve returns to shareholders and create positive value.
- To 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.

COMPANY PROFILE

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

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

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

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

SOUTH PORT FACTS

- Owns and manages assets which have a book value of $53 million
- Directly employs more than 120 full time equivalent staff
- Is the only Southland based company listed on NZX – market capitalisation as at 30 June 2016 equated to $120 million
- Handles in excess of 3.0 million tonnes of cargo in a normal trading year
- Offers full container, break bulk and bulk cargo capability and services the following main cargoes:
  - **import** – alumina, petroleum products, fertiliser, acid, stock food and cement
  - **export** – aluminium, timber, logs, dairy, meat by-products, fish and woodchips
- Has split its land-based operating resource into four main divisions – dairy warehousing, containers, cool & 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 m^2 site houses a 4,000 m^2 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 2/3 is raw material imports while 1/3 is finished aluminium product
- Has approximately 7 ha. of on-port land available for further port development or industry establishment

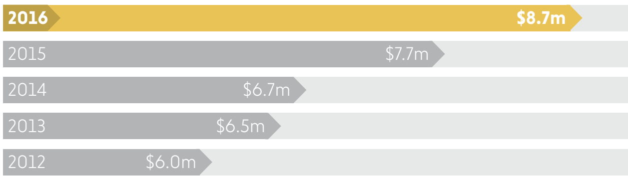
2015/16 SIGNIFICANT EVENTS

South Port dairy dry warehousing activity

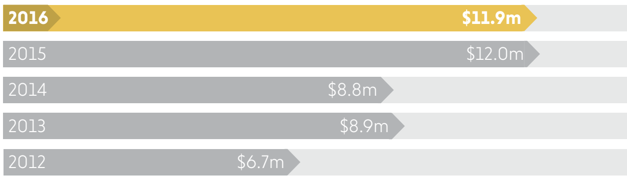
- **Achieved new record NPAT of $8.71 million** (2015 $7.74 million). Improved result **driven by higher bulk cargo tonnages.**
- **Recorded 26.0 cents** per share **higher dividend** (2015 24.0 cents).
- **Bulk cargo** activity was **again a major influence** on business resulting in **+7% cargo increase** or 187,000 tonnes providing new **record volume of 3.05 million tonnes** (2015 - 2.86 million).
- Categories showing **largest gains were logs, woodchips and dairy** with the majority of other cargoes showing good resilience.
- Breaking **3.0 million tonne cargo threshold is a significant milestone** for business. Demonstrates consistent period of growth since **2009 year** where **cargo was 1.86 million tonnes.**
- Further condition assessments were undertaken on significant port infrastructure confirming **higher R&M loadings will be a reality.**
- **Continued emphasis on Health & Safety performance** saw regular port user engagement occurring, a greater focus on Traffic Management and enhanced directional signage installed.
- **A second stage development of the Regional Contractor Induction System (Southland HSE Passport)** occurred in conjunction with other large Southland based businesses.
- Construction of Invercargill-located **Intermodal Freight Centre** occurred over past 12 months with **operations commencing mid-July 2016** – this site will initially have an import cargo focus.
- Transmission Pricing Model **(TPM) review draft determination** released and **looking helpful for major customer NZAS.**
- 2016 **log volume** produced **record of 475,000 tonnes,** a lift of 100,000T on prior year.
- **Stock food imports came under pressure** in the reduced dairy pay out environment **(reduction 43,000 tonnes or 23% fall).**
- **Container volumes remained relatively static at** 35,100 TEU (35,800) **as a result of weaker input activity in the dairy sector** – specifically high-end stock food and fertiliser products.
- **Greater use of technology within** the **containerised cargo operation** delivered efficiency gains.
- **Marine** division **enhanced service levels** by successfully commissioning Te Matua second-hand 40 tonne pulling capacity tug.
- **40m wide (beam) fuel tanker** received into Port **for first time** – activity demonstrates extension of marine operating parameters.
- **Incremental warehousing activity was evident for Open Country Dairy** and additional storage capacity is being provided for this customer in the coming season.
- **All dry warehouses** located on Island Harbour were **fully tenanted** during the 2016 financial period.
- **Mataura Valley Milk will build $200M dairy processing plant** in Eastern Southland to manufacture infant formula and UHT cream.
- **Cold storage** profit contribution again showed improvement due to **busy seasonal fishing activity** and continuing cost containment.
- New **senior personnel recruited** into **Warehousing** and **Infrastructure** teams plus **Intermodal Freight Centre** resource established.
- Continuous Improvement **principles continue to be applied through** "Port Achieving Combined Excellence" **(PACE) program.**
- South Port **Directors and Management involved in** Southland Regional Development Strategy **(SoRDS) New Industries Team.**

FINANCIAL RESULTS IN BRIEF

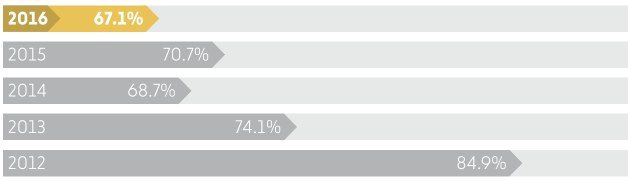
Surplus After Tax



Operating Cash Flow



Equity Ratio



Dividends Per Share

Return on Equity

Return on Assets

In Thousands of New Zealand Dollars	2016	2015
Revenue	$36,903	$34,584
Surplus after tax	$8,709	$7,737
Cashflow from operating activities	$11,863	$11,990
Total assets	$53,019	$47,153
Total equity	$35,596	$33,314
Shareholders' equity ratio	67.1%	70.7%
Earnings per share	33.2c	29.5c
Dividends declared per share	26.0c	24.0c
Net asset backing per share	$1.36	$1.27
Return on shareholders' funds	25.3%	23.9%
Cargo throughput (000's tonnes)	3,048	2,861

REVIEW OF OPERATIONS

Overview

Support from the regional customer base and an excellent effort by the South Port team plus wider port contractors has produced both a record cargo volume and tax-paid profit for FY2016.

The reported after tax profit of $8.71 million (2015 – $7.74 million) is a 13% increase on the previous year and represents a particularly strong result compared to the expected softening trend which was predicted at the start of the financial period.

As has been the pattern in recent years, stronger bulk volumes drove the overall cargo throughput for the Company to a new record level of 3.05 million tonnes, while the warehousing, container handling and marine functions continued to provide strength to the overall business. This cargo volume lift was achieved against the backdrop of a dairy industry that is being severely tested plus a subdued sheep and beef sector. Forestry activity showed increasing resilience and in particular, log exporters delivered growth through being able to redirect their product to alternative markets.

It is particularly pleasing to see that the proportion of profit increase is greater than the comparable overall lift in cargo volume. This demonstrates the containment of costs and the ability of the business to leverage off its fixed infrastructure.

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

Construction of the Invercargill situated Intermodal Freight Centre (IFC) was a focus for the business during the period under review. This is essentially a containerised cargo facility which will initially enable import product, sourced from various ports, to be relayed on rail for upacking and uplift by truck at a location much closer to point of use.

A review and update of the Company's Asset Maintenance Plan (AMP) took place in the second half of FY2016. This five yearly process covers the Port's key infrastructural assets (Island Harbour wharves/Access Bridge/Town Wharf/ Ferry Wharf and Stewart Island wharves) and is the second such review since the AMP was initially prepared in 2005. This most recent update has flagged an increasing R&M requirement for South Port's main infrastructural assets which will have a material impact on profitability over the coming 5-7 years.

The one notable low point amongst the past year's events was the fatal accident involving a local marine engineer that occurred on the Bluff Island Harbour in early December 2015. This tragic incident served to further heighten awareness of the ever present risks that exist within the Port environment and the ongoing need to take appropriate steps to identify and mitigate potential hazards.

Cargo Activity

Total recorded cargo of 3.05 million tonnes is a 7% improvement in volume (187,000 tonnes), compared to the previous year's activity of 2.86 million tonnes. The lift was driven by logs, woodchips and dairy manufacturing cargo while other categories largely remained at consistent levels. As stated above, this overall improvement was somewhat surprising when contrasted against the challenging market conditions that existed for a number of primary industries.

Logs (+100,000 tonnes) and woodchips (+97,000 tonnes) registered the highest individual volume increases. The log volume total of 475,000 tonnes represented a new annual throughput record for the business. Conversely, inbound stock food and molasses tonnages declined 25% or approximately 52,000 tonnes in direct response to decisions made to reduce dairy farming inputs.

Other sizeable bulk product flows that contribute positively to the Port's overall performance are fertiliser and petroleum as well as New Zealand Aluminium Smelter (NZAS) related cargo of aluminium and alumina. During 2015 NZAS broke its own hot metal production record providing the Port with notably higher volumes.

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

South Port's newest Hyster reach stacker

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

Static container activity was a feature of the past 12 months with annual containerised cargo of 35,100 TEU compared with 35,800 TEU handled in the previous year. This container volume was serviced by the two mobile harbour crane operating model which was in place for its first full financial year.

A drop off in containerised high end fertiliser and stock food products was a factor in the modest year on year container decrease. The second season impact of Open Country Dairy's additional dryer at its Awarua site assisted to maintain container volumes with an increase in export product occurring. Additional use of tracking and planning technology within the containerised cargo operation also delivered productivity gains.

The Company's cold storage division showed an overall improvement in profitability due to busy seasonal fishing activity and continuing cost containment. A realignment of customer charges was necessary some 20 months earlier to match additional compliance requirements and a greater level of market specific add-on tasks.

Crane Productivity
(Gross container moves per hour)

2016	**30.6**
2015	27.0 [1]
2014	17.1
2013	17.1
2012	17.8

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

Breakdown of Cargo - Containers
(Tonnage)

2016	**390,000**
2015	399,000
2014	351,000
2013	323,000
2012	342,000

Number of Containers
(20 foot container equivalents)

2016	**35,100**
2015	35,800
2014	32,700
2013	34,800
2012	32,800

Breakdown of Cargo - Bulk
(Tonnage)

2016	**2,428,000**
2015	2,225,000
2014	2,125,000
2013	1,944,000
2012	2,086,000

Containers
(Packed/Unpacked)

2016	**9,600**
2015	8,400
2014	7,800
2013	7,200
2012	7,100

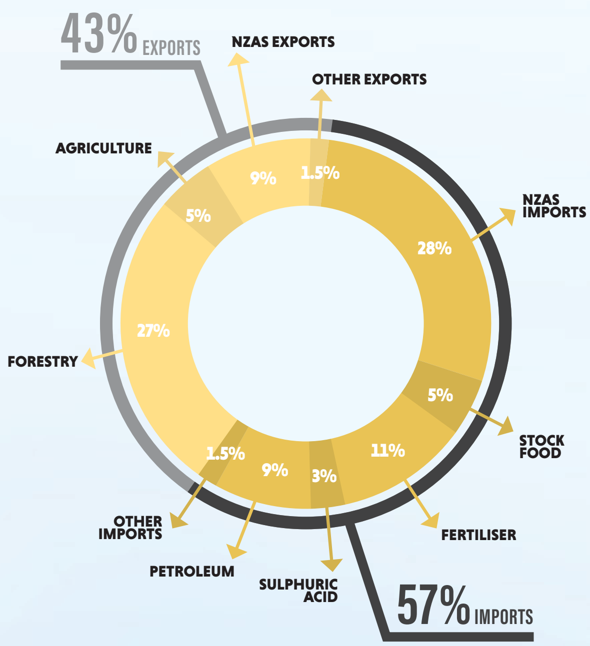
Breakdown of Cargo - Break Bulk
(Tonnage)

2016	**230,000**
2015	237,000
2014	244,000
2013	247,000
2012	264,000

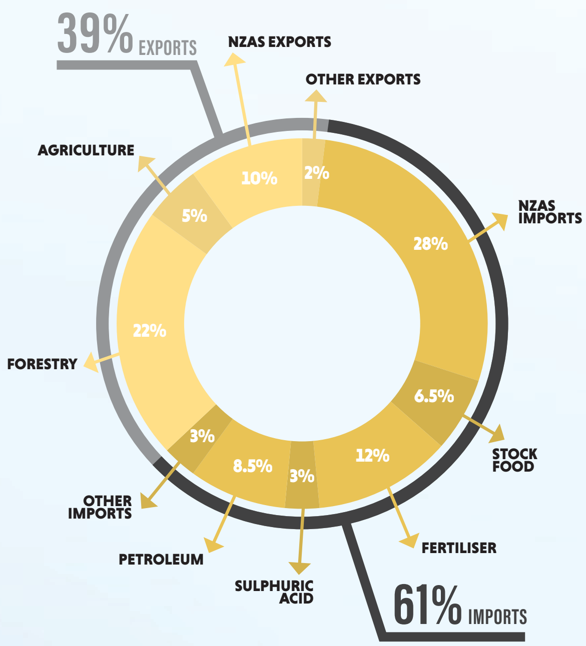
Ship Calls

2016	**317**
2015	301
2014	316
2013	336
2012	328

Comparative Cargo Breakdown 2016



Comparative Cargo Breakdown 2015



Sennebogen 830 log stacker

Fuel tanker, Stena Provence being the widest vessel to visit the Port

Other Operational Events

Invercargill Container Packing/ Unpacking Development – Over the past 12 months South Port has developed 0.8 ha. of bare land in Mersey Street, Invercargill into an intermodal container freight facility. Known as the IFC (Intermodal Freight Centre), the operation is strategically located alongside the KiwiRail container transfer yard which allows for the efficient movement of containers to and from rail. Targeting primarily containerised import cargo growth in the region, the venture will service freight forwarders plus transport operators and will function on a port-neutral basis. The cost of developing the site was approximately $4.5 million.

South Port has worked effectively with KiwiRail plus a range of customers and Freight Forwarders to deliver greater efficiency in the import supply chain. This lift in visibility in the Invercargill freight environment is an important step by South Port and signals the intent to actively look at ways that the Company can become more relevant in the wider supply chain.

NZAS Electricity Transmission Charges – Submissions for the Electricity Authority's second issues paper on the review of Transmission Pricing Methodology (TPM) closed at the end of July 2016. Under the proposed model for a more "user pays" method of charging for transmission, NZAS could see some relief from very high charges. The Authority is expected to release a decisions paper providing greater certainty around outcomes later in the year.

Incremental Dairy Activity and Warehousing – Additional dairy warehousing capacity is currently being constructed for Open Country Dairy to cater for the lift in milk volume processing at its Awarua site. This additional storage resource is expected to be available in the fourth quarter of this calendar year. All other dry warehouses located on the Island Harbour were fully tenanted during the 2016 financial period.

Replacement Harbour Tug – In December 2015, the Company officially put into service the second-hand Voith harbour tug, Te Matua. The Te Matua has a 40 tonne bollard pull (towing) capacity providing South Port with an enhanced 2-tug pulling capacity of 75 tonnes. In comparison, the South Port work vessel being replaced (Monowai) is a 28 tonne bollard pull tug which has served the Port of Bluff well since its construction in 1972. A $2.5 million capital sum was outlaid on procurement, delivery costs and work to ensure the replacement tug was fit for purpose operating in Bluff Harbour.

Marine Parameters Extended – In December 2015, the 40 metre wide (beam) fuel tanker Stena Provence was piloted into Bluff. This marine movement marked the first time that a vessel of that width had entered South Port and at 65,000 tonnes deadweight also represented a new record for total vessel carrying capacity.

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

Health & Safety plus Environment

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

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

An important tool to deliver the stated improvement intention is the Company's PACE (Process Improvement) Program, which contains a H&S component driven by the South Port Health & Safety Committee.

The Board has also formed a H&S panel consisting of the full Board, together with management and staff representatives, which will establish a H&S strategic plan and monitor its implementation. Scheduled operational site visits will also be undertaken by this panel.

Specific projects that were completed in the H&S area during FY2016 included:

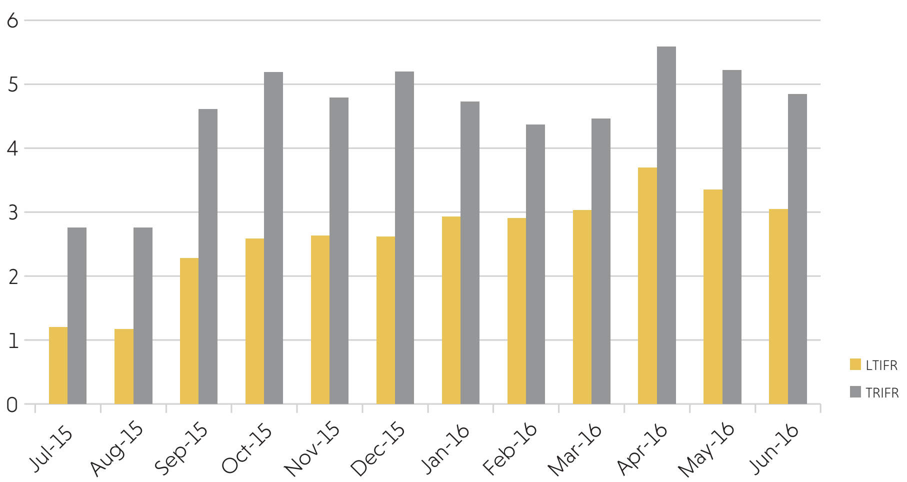
- Second stage development of the HSE Passport, a regional contractor induction and management system developed by larger Southland businesses.
- Regular port user engagement via the operation of a Port Users Forum.
- Installation of more extensive and clearer directional signage on the Island Harbour.

During the period, South Port successfully processed a renewal of the tertiary level accreditation for the ACC Workplace Safety Management Practices (WSMP). This is the highest achievable level under WSMP and further reinforces South Port's intention to seek continuous H&S improvement.

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

Lost Time Injury and Total Recordable Injury Frequency Rates

Injuries per 100,000 work hours - 12 month rolling



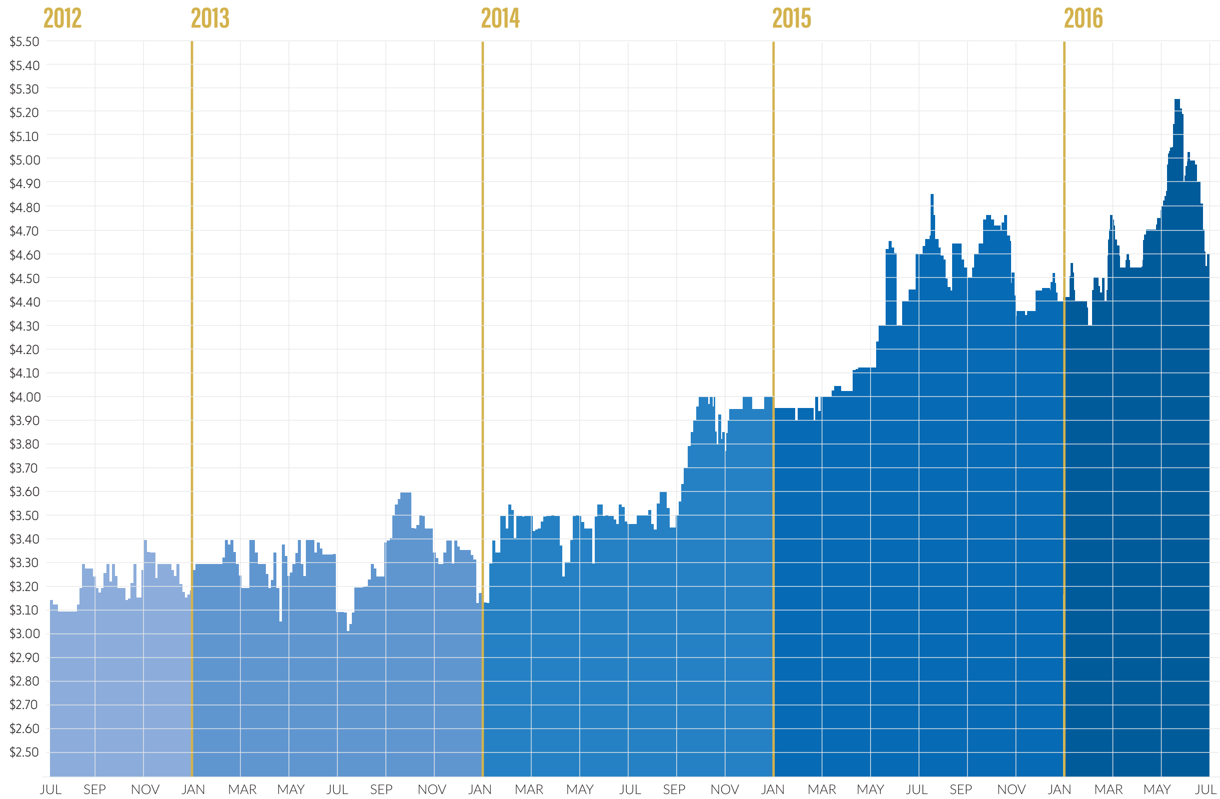
Financial

2016 Financial Result (comparatives shown in brackets)

- Revenue from port and warehousing operations equated to $36.7 million ($34.6 million) representing an increase of 6%.
- Consistent with additional resources deployed in the business, operating profit before financing costs and tax increased by 9% to $12.7 million ($11.7 million).
- Net financing costs for the Group were $701,000 ($910,000).
- The Group's overall result was a surplus of $8.71 million ($7.74 million), which represented a 13% increase on the previous year.
- Based on the reported result, earnings per share were 33.2 cents (29.5 cents per share).
- Total equity is $35.6 million ($33.3 million) after allowing for dividend payments during the period of $6.43 million ($6.03 million).
- Group equity includes issued capital of $9.4 million ($9.4 million), which is made up of 26,234,898 ordinary shares.
- Total Group assets stand at $53.0 million ($47.1 million).
- Net tangible asset backing per share equates to $1.36 ($1.27 per share).
- Current assets amount to $5.6 million ($6.5 million), with current liabilities at $12.6 million ($5.1 million). This creates a net working capital position of negative $7.0 million versus positive $1.4 million last year [due to impact of current portion of debt].
- Term liabilities total $4.8 million ($8.8 million).
- Property, Plant and Equipment stood at $47.4 million ($40.6 million).

Share Price

From 1 July 2012 to 30 June 2016



Dividends

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

In establishing the level of dividend payment, Directors took into account the Company's profit improvement this year plus future maintenance requirements that are expected to impact profitability. Accordingly, the Board elected to pay a final dividend of 18.5 cents. This translates to a full year dividend of 26.0 cents which is an increase of 8% on the prior year (2015 – 24.0 cents).

Full imputation credits will be attached to all distributions. The dividend payment represents a gross return of 7.8% (net 5.6%) based on a share price of $4.60 as at 30 June 2016. A dividend pay out ratio of 78% results for 2016 (using reported NPAT) and equates to 100% of FCF. This level of income distribution is similar to the prior year pay out ratio of 81%.

Staff Contribution

Employee numbers continued to climb within the business in response to servicing higher volumes of cargo and also ensuring that compliance requirements for both customers and South Port are addressed. Total full time roles increased from 92 to 99 over the past financial year and at year end a number of positions were in the process of being filled.

The Company expresses its gratitude to all staff for the positive way in which they have gone about their daily tasks and for playing an important part in the South Port growth story. The PACE (Process Improvement) Program continues to provide employees with a greater ability to influence the outcomes of both existing and new work processes.

Board Composition

Mr Philip Cory-Wright retires this year by rotation and being eligible offers himself for re-election. Mr Graham Heenan who is a long serving Director also retires by rotation but has elected not to offer himself for re-election. In addition to chairing the Audit and Risk Committee for several years, Graham has provided a disciplined analytical approach to the Board's decision making process and his valuable contribution around the Board table has been appreciated.

The Company has received one valid Director nomination from Clare Kearney who is an Otago based professional Director. Mrs Kearney currently chairs Network Waitaki and Sport Otago. She holds a Masters of Professional Studies and has had extensive involvement with community based trusts and educational entities.

Management Team

Murray Wood was appointed to the Warehousing role in August 2016, having previously worked for New Zealand's Aluminium Smelter. Murray has extensive knowledge and experience relating to manufacturing processes, effective health & safety thinking and the application of continuous improvement methodologies. He will be a valuable addition to South Port's senior team.

Rex Chapman and Mark O'Connor presenting scholarship cheques to Braedon McNaught and Jess Gopalan

Community and Regional Assistance

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

- Bluff Bowling Club
- Bluff Community Trust (managing swimming pool upgrade project)
- Bluff Golf Club
- Bluff Hill/Motupohue Environment Trust – pest eradication programme
- Bluff Kindergarten
- Bluff Maritime Museum
- Bluff Oyster & Food Festival
- Bluff Rugby Club
- Bluff Schools
- Bluff Yacht Club
- Bluff Promotions and various other local organisations
- Burt Munro Challenge (Bluff stage)
- Coastguard Bluff
- Fight for Kidz
- Foundation for Youth Development (FYD) – Bluff Schools
- Invercargill Harness Racing Club (Bluff businesses race day)
- Queens Park Golf Club
- Rugby Southland
- Southland Cricket Association
- Southland Sharks
- Te Ara o Kiwa Sea Scouts, Bluff
- Te Ara o Kiwa Venturers, Bluff
- Tour of Southland (Bluff stage)
- Venture Southland – Spirit of a Nation
- Young Enterprise Scheme (YES)

South Port acted as the local Bluff businesses co-ordinator for a fundraising initiative designed to help fund the development of the Greenpoint to Bluff cycleway/walkway. This new portion of the cycleway/walkway will eventually connect with the existing access way situated south of the Invercargill city. South Port contributed $20,000 towards this project.

South Port also continued its primary sponsorship of Export Southland, providing financial assistance to administer this organisation and facilitate the holding of a number of events including the bi-annual Export Recognition Dinner. In addition, the Company also assisted with funding the Southern Wood Council Forestry Awards.

The Company's commitment to provide for scholarship assistance continues. Each year a staff and community scholarship is offered, with this year's being awarded to Braedon McNaught and Jessica Gopalan. Braedon is pursuing his passion for teaching, undertaking a Bachelor of Primary Education at the University of Otago. Jess also has aspirations to be involved in the education sector. She is studying a Bachelor of Arts majoring in History with a minor in Cinema Studies at the University of Canterbury in order to become a secondary school history teacher.

Regional Projects Update

Mataura Valley Milk (MVM) – In July 2016 MVM announced China Animal Husbandry Group (CAHG) will take a 71.8% stake in the company. Construction of a $200 million processing plant would occur at a 26 ha. consented site located at McNab (North East of Gore). The plant will manufacture infant formula, UHT cream and small volumes of skim milk powder while the venture expects to create 100 new jobs (60 Gore based and 40 in Hamilton).

Eastern Southland Consented Wind Farm Project – Trustpower continues to review the economic viability of a proposed Kaiwera Downs Wind Farm located across 2,568 ha. of farmland, around 15 km south east of Gore. Resource Consents have been granted by Gore District Council and Southland Regional Council with these consents allowing for a maximum of 83 wind turbines. The company stated from the outset that the wind farm is likely to be developed in stages, and the size and timing of stage one is dependent on market conditions. TrustPower is currently going through a demerger process which if approved by shareholders will see its renewable generation assets placed into a new corporate structure.

Oil & Gas Exploration – In October 2015 Shell New Zealand, together with Joint Venture parties OMV New Zealand and Mitsui E&P Australia, announced it would postpone any exploration decisions in the Great South Basin (GSB) until 2017. The parties have stated they need more time to evaluate the Basin's complex geology and they have received revised work programmes for both permits from NZ Petroleum and Minerals. Shell, as operator of the permits, continues to listen and talk with the local community about its work programmes.

South Port and regional stakeholders continue to interact with oil and gas exploration parties and remain optimistic about the medium to long term energy potential available in GSB.

Project cargo previously handled by the company, the Flat Hill Wind Farm now providing a backdrop to the Port

Liebherr Mobile Harbour Cranes working in unison

Outlook

Despite bearish predictions to the contrary, the New Zealand economy and key export markets have remained resilient. This has assisted South Port to further grow its cargo base and support some of the recent growth capital expenditure. Some of these capital outlays are predicated on further cargo gains occurring over a 4-5 year term, and therefore the required growth is more difficult to forecast over an extended period of time.

The majority of South Port's main cargo flows (logs/NZAS/dairy exports/ petroleum) are expected to hold up well over the coming 12 months and track similar levels to FY2016. Exceptions to this pattern are fertiliser and stock food which are likely to be impacted by contracted dairy sector expenditure.

As noted under the opening Overview commentary, a greater level of R&M expenditure will occur for the next several years as a result of a number of the significant infrastructural assets being at or near the end of their physical useful life. In order to extend the effective life of these assets, a much greater level of R&M expenditure will be applied to these structures and therefore a lower NPAT contribution is expected in FY2017.

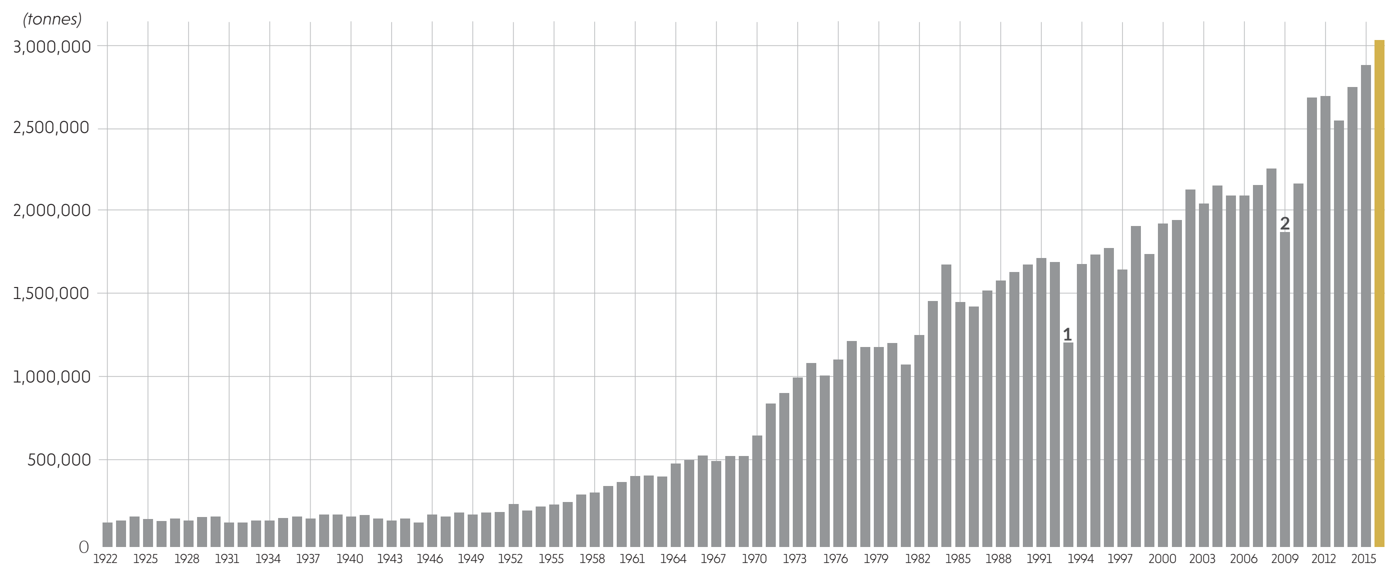
Based on all known factors at the date of compiling this Report, South Port estimates that earnings in the next financial year are likely to reduce by approximately 15%. Notwithstanding this lower earnings profile, in the absence of any unforeseen circumstances, the Directors will be endeavouring to maintain the current level of dividend payment.

R T CHAPMAN
Chairman

M P O'CONNOR
Chief Executive

Stirling Point, Bluff signpost - a familiar site to arriving vessels

Historic Trade Figures 1922-2016



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

DIRECTORS' PROFILES

THOMAS McCUISH FOGGO

Mr Foggo is based in Invercargill and is the Salmon & Aquaculture Development Manager for Sanford. He has held Senior Management positions and Directorships in the Seafood Industry for over 38 years and has for the past 20 years been a Director of Live Lobster Southland. He is also a Director of Invercargill Airport.

South Port's Intermodal Freight Centre now fully operational

PHILIP WADE CORY-WRIGHT

BCA, LLB (Hons), AFInstD

Mr Cory-Wright is a Company Director and a Strategic Adviser based in Auckland. He is a Director of the Local Government Funding Agency and Matariki Forests. Mr Cory-Wright was previously a member of the Local Government Infrastructure Expert Advisory Group. He has specialised in infrastructure businesses and recent roles include being an Adviser to Kordia, Solid Energy, Auckland Airport, ACC and Higgins Group Holdings.

RICHARD (RICK) GORDON MAXWELL CHRISTIE

MSc (Hons), AFInstD, CRSNZ

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

GRAHAM DOUGLAS HEENAN

BCom, DistFInstD, FNZIM

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

REX THOMAS CHAPMAN

LLB, Chairman

Mr Chapman is a Senior Litigation and Commercial Partner in Invercargill law firm Cruickshank Pryde. He is a member of the Southland Regional Development Strategy (SoRDS) New Industries Team.

JEREMY JAMES McCLEAN

BCom, CA

Mr McClean is a practising Chartered Accountant in Southland. He is a Principal in Invercargill accounting firm Malloch McClean Ltd, holds a Public Practice Certificate with Chartered Accountants Australia & New Zealand (CAANZ) 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 2016 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 2015 to 30 June 2016.

Results

The Company recorded a surplus for the period of $8,709,000.

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 $6,820,000 for the period ended 30 June 2016 including the final dividend amount of $4,853,000 payable in November 2016.

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 2016 was as follows:

R T Chapman	$60,520
RGM Christie	$35,000
P W Cory-Wright	$35,000
T M Foggo	$35,000
G D Heenan	$35,000
J J McClean	$35,000

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
$140,001-$150,000	2
$150,001-$160,000	3
$200,001-$210,000	1
$210,001-$220,000	2
$230,001-$240,000	3
$360,001-$370,000	1

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

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

Notice and Pause Provisions

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

Accounting Policies

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

Audit & Risk Committee

The Company has a formally constituted Audit & Risk Committee comprising Messrs G D Heenan (Chairman), R T Chapman and J J McClean.

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

Auditor's Remuneration

During the year $45,298 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 2015 to 30 June 2016.

Disclosure of Interest

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

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

R T CHAPMAN
Chairman of Directors

G D HEENAN
Director

Dated 18 August 2016

STATUTORY DISCLOSURE IN RELATION TO SHAREHOLDERS

AS AT 30 JUNE 2016

Size Of Holding

Size of Holding	Number of Shareholders	Ordinary Shareholding	Percent Holders
1 - 1,000	291	199,175	0.76
1,001 - 5,000	411	1,149,107	4.38
5,001 - 10,000	90	689,038	2.63
10,001 - 50,000	59	1,187,686	4.53
50,001 - 100,000	4	275,983	1.05
100,001 and over	8	22,733,909	86.65
Total Number of Shareholders:	**863**	**26,234,898**	**100.00**

Prices For Shares Traded During This Year

As At 30 June 2016	High	Low
$4.60	$5.25	$4.30

Top Twenty Ordinary Shareholdings

Shareholder	Holding	Percent
Southland Regional Council (Environment Southland)	17,441,573	66.48
J I Urquhart Family Trust	1,334,731	5.09
K & M Douglas Trust	1,021,684	3.89
National Nominees New Zealand Limited	999,940	3.78
Douglas Family Trust	516,787	1.97
Douglas Irrevocable Descendants Trust	506,192	1.93
JPMorgan Chase Bank N.A.	462,885	1.76
Daniel Martin Noonan	175,364	.67
Citibank Nominees (NZ) Ltd	137,067	.52
Howard Cedric Zingel	113,556	.43
Kenneth Ritchie Anderson	77,184	.29
Custodial Services Ltd	71,068	.27
Pauline Ann Stapel & Stephen Thomas McKee	70,881	.27
David Grindell	56,850	.22
Glenn Owen Johnston	50,000	.19
Ian Gerald Arnot	43,978	.17
Forsyth Barr Custodians Ltd	43,500	.17
Donald Gordon Spencer	42,949	.16
Henry James Williams	37,684	.14
JBWere (NZ) Nominees Ltd	35,209	.13

Substantial Security Holders

As at 30 June 2016, the following persons have given notice (in terms of Section 26 of the Securities Amendment Act 1988) that they are substantial security holders in South Port New Zealand Limited. The number of shares shown is at the date of the last advice received from the substantial security holders.

Holder	No. of Shares	% of Issued Capital	Date of Notice
Southland Regional Council	17,441,573	66.48	20 October 2000
K & M Douglas Trust, Douglas Family Trust, Douglas Irrevocable Descendants Trust	2,044,663	7.79	24 December 2009
J I Urquhart Family Trust	1,334,731	5.09	28 October 2010

CORPORATE GOVERNANCE

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

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

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

Code of Ethics

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

The Code of Ethics addresses, amongst other things:

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

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

Responsibilities of the Board

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

Key responsibilities of the Board include:

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

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

Board Composition

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

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

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

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

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

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

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

2015	Male	Female	Total
Directors	6	-	6
Senior Management	5	1	6
	11	**1**	**12**

Audit & Risk Committee

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

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

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

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

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

Directors' Attendance at Meetings – 1 July 2015 to 30 June 2016

	Annual Meeting	Board Meeting	Audit Committee
Total Meetings	**1**	**10**	**2**
R.T. Chapman	1	10*	2
R.G.M. Christie	0	9**	-
P.W. Cory-Wright	1	10	-
T.M. Foggo	1	6	-
G.D. Heenan	1	9	2
J.J. McClean	1	9	2

** Joined one meeting via Skype.*
*** Joined one meeting by conference call.*

Risk Management

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

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

NZAS aluminium ingot being received for containerisation at Port

Continuous Disclosure

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

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

Shareholder Communication

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

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

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

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

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

Senior Management Remuneration

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

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

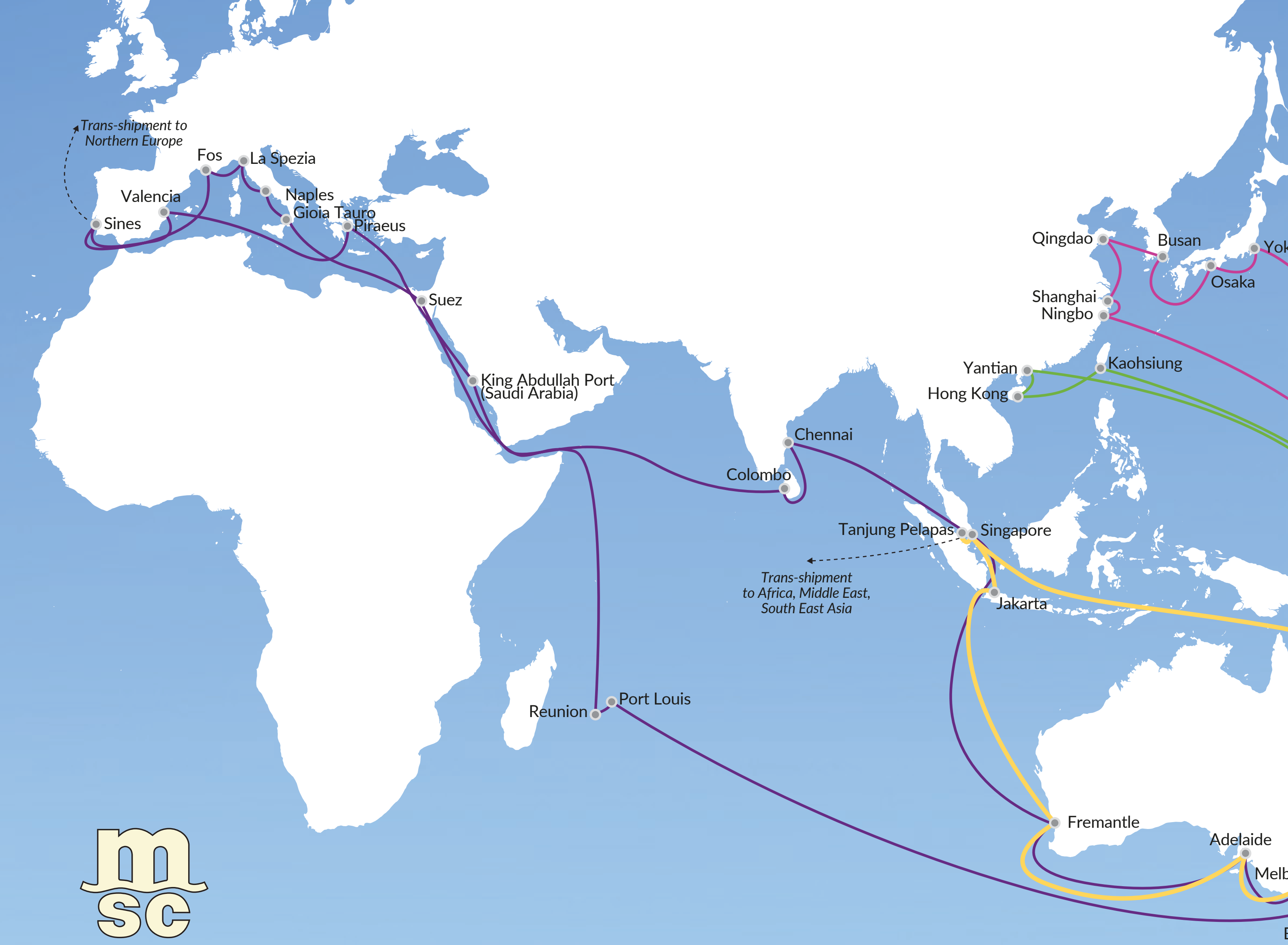
The remuneration policy for Senior Management is designed to attract, motivate and retain high quality employees who will enable the Company to achieve its short and long term objectives.

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

Board of Directors Remuneration

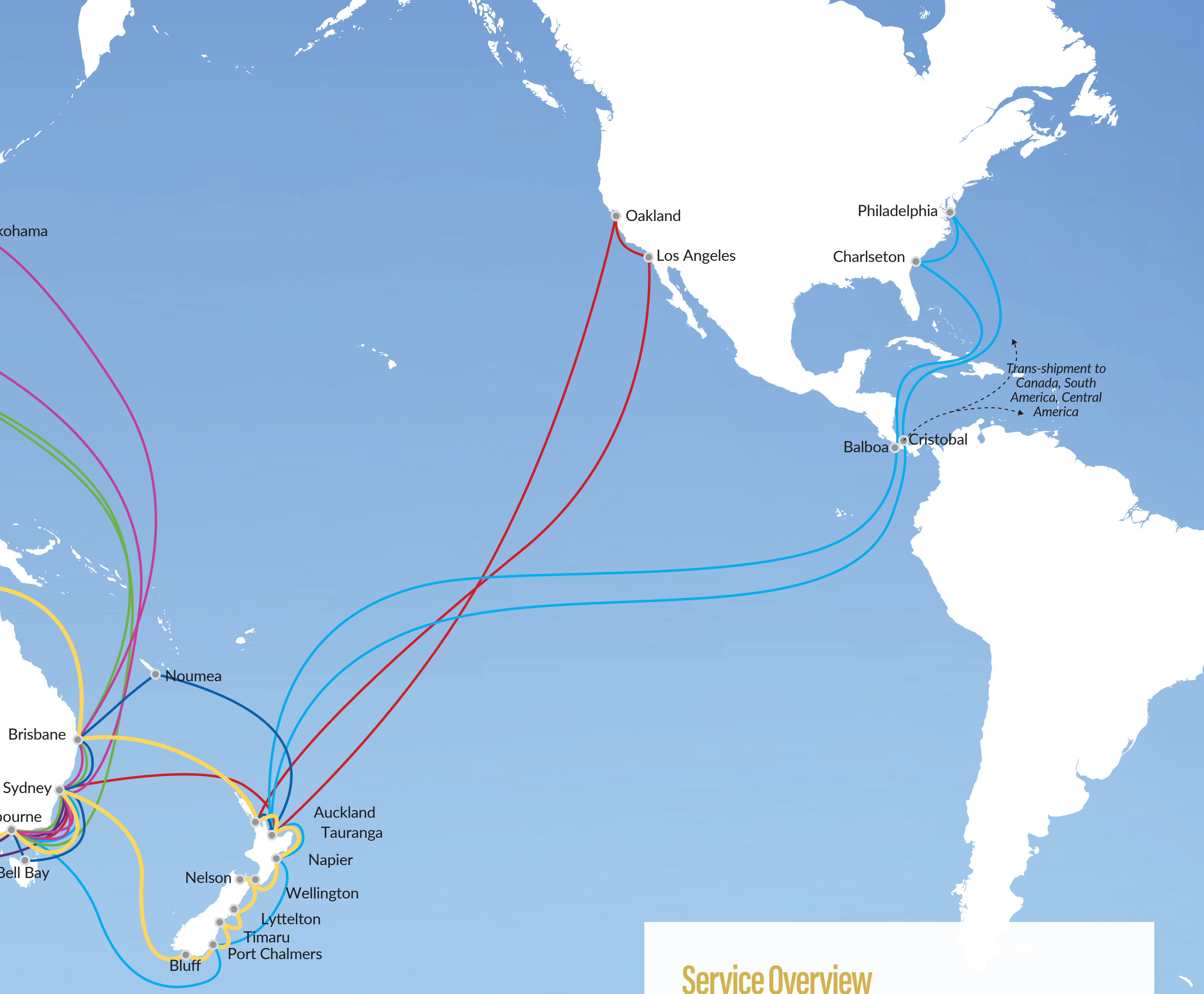
According to the Company's remuneration policy, directors should receive remuneration that is fair and reasonable in a competitive market for the skills, knowledge and experience required by the Company.

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



MEDITERRANEAN SHIPPING COMPANY

Weekly Container Line Servicing Bluff



Service Overview

Capricorn

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

Australia Express

Sydney - Melbourne - Adelaide - Fremantle - Singapore - Chennai - Colombo - King Abdullah Port (Saudi Arabia) - Piraeus - Valencia - Sines - Fos - La Spezia - Naples - Gioia Tauro - Suez - Reunion - Port Louis - Sydney

Oceanic Loop 1

Melbourne - Sydney - Tauranga - Oakland - Los Angeles - Auckland

Oceanic Loop 2

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

Panda

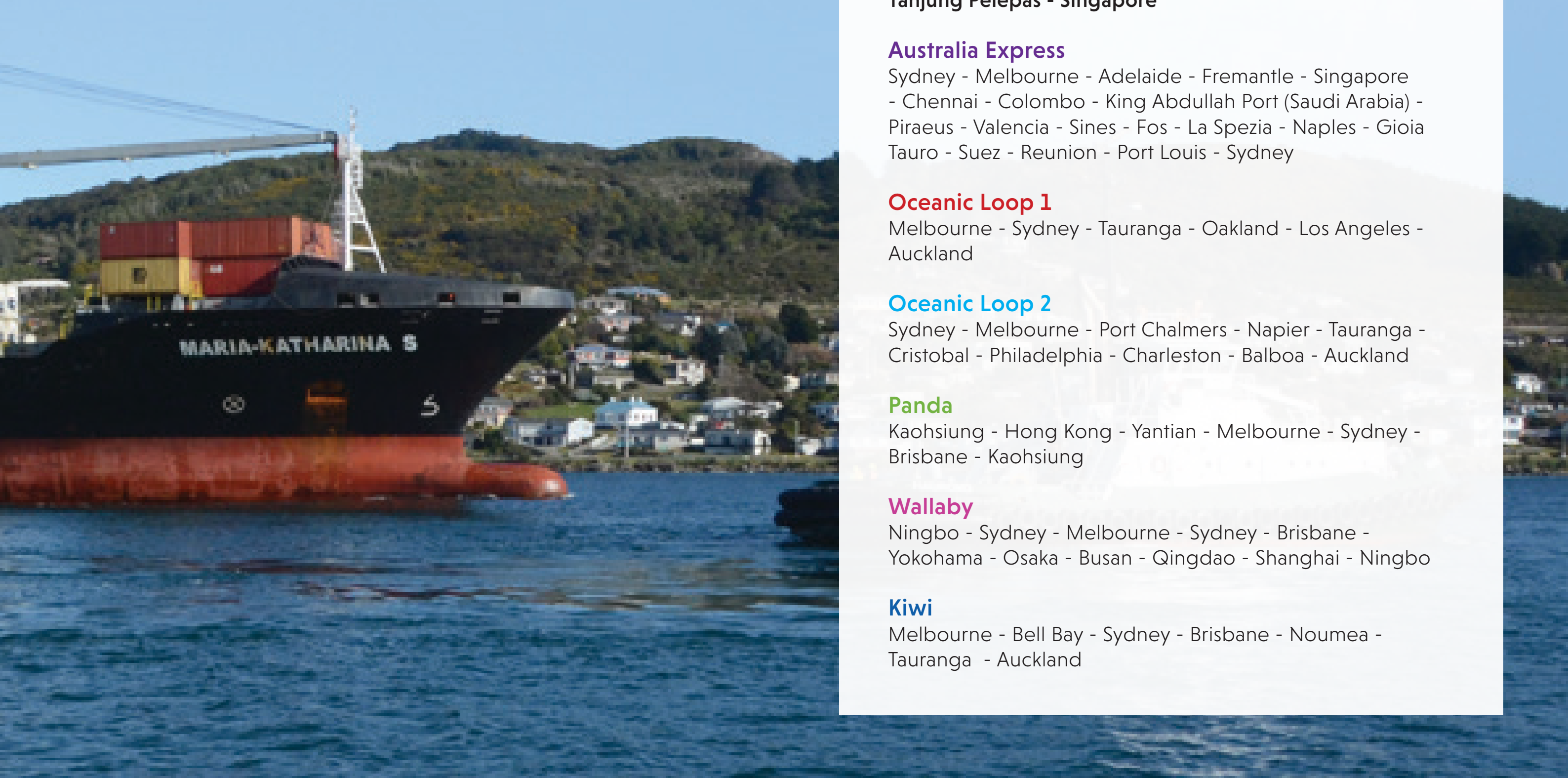
Kaohsiung - Hong Kong - Yantian - Melbourne - Sydney - Brisbane - Kaohsiung

Wallaby

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

Kiwi

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



South Port NZ

INTERMODAL FREIGHT CENTRE

Import container railed to Freight Centre

Container unpacked into transit store

Cargo dispatched to customer

The South Port Intermodal Freight Centre allows import and export containers to be handled at a location in Invercargill that creates supply chain efficiencies for the benefit of regional businesses.

Container prepared for export

Cargo marshalled for packing

Cargo transported by rail to Port

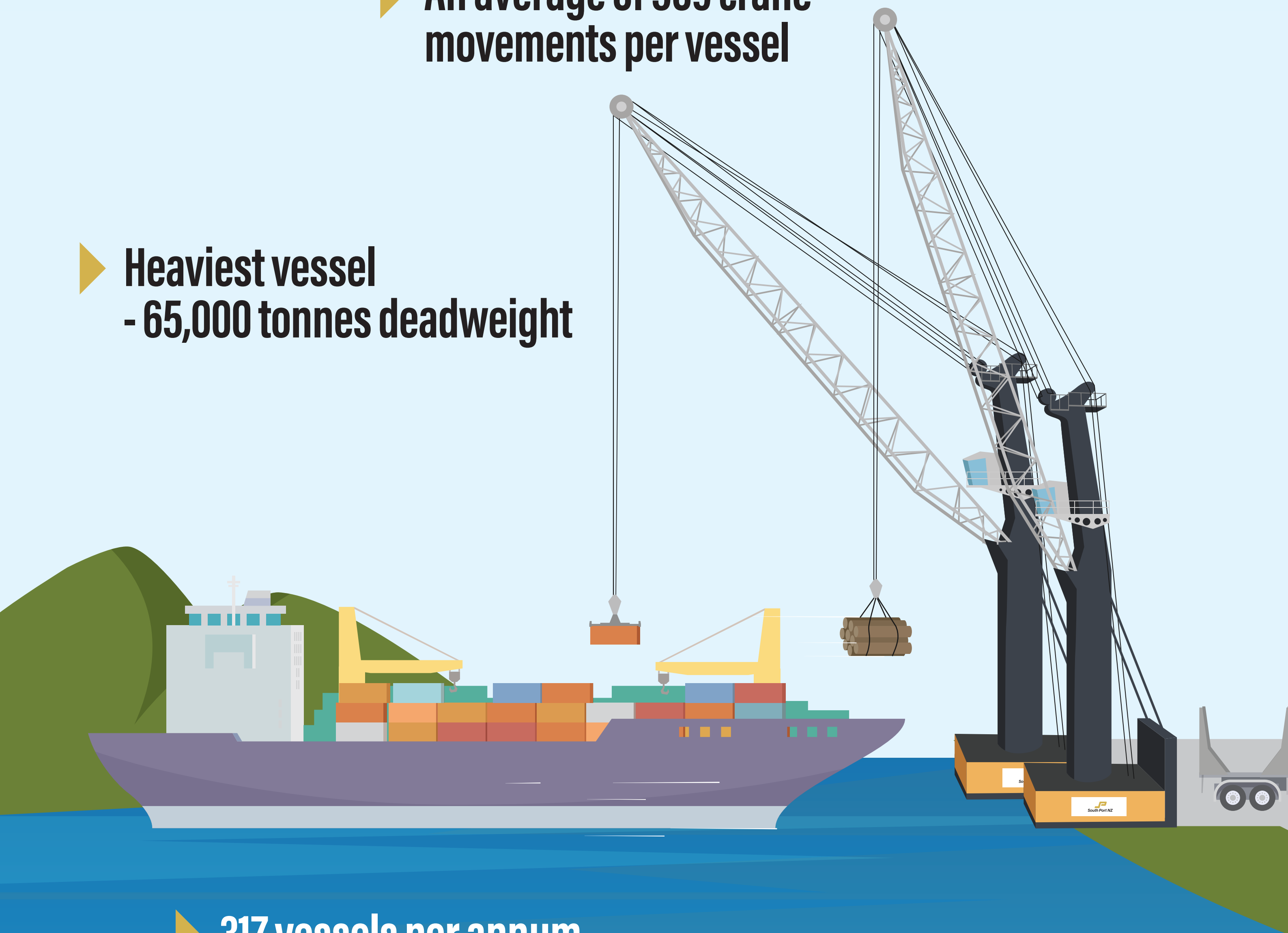
Ministry for Primary Industries facility & Customs controlled area

Operational July 2016

PORT IN MOTION

An average of 509 crane movements per vessel

Heaviest vessel - 65,000 tonnes deadweight



317 vessels per annum

Widest vessel - 40 metre beam

3.05 million tonnes cargo throughput

An average of 3,750 vehicle movements on the Port per week

Port environment covers 50 ha. area providing a year round, 24 hour operation

PORT INFRASTRUCTURE


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

Crowe Horwath

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www.crowehorwath.co.nz

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF SOUTH PORT NEW ZEALAND LIMITED GROUP
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

The Auditor-General is the auditor of South Port New Zealand Limited Group (the Group). The Auditor-General has appointed me, Ken Sandri, using the staff and resources of Crowe Horwath New Zealand Audit Partnership, to carry out the audit of the financial statements of the Group consisting of South Port New Zealand Limited and its subsidiaries and other controlled entities, on her behalf.

Opinion

We have audited the financial statements of the Group on pages 33 to 55, that comprise the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

In our opinion, the financial statements of the Group:
- present fairly, in all material respects:
    - its financial position as at 30 June 2016; and
    - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards'.

Our audit was completed on 18 August 2016. This is the date at which our opinion is expressed.

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

Basis of opinion

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

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

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Group's financial statements 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.

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

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

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

Responsibilities of the Board of Directors

The Board of Directors is responsible for the preparation and fair presentation of financial statements for the Group that comply with generally accepted accounting practice in New Zealand.

The Board of Directors' responsibilities arise from the Port Companies Act 1988 and the Financial Markets Conduct Act 2013.

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

Responsibilities of the Auditor

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

Independence

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

In addition to the audit we have carried out assignments through Progressive Consulting Limited in the area of recruitment services to the value of $1,642. Other than the audit, we have no relationship with or interests in the Group.

Ken Sandri
Crowe Horwath New Zealand Audit Partnership
On behalf of the Auditor-General
Invercargill, New Zealand

STATEMENT OF COMPREHENSIVE INCOME

OF SOUTH PORT NEW ZEALAND LIMITED FOR THE YEAR ENDED 30 JUNE 2016

In Thousands of New Zealand Dollars	NOTE	GROUP 2016	GROUP 2015
Total operating revenues from port services		36,718	34,559
Total operating expenses	7	(20,646)	(20,107)
Gross profit		16,072	14,452
Administrative expenses		(3,391)	(2,771)
Operating profit before financing costs		12,681	11,681
Financial income		9	15
Financial expenses		(710)	(925)
Net financing costs	6	(701)	(910)
Other income	5	176	10
Surplus before income tax		**12,156**	**10,781**
Income tax		(3,447)	(3,044)
Total income tax	10	(3,447)	(3,044)
Net surplus after income tax		**8,709**	**7,737**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Effective portion of changes in fair value of cash flow hedges		–	203
Income tax on other comprehensive income		–	–
Total other comprehensive surplus/(loss) after income tax		**–**	**203**
Total comprehensive surplus/(loss) after income tax		**8,709**	**7,940**
Basic earnings per share	**16**	**$0.332**	**$0.295**

STATEMENT OF CHANGES IN EQUITY

OF SOUTH PORT NEW ZEALAND LIMITED FOR THE YEAR ENDED 30 JUNE 2016

In Thousands of New Zealand Dollars	NOTE	GROUP 2016	GROUP 2015
Profit/(loss) after income tax		8,709	7,737
Other comprehensive income/(loss) after income tax		–	203
Total comprehensive income/(loss) for the period		8,709	7,940
Distributions to shareholders	14	(6,427)	(6,034)
Movements in equity for the period		2,282	1,906
Equity at the beginning of year		**33,314**	**31,408**
Equity at end of year	**14**	**35,596**	**33,314**

STATEMENT OF FINANCIAL POSITION

OF SOUTH PORT NEW ZEALAND LIMITED AS AT 30 JUNE 2016

In Thousands of New Zealand Dollars	NOTE	GROUP 2016	GROUP 2015
TOTAL EQUITY	14	**35,596**	**33,314**
NON-CURRENT ASSETS			
Property, plant and equipment	11	47,368	40,627
Total non-current assets		47,368	40,627
CURRENT ASSETS			
Cash	12	908	2,153
Trade and other receivables	13	4,743	4,373
Total current assets		5,651	6,526
Total assets		**53,019**	**47,153**
NON-CURRENT LIABILITIES			
Employee provisions	18	37	40
Deferred tax liability	10(d)	379	317
Borrowings	17	4,000	8,200
Other	20	370	232
Total non-current liabilities		4,786	8,789
CURRENT LIABILITIES			
Current borrowings	17	6,700	–
Trade and other payables	19	3,803	2,954
Provisions	18	1,047	1,044
Other	20	1,087	1,052
Total current liabilities		12,637	5,050
Total liabilities		**17,423**	**13,839**
TOTAL NET ASSETS		**35,596**	**33,314**
Net asset backing per share		**$1.36**	**$1.27**

On behalf of the Board
Dated 18 August 2016

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 2016

In Thousands of New Zealand Dollars	NOTE	GROUP 2016	GROUP 2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided by (applied to):			
Receipts from customers		36,347	34,805
Payments to suppliers and employees		(20,348)	(19,152)
Interest received		9	15
Interest paid		(567)	(752)
Income taxes paid		(3,351)	(2,877)
Net goods and services tax paid		(227)	(49)
Net cash flow from operating activities	23	**11,863**	**11,990**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided by (applied to):			
Proceeds from disposal of shares/investments		–	–
Proceeds from disposal of non-current assets		206	7
Acquisition of other non-current assets		(9,387)	(6,689)
Net cash used in investing activities		**(9,181)**	**(6,682)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided by (applied to):			
Dividend paid		(6,427)	(6,034)
Drawdown/(repayment) of borrowings		2,500	(2,101)
Net cash used in financing activities		**(3,927)**	**(8,135)**
NET INCREASE (DECREASE) IN CASH HELD		(1,245)	(2,827)
Add cash at beginning of year		2,153	4,980
Net foreign exchange differences		–	–
TOTAL CASH AT END OF YEAR	**12**	**908**	**2,153**

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 2016

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 2016 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 18 August 2016.

(b) Basis of Measurement

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

- financial instruments are measured at fair value

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

(c) Functional and Presentation Currency

These financial statements are presented in New Zealand dollars ($), which is the 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:

- Provisions (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 Preparing Group Financial Statements

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

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

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

(b) Business Combinations

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

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

(c) Foreign Currency

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

(d) Goods and Services Tax (GST)

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

(e) Financial Instruments

(i) Non-derivative financial instruments

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.

(f) Property, Plant & Equipment

(i) Recognition and measurement

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

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

(ii) Subsequent expenditure

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

(iii) Disposal of property, plant and equipment

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

(iv) Depreciation

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

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

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

(g) Impairment

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

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

(i) Impairment of receivables

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

(h) Provisions

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

(i) Revenue

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

(i) Services

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

(ii) Rental Income

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

(iii) Deferred Revenue

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

(j) Lease Payments

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

(k) Finance Income and Expenses

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

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

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

(l) Income Tax Expense

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

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

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

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

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

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

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

(m) Earnings per Share

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

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

(n) Segment Reporting

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

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

(o) Amendments to NZ IFRS

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 2015.

(p) NZ IFRS issued but not yet effective

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

- NZ IFRS 9: Financial Instruments – This standard will eventually replace NZ IAS 39: Financial Instruments – Recognition and Measurement and is expected to be adopted by the Group in the financial statements for the year ending 30 June 2019 (effective date 1 January 2018). The financial instruments standard could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not yet been determined.
- NZ IFRS 15: Revenue – Establishes principles for reporting about the nature, amount, timing and uncertainty of revenue arising from an entity's contracts with customers. It prescribes when an entity will recognise revenue, how much revenue to recognise, and what disclosures to make about revenue. The Group does not plan to adopt this standard early and the extent of the impact has not yet been determined. 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 16: Leases – The new standard abolishes the concept of the operating lease and effectively requires all leases to be treated as finance 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). The new leases standard will significantly change the accounting treatment for most leases. The recognition of additional lease liabilities has the potential to change gearing and other key operating ratios. The Group does not plan to adopt this standard early and the extent of the impact has not yet been determined.

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

4 DETERMINATION OF FAIR VALUES

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

(a) 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 2016	2015
Net gain on sale of property, plant and equipment	176	10
Total other income	**176**	**10**

6 FINANCE INCOME AND EXPENSES

In Thousands of New Zealand Dollars	GROUP 2016	2015
INCOME		
Interest income	9	15
Dividend income	–	–
Change in fair value of interest rate swap	–	–
Total financial income	9	15
EXPENSES		
Interest expense	(572)	(748)
Change in fair value of interest rate swap	(138)	(177)
Total financial expenses	(710)	(925)
Net finance costs	**(701)**	**(910)**

7 OPERATING EXPENSES

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

In Thousands of New Zealand Dollars	GROUP 2016	2015
Auditors' remuneration for audit services	45	43
Auditors' remuneration for other guidance	–	–
Amount paid for employment consultancy services (to associated entity of auditors)	2	33
Bad debts written off	3	–
Depreciation of property, plant & equipment	3,019	2,689
Directors' fees	236	236
Donations	4	7
Rental and lease expenses	439	430
Increase/(decrease) in liability for long-service leave	(3)	2
Loss on disposal of trading assets	24	17

8 EMPLOYEE BENEFITS EXPENSE

In Thousands of New Zealand Dollars	GROUP 2016	2015
Salaries and wages	8,999	8,485
Defined contribution plans	298	257
Other employee benefits	173	164
	9,470	**8,906**

9 KEY MANAGEMENT PERSONNEL COMPENSATION

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

	GROUP	
In Thousands of New Zealand Dollars	2016	2015
Short-term employee benefits	1,362	1,321
Defined contribution plans	64	63
Other long-term employee benefits	2	2
	1,428	**1,386**

10 INCOME TAXES

	GROUP	
In Thousands of New Zealand Dollars	2016	2015
(a) INCOME TAX RECOGNISED IN PROFIT OR LOSS		
Tax expense/(income) comprises:		
Current tax expense / (credit):		
Current year	3,392	3,007
Adjustments for prior years	(6)	(5)
	3,386	3,002
Deferred tax expense / (credit)		
Origination and reversal of temporary differences	61	42
Adjustments for prior years	–	–
	61	42
Total tax expense / (income)	**3,447**	**3,044**
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	12,156	10,781
Income tax expense (credit) calculated at 28%	3,404	3,019
Temporary differences	4	(28)
Non-deductible expenses	84	60
Non assessable income	(39)	(2)
	3,453	3,049
Adjustments for prior years	–	–
(Over) / under provision of income tax in previous year	(6)	(5)
Income tax expense (credit)	**3,447**	**3,044**

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

Note 10 continued...

(b) INCOME TAX RECOGNISED DIRECTLY IN EQUITY

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

	GROUP	
In Thousands of New Zealand Dollars	2016	2015
(c) CURRENT TAX ASSETS AND LIABILITIES		
Current tax refundable:		
Current tax refundable	–	–
Current tax payable:		
Current tax payable	1,087	1,052

(d) DEFERRED TAX BALANCES COMPRISE:

Taxable and deductible temporary differences arising from the following:

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

	GROUP			2015
In Thousands of New Zealand Dollars	1 July 2014 Opening Balance	Recognised in profit/loss	Recognised in equity	30 June 2015 Closing Balance
Gross deferred tax liabilities:				
Other financial assets	–	–	–	–
Property, plant and equipment	(461)	(84)	–	(545)
	(461)	(84)	–	(545)
Gross deferred tax assets:				
Other financial assets / liabilities	–	–	–	–
Provisions	185	43	–	228
	185	43	–	228
Net deferred tax asset / (liability)	**(276)**	**(41)**	**–**	**(317)**

In Thousands of New Zealand Dollars	GROUP 2016	GROUP 2015
(e) IMPUTATION CREDIT ACCOUNT BALANCES		
Balance at beginning of year	7,547	6,891
Less Taxation (payable) receivable 2015	(1,052)	(927)
Taxation paid	3,352	2,878
Attached to dividends paid	(2,500)	(2,347)
Add Taxation payable (receivable) 2016	1,087	1,052
Balance at end of year	**8,434**	**7,547**

11 PROPERTY, PLANT AND EQUIPMENT

2016

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

2015

In Thousands of New Zealand Dollars	Cost 1 July 2014	Additions	Additions through Business Combinations	Disposals	Other	Cost 30 June 2015	Accumulated Depn and Impairment charges 1 July 2014	Depn Expense	Accumulated Depn reversed on Disposal	Other	Accumulated Depn and Impairment chargers 30 June 2015	Carrying Amt 30 June 2015
Land	2,713	–	–	–	–	2,713	–	–	–	–	–	2,713
Buildings	15,617	613	–	(12)	–	16,218	5,048	308	(7)	–	5,349	10,869
Plant & machinery	52,574	7,982	–	(536)	–	60,020	31,115	2,381	(524)	3	32,975	27,045
	70,904	**8,595**	**–**	**(548)**	**–**	**78,951**	**36,163**	**2,689**	**(531)**	**3**	**38,324**	**40,627**

Impairment – During the year ended 30 June 2016 there were no impairment losses (2015: nil) which were recorded in the Statement of Comprehensive Income.

12 CASH AND CASH EQUIVALENTS

In Thousands of New Zealand Dollars	GROUP 2016	GROUP 2015
Bank balances	904	533
Call deposits	4	1,620
Cash and cash equivalents	**908**	**2,153**
Bank overdrafts used for cash management purposes	–	–
Cash and cash equivalents in the statement of cash flows	**908**	**2,153**

13 RECEIVABLES AND ADVANCES

In Thousands of New Zealand Dollars	GROUP 2016	GROUP 2015
Prepayments	53	73
Trade receivables	4,740	4,325
Provision for doubtful debts	(50)	(25)
	4,743	**4,373**

14 CAPITAL AND RESERVES

Reconciliation of movement in capital and reserves

In Thousands of New Zealand Dollars	Hedging Reserve	Asset Revaluation Reserve	Share Capital	Retained Earnings	Total Equity
	GROUP				
Balance 1 July 2014	**(203)**	**21**	**9,418**	**22,172**	**31,408**
Total recognised income and expense	–	–	–	7,737	7,737
Dividends to equity holders	–	–	–	(6,034)	(6,034)
Net effective portion of changes in fair value of cash flow hedges	203	–	–	–	203
Balance at 30 June 2015	**–**	**21**	**9,418**	**23,875**	**33,314**
Balance 1 July 2015	–	21	9,418	23,875	33,314
Total recognised income and expense	–	–	–	8,709	8,709
Dividends to equity holders	–	–	–	(6,427)	(6,427)
Net effective portion of changes in fair value of cash flow hedges	–	–	–	–	–
Balance at 30 June 2016	**–**	**21**	**9,418**	**26,157**	**35,596**

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

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

SHARE CAPITAL

In Thousands of New Zealand Dollars	GROUP 2016	GROUP 2015
Balance at beginning of year	9,418	9,418
Balance at end of year	**9,418**	**9,418**

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

Note 14 continued...

DIVIDENDS

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

In Thousands of New Zealand Dollars	GROUP 2016	GROUP 2015
2015 final dividend paid on all ordinary shares @ 17.00 cents per share (2014: 16.00 cents)	4,460	4,198
2016 interim: on all ordinary shares @ 7.50 cents per share (2015: 7.00 cents)	1,967	1,836
Total distributions to shareholders	**6,427**	**6,034**

After 30 June 2016 the following dividends were proposed by the directors for 2016. 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	2016
2016 final dividend payable on 7 November 2016 @ 18.50 cents per share	4,853

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 56.

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 2016 and 30 June 2015.

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 2016 was based on the profit attributable to ordinary shareholders of $8,709,000 (2015: $7,737,000) and a weighted average number of ordinary shares outstanding of 26,234,898 (2015: 26,234,898). Basic and diluted EPS are the same value.

17 LOANS AND BORROWINGS

In Thousands of New Zealand Dollars	GROUP 2016	GROUP 2015
Non-current		
Hong Kong and Shanghai Banking Corporation (HSBC)	4,000	8,200
	4,000	8,200
Current		
Hong Kong and Shanghai Banking Corporation (HSBC)	6,700	–
	6,700	–
Total Borrowings	**10,700**	**8,200**

South Port New Zealand Limited's credit facility of $17 million (2015: $17.5 million) from HSBC is split between three different lines of credit as follows:

- Facility 1 - $8 million expiring 31 March 2017
- Facility 2 - $4 million expiring 31 March 2017
- 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, and uncalled capital 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 next $3 million drawn at any one time is payable according to the three year interest rate cap agreement (expiring 3 March 2017) 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.

18 PROVISIONS

In Thousands of New Zealand Dollars	GROUP 2016	GROUP 2015
Provision for employee entitlements		
Balance at beginning of year	1,084	855
Additional provisions made	305	435
Amount utilised	(305)	(206)
Balance at end of year	**1,084**	**1,084**
Current	**1,047**	**1,044**
Non-current	**37**	**40**
Total Provisions	**1,084**	**1,084**

Note 18 continued...

Employee entitlements

(i) *Defined contribution plans*

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

(ii) *Annual leave*

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

(iii) *Long service leave*

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

19 TRADE AND OTHER PAYABLES

	GROUP	
In Thousands of New Zealand Dollars	2016	2015
Trade creditors and accruals	3,803	2,954
	3,803	**2,954**

20 OTHER LIABILITIES

	GROUP	
In Thousands of New Zealand Dollars	2016	2015
Non-current		
Interest rate derivatives	370	232
	370	**232**
Current		
Income tax payable/(refund)	1,087	1,052
	1,087	**1,052**
	1,457	**1,284**

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. During the period, the Group drew down on its credit lines for the purpose of investing in long term capital expenditure projects.

The only liquidity risks the Group has at balance date are trade payables totalling $3,803,000 (2015: $2,954,000) which are all due within 30 days, and loans and borrowings totalling $10,700,000 (2015: $8,200,000) 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 (2015: nil).

Note 21 continued...

Interest rate risk

Interest payable to HSBC is charged on the following basis:

(i) 5 year interest rate swap; and

(ii) 3 year interest rate cap; and

(iii) Variable rates based on the BKBM.

During the period the range of variable interest rates applying to the credit facility were between 3.045% and 4.34% (2015: 4.33% and 4.74%). The Company is exposed to normal fluctuations in market interest rates.

Interest rate swap – South Port NZ Ltd has an interest rate swap in place which matures in November 2019. The interest rate swap has a fixed swap rate of 4.45% with a notional contract amount of $5 million at 30 June 2016 (2015: $5 million at 4.45% maturing November 2019).

Interest rate cap – South Port NZ Ltd has an interest rate cap in place which matures in March 2017. The interest rate cap has a fixed cap rate of 5.00% with a notional contract amount of $3 million at 30 June 2016 (2015: $3 million).

Credit facility

At balance date the Group had a total loan facility of $17 million (2015: $17.5 million), of which $10,700,000 (2015: $8,200,000) had been drawn down.

Fair values

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

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

FINANCIAL INSTRUMENTS CLASSIFICATION TABLE

The Group held the following financial instruments at reporting date:

					2016
In Thousands of New Zealand Dollars	Designated cash flow hedging instruments	Loans and Receivables	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total Carrying Amount
Assets					
Cash	–	908	–	–	908
Trade and other receivables	–	4,743	–	–	4,743
Total current assets	–	5,651	–	–	5,651
Total assets	**–**	**5,651**	**–**	**–**	**5,651**
Liabilities					
Interest rate derivatives	–	–	370	–	370
Borrowings	–	–	–	4,000	4,000
Total non-current liabilities	–	–	370	4,000	4,370
Borrowings	–	–	–	6,700	6,700
Trade and other payables	–	–	–	3,803	3,803
Total current liabilities	–	–	–	10,503	10,503
Total liabilities	**–**	**–**	**370**	**14,503**	**14,873**

Note 21 continued...

2015

In Thousands of New Zealand Dollars	Designated cash flow hedging instruments	Loans and Receivables	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total Carrying Amount
Assets					
Cash	–	2,153	–	–	2,153
Trade and other receivables	–	4,373	–	–	4,373
Total current assets	–	6,526	–	–	6,526
Total assets	**–**	**6,526**	**–**	**–**	**6,526**
Liabilities					
Interest rate derivatives	–	–	232	–	232
Borrowings	–	–	–	8,200	8,200
Total non-current liabilities	–	–	232	8,200	8,432
Borrowings	–	–	–	–	–
Trade and other payables	–	–	–	2,954	2,954
Total current liabilities	–	–	–	2,954	2,954
Total liabilities	**–**	**–**	**232**	**11,154**	**11,386**

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

MATURITY PROFILE OF FINANCIAL INSTRUMENTS

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

2016

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

Note 21 continued...

2015

	Weighted Average Effective Interest Rate	CCAF Interest Rate	Carrying Value $'000	Contractual Cashflows $'000	Less than 1 year $'000	1 - 2 years $'000	2 - 3 years $'000	3 - 4 years $'000	4 - 5 years $'000	5 + years $'000	Non Interest Bearing
Financial assets:											
Cash & cash equivalents	3.25%	3.25%	2,153	2,154	2,154	–	–	–	–	–	533
Trade & other receivables	–	–	4,373	4,373	4,373	–	–	–	–	–	4,373
Interest rate derivatives	5.00%	5.00%	–	–	–	–	–	–	–	–	–
Financial liabilities:											
Trade & other payables	–	–	(2,954)	(2,954)	(2,954)	–	–	–	–	–	(2,954)
Borrowings (non-current)	4.41%	4.34%	(8,200)	(9,272)	(356)	(4,510)	(174)	(174)	(4,059)	–	–
Interest rate derivatives	4.45%	0.82%	(232)	(184)	(41)	(41)	(41)	(41)	(21)	–	–
			(4,860)	**(5,883)**	**3,176**	**(4,551)**	**(215)**	**(215)**	**(4,080)**	**–**	**1,952**

CREDIT RISK

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

Trade receivables In Thousands of New Zealand Dollars	Gross Receivable 2016	Doubtful Debts 2016	Gross Receivable 2015	Doubtful Debts 2015
Not past due	3,320	–	3,946	1
Past due 0-30 days	1,109	–	233	2
Past due 31-120 days	241	7	80	2
Past due 121-360 days	65	43	57	11
Past due more than 1 year	5	–	9	9
Total	**4,740**	**50**	**4,325**	**25**

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

SENSITIVITY ANALYSIS

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

2016

In Thousands of New Zealand Dollars	Carrying Amount	Interest rate risk				Foreign exchange risk				Other price risk			
		-100bp		+100bp		-10%		+10%		-10%		+10%	
		Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
Financial assets													
Cash and cash equivalents	908	–	–	–	–	–	–	–	–	–	–	–	–
Trade and other receivables	4,743	–	–	–	–	–	–	–	–	–	–	–	–
Financial liabilities													
Loans and borrowings (non-current)	4,000	40	–	(40)	–	–	–	–	–	–	–	–	–
Loans and borrowings (current)	6,700	67	–	(67)	–	–	–	–	–	–	–	–	–
Trade and other payables	3,803	–	–	–	–	–	–	–	–	–	–	–	–
Interest rate derivatives	370	(175)	–	175	–	–	–	–	–	–	–	–	–
Total increase/(decrease)		**(68)**	**–**	**68**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

Note 21 continued...

2015

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	2,153	(16)	–	16	–	–	–	–	–	–	–	–	–
Trade and other receivables	4,373	–	–	–	–	–	–	–	–	–	–	–	–
Financial liabilities													
Loans and borrowings (non-current)	8,200	82	–	(82)	–	–	–	–	–	–	–	–	–
Trade and other payables	2,954	–	–	–	–	–	–	–	–	–	–	–	–
Interest rate derivatives	232	(225)	–	225	–	–	–	–	–	–	–	–	–
Total increase/(decrease)		**(159)**	**–**	**159**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

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 (2015: -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 2016 or 2015 since the Group had no forward foreign exchange contracts in place at balance date.

Explanation of other price risk sensitivity

The sensitivity for listed shares in the past has been calculated based on a –10%/+10% (2015: -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.

Note 21 continued...

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

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

	VALUATION TECHNIQUE			2015
In Thousands of New Zealand Dollars	Total	Level 1	Level 2	Level 3
Financial assets				
Derivatives – interest rate caps	–	–	–	–
Financial liabilities				
Derivatives – interest rate swaps	232	–	232	–

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.

22 COMMITMENTS AND CONTINGENT LIABILITIES

Capital expenditure commitments

As at 30 June 2016, South Port Group had entered into capital expenditure commitments to complete the build of a warehouse located at Mersey Street in Invercargill, plus purchase a parcel of land situated on the Island Harbour from KiwiRail. The total cost of this capital is estimated to be $706,000 (2015: Completion of modifications to Shed 3 at a total cost of $400,000).

Operating lease commitments

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

	GROUP	
In Thousands of New Zealand Dollars	2016	2015
Within one year	379	379
One to five years	624	939
More than five years	32	96
	1,035	**1,414**

Note 22 continued...

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

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

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

	GROUP	
In Thousands of New Zealand Dollars	2016	2015
Within one year	3,639	3,409
One to five years	8,860	8,300
More than five years	45,925	47,785
	58,424	**59,494**

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 (2015: nil).

23 NET CASH FLOW FROM OPERATING ACTIVITIES

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

	GROUP	
In Thousands of New Zealand Dollars	2016	2015
Surplus after taxation	8,709	7,737
Add/(less) items classified as investing/financing activities		
Foreign exchange (gain)/loss	–	–
	–	–
Add/(less) non-cash items		
Depreciation	3,019	2,689
Net (gain)/loss on disposal	(152)	7
Decrease/(increase) in value of forward exchange contracts and interest rate swaps	138	177
(Decrease)/increase in deferred tax liability	62	41
	3,067	**2,914**
Add/(less) movement in working capital		
Decrease/(increase) in trade debtors and other receivables	(375)	234
(Decrease)/increase in trade creditors and other payables	428	980
(Decrease)/increase in the provision for income tax	34	125
	87	**1,339**
Net cash provided by operating activities	**11,863**	**11,990**

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 $8.52 million for the year ended 30 June 2016 (2015: $8.43 million).

25 RELATED PARTY TRANSACTIONS

During the year South Port New Zealand Limited provided cold storage facilities and leased warehousing, land and wharf facilities to Sanford Bluff for $557,000 (2015: $670,000). Sanford Limited debtors balance at 30 June 2016 was $33,000. Mr T.M. Foggo, a Director of South Port New Zealand Limited is the Salmon & Aquaculture Development Manager of Sanford Limited. All of these transactions were conducted on an arm's length basis at market rates.

All balances owing by Sanford are due by the 20th of the month following invoice and all overdue invoices are subject to interest on arrears. During the year ended 30 June 2016 no amounts invoiced to Sanford were written off as bad debts or included in the doubtful debts provision at balance date (2015: nil).

Controlling entity

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

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

26 INVESTMENT IN SUBSIDIARY COMPANY

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

All balances owed to Awarua Holdings Ltd by South Port NZ Ltd are classified as inter-entity receivables and are repayable on demand. During the year ended 30 June 2016 no amounts invoiced by Awarua Holdings Ltd were written off as bad debts or included in the doubtful debts provision at balance date (2015: nil).

Total management fees paid to Awarua Holdings Ltd during the year were $1,320,000 (2015: $1,171,000).

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

27 SUBSEQUENT EVENTS

On 18 August 2016 the Board declared a final dividend for the year to 30 June 2016 for 18.50 cents per share amounting to $4.853 million (before supplementary dividends). (2015: Final dividend declared for 17.00 cents per share amounting to $4.460 million.)

2015: On 21 July 2015 the Group entered into a conditional agreement to purchase a second-hand tug 'Te Matua' from Port of Tauranga. The cost of this purchase was approximately $2.5 million.

28 AUTHORISATION FOR ISSUE

The Chief Executive, Mark O'Connor, Finance Manager, Lara Stevens, and Directors certify that these Financial Statements comply with generally accepted accounting standards and New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS), and present a true and fair view of the financial affairs of the Group. This being the case, the Directors authorised the Financial Statements for issue on 18 August 2016.

FINANCIAL AND OPERATIONAL FIVE YEAR SUMMARY

In Thousands of New Zealand Dollars	2016	2015	2014	2013	2012
FIVE YEAR GROUP FINANCIAL SUMMARY					
Revenue	36,903	34,584	31,441	29,534	26,465
Net operating surplus	12,156	10,781	9,339	9,029	8,367
Group surplus after tax	8,709	7,737	6,681	6,503	5,989
Operating cashflow	11,863	11,990	8,759	8,925	6,721
Shareholders distributions paid	6,427	6,034	5,641	5,509	5,247
Total shareholders' equity	35,596	33,314	31,408	30,571	29,572
Net interest bearing debt	10,700	8,200	10,301	6,201	1,200
Property, plant and equipment	47,368	40,627	34,741	35,795	29,760
Capital expenditure	9,849	7,239	2,888	8,574	2,648
Total assets	53,019	47,153	45,727	41,277	34,812
Interest cover (times)	22.3	15.4	17.6	20.2	25.4
Shareholders' equity ratio	67.1%	70.7%	68.7%	74.1%	84.9%
Return on shareholders' funds*	25.3%	23.9%	21.6%	21.6%	20.5%
Return on assets*	25.4%	24.8%	22.8%	25.0%	25.3%
Earnings per share	33.2c	29.5c	25.5c	24.8c	22.8c
Operating cashflow per share	45.2c	45.7c	33.4c	34.0c	25.6c
Dividends paid per share	24.50c	23.00c	21.50c	21.00c	20.00c
Net asset backing per share	$1.36	$1.27	$1.20	$1.17	$1.13

* Based on average of period start and year end balances

	2016	2015	2014	2013	2012
OPERATIONAL SUMMARY					
Cargo throughput (000's tonnes)	3,048	2,861	2,719	2,513	2,691
Cargo ship departures	317	301	316	336	328
Gross registered tonnage (000's tonnes)	5,611	5,266	5,160	5,033	4,926
Number of permanent employees	95	92	77	80	65
Total cargo ship days in port	937	739	932	840	597
Turn-around time per cargo ship (days)	2.96	2.45	2.95	2.50	1.82
Cargo tonnes per ship	9,615	9,505	8,604	7,479	8,204
Dry warehousing capacity (m2)	36,200	32,200	33,300	33,300	27,400
Cold/cool storage capacity (m3)	80,115	80,115	80,115	80,115	39,500

GLOSSARY OF PORT AND SHIPPING TERMS

BOLLARD - Post on wharf, ship or tug for securing lines.

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

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.

CARGO CONSOLIDATION - Packing cargo (usually into containers). Unpacking is referred to as deconsolidation or devanning.

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

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

COASTAL SERVICES - Shipping service between ports within New Zealand.

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

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

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

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

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

HOIST / FORK HOIST - Heavy forklift machine used for lifting and stacking containers and cargo.

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

HYDROGRAPHIC SURVEY - Scientific mapping of the sea bed for navigation.

GATE / GATEHOUSE - Entry to wharf or terminal areas.

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

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

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

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

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

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

PIERS - Floating pontoons used in marinas to provide access to recreational craft.

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

REACH STACKER - Heavy hoist machine that stacks containers.

RECEIVING 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.

Management - L-R: Mark Billcliff, Nigel Gear, Mark O'Connor, Lara Stevens, Geoff Finnerty, Frank O'Boyle

SOUTH PORT DIRECTORY

Directors

Rex Chapman
Chairman

Rick Christie

Philip Cory-Wright

Thomas Foggo

Graham Heenan

Jeremy McClean

Corporate Executives

Mark O'Connor
Chief Executive

Mark Billcliff
Warehousing Manager

Geoff Finnerty
Port Operations Manager

Nigel Gear
Commercial Manager

Frank O'Boyle
Infrastructure Manager

Lara Stevens
Finance Manager

Group Companies

Parent Company – South Port New Zealand Limited

Subsidiary – Awarua Holdings Limited

Auditor

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

Solicitors

Preston Russell Law – 45 Yarrow Street, Invercargill 9840

AWS Legal – 151 Spey Street, Invercargill 9840

Bankers

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

Accountants

McIntyre Dick & Partners – 160 Spey Street, Invercargill 9840

Share Register

Link Market Services Ltd – 138 Tancred Street, Ashburton 7700

Registered Office

Island Harbour, PO Box 1, Bluff 9842

Contact Details

Telephone +64 3 212 8159

Facsimile +64 3 212 8685

Email reception@southport.co.nz

Website www.southport.co.nz

Photographs provided by Chris Howell
Design by Market South

SOUTHERN REGION PRODUCTION/CARGO LOCATIONS

1
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
International Specialty
Aggregates 30
Quality Foods Southland 30
Stabicraft Marine 30
Prime Range Meats 33

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

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

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

7
Fonterra Edendale 65

8
Dongwha NZ 70
Alliance Mataura Plant 75

9
Eastern Concrete 80
Silver Fern Farms
- Gore Plant 80
Mataura Valley Milk Proposed
Production Site 93

10
Lindsay & Dixon 88

11
Silver Fern Farms
- Mossburn Plant 118

12
Ernslaw One 130

13
Silver Fern Farms
- Balclutha Plant 145
Fonterra Stirling 145

South Port NZ

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