

**Port Investments Limited**  
**Financial Statements**  
**for the year ended 30 June 2018**

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## **Directory**

### **Directors**

S H Sharif (Chair)  
P M Lamason (Deputy chair)  
B H Donaldson  
R W G Blakeley  
I D McKinnon  
N O Leggett

### **Appointed**

19 August 2015  
23 November 2010  
11 December 2013  
14 December 2016  
14 December 2016  
12 October 2017

### **Registered office**

Shed 39, 2 Fryatt Quay,  
Pipitea, Wellington 6011

### **Auditor**

Jacques Coetzee  
Audit New Zealand  
On behalf of the Auditor-General

### **Bankers**

ANZ Bank New Zealand Ltd

The Directors have pleasure in submitting their Annual Report including the financial statements of Port Investments Limited and its subsidiaries (the Group) for the year ended 30 June 2018.

### **Principal Activities**

Port Investments Limited (the Company) is a council controlled trading organisation owned by WRC Holdings limited. Wellington Regional Council owns 100% of WRC Holdings limited. The Group consists of Port Investments Limited and a 76.9% owned subsidiary CentrePort Limited.

CentrePort owns and operates the Port of Wellington and related facilities at Seaview. It also owns and operates a number of commercial properties.

### **The Group's primary objectives**

Own Wellington Regional Council's interest in CentrePort Limited, to maximise the commercial value of CentrePort Limited to the shareholders and to protect the shareholders' investment, including land and property, while maintaining CentrePort's strategic value to the economy of the region.

Be the Port of choice for Central New Zealand Shipping & Cargo.

Create a portfolio of supporting investments which diversify and increase the Company's income and capital base to support Port growth and total shareholder returns.

Operate as a safe, sustainable and responsible business with due regard to community and environmental interests.

### **The financial objectives of the Group**

Deliver financial returns comparable with industry benchmarks, port and comparable sectors.

Adopt policies that prudently manage risk and protect the investment of shareholders.

### **Health & Safety workplace objectives of the Group**

Create a zero harm workplace.

Maintain compliance with international ship and port security code.

### **The environmental and sustainability objectives of the Group shall be to:**

Operate in a sustainable manner.

Minimise our impact on the environment.

Ensure regulatory compliance.

Develop a culture of awareness and responsibility.

Engage with stakeholders on environmental matters.

### **The social objectives of the Group**

The social objectives of CentrePort are to be socially responsible and have a positive and sustainable impact on the regional economy and community with due regard for key stakeholders by:

Building awareness of the value and contribution of its activities to the local economy.

Participating in and encouraging selected community activities.

Consulting with employees, stakeholders and community where appropriate.

The nature and scope of activities undertaken by the group are consistent with those set in the 2017/18 Statement of Intent of WRC Holdings and Wellington Regional Council's LTP.

**STATEMENT OF SERVICE PERFORMANCE**

**FINANCIAL PERFORMANCE TARGETS - CENTREPORT LIMITED AND PORT INVESTMENTS**

	Actual 2018 \$'000	Target 2018 \$'000	Actual 2017 \$'000
<b>CentrePort</b>			
Net profit before tax	15,219	20,000	10,785
Net profit after tax	11,829	16,000	39,045
Return on port assets (1)	7.6%	13.2%	6.4%
Return on total property assets (1)	2.8%	5.0%	(0.8)%
Return on total assets (1)	6.0%	10.8%	4.2%
Return on equity (2)	5.5%	8.0%	4.3%
Dividend as a % of Underlying Net Profit After Tax Before Earthquake Impacts and Changes in Fair Value	16.9%	- %	- %
Dividend	2,000	0	700
<b>Port Investments - Parent</b>			
Dividend Distribution - Port Investments - Parent	-	-	-
Dividend Distribution % - Port Investments - Parent	- %	- %	- %
Return on equity - Port Investments - Parent (3)	18.8%	(87.3)%	(21.2)%
Return on assets - Port Investments - Parent (4)	1.0%	(0.2)%	(1.2)%
Shareholders funds to total assets	5.2%	1.9%	5.3%

(1) Earnings Before Interest, Tax, Earthquake Impacts and Changes in Fair Value divided by average opening and closing total assets.

(2) Underlying Net Profit After Tax Before Earthquake Impacts and Changes in Fair Value divided by average opening and closing total equity.

(3) Based on net surplus before tax divided by average equity, but excluding revaluation gains and losses.

(4) Based on earnings before interest and tax divided by average assets.

**PIL - Operational Performance targets**

**Port Investments to act as a responsible and inquiring Shareholder of CentrePort.**

Port Investments Board met with CentrePort Chair, CEO & CFO more than the scheduled 4 times per year. The Chairs of Port Investments and CentrePort regularly meeting to discuss progress around the Port's recovery from the November 2016 Earthquake and matters in relation to the statement of Intent.

**CentrePort to report at least four times a year to Port Investments and for the Board to approve significant transactions of CentrePort as determined by the constitution.**

CentrePort Chair, CEO and CFO met with the Port Investments five times during the year to receive financial updates and progress on the Port and Property performance. There were no significant transactions requiring approval during the year.

**Production of Annual Accounts is in compliance with statutory requirements.**

The annual accounts were in compliance with section 67(1) of the Local Government Act 2002 which requires the annual report to be completed within three months after the end of the financial year.

**Performance indicators for CentrePort as noted below.**

Two of the environmental performance targets relating to Minimise risk to the environment have not been achieved

**Financial performance targets – CentrePort**

The financial performance measures for CentrePort have not been achieved other than receipt of a \$2 million dividend.

**Financial performance targets – Port Investments**

The return on equity and return on assets are better than budget due to an unbudgeted dividend from CentrePort which has also positively impacted the shareholder's funds to total assets ratio.

**SAFETY AND SECURITY PERFORMANCE TARGETS - CENTREPORT LIMITED**

Objective	Performance measure	Performance target FY18	FY18 Outcome
<b>Year on year improvement towards zero harm</b>	Implementation of two year action plan	Year one action items completed	Performance measure replaced by a rolling 2 year H&S strategy. Action items on track
	Lost Time Injury Frequency (200,000 hours worked)	3.6	2.42
	Lost Time Injury Severity (per 200,000 hours worked)	50	7.73
	bSafe Reports (incident and near miss reports)	800	1,253
<b>Comply with the AS/NZS 4801: Occupational Health and Safety Management Systems</b>	AS/NZS 4801 audit completed in alternate years to WSMP	Compliance with AS/NZS 4801	This measure has been replaced with a Safe+ audit from Worksafe and ACC. Audit completed
<b>Maintain a Health and Safety Policy that leads our zero harm aspiration and actions</b>	Policy reviewed annually against CentrePorts objectives and external benchmarks	Compliance with Policy	Policy reviewed
<b>Maintain and promote excellence in Marine Operations consistent with the Port &amp; Harbour Safety Code (PHSC)</b>	The requirements of the PHSC continue to be met	No breaches of the PHSC	There have been no breaches of the PHSC.
	Risk assessments of new tasks or reviews post incident completed	All new task risk assessments and post incident reviews complete	Assessments and reviews complete
<b>Maintain compliance with the International Ship &amp; Port Security (ISPS) Code</b>	Compliance is maintained, all incidents are reported to MNZ and NZ Customs Service, and learning reviews are undertaken and recommendations implemented	Compliance Maintained	Compliance maintained. Audit completed in November 2017

**ENVIRONMENTAL PERFORMANCE TARGETS**

Objective	Performance measure	Performance target FY18	FY18 Outcome
<b>Ensure regulatory compliance</b>	Compliance breaches	Zero	No compliance breaches. Proactive approach being taken to compliance. Resource consents obtained or being sought as required e.g. soil disturbance and stormwater discharges.
<b>Minimise risk to the environment</b>	System: consistency with ISO14001	Audit and first stage certification complete (note 1 below)	Audit and certification not completed. Development of updated EMS is underway. Completion expected in 2018.
	Incidents: number of registered environmental incidents(FY2015 baseline – 32)	Minimum 10% decrease from baseline [Note: new incident reporting system introduced]	Not achieved 31 incidents in FY18. Improvements made to reporting system and culture of reporting.
	Complaints: number of complaints from external stakeholders about environmental performance	Zero	Three complaints received (relating to noise and waste issues). Mitigation measures introduced in each case.
<b>Realise opportunities to be more sustainable</b>	Greenhouse gas emissions (quantity CO2 equivalent) emissions measured in accordance with ISO 14064 –1:2006 and the Greenhouse Gas Protocol.	Emissions intensity reduction plan complete (reduction targets for FY19-20 to be set)Verified annual emissions inventory complete	Emissions reduction plan in development as part of EMS. Completion expected in 2018.
	Ozone depleting substances used (quantity methyl bromide released to atmosphere)	100% use of recapture technology for container fumigation	Recapture technology used for all container fumigation.
	Solid waste to landfill (quantity)	Waste minimization plan developed.Waste minimization integrated into EQ recovery projects	Available reuse of 11,000m3 of concrete, 4,000m3 of asphalt and 1,100 tonnes of metal.
<b>Improve stakeholder relations</b>	Environmental Consultative Committee meeting frequency	At least three per annum	Two meetings held. Third meeting planned for August 2018.
	Iwi engagement	Pre lodgement consultation undertaken for 100% of resource consent applications	Prelodgment consultation undertaken for all resource consent applications.
	Transparency	Performance against targets reported in Annual Report	Reported.
<b>Develop a culture of awareness and responsibility</b>	Board sub-committee (Health Safety and Environment) meeting frequency	At least four per annum	Four meetings held.
	Internal "sustainability subcommittee" meeting frequency	At least three per annum	Monthly meetings held.

Notes: 1. Based on a three stage certification process to achieve ISO 14001 (using EnviroMark or similar)



Social Performance Target	Progress Update
<p>(a) Contribute to the desired outcome of the Wellington Regional Strategy through:</p> <p>(i) The provision of workplace opportunities and skills enhancements of our employees.</p> <p>(ii) Ensuring the regional economy is connected by the provision of high quality port services to support international and coastal trade.</p> <p>(iii) Supporting the regional community by investing in community sponsorship.</p>	<p>To continue to support the regeneration of the business, CentrePort has recruited a significant number of key professional and operational roles across all levels of the business. This has provided employment opportunities primarily for local and regional people, and provided advancement opportunities for internal staff. The Container Services Platform for Growth Project which aims to deliver our two-three year container growth plan has required us to conduct large scale targeted training resulting in multi-skilled employees and further recruitment of operational managers and employees.</p> <p>CentrePort continues to implement a series of projects of works on port to repair and remediate the impact of the November 2016 Kaikoura earthquake. Modifying operations and innovative solutions has enabled CentrePort to not only return to pre-quake levels of operation (despite a reduced operational footprint) but to achieve record volumes in most areas. The ship-to-shore cranes returned to service in September 2017 after being out of action for ten months, and container volumes are on track to return to pre-quake levels with strong growth indicators for the future. CentrePort has a series of medium term focus areas supported by projects that are enabling the business, increasing resilience, and reinstating/repairing earthquake impacts. These all support CentrePort's longer-term 'regeneration' planning which is currently in process.</p> <p>CentrePort partners with organisations / events to help promote commerce and prosperity, as well as trying to make a difference in communities. CentrePort staff are involved in participating in fundraising events such as Loud Shirt Day and interacting with community organisation recipients such as City Mission. CentrePort has continued sponsorships of the ExportNZ awards, the Whanganui Chamber of Commerce, the Wellington Youth Sailing Trust, and the Maritime Heritage Trust of Wellington (Hikitea Floating Crane fund).</p>
<p>(b) Collaborating with key partners of CentrePort's business to improve service outcomes.</p>	<p>CentrePort continues to invest in and work with partners on the hinterland hub network serviced by CentreRail to create logistics chains solutions and efficiencies for customers.</p>
<p>(c) Supporting the regional community by investing in community sponsorship.</p>	<p>CentrePort partners with organisations / events to help promote commerce and prosperity, as well as trying to make a difference in communities. CentrePort staff are involved in participating in fundraising events such as Loud Shirt Day and interacting with community organisation recipients such as City Mission. CentrePort has continued sponsorships of the ExportNZ awards, the Whanganui Chamber of Commerce, the Wellington Youth Sailing Trust, and the Maritime Heritage Trust of Wellington (Hikitea Floating Crane fund).</p>
<p>(d) To meet regularly with representative community groups.</p>	<p>CentrePort met regularly with community groups as part of the Environmental Consultative Committee. Meetings were held in November 2017 and March 2018, community group members attended port tours and separate post-earthquake updates were provided. In addition, various community groups and individuals were engaged directly regarding Port related initiatives such as the use of Kaiwharawhara Point for waste minimisation.</p>

General Performance Target	Progress Update
The company will, in consultation with the shareholders, continue to develop performance targets in the financial, environmental and social areas.	Performance targets are reviewed and agreed in the development of the Statement of Intent.
CentrePort will report achievement against the above targets in the quarterly reports to shareholders and the annual report. The report will include specific initiatives to enhance the environment in which we operate.	Quarterly reporting has been scheduled with the shareholders.
CentrePort will also report in its quarterly report to shareholders the company's strategy when it is completed with quarterly updates of any amendments to the strategy.	Quarterly reporting has been scheduled with the shareholders.
<p>When developing 'property held for development' the Board is to adhere to the following principles:</p> <ul style="list-style-type: none"> <li>(i) Properties may be developed without the building being fully pre-let so long as tenancy risk is managed prudently.</li> <li>(ii) Property developments must not compromise port operations.</li> <li>(iii) Developments are to be undertaken only if they are able to be funded without additional capital from shareholders.</li> <li>(iv) Development construction contracts are to be negotiated on a guaranteed maximum price or lump sum basis.</li> </ul>	No properties were under development during the year.

**Remuneration of directors of the Parent Company**

Details of Directors' remuneration are as follows:

	2018	2017
	\$'000	\$'000
S H Sharif (Chair)	11	3
P M Lamason (Deputy chair)	-	8
R W G Blakeley	-	-
P Blades (Resigned)	-	2
B H Donaldson	-	-
I D McKinnon	-	-
N O Leggett	5	-
	<u>16</u>	<u>13</u>

**Relevant entries in the interests register**

Disclosure of interests by Directors for the year ended 30 June 2018:

**S H Sharif**

Flirtey Limited (Director)  
 Coastal Oil Logistics Ltd (Independent advisor)  
 Greater Wellington Rail Limited (Director)  
 Port Investments Limited (Director)  
 WRC Holdings Limited (Director)  
 Animal Control Products Limited (Director)  
 NZ Standards Board Approval Board (Member)  
 Motor Trades Association Group Inc (Director)  
 NZ Institute of Safety Management Inc (Member of Advisory Board)  
 MTA Group Investments Limited (Director)  
 Everest Enterprises Limited (Director and shareholder)

**P M Lamason**

Wellington Regional Council (Councillor)  
 Hutt Mana Charitable Trust (Deputy Chair and Trustee)  
 She Trust (Trustee)  
 Hutt Valley District Health Board (Member)  
 Britannia House (Trustee)  
 Greater Wellington Rail Limited (Director)  
 WRC Holdings Limited (Director)  
 Port Investments Limited (Director)

**R W G Blakeley**

Wellington Regional Council (Councillor)  
Greater Wellington Rail (Director)  
WRC Holdings Limited (Director)  
Capital and Coast District Health Board (Member)  
Port Investments Limited (Director)

**I D McKinnon**

Greater Wellington Rail Limited (Director)  
WRC Holdings Limited (Director)  
Wellington Regional Council (Councillor)  
Port Investments Limited (Director)

**B H Donaldson**

Wellington Regional Council (Councillor)  
Greater Wellington Rail Limited (Director)  
WRC Holdings Limited (Director)  
Port Investments Limited (Director)

**N O Leggett**

WRC Holdings Limited (Director)  
Port Investments Limited (Director)  
Greater Wellington Rail Limited (Director)  
NZ Alcohol Beverages Council (Executive Director)  
Spark Foundation (Chair)  
Hutt Mana Charitable Trust (Trustee)  
Collins Commercial Limited (Broker)

**Directors' interest register**

Directors have had no interest in any transaction or proposed transactions with the Group.

**Directors' insurance**

The Company has arranged Directors' and Officers' Liability insurance cover to indemnify the Directors against loss as a result of actions undertaken by them as directors and employees respectively, provided they operate within the law. This disclosure is made in terms of section 162 of the Companies Act 1993.

**Directors' use of company information**

The Board received no notices during the year from Directors requesting use of company information received in their capacity as Directors which would not have otherwise been available to them.

**Remuneration of Employees**

Port Investments Limited has no employees. The Group comprising CentrePort Limited and its subsidiaries who received remuneration and other benefits in excess of \$100,000 is tabulated below:

	<b>Number of current employees</b>
\$100,001 - \$110,000	22
\$110,001 - \$120,000	25
\$120,001 - \$130,000	13
\$130,001 - \$140,000	12
\$140,001 - \$150,000	5
\$150,001 - \$160,000	2
\$160,001 - \$170,000	2
\$170,001 - \$180,000	1
\$180,001 - \$190,000	4
\$190,001 - \$200,000*	1
\$210,001 - \$220,000*	6
\$230,001 - \$240,000*	1
\$240,001 - \$250,000*	2
\$280,001 - \$290,000	1
\$300,001 - \$310,000*	1
\$380,001 - \$390,000*	1
\$500,001 - \$510,000*	1
	<b>100</b>

\* These amounts include variable performance related remuneration benefits.

**Auditor**

The Auditor-General is the appointed auditor in accordance with section 15 of the Public Audit Act 2001 and section 70 of the Local Government Act 2002. The Auditor-General has appointed Jacques Coetzee of Audit New Zealand to undertake the audit.

For, and on behalf of, the Board of Directors

Director

September 28, 2018

Director

September 28, 2018

**Port Investments Limited**  
**Statement of Comprehensive Income**  
**For the year ended 30 June 2018**

	Notes	Group 2018 \$'000	2017 \$'000	Parent 2018 \$'000	2017 \$'000
<b>INCOME</b>					
Revenue from continuing operations	3	73,843	63,846	1,581	627
Share of associate profit accounted for using the equity method	3	<u>22,999</u>	<u>(18,614)</u>	<u>-</u>	<u>-</u>
<b>TOTAL INCOME</b>		<b>96,842</b>	<b>45,232</b>	<b>1,581</b>	<b>627</b>
<b>Earthquake related items</b>					
Temporary works expenditure	4	(33,628)	(19,305)	-	-
Impairment of assets	4	(2,596)	(63,968)	-	-
Insurance progress payment receivable	4	55,583	166,042	-	-
<b>Gain / (loss) in fair value movements</b>					
Net gain on disposal of property, plant and equipment	3	(32)	(4)	-	-
Fair value gain on financial instruments	3	8,778	10,330	-	-
Fair value (loss) / gain on revaluation of investment property	3	(826)	-	-	-
<b>EXPENDITURE</b>					
Expenses, excluding finance costs	3	(69,187)	(60,178)	(129)	(112)
Interest paid	3	<u>(12,381)</u>	<u>(10,565)</u>	<u>(996)</u>	<u>(1,088)</u>
Total expenses		<b>(81,568)</b>	<b>(70,743)</b>	<b>(1,125)</b>	<b>(1,200)</b>
<b>(Deficit) / surplus before income tax and subvention payment</b>					
		<b>42,553</b>	<b>67,584</b>	<b>456</b>	<b>(573)</b>
Income tax (expense)	5	(5,581)	(16,666)	-	-
Profit from continuing operations		<u>36,972</u>	<u>50,918</u>	<u>456</u>	<u>(573)</u>
<b>NET (DEFICIT) / SURPLUS FOR THE YEAR</b>					
		<b>36,972</b>	<b>50,918</b>	<b>456</b>	<b>(573)</b>
<b>Other comprehensive income</b>					
<b>Increase / (decrease) in value of Port land attributable to:</b>					
Equity holders of the group	27	-	(41,516)	-	-
Non-controlling interests	19	-	(12,472)	-	-
		<u>-</u>	<u>(53,988)</u>	<u>-</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>					
		<b>36,972</b>	<b>(3,070)</b>	<b>456</b>	<b>(573)</b>
<b>Total comprehensive income for the year is attributable to:</b>					
Owners of Port Investments Limited		28,172	(2,545)		
Non-controlling interest		<u>8,800</u>	<u>(525)</u>		
		<b>36,972</b>	<b>(3,070)</b>		

The accompanying accounting policies and notes form part of these financial statements

**Port Investments Limited**  
**Statement of Changes in Equity**  
**For the year ended 30 June 2018**

Group	Notes	Attributable to equity holders of the Company			Total equity \$'000
		Revaluation Reserve \$'000	Retained earnings \$'000	Non-controlling interest \$'000	
<b>Balance as at 1 July 2016</b>		48,131	68,022	46,458	162,611
Total Comprehensive Income for the Year		-	38,971	11,947	50,918
Increase (Decrease) in revaluation reserve		(41,516)	-	(12,472)	(53,988)
Dividends		-	-	(162)	(162)
<b>Balance as at 30 June 2017</b>		<b>6,615</b>	<b>106,993</b>	<b>45,771</b>	<b>159,379</b>

Group	Notes	Attributable to equity holders of the Company			Total equity \$'000
		Share Capital \$'000	Retained earnings \$'000	Non-controlling interest \$'000	
<b>Balance as at 1 July 2017</b>		6,615	106,993	45,771	159,379
Total Comprehensive Income for the Year		-	-	-	-
Increase / (Decrease) in revaluation Reserve		-	-	-	-
Dividends		-	-	(461)	(461)
Profit or loss for the year		-	28,172	8,800	36,972
<b>Balance as at 30 June 2018</b>		<b>6,615</b>	<b>135,165</b>	<b>54,110</b>	<b>195,890</b>

Parent	Notes	Attributable to equity holders of the Company		
		Share Capital \$'000	Retained earnings \$'000	Total \$'000
<b>Balance as at Balance as at 01 July 2016</b>		-	2,776	2,776
Comprehensive Income for the Year		-	(573)	(573)
<b>Balance as at 30 June 2017</b>		<b>-</b>	<b>2,203</b>	<b>2,203</b>

Parent	Notes	Attributable to equity holders of the Company		
		Share Capital \$'000	Retained earnings \$'000	Total \$'000
<b>Balance as at 1 July 2017</b>		-	2,203	2,203
Comprehensive Income for the Year		-	456	456
<b>Balance as at 30 June 2018</b>		<b>-</b>	<b>2,659</b>	<b>2,659</b>

The accompanying accounting policies and notes form part of these financial statements

**Port Investments Limited**  
**Statement of Financial Position**  
**As at 30 June 2018**

		<b>Group</b>		<b>Parent</b>	
	Notes	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	7	2,309	216	1	1
Trade and other receivables	6	9,068	6,938	-	-
Inventories	8	1,351	1,424	-	-
Current tax receivables		-	601	-	-
Insurance receivable	4	59,268	62,685	-	-
Current accounts		3,281	2,686	3,281	2,686
<b>Total current assets</b>		<b>75,277</b>	<b>74,550</b>	<b>3,282</b>	<b>2,687</b>
<b>Non-current assets</b>					
Property, plant and equipment	9	126,339	118,604	-	-
Intangible assets	10	3,053	3,287	-	-
Investments in subsidiaries	11	-	-	44,000	44,000
Investments in joint ventures	12	74,584	59,397	-	-
Investment properties	13	18,180	16,773	-	-
<b>Total non-current assets</b>		<b>222,156</b>	<b>198,061</b>	<b>44,000</b>	<b>44,000</b>
<b>Total assets</b>		<b>297,433</b>	<b>272,611</b>	<b>47,282</b>	<b>46,687</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade and other payables	15	10,225	5,932	84	68
Borrowings	16	22,040	146	-	-
Provision for employee entitlements	17	3,523	3,153	-	-
Current accounts		539	416	539	416
Other financial liabilities	21	-	-	-	-
<b>Total current liabilities</b>		<b>36,327</b>	<b>9,647</b>	<b>623</b>	<b>484</b>
<b>Non-current liabilities</b>					
Borrowings	16	44,000	80,000	44,000	44,000
Provision for employee entitlements	17	645	752	-	-
Deferred tax liabilities	14	20,571	14,055	-	-
Other financial liabilities	21	-	8,778	-	-
<b>Total non-current liabilities</b>		<b>65,216</b>	<b>103,585</b>	<b>44,000</b>	<b>44,000</b>
<b>Total liabilities</b>		<b>101,543</b>	<b>113,232</b>	<b>44,623</b>	<b>44,484</b>
<b>Net assets</b>		<b>195,890</b>	<b>159,379</b>	<b>2,659</b>	<b>2,203</b>
<b>EQUITY</b>					
Reserves	27	6,615	6,615	-	-
Retained earnings		135,165	106,993	2,659	2,203
Non-controlling interest	19	54,110	45,771	-	-
<b>Total equity</b>		<b>195,890</b>	<b>159,379</b>	<b>2,659</b>	<b>2,203</b>



Director

28 September, 2018



Director

28 September, 2018

The accompanying accounting policies and notes form part of these financial statements



**Port Investments Limited**  
**Statement of Cash Flows**  
**For the year ended 30 June 2018**

	Group		Parent	
Notes	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<i>Cash was provided from:</i>				
Receipts from customers	71,374	64,703	-	-
Dividend income received	500	1,200	1,538	538
Interest received	88	125	43	89
Taxation refund	1,535	-	-	-
Business interruption -temporary Work	33,628	19,305	-	-
Business interruption - loss of rentals	8,477	8,985	-	-
	<u>115,602</u>	<u>94,318</u>	<u>1,581</u>	<u>627</u>
<i>Cash was disbursed to:</i>				
Payments to suppliers and employees	(58,924)	(57,488)	(114)	(109)
Temporary work	(36,678)	(19,305)	-	-
Termination of interest rate swaps	(9,543)	(4,347)	-	-
Interest paid	(3,011)	(6,916)	(996)	(1,088)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>7,446</u>	<u>6,262</u>	<u>471</u>	<u>(570)</u>
20				
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<i>Cash was provided from:</i>				
Earthquake insurance payment received	16,895	75,066	-	-
Cash balance from acquired joint venture	16,758	-	-	-
Proceeds from sale of property, plant & equipment	229	6,696	-	-
<i>Cash was applied to:</i>				
Purchase of property, plant & equipment	(7,651)	(18,771)	-	-
Development of investment properties	(2,707)	(2,076)	-	-
Earthquake capital expenditure	(6,141)	(2,357)	-	-
Other transfers	(90)	-	-	-
Acquisition of joint venture	(7,750)	-	-	-
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<u>9,543</u>	<u>58,558</u>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<i>Cash was provided from:</i>				
Repayment of loans	-	(66,000)	-	-
Movement in current account - wellington regional council	-	4,261	-	4,261
<i>Cash was applied to:</i>				
Dividends paid to shareholders	(462)	(3,853)	-	(3,691)
Repayment of bank borrowings	(18,000)	-	-	-
Movement in current account - wellington regional council and wellington regional council holdings limited	(471)	-	(471)	-
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<u>(18,933)</u>	<u>(65,592)</u>	<u>(471)</u>	<u>570</u>
<b>Net increase / (decrease) in cash, cash equivalents &amp; bank overdraft at year end</b>				
	(1,944)	(772)	-	-
Add opening cash, cash equivalents / (overdraft) brought forward	216	988	1	1
<b>CASH, CASH EQUIVALENTS &amp; BANK OVERDRAFT AT YEAR END</b>	<u>7</u>	<u>216</u>	<u>1</u>	<u>1</u>

The accompanying accounting policies and notes form part of these financial statements

## **1 Statement of compliance**

The "Group" consists of Port Investments Limited and its 76.9% subsidiary CentrePort Limited. Port Investments Limited (the Company) is a council controlled trading organisation owned by WRC Holdings limited. Wellington Regional Council owns 100% of WRC Holdings limited. They are profit-oriented entities incorporated in New Zealand.

The financial statements are presented in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 2013 and the Local Government Act 2002 and New Zealand Generally Accepted Accounting Practices (NZ GAAP).

These financial statements are prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). They comply with International Financial Reporting Standards ('IFRS') and other applicable financial reporting standards as appropriate for profit-oriented entities. New Zealand equivalent is NZIFRS.

Unless otherwise stated, all amounts are rounded to \$000 and are expressed in New Zealand currency.

The Financial Statements were authorised for issue by Port Investment Limited on 24 September 2018.

## **2 Summary of significant accounting policies**

### **(a) Basis of preparation**

The financial statements have been prepared on the basis of historical cost except for the revaluation of operational port freehold land, investment properties and financial instruments as outlined below.

Cost is based on the fair value of the consideration given in exchange for assets.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2018. The comparative information presented in these financial statements is for the year ended 30 June 2017.

There have been no changes in accounting policies during the financial year.

#### *Specific accounting policies*

The specific accounting policies adopted in the preparation of these financial statements, which materially affect the measurement of the statement of comprehensive income, statement of movements in equity, statement of financial position and statement of cash flows are set out below:

### **(b) Critical accounting estimates and judgements**

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Detailed information about each of these estimates and judgements is included in the notes together with information about the basis of calculation for each affected line item in the financial statements.

The areas involving significant estimates or judgements are:

Revenue recognition relating to insurance revenue and accounting for earthquake costs (note 4) including for joint ventures and associates (note 12)

Fair value of Port land (note 9) and investment property (note 13)

Impairment of Port assets held at cost (note 9)

Income tax calculations (note 5)

Earthquake uncertainties in the accounting for Harbour Quays Special Purpose Vehicles (SPV's) (note 12)

**(c) Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Parent and entities (including structured entities) controlled by the Parent (its subsidiaries). Control is achieved when the Parent is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Parent controls an investee if and only if the Parent has all of the following:

- power over the investee (i.e. existing rights that give it the current ability to direct and relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

Other facts that must also be considered include:

- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts or circumstances that indicate the Company has, or does not have, the current ability to direct the relevant activities at the time the decisions need to be made, including voting patterns at previous shareholders' meetings;
- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of other vote holders;

**Changes in the Group's ownership interests in existing subsidiaries**

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of consideration received and the fair value of any returned interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs).

Consolidation of a subsidiary begins when the Parent obtains control over the subsidiary and ceases when the Parent loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Parent ceased to control the subsidiary. Refer to note 11

All intra-group transactions are eliminated on consolidation. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

**(d) Statement of cash flows**

The following are the definitions used in the statement of cash flows:

- (a) Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within cash.
- (b) Investing activities are those activities relating to the acquisition and disposal of Property, Plant & Equipment, Investment Property, Intangible Assets and Joint Ventures. Investments include securities not falling within the definition of cash.
- (c) Financing activities are those activities that result in the changes in size and composition of the capital structure of the Group. This includes both equity and debt not falling within the definition of cash. Dividends paid in relation to capital structure are included in financing activities.
- (d) Operating activities include all transactions and other events that are not investing or financing activities.

**(e) Revenue recognition**

Revenue shown in the statement of comprehensive income comprises the amounts received and receivable by the Group for services provided to customers in the ordinary course of business based on the stage of completion of the contract at statement of financial position date.

*(i) Rendering of services*

Revenues from services are recognised in the accounting period in which the services have been rendered.

*(ii) Rental income*

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

*(iii) Dividend and interest revenue*

Dividend revenue from investments is recognised on a receivable basis. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

*(iv) Business interruption insurance*

Business interruption insurance is recognised on an accruals basis.

Income is stated exclusive of GST collected from customers.

**(f) Property, plant and equipment**

The Group has five classes of property, plant and equipment:

- Operational port freehold land
- Buildings
- Wharves and paving
- Cranes and floating equipment
- Plant, vehicles and equipment

Operational Port Land is stated at valuation determined every three to five years by an independent registered valuer. This class of asset has been re valued at 30 June 2017. The basis of valuation is fair value which is determined by reference to the highest and best use of land as determined by an independent valuer.

The fair value of Operational Port Land is recognised in the financial statements of the Group and reviewed at the end of each reporting period to ensure that the carrying value of land is not materially different from its fair value. Any revaluation increase of Operational Port Land is recognised in other comprehensive income and accumulated as a separate component of equity in the properties revaluation reserve, except to the extent it reverses a previous revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit and loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation is charged to the profit and loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of port operational land.

The remaining Property, Plant & Equipment acquired by the Group on 1 October 1988 is recorded at cost less accumulated depreciation and impairment, based on a business valuation carried out in accordance with the Company plan under Section 21 of the Port Companies Act 1988. Subsequent purchases of Property, Plant & Equipment are recorded at cost. Cost represents the value of the consideration given to acquire the assets and the value of other directly attributable costs that have been incurred in bringing the assets to the location and condition necessary for their intended service. All Property, Plant & Equipment is depreciated, excluding land.

The Board and management have undertaken a process to determine what constitutes Investment Property and what constitutes Property, Plant & Equipment. There is an element of judgement in this. There is a developed Port plan, and those items of land that are considered integral to the operations of the Port have been included in Operational Port Land. Land held specifically for capital appreciation or to derive rental income has been classed as Investment Property.

**(g) Depreciation**

There is no depreciation on Operational Port Land or Investment Properties. Depreciation on other Property, Plant & Equipment is charged on a straight line basis so as to write off the cost of the Property, Plant & Equipment to their estimated residual value over their expected economic lives. The expected economic lives are as follows:

Buildings, Wharves and Paving	10 to 50 years
Cranes and floating equipment	4 to 30 years
Plant, vehicles and equipment	2 to 20 years

The economic useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

**(h) Investment property**

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured at its fair value at the reporting date. Gains or losses arising from changes in fair value of investment property are included in statement of comprehensive income in the period in which they arise.

The Group has the following classes of Investment Property:

Developed investment property  
Land available for development

**Lessors Interest**

**(i) Leases**

Group entities lease certain land and plant. Leases are finance leases wherever the terms of the lease transfer substantially all the risk and rewards of ownership to the lessee. All other leases are classified as operating leases.

*Group as lessee:*

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

*Group as lessor:*

Operating leases relate to subleases of properties (excluding land) leased with lease terms between 1 and 12 years, with an option to extend for a further period between 1 to 6 years. All operating lease contracts (excluding land) contain market review clauses. An operating lease relating to land has a term of 125 years. The lessee does not have an option to purchase the property or land at expiry of the lease period.

*Lease incentives:*

In the event that lease incentives are provided to lessees to enter into operating leases, such incentives are recognised a reduction of rental income on a straight line basis.

**(j) Assets held for sale**

Assets are classified as held for sale if it is intended that their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

Assets held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

**(k) Intangible assets**

Software is a finite life intangible and is recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over their estimated useful lives between 1 and 5 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

**(l) Impairment of assets**

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidation entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the statement of comprehensive income immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.



Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had not impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in the statement of comprehensive income immediately, unless the relevant assets is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

**(m) Borrowing costs**

Borrowing costs are recorded at amortised cost. Borrowing costs directly attributable to capital construction are capitalised as part of the cost of those assets. All other borrowing costs are recognised as an expense in the period in which they are incurred.

**(n) Investments in subsidiaries and associates**

Investments in subsidiaries are valued annually at the lower of cost and net asset backing. The change in valuation is recognised in the statement of comprehensive income.

Investments in associates are stated at the fair market value of the net tangible assets at acquisition plus the share of post-acquisition increases in reserves.

**(o) Interest in Joint ventures**

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results, assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in a joint venture is initially recognised in the consolidated Balance Sheet at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. The participating share of equity on conversion date will be 50% or lower.

An investment is accounted for using the equity method from the date on which the investee becomes a joint venture.

The requirements of NZ IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with NZ IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with NZ IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with a joint venture of the Group, profit and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interest in the joint venture that are not related to the Group.

In the parent financial statements, subsequent to initial recognition, investments in subsidiaries and joint ventures are measured at cost.

**(p) Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposit held at call with banks, other short term highly liquid investments with original maturities of 3 months or less.

**(q) Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first in, first out (FIFO) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

**(r) Income tax**

***Current tax***

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable). Tax assets and liabilities are offset only when the Group has a legally enforceable right to set off the recognised amounts, and intends to settle on a net basis.

***Deferred tax***

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised.

However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

***Current and deferred tax for the period***

Current and deferred tax is recognised as an expense or income in the statement of comprehensive income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

**(s) Goods and services tax (GST)**

The Group is part of the Wellington Regional Council GST Group. All items in the financial statements are exclusive of GST, with the exception of receivables and payables, which are consolidated inclusive of GST.

Cash flows are included in the cash flow statement on a net basis for GST purposes. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Where GST is not recoverable as an input tax it is recognised as part of the related asset or expense.

**(t) Provision for employee entitlements**

A provision for employee entitlements is recognised as a liability in respect of benefits earned by employees but not yet received at balance date when it is probable that settlement will be required and they are capable of being measured reliably. Employee benefits include salaries, wages, annual leave, sick leave and long service leave. Where the services that gave rise to the employee benefits are expected to be settled within twelve months of balance date, the provision is the estimated amount expected to be paid by the Group. The provision for employee benefits not expected to be settled within twelve months are measured at the present value of the estimated future cash outflows expected to be incurred. The present value is determined by discounting the future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liabilities.

**(u) Provisions**

Provisions are recognised when the Group has a present obligation as a result of a past event, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

**(v) Provision for dividends**

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

**(w) Financial instruments**

*Financial instruments issued by the companies*

As part of normal operations, the Group is party to financial instruments with risk to meet operational needs. These financial instruments include bank overdraft facilities, interest rate swap agreements, forward foreign exchange contracts and an option to extend the term of the mandatory convertible notes. Interest rate swap agreements are used within predetermined policies and limits in order to manage interest rate exposure.

The Group has reduced its level of exposure to financial instruments as proceeds from the insurance claim have been used to repay borrowings.

CentrePort regularly undertakes reviews of its financial risk management as its capital structure changes.

*Financial instruments at fair value through profit or loss*

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate, fuel cost and foreign exchange rate risk, including forward foreign exchange contracts and interest rate swap agreements.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to fair value at each reporting date. Changes in fair value of derivative instruments that do not qualify for hedge accounting are recognised immediately in profit or loss.

Cash settlements of derivatives adjust the line in the Statement of Comprehensive Income to which the cash settlement relates.

*Estimation of Fair Value of Financial Instruments*

The fair value of financial instruments is determined on a hierarchical basis that reflects the significance of the inputs used in making the measurements. The fair value hierarchy is:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Assumptions for valuation models are based on management's judgements and estimates. Changes in the assumptions used in these models and projections of future cash flows could affect the reported fair value of financial instruments.

*Offsetting Financial Instruments*

Financial Assets and Liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

*Financial assets*

Financial assets are classified into the following specified categories: financial assets 'at fair value through statement of comprehensive income', and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.



*i) Financial assets at fair value through statement of comprehensive income*

The Group has classified certain derivative instruments as financial assets at fair value through the statement of comprehensive income.

*ii) Loans and receivables*

Cash and cash equivalents, trade receivables, loans, and other receivables are recorded at amortised cost using the effective interest method less impairment.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the instrument or a shorter period, where appropriate, to the net carrying amount of the financial assets or financial liability.

Nature of activities and management policies with respect to financial instruments.

*Financial liabilities*

Financial liabilities are classified as either fair value through profit or loss, or at amortised cost. Financial liabilities at amortised cost include trade and other payables and borrowings.

*Trade and other Payables*

Trade payables and other accounts payable are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services and are subsequently recorded at amortised cost using the effective interest method.

*Borrowings*

Borrowings are recorded initially at fair value, net of transaction costs.

Subsequent to initial recognition, borrowings are measured at amortised costs with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate method.

**(x) Foreign currency translation**

Transactions in foreign currency are converted at the rate of exchange ruling at the date of the transaction. At balance date, foreign monetary assets and liabilities are translated at the closing rate and exchange variations arising from these transactions are recognised in the statement of comprehensive income.

**(y) Standards, amendments, and interpretations effective in the current period**

The following are the significant new or revised standards or interpretations in issue that are not yet required to be adopted by entities preparing financial statements for periods ending 30 June 2018.

**NZ IFRS 9 - Financial Instruments**

This standard is effective for reporting periods beginning on or after 1 January 2018. The standard introduced new requirements for the classification and measurement of financial assets and incorporated new hedge accounting requirements. A new expected loss impairment model was also introduced.

**NZ IFRS 15 – Revenue from Contracts with Customers**

This standard replaces NZ IAS 18 Revenue and is mandatory for reporting periods beginning on and after 1 January 2018. The standard provides a single comprehensive principles-based five-step model for revenue recognition. It supersedes current recognition and related interpretations.

**NZ IFRS 16 – Leases**

Effective for reporting periods beginning on or after 1 January 2019. The main changes under the standard for lessees are;

- All operating leases other than those that are short term (less than 12 months) or considered low value are required to be presented on the balance sheet.
- All leases on the balance sheet will give rise to a combination of interest expenses on the lease liability and depreciation of the right of use asset.

**Port Investments Limited**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2018**  
(continued)

The impact of NZ IFRS 16 will be determined by the level of operating lease commitments greater than 12 month's duration at adoption. The companies operating lease commitments are set out in Note 22. Management is yet to assess the impact of these standards and does not expect to adopt them before their respective effective dates.

### 3 Operating surplus / (deficit) before subvention and taxation

		Group		Parent	
	Notes	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<b>Income</b>					
Rental Income		5,216	6,574	-	-
Dividend Income from Subsidiaries		-	-	1,538	538
Subsidiary revenue		68,584	57,115	-	-
Interest received		43	157	43	89
Share of profit of investments using the equity method		22,999	(18,614)	-	-
		<u>96,842</u>	<u>45,232</u>	<u>1,581</u>	<u>627</u>
<b>Gain/(Loss) in fair value movements</b>					
Net gain on disposal of property, plant and equipment		(32)	(4)	-	-
Fair value gain on financial instruments		8,778	10,330	-	-
Fair value (loss) / gain on revaluation of investment property		(826)	-	-	-
		<u>7,920</u>	<u>10,326</u>	<u>-</u>	<u>-</u>
<b>Expenses, excluding finance costs</b>					
Amortisation	10	214	193	-	-
Depreciation	9	5,032	4,891	-	-
Directors fees and expenses		498	471	16	13
Employee benefits expense		25,225	23,077	-	-
Audit Services		302	190	17	7
Tax advice		11	11	11	11
Repairs and maintenance		3,717	2,940	-	-
Rates and Insurance		6,913	3,524	6	6
Rental and Lease Expenses		1,586	2,821	-	-
Management fees		79	75	79	75
Other operating expenses		25,610	21,985	-	-
		<u>69,187</u>	<u>60,178</u>	<u>129</u>	<u>112</u>
<b>Finance costs</b>					
Interest costs		2,884	6,218	996	1,088
Realised swap profit / loss		9,497	4,347	-	-
Total finance costs		<u>12,381</u>	<u>10,565</u>	<u>996</u>	<u>1,088</u>
Operating surplus before subvention, taxation and earthquake related items		<u>23,194</u>	<u>(15,185)</u>	<u>456</u>	<u>(573)</u>

## 4 Earthquake Related Items

### Kaikoura Earthquake

A 7.8 magnitude earthquake struck in the early hours of 14 November 2016 in Kaikoura which has had a significant impact on CentrePort. The earthquake significantly damaged Port infrastructure and Port properties including the land on which the Port operates. The major Port operations impacted were the Container services and the Investment property portfolio held by the Port. Other Port services including logs, ferries, fuel, cruise and break bulk activities had substantially recovered immediately following the earthquake.

The impact of the earthquake has been reflected in these financial statements with the information available to the date these financial statements are signed. The insurance claim process has commenced and engineering damage assessments are being completed. Extensive repairs are still to be commenced and this brings considerable uncertainty in relation to the final quantification of insurance claims. The Group is working closely with independent advisors and the insurers assessors to progress the claim.

The Group has separate insurance policies for CentrePort and CentrePort Properties Limited. The Group received \$100m of progress payments in 2018 for claims on these policies of which \$60m related to CentrePort and \$40m related to CentrePort Properties Limited.

CentrePort has a total insured value (in relation to port infrastructure) of \$600m for both Material Damage and Business Interruption combined. The Business Interruption covers a 36 month indemnity period. Insurance progress payments of \$60m were received by CentrePort in the year ended 30 June 2018 (2017: \$100m) bringing total progress payments received to 30 June 2018 to \$160m. These payments are applied to business interruption (loss of rents and temporary works) in the first instance and secondly to material damage.

CentrePort Properties Limited, including its associate entities (SPVs') has a total insured value of their property portfolio of \$276.3m including loss of rents (of up to \$49.8m). The indemnity period is 36 months.

CentrePort Properties Limited received a progress payment of \$40m in the year ended 30 June 2018 (2017: \$10m) bringing total progress payments received to date to \$50m. An allocation totalling \$41.0m (2017: \$7.2m) has been made to the SPVs.

Initial draft damage assessment reports for the investment properties have been prepared by independent advisors. Insurance and property related impacts for CentrePort Properties Limited are included in the Group line items as expanded on below. As the SPVs are equity accounted, the impact of the earthquake in relation to the SPVs is accounted for separately as described in note 12.

The following table shows the net proceeds applied in the financial statements for the year ended 30 June 2018:

	Material Damage \$'000	Business Interruption \$'000	2018 \$'000	2017 \$'000
Loss of gross profits and rents	-	8,477	8,477	8,985
Temporary works expenditure incurred to date	-	33,628	33,628	19,305
Material damage - preliminary estimates	13,478	-	13,478	137,751
Total Insurance income in the year ended 30 June 2018	<u>13,478</u>	<u>42,105</u>	<u>55,583</u>	<u>166,041</u>
Total Insurance Income	151,229	70,395	221,624	166,041
Less progress payments received	<u>(91,961)</u>	<u>(70,395)</u>	<u>(162,356)</u>	<u>(103,356)</u>
Receivable as at 30 June 2018	<u>59,268</u>	<u>-</u>	<u>59,268</u>	<u>62,685</u>

### Impairment of Assets

CentrePort determined that the earthquake on 14 November was an indicator of impairment as per NZ IAS 36, Impairment of Assets. CentrePort's key infrastructural assets such as wharfs and pavements are held at cost less depreciation. These assets were subject to technical and engineering assessments following the earthquake to assess whether they were partly or completely damaged and need to be derecognised. Those assets considered to be destroyed have been completely written off. For assets that were partially damaged CentrePort has estimated the impairment adjustments. However as engineering estimates are not yet complete these estimates may be subject to change in future periods.

	2018 \$'000	2017 \$'000
<b>Asset impairment arising out of the earthquake:</b>		
- Estimated asset impairments relating to damaged assets	1,996	51,207
- Impairment and fair value write-down on investment properties owned by Centerport Properties Ltd	<u>600</u>	<u>12,761</u>
	<u>2,596</u>	<u>63,968</u>

### Impairment Sensitivity Analysis

Of the aggregate \$66m impairment, \$49m relates to assets that are completely destroyed and fully written off and \$17m relates to estimates of impairment for partially damaged assets ranging from 10% to 80%. At balance date damage assessments are still ongoing and the impairment reflects the best estimate to date. If the percentage of estimated damage is altered by +/- 10% this would result in an increase or decrease in the impairment provision (and therefore total comprehensive income) by \$1.7m.

### Port Land

An adjustment of \$63m to the fair value of land has been made to recognise the resilience work that needs to be undertaken to support the land. This adjustment is discussed in (note 9).

### Business Interruption

An estimate of the amount recoverable for Business Interruption and Loss of Rents has been made for the period to 30 June 2018. The amount has been calculated based on the estimated loss of revenue and has not yet been agreed with the insurer and therefore could be subject to change in future periods.

A change to the estimated loss of revenue of + / - 10% would result in an increase / decrease in the business interruption income estimate accrued of \$0.9m.

### Material Damage Insurance Receivable

CentrePort Group is entitled to insurance claims for damage incurred to its insured assets and infrastructure. The insurers have accepted that the damage is covered under the group insurance policies, however, as damage assessments and repairs have not been completed the final settlement amount has not yet been agreed.

As damage assessments for all assets have not yet been fully completed, assumptions have been made and judgement applied in determining the insurance proceeds to be recognised for material damage

Where the minimum amount recoverable for damage to specific port assets can be reliably estimated, it has been recorded as income. Insurance proceeds have not been recognised where further work is required to quantify repair costs and related insurance income. These amounts will be clarified in due course as the insurance claim progresses. There is, therefore, the potential for adjustments to be made in future years to recognise further insurance proceeds and these proceeds may be material.

There is a contingent asset in relation to the insurance claim for the Port (note 24).

### Earthquake deductible expenditure

Under the insurance policies the Group is liable to meet a deductible amount toward the cost of repair or reinstatement of the damaged assets. These total \$18.3m of which \$13.5m relates to CentrePort Infrastructure and \$4.8m relates to commercial property assets.

### Net Insurance Recovery - Associates and Joint Ventures

The Wellington Port Coldstore insurance claim was settled during the year ended 30 June 2018. Following conclusion of the claim, CentrePort purchased the remaining 50% of shares to increase its shareholding to 100%. Insurance proceeds on completion of the claim have been accounted for in the year ended 30 June 2018. CentrePort's share of the net impact on concluding the claim of \$1.4m has been accounted for in the year ended 30 June 2018 (2017: \$3.6m) and is included in the associate earnings for the year.

The estimated impact of the earthquake related items on the SPV entities is a net gain of \$29.3m (2017: \$27.2m loss). This has been included in the Share of profit/(loss) of investments using the equity method

For further information on the material assumptions and sensitivities related to the impact of the earthquake refer to note 12 for the impact on associates and joint ventures.

**Tax impact**

Refer to note 5 for information on the material assumptions and sensitivities related to the impact of the earthquake on income tax.

**5 Taxation**

	<b>Group</b>		<b>Parent</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>(a) The Income Taxation Expense is Represented By:</b>				
Current Year Taxation expense	(938)	50	-	-
Deferred tax expense (note 14)	6,519	16,616	-	-
<b>Income Taxation Expense / (Benefit)</b>	<b>5,581</b>	<b>16,666</b>	<b>-</b>	<b>-</b>
Continuing operations	5,581	16,666	-	-
	<b>5,581</b>	<b>16,666</b>	<b>-</b>	<b>-</b>
<b>(b) Relationship between income tax and accounting surplus:</b>				
Net surplus (deficit) before tax	42,553	67,584	456	(573)
	42,553	67,584	456	(573)
Income Taxation on the Surplus for the Year at 28% Taxation Effect of:	11,915	18,924	128	(160)
- Imputation credits	-	-	(86)	(152)
- Add back Equity Earnings in Joint Ventures	-	-	-	-
- Insurance Income Allocated to Capital	-	-	-	-
- Change in fair values of investment properties	273	1,592	-	-
- Asset Impairments	-	-	-	-
- Capital Gain on Sale of Asset	-	-	-	-
- Non-deductible Expenditure	249	5,283	-	-
- Unused tax losses and tax offsets not recognised	-	-	-	312
- Previously unrecognised and unused tax losses now recognised and utilised	-	-	(42)	-
- Depreciation on held for sale properties	-	-	-	-
- Building additions / disposals with no deferred tax impact	-	-	-	-
Permanent Differences	344	16	-	-
Non Assessable Income	(7,342)	(9,099)	-	-
	5,439	16,716	-	-
(Over) / under provision of income tax in previous period	142	(50)	-	-
<b>Income tax expense</b>	<b>5,581</b>	<b>16,666</b>	<b>-</b>	<b>-</b>
<b>(c) Imputation credit account balances</b>				
Balance at the end of the period	13,689	13,786	13,593	13,474
<b>(d) Tax expense / (benefit) is represented by:</b>				
Current tax expense	(938)	50	-	-
Deferred tax expense / (benefit)	6,519	16,616	-	-
	<b>5,581</b>	<b>16,666</b>	<b>-</b>	<b>-</b>

**(e) Tax losses not recognised**

At the Parent level, Port Investments Limited has unrecognised tax losses of \$9.962 million (2017: \$10.110 million) available to be carried forward and to be offset against taxable income in the future. The tax effect of these losses at 28% is \$2.789 million (2017: \$2.831 million).

At the Group level, Port Investments Limited has no unrecognised tax losses available to be carried forward and to be offset against taxable income in the future.

The ability to carry forward tax losses is contingent on continuing to meet the requirements of the Income Tax Act 2007.

	Group		Parent	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<b>Income Tax Receivable</b>				
Opening Balance	601	621	-	-
Refund Received	(1,535)	-	-	-
Tax Paid	-	-	-	-
Prior Year Adjustment	319	(20)	-	-
Transfer losses to deferred tax	7,456	(7,437)	-	-
Current Year Tax Liability / (Benefit)	(6,841)	7,437	-	-
<b>Closing Balance</b>	<u>-</u>	<u>601</u>	<u>-</u>	<u>-</u>

**Key assumptions**

A number of assumptions have been applied in the tax calculation as a result of the different tax rules that apply to insurance proceeds and asset repairs or reinstatement. The most material assumption is an allocation of \$3m of the insurance proceeds to assets that are likely to be deemed to be disposed for tax purposes, this brings the cumulative allocation of insurance proceeds to \$120m (2017: \$117m).

The allocation is based on the indemnity value of the key assets considered to be irreparable as a result of the earthquake. This assumption results in non-taxable capital gains in the current year of \$3m with a tax effect of \$1m (in the prior year non-taxable capital gains were \$32m with a tax effect of \$9m) being the proceeds over and above original cost.

The historic tax depreciation claimed on the assets deemed to be destroyed that is likely to be recovered by Inland Revenue has been reflected as a deferred tax liability with a tax effect of \$17m (2017:\$17m). The remainder of the proceeds are deemed to be taxable as the related expenditure on repairs will be deductible. These estimates are based on the best information at the time of signing the accounts and the tax positions will be finalised in due course as the insurance claim is settled.







**8 Current assets - Inventories**

	Group		Parent	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<b>Inventories</b>				
Spares stock control	1,237	1,305	-	-
Fuel and stock control	114	119	-	-
	<u>1,351</u>	<u>1,424</u>	<u>-</u>	<u>-</u>

**Port Investments Limited**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2018**  
(continued)

**9 Property, plant & equipment**

Group	Port Land at Fair Value \$'000	Buildings at Cost \$'000	Wharves and Paving at Cost \$'000	Cranes and Floating Equipment at Cost \$'000	Plant, Vehicles & Equipment at Cost \$'000	Work in progress \$'000	Total \$'000
<b>Year ended 30 June 2017</b>							
Opening net book amount	79,922	12,816	47,935	30,172	6,741	7,903	185,489
Additions	-	-	1,214	-	5,442	15,014	21,670
Transfers from work in progress	3,100	2,171	4,465	-	2,454	(12,190)	-
Disposals	-	-	-	(23)	(63)	-	(86)
Transfer from Investment Property	21,618	-	-	-	-	-	21,618
Impairment	-	(6,850)	(34,075)	(3,580)	(842)	(5,860)	(51,207)
Change in fair value	9,012	-	-	-	-	-	9,012
Depreciation Charge	-	(590)	(1,596)	(1,611)	(1,095)	-	(4,892)
Depreciation charge	-	-	-	-	-	-	-
Adjustment to fair value of land for resilience	(63,000)	-	-	-	-	-	(63,000)
Closing net book amount	<u>50,652</u>	<u>7,547</u>	<u>17,943</u>	<u>24,958</u>	<u>12,637</u>	<u>4,867</u>	<u>118,604</u>
<b>At 30 June 2017</b>							
Cost	50,652	22,567	67,670	49,093	16,857	4,867	211,706
Valuation	-	(15,020)	(49,727)	(24,135)	(4,220)	-	(93,102)
Net book amount	<u>50,652</u>	<u>7,547</u>	<u>17,943</u>	<u>24,958</u>	<u>12,637</u>	<u>4,867</u>	<u>118,604</u>

**Port Investments Limited**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2018**  
(continued)

Group	Port Land at Fair Value \$'000	Buildings at Cost \$'000	Wharves and Paving at Cost \$'000	Cranes and Floating Equipment at Cost \$'000	Plant, Vehicles & Equipment at Cost \$'000	Work in progress \$'000	Total \$'000
<b>Year ended 30 June 2018</b>							
Opening net book amount	50,652	7,547	17,943	24,958	12,637	4,867	118,604
Transfer to investment property	(127)	-	-	-	-	-	(127)
Additions	-	-	-	349	63	-	15,276
Transfers from work in progress	2,889	134	120	11,620	680	14,864	(58)
Disposals	(23)	(1)	-	-	(50)	-	(74)
Reclassification	-	-	1,252	5,442	(5,469)	(1,252)	(27)
Impairment	-	(794)	(330)	-	(872)	-	(1,996)
Temporary works depreciation	-	-	-	(228)	-	-	(228)
Depreciation charge	-	(431)	(994)	(2,524)	(1,082)	-	(5,031)
Closing net book amount	53,391	6,455	17,991	39,617	5,907	2,978	126,339
<b>At 30 June 2018</b>							
Cost or Valuation	116,391	29,545	102,624	68,808	18,383	8,838	344,589
Accumulated impairment	(63,000)	(7,644)	(34,405)	(3,580)	(1,714)	(5,860)	(116,203)
Accumulated depreciation	-	(15,446)	(50,228)	(25,611)	(10,762)	-	(102,047)
Net book amount	53,391	6,455	17,991	39,617	5,907	2,978	126,339

**Port Investments Limited**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2018**  
(continued)

	2018	2017
	\$'000	\$'000
<b>Capitalised work in progress</b>		
<b>Project</b>		-
Wharves	1,131	334
Mobile Plant	-	2,977
Other	1,846	1,556
<b>Total</b>	<b>2,977</b>	<b>4,867</b>
<b>Borrowing costs capitalised</b>		

During the year no borrowing costs were capitalised (2017: nil).

The parent, Port Investments Limited, does not hold any property, plant or equipment.

**Operational Port Land**

The Operational port land is comprised of the following land values:

Operational Port Land was last independently valued by Bayleys, a registered valuer, on 30 June 2017. The assessed value at that time was \$110.5m (which excludes \$3.1m of land acquired during the year ended 30 June 2017) which was adjusted by \$63m for estimated Operational Port Land resilience costs. The Directors are satisfied that there has not been a material movement in the fair value as at 30 June 2018.

	2018
	\$'000
Industrial Zoned Land	79,590
Commercial Zoned	8,831
Other Port Land	25,231
<b>Total Operational Port Land</b>	<b>113,652</b>
Provision for Resilience	(63,000)
<b>Carrying Value Operational Port Land</b>	<b>50,652</b>
Additions, Transfers, and Disposals of Port Land	2,739
<b>Carrying Value Operational Port Land 30 June 2018</b>	<b>53,391</b>

The fair value of Operational Port Land has been determined in accordance with Australia and New Zealand Valuation and Property Standards, in particular Valuation Guidance Note NZVGN 1 Valuations for Use in New Zealand Financial Reports and IVS 300 Valuations for Financial Reporting.

The fair value of Operational Port Land is based on the highest and best use for transport distribution, road/rail/port linkages and logistics.

The fair value of Operational Port Land is determined with reference to a fair value hierarchy of inputs. All inputs into the determination of fair value of Operational Port Land sit within level 3 of this hierarchy as they are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Each freehold parcel of land is valued on a rate per square metre basis using the direct sales comparison approach. In carrying out this comparison, consideration is given to:

- sales of land or development sites within the wider Wellington region
- size, shape, location and access to services
- road frontage, exposure to vehicles
- allowable height and density of use.

Key assumptions underlying the valuation are set out below:

- (i) Land at Aotea Quay, the Northern Reclamation and Point Howard was valued in their current condition.
- (ii) Parts of the port incurred significant settlement resulting in undulations and sharp height variations to some sealed areas. The valuation was completed on the basis that all remediation work was complete, including re levelling and laying new seal.

The table below summarises the valuation approach and key assumptions used by the valuers to arrive at fair value and the sensitivity of the valuation to movements in unobservable inputs.

<b>Freehold land</b>	<b>Fair value \$'000</b>	<b>Valuation approach</b>	<b>Key valuation assumptions</b>	<b>Valuation impact</b>
<b>Operational Port Land</b>				
Industrial Zoned	\$79,590	Comparison to sales of industrial land in similar locations	Weighted average land value \$40 - \$600 psm	+/- 5% (\$4.0m)
Commercial Zoned	\$8,831	Comparison to sales of commercially zoned land in similar locations	Weighted average land value \$750 - \$2,100 psm	+/- 5% (\$0.4m)

#### **Valuation Approach - Other Port Leasehold Land**

A capitalised net rental approach is used to value leasehold land, where market ground rental is capitalised with reference to sales of lessors interests, with an allowance made for differences between contract and market rents adjusted for the terms of the lease. Inputs into this valuation approach are:

- comparable recent rental settlements on a rate per square metre of land,
- perpetually renewable or terminating lease
- rental review periods
- forecast trends for interest rates and market based property yields.

Market rental is assessed using both the:

- Classic approach under which the valuer adjusts a basket of comparable rental settlements for a ground rental rate psm pa and multiplies by the land area leased, and the
- Traditional approach whereby the valuer assesses a market land value and applies a market based ground rental percentage against this value.

Value is assessed once the market rental is assessed; the overage or underage is calculated until rent review date. This is then adjusted for the value of the right to renew if it is a perpetual lease or the present value of the market value of the site deferred until the lease end.

The following table summarises the key inputs and assumptions used by the valuer to arrive at fair value and the sensitivity of the valuation to movements in unobservable inputs.

<b>Leasehold land</b>	<b>Fair value \$'000</b>	<b>Valuation approach</b>	<b>Key valuation assumptions</b>	<b>Valuation impact</b>
Other port land	\$25,231	Comparison to sales of industrial land in similar locations	Weighted average land value - \$120 - \$2,100/sqm	+/- 5% (\$1.3m)

#### **Port Land Resilience**

An adjustment of \$63m (2017: \$63m) has been made to the fair value of Operational Port Land at 30 June 2018 to recognise the resilience work that needed to be undertaken to support the land. The resilience works costs are estimated with reference to the expected costs for remediation works undertaken for part of the operational port land.

There is a high level of uncertainty attached to the level of adjustment to be recognised against the port land resilience. This uncertainty includes the appropriate level of resilience required for each area of land, the range of potential technical solutions available to provide the desired level of resilience, and the cost of each potential solution.

Planning for the works to be undertaken is underway. The adjustment to the fair value of Operational Port Land is a critical accounting estimate as the actual costs of resilience works may differ significantly from the estimate.

A 15% increase/decrease in the estimate of the cost of the works would result in a movement in the fair value of Operational Port Land of \$9.5m.

## 10 Intangible assets

<b>Group</b>	<b>Goodwill \$'000</b>	<b>Computer software \$'000</b>	<b>Total \$'000</b>
<b>Year ended 30 June 2017</b>			
Opening net book amount	2,675	368	3,043
Additions	-	437	437
Amortisation charge	-	(193)	(193)
Closing net book amount	<u>2,675</u>	<u>612</u>	<u>3,287</u>
<b>At 30 June 2017</b>			
Cost	2,675	4,038	6,713
Accumulated amortisation and impairment	-	(3,426)	(3,426)
Net book amount	<u>2,675</u>	<u>612</u>	<u>3,287</u>
	<b>Goodwill \$'000</b>	<b>Computer software \$'000</b>	<b>Total \$'000</b>
<b>Group</b>			
<b>Year ended 30 June 2018</b>			
Opening net book amount	2,675	612	3,287
Additions	-	130	130
Disposals	-	(103)	(103)
Amortisation charge	-	(261)	(261)
Closing net book amount	<u>2,675</u>	<u>378</u>	<u>3,053</u>
<b>At 30 June 2018</b>			
Cost	2,675	4,065	6,740
Accumulated amortisation and impairment	-	(3,687)	(3,687)
Net book amount	<u>2,675</u>	<u>378</u>	<u>3,053</u>

The amortisation expense is included in operating expenses in the statement of comprehensive income.

## 11 Investments in subsidiaries

PIL owns 76.9% of CentrePort group and the Group had the following subsidiaries at 30 June 2018

All group companies have a common balance date of 30 June and all significant inter-company transactions have been eliminated on consolidation.

Name	Principal activity	Place of incorporation and operation	Equity holding	
			2018	2017
CentrePac Limited	Container packing	New Zealand	- %	76.9%
Harbour Quays D3 Limited	Commercial rental property	New Zealand	- %	76.9%
Harbour Quays C1 limited	Commercial rental property	New Zealand	- %	76.9%
CentrePort Limited	Port operations	New Zealand	76.9%	76.9%
CentrePort Property Management Limited	Management Services	New Zealand	76.9%	76.9%
CentrePort Properties Limited	Investment in special purpose vehicle	New Zealand	76.9%	76.9%
Harbour Quays Property Limited	Investment in special purpose vehicle	New Zealand	76.9%	76.9%
Harbour Quays Shed 39 Limited	Commercial rental property	New Zealand	76.9%	76.9%
Wellington Port Coldstores Limited	Cold Storage	New Zealand	76.9%	38.5%

On 20 November 2017, Harbour Quays D3 Limited and Harbour Quays C1 Limited were removed from the Companies Register. In addition, on 12 January 2018 CentrePac Limited and CentrePort Limited were amalgamated.

On 31 January 2018, CentrePort Limited purchased the remaining 50% of shares of Wellington Port Coldstores Limited from Hamstead Enterprises Limited.



## 12 Aggregated Joint Venture Information

Harbour Quays A1 Limited, Harbour Quays D4 Limited and Harbour Quays F1F2 Limited (the SPVs) are accounted for as joint ventures of the Group although the SPVs are wholly owned by CentrePort Properties Limited, a subsidiary of the Parent. The SPVs have issued mandatory convertible notes to the Accident Compensation Corporation (ACC). These notes provide the ACC with joint control over the SPVs.

### Summarised financial information for joint ventures

	Port Associates		Property Associates		Total	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Cash and cash equivalents	18	1,587	35,015	7,454	35,033	9,041
Insurance receivable	-	10,419	90,595	93,220	90,595	103,639
Other current assets (excluding cash)	156	269	440	8	596	277
<b>Total current assets</b>	<b>174</b>	<b>12,275</b>	<b>126,050</b>	<b>100,682</b>	<b>126,224</b>	<b>112,957</b>
Other current liabilities (including trade payables)	(126)	(429)	(3,079)	(1,821)	(3,205)	(2,250)
<b>Total current liabilities</b>	<b>(126)</b>	<b>(429)</b>	<b>(3,079)</b>	<b>(1,821)</b>	<b>(3,205)</b>	<b>(2,250)</b>
Non-current assets	77	14	36,608	38,572	36,685	38,586
<b>Total non-current assets</b>	<b>77</b>	<b>14</b>	<b>36,608</b>	<b>38,572</b>	<b>36,685</b>	<b>38,586</b>
Financial liabilities	-	-	(84,872)	(83,965)	(84,872)	(83,965)
Other liabilities	(370)	-	-	-	(370)	-
<b>Total non-current liabilities</b>	<b>(370)</b>	<b>-</b>	<b>(84,872)</b>	<b>(83,965)</b>	<b>(85,242)</b>	<b>(83,965)</b>
<b>Net assets</b>	<b>(245)</b>	<b>11,860</b>	<b>74,707</b>	<b>53,468</b>	<b>74,462</b>	<b>65,328</b>
<b>Share of Net Assets</b>	<b>(123)</b>	<b>5,929</b>	<b>74,707</b>	<b>53,468</b>	<b>74,584</b>	<b>59,397</b>

**Summarised statements of comprehensive income**

	Port Associates		Property Associates		Total	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Revenue	1,326	2,236	2,280	5,631	3,606	7,867
Operating expenses	(1,664)	(3,259)	(3,868)	(4,161)	(5,532)	(7,420)
Net finance cost	-	(62)	(5,430)	(5,275)	(5,430)	(5,337)
	<u>(338)</u>	<u>(1,085)</u>	<u>(7,018)</u>	<u>(3,805)</u>	<u>(7,356)</u>	<u>(4,890)</u>
	-	-	-	-	-	-
<b>Earthquake Related Items</b>						
Costs and impairments	-	(6,917)	(8,749)	(130,766)	(8,749)	(137,683)
Insurance income	2,857	15,599	38,073	103,530	40,930	119,129
<b>Profit or loss from continuing operations</b>	<u>2,519</u>	<u>7,597</u>	<u>22,306</u>	<u>(31,041)</u>	<u>24,825</u>	<u>(23,444)</u>
Income tax (expense)/ benefit	-	-	(2,068)	265	(2,068)	265
<b>Post-tax profit from continuing operations</b>	<u>2,519</u>	<u>7,597</u>	<u>20,238</u>	<u>(30,776)</u>	<u>22,757</u>	<u>(23,179)</u>
Fair value adjustments	-	-	1,500	8,364	1,500	8,364
<b>Total comprehensive income</b>	<u>2,519</u>	<u>7,597</u>	<u>21,738</u>	<u>(22,412)</u>	<u>24,257</u>	<u>(14,815)</u>
<b>Share of comprehensive income</b>	1,260	3,798	21,738	(22,412)	22,998	(18,614)
<b>Dividends received from joint venture or associate</b>	-	-	500	1,200	500	1,200

**Reconciliation of summarised financial information**

Reconciliation of the summarised financial information presented to the carrying amount of its interest in the joint venture

	Port Associates		Property Associates		Total	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Opening net assets 30 June	11,858	4,261	53,468	77,080	65,326	81,341
Profit/(loss) for the year	2,519	7,597	21,738	(22,412)	24,257	(14,815)
WPC	(14,622)	-	-	-	(14,622)	-
Dividend	-	-	(500)	(1,200)	(500)	(1,200)
<b>Closing net assets</b>	<u>(245)</u>	<u>11,858</u>	<u>74,706</u>	<u>53,468</u>	<u>74,461</u>	<u>65,326</u>
Interest in joint venture	(123)	5,929	74,706	53,468	74,583	59,397
<b>Carrying value</b>	<u>(123)</u>	<u>5,929</u>	<u>74,706</u>	<u>53,468</u>	<u>74,583</u>	<u>59,397</u>

Details of the Group's material joint ventures at the end of the reporting period are as follows:

Name of entity	Principal activities	Proportion of ownership interest	
		2018	2017
Harbour Quays A1 Limited		100%	100%
Harbour Quays D4 Limited		100%	100%
Harbour Quays F1F2 Limited		100%	100%
Wellington Port Coldstore Limited		100%	50%
Direct Connect Container Services Limited		50%	50%

The remaining 50% shareholding of Wellington Port Coldstore Limited was acquired during the year and from acquisition date is accounted for as a subsidiary.

	Group		Parent	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Carrying amount at beginning of year	59,397	79,211	-	-
Share of profit / (loss) of joint ventures	22,999	(18,614)	-	-
Dividends from joint ventures	(500)	(1,200)	-	-
Consolidation of net assets of Wellington Port Coldstores Limited on acquisition	(7,311)	-	-	-
<b>Total current assets</b>	<b>74,585</b>	<b>59,397</b>	<b>-</b>	<b>-</b>
<b>Represented by:</b>				
Harbour Quays A1 Limited	18,157	16,085	-	-
Harbour Quays D4 Limited	13,599	13,071	-	-
Harbour Quays F1F2 Limited	42,952	24,312	-	-
Other Joint Venture Companies	(123)	5,929	-	-
	<b>74,585</b>	<b>59,397</b>	<b>-</b>	<b>-</b>

### Earthquake damage

The investment properties owned by the SPV companies and the Wellington Port Coldstore were significantly damaged in the November 2016 earthquake. CentrePort's equity accounted earnings from these entities have been affected by the estimated cost of earthquake related costs and insurance proceeds accounted for in these entities.

CentrePort Properties Limited is managing the insurance process for the SPV group. Work has commenced on the insurance claim process.

A summary of the SPV earthquake treatment follows. These include a number of critical accounting estimates and judgements.

#### Harbour Quays A1 Limited

The Statistics New Zealand building sustained significant damage as a result of the Kaikoura earthquake. Damage assessments concluded that the building is destroyed and is uneconomic to repair or restore the damage. This building was demolished during the year ended 30 June 2018 and turned into a carpark. The property has an insured indemnity value of \$36.45m plus demolition costs and has been accounted for on the basis that the insurance claim for the total loss of the building will be accepted. The Company has a Business Interruption loss of rents policy which covers a 36 month indemnity period.

#### **Harbour Quays D4 Limited**

The CustomHouse property was damaged in the earthquake and damage assessments have concluded that both structural and non structural damage was caused however it was relatively minor compared to the damage sustained by other buildings. The building has an insured value of \$38.5m and a Business Interruption loss of rents policy which covers a 36 month indemnity period. The building has been repaired and reoccupied since December 2017 with \$3m material damage income recorded.

#### **Harbour Quays F1F2 Limited**

BNZ House sustained significant damage in the earthquake and damage assessment reports conclude that the building is destroyed and is uneconomic to repair or restore. The building has an insured indemnity value of \$84.8m and Business Interruption Loss of Rents which covers a 36 month indemnity period expiring November 2019. The financial statements for HQ F1F2 Limited have been prepared on the basis that the insurance claim for the earthquake damage to the building will be accepted for the full loss to the building (being the indemnity value of \$84.8m). This is a change from the prior year where the expected proceeds from the insurance claim were based on the estimated cost to repair the building.

The property impairment and the estimated amounts receivable for insurance are critical accounting judgements. As the property has been fully written off and a minimum estimate of the insurance receivable has been recognised there is the potential for adjustments to be made in future years that may be material.

#### **Wellington Port Coldstore Limited**

Wellington Port Coldstores Ltd (WPCL) formerly owned and operated a cold storage business located at CentrePort. The coldstore building sustained significant damage as a result of the Kaikoura earthquake and the building was written-off in 2017. In January 2018 the insurance claim for damage to the building was settled and WPCL received \$15.7m of insurance proceeds, which was in addition to the \$4m previously received.

#### **Joint Venture Company Mandatory Convertible Note (MCN) Conversion Derivative**

MCNs have been issued by the SPVs to the ACC. The MCNs are convertible to equity in March 2024 (or September 2026 at CentrePort Properties Limited's discretion).

On conversion, the SPV will issue to the MCN holder shares to the value of the index adjusted principal amount (IAPA) of the notes or 50% of the value of the securities on issue at that date, whichever is higher.

A conversion derivative liability is recognised on the balance sheets of the SPVs when the IAPA is expected to be less than 50% of the security values at the conversion date. The liability reflects the variance between the present value of (i) the forecast growth in the index adjusted present amount of the MCN value, and (ii) 50% of the estimated values of the securities at the conversion date.

The MCN derivatives are financial instruments with risk attaching to CPPL's investment in the SPVs. The conversion derivatives have a \$nil liability on the balance sheets of the SPVs at 30 June 2018 (2017: \$nil).

#### **Acquisition of Wellington Port Coldstores Ltd**

CentrePort initially acquired a 50% shareholding in WPCL from Hamstead Enterprises Ltd in July 2008 and recognised the investment as an associate.

On 31 January 2018 CentrePort acquired the remaining 50% shareholding in WPCL for cash of \$7.8m.

The fair value of CentrePort's existing 50% shareholding at the date of the transaction was assessed at \$7.3m. This gives rise to a fair value loss of \$0.5m for CentrePort's existing shareholding in WPCL in the Statement of Comprehensive Income in 2018.

## 13 Investment Properties

### Investment Property

Investment Property, which is property held to earn rentals and/or for capital appreciation, is measured at its fair value determined by an independent valuer at the reporting date. Gains or losses arising from changes in fair value of investment property are recognised in profit or loss in the period in which they arise.

The Group has the following classes of Investment Property:

- Developed Investment Property
- Land Available for Development
- Lessors Interests

	Group		Parent	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Developed Investment Properties	4,500	4,750	-	-
Land Available for Development	13,516	12,022	-	-
Lessors interest	164	-	-	-
	<u>18,180</u>	<u>16,772</u>	<u>-</u>	<u>-</u>

	Group		Parent	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<b>Developed Investment Properties</b>				
Developed Investment Property as at 1 July	4,750	26,336	-	-
Transfer to Port Land	-	(15,676)	-	-
Additions	201	519	-	-
Impairment relating to earthquake damage	(600)	(6,429)	-	-
Increase / (decrease) in fair value	149	-	-	-
	<u>4,500</u>	<u>4,750</u>	<u>-</u>	<u>-</u>
<b>Land available for development</b>				
Land Available for Development as at 1 July	12,023	21,596	-	-
Transfer to Port Land	-	(5,942)	-	-
Additions	2,506	2,700	-	-
Impairments and Fair Value Change (earthquake)	-	(6,332)	-	-
Increase / (decrease) in fair value	(1,013)	-	-	-
	<u>13,516</u>	<u>12,022</u>	<u>-</u>	<u>-</u>
<b>Lessors Interests</b>				
Transfers from Property, Plant, and Equipment	127	-	-	-
Fair value change	37	-	-	-
	<u>164</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>18,180</u>	<u>16,772</u>	<u>-</u>	<u>-</u>

### Valuation

Developed investment property consists of Shed 39, a commercial property (both building and a leasehold interest in the land upon which the building sits) leased to a third party.

The developed investment property was valued on 30 June 2018 by independent registered valuers of the firm Bayleys. The property is valued in accordance with New Zealand Property Institute Practice Standard 3 Valuations for Financial Reporting Purposes at fair value arrived at using comparable market rental information. The value determined by Bayleys was \$8.1 million, after allowing for impairment, based on the expected costs to repair the building, the fair value of the investment property is \$4.5 million (2017: \$4.75 million) based on the assumptions set out below.

The valuation assumes that the building is structurally sound (at least 90% NBS) and no allowance has been made for any structural, seismic or refurbishment works to be incurred in relation to remedying the building following the earthquake.

The property sustained significant damage to the building as a result of the Kaikoura earthquake. It is expected that repairs will commence over the next financial year.

The determination of fair value includes allowance for land and infrastructure works yet to be completed, consistent with the Harbour Quays Development plan approved by the CentrePort Board. This includes above and below ground services and some seawall strengthening.

The valuations use existing and forecast cash flows based on existing lease terms and expected future occupancy. The capitalisation rate of 9.25% (2017: 8.75%) and a discount rate of 9% has been used.

The building and accommodation is reinstated to a level akin to that provided prior to the November 2016 earthquake. The current tenant is occupying the entire property and paying full rent per the rent agreement.

The tenant has temporarily vacated part of the building but will reoccupy once all structural repairs and resulting damage has been rectified.

The Land Available for Development and Lessors Interests were valued on 30 June 2018 by independent registered valuers of the firm Bayleys. The property is valued in accordance with New Zealand Property Institute Practice Standard 3 Valuations for Financial Reporting Purposes at fair value arrived at using comparable market rental information. After allowing for impairment, based on the expected cost to reinstate the land, the fair value of the investment property valued was \$13.515 million (2017: \$12.022 million).

The fair value of Freehold Investment Property is based on the highest and best use for commercial property.

The fair value of Investment Property is determined with reference to a fair value hierarchy of inputs as described in note 21. This hierarchy reflects the significance of the inputs used in making the measurements.

All inputs into the determination of fair value of Investment Property sit within level 3 of this hierarchy.

#### **Freehold Investment Property**

Each freehold investment property is valued on an income capitalisation and discounted cash flow basis using the direct sales comparison approach and market derived parameters for rental and yields. In carrying out this comparison, consideration is given to sales of similar property within the wider Wellington region.

#### **Leasehold Investment Property**

A capitalised net rental approach is used to value leasehold land, where market ground rental is capitalised with reference to sales of lessors interests, with an allowance made for differences between contract and market rents adjusted for the terms of the lease. Inputs into this valuation approach are:

- comparable recent rental settlements on a rate per square metre of land
- perpetually renewable or terminating lease
- rental review periods
- forecast trends for interest rates and market based property yields

Market rental is assessed using both the:

- Classic Approach under which the valuer adjusts a basket of comparable rental settlements for a ground rental rate psm pa and multiplies by the land area leased, and the
- Traditional Approach whereby the valuer assesses a market land value and applies a market based ground rental percentage against this value.

The table below summarises the valuation approach used by the valuers before allowances for infrastructure service costs to arrive at fair value and the sensitivity of the valuation to the movements in unobservable inputs.

	<b>Fair Value \$'000</b>	<b>Valuation Approach</b>	<b>Key Valuation Assumptions</b>	<b>Valuation Impact</b>
Improved Properties	\$8,100	Capitalised rental checked to freehold land value	Market capitalisation rate of 8.75%	+ / - 0.25% +\$0.2m / - \$0.2m
Development Sites Commercial	\$23,409	Direct sales comparison	Weighted average land value \$600 to \$1,950 psm (excl. common area) less allowance for infrastructure costs and demolition costs	+/- 5% (\$1.1m)

## 14 Deferred tax

	Group 2018 \$'000	2017 \$'000	Parent 2018 \$'000	2017 \$'000
The balance comprises temporary differences attributable to:				
Tax losses	3,082	10,268	-	-
Temporary differences	<u>(23,653)</u>	<u>(24,323)</u>	-	-
Balance at 30 June	<u>(20,571)</u>	<u>(14,055)</u>	-	-

	Group 2018 \$'000	2017 \$'000	Parent 2018 \$'000	2017 \$'000
Unrecognised deferred tax balances				
Tax losses	-	-	(2,789)	(2,831)
Temporary differences	-	-	<u>(3)</u>	<u>(3)</u>
	-	-	<u>(2,792)</u>	<u>(2,834)</u>

### Movements - Group

	Investment properties \$'000	Property, plant and equipment \$'000	Trade and other payables \$'000	Other financial liabilities \$'000	Tax losses \$'000	Insurance recoverable \$'000	Total \$'000
At 1 July 2016	(978)	(5,346)	1,016	5,350	2,519	-	2,561
Charged to income	1,229	11,063	2,143	(2,892)	7,749	(35,908)	(16,616)
At 30 June 2017	<u>251</u>	<u>5,717</u>	<u>3,159</u>	<u>2,458</u>	<u>10,268</u>	<u>(35,908)</u>	<u>(14,055)</u>

### Movements - Group

	Investment properties \$'000	Property, plant and equipment \$'000	Trade and other payables \$'000	Other financial liabilities \$'000	Tax losses \$'000	Insurance recoverable \$'000	Total \$'000
At 1 July 2017	251	5,717	3,159	2,458	10,268	(35,908)	(14,055)
Charged to income	134	160	(768)	(2,458)	(7,186)	3,602	(6,516)
At 30 June 2018	<u>385</u>	<u>5,877</u>	<u>2,391</u>	<u>-</u>	<u>3,082</u>	<u>(32,306)</u>	<u>(20,571)</u>

## 15 Current liabilities - Trade and other payables

	Group 2018 \$'000	2017 \$'000	Parent 2018 \$'000	2017 \$'000
Trade payables	10,141	5,864	-	-
Accrued expenses	<u>84</u>	<u>68</u>	<u>84</u>	<u>68</u>
	<u>10,225</u>	<u>5,932</u>	<u>84</u>	<u>68</u>



## 16 Borrowings

	Group		Parent	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<b>Current</b>				
Bank overdrafts	4,037	-	-	-
Bank borrowings	<u>18,003</u>	<u>146</u>	<u>-</u>	<u>-</u>
Total secured current interest bearing borrowings	<u>22,040</u>	<u>146</u>	<u>-</u>	<u>-</u>
Total current interest bearing liabilities	<u>22,040</u>	<u>146</u>	<u>-</u>	<u>-</u>
<b>Non-current</b>				
Bank overdrafts	-	36,000	-	-
WRC Holdings loan	<u>44,000</u>	<u>44,000</u>	<u>44,000</u>	<u>44,000</u>
Total secured non-current interest bearing borrowings	<u>44,000</u>	<u>80,000</u>	<u>44,000</u>	<u>44,000</u>

On 18 December 2014 CentrePort entered into new revolving cash advance agreements with ANZ Bank New Zealand Limited, Commonwealth Bank Of Australia Limited and Westpac Banking Corporation Limited. The bank facilities total \$125m with renewal dates ranging from 1 to 4 years. Included in the bank facilities is an evergreen facility of \$25m subject to a 13 month cancellation notice.

The average effective interest rate on the bank facilities and interest rate swaps was 7.25% (2017: 7.06%).

The majority shareholder, Greater Wellington Regional Council has guaranteed the Group borrowings up to the full limit of the facility. CentrePort pays a guarantee fee to Greater Wellington Regional Council (refer to note 23 Related Party Transactions).

Port Investments Limited has an unsecured advance facility of \$44 million (2017: \$44 million) with its parent WRC Holdings Limited. On 29 September 2017, the Board of Directors of WRC Holdings extended the term loan to PIL to be repaid on 28 October 2038.

Refer to note 21 Financial Risk Management for additional information about the Group's exposure and sensitivity to interest rate risk.

**17 Provision for employee entitlements**

	<b>Group</b>		<b>Parent</b>	
	<b>2018</b>	2017	<b>2018</b>	2017
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
<b>Current</b>				
Employee benefits	<u>3,523</u>	<u>3,153</u>	<u>-</u>	<u>-</u>
	<b>3,523</b>	<b>3,153</b>	<b>-</b>	<b>-</b>
<b>Non-current</b>				
Employee benefits	<u>645</u>	<u>752</u>	<u>-</u>	<u>-</u>
<b>Total provisions</b>	<u><b>4,168</b></u>	<u><b>3,905</b></u>	<u><b>-</b></u>	<u><b>-</b></u>

The provision for employee entitlements relates to employee benefits, accrued annual leave, sick leave and long service leave. The provision is affected by a number of estimates, including the expected length of service of employees and the timing of benefits taken.

The rate used for discounting the provision for future payments is 2.9% (2017: 2.9%).

**18 Dividends payable**

	<b>Group</b>		<b>Parent</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>(a) Ordinary shares</b>				
Dividend payable to WRC Holdings Limited	-	-	-	-
Total dividends declared	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**19 Equity**

**Non-Controlling interest**

	<b>Group</b>		<b>Parent</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Opening non-controlling interest	45,771	46,458	-	-
Non-controlling share of operating surplus / (deficit)	8,800	11,947	-	-
Non-controlling share of movements in revaluation reserve	-	(12,472)	-	-
Non-controlling share of dividends paid or payable	(461)	(162)	-	-
Total non-controlling interest	<u>54,110</u>	<u>45,771</u>	<u>-</u>	<u>-</u>

The non-controlling interest represents the Manawatu Regional Council's 23.1% share of CentrePort Limited.

**Share capital**

Ordinary Shares

10,000,100 \$1 shares, uncalled

## 20 Reconciliation of surplus for the year with cash flows from operating activities

	Group 2018 \$'000	2017 \$'000	Parent 2018 \$'000	2017 \$'000
Profit for the year	36,972	50,918	456	(573)
<b>Add / (less) non-cash items:</b>				
Depreciation	5,260	4,954	-	-
Amortisation	214	193	-	-
Earthquake related costs	2,596	63,968	-	-
Decrease / (increase) in financial instruments - assets	(8,778)	(10,330)	-	-
Write down / (up) of investments properties	826	-	-	-
Equity accounted earnings less dividends received from Investments	(22,499)	19,814	-	-
Deferred tax liability	40	22,243	-	-
Gain / (loss) on disposal of fixed asset	32	-	-	-
<b>Add / (less) movements in working capital:</b>				
Accounts receivable	(2,130)	8,599	-	-
Accounts payable	4,293	(776)	15	3
Insurance receivable	3,416	(62,685)	-	-
Inventory	73	(297)	-	-
Borrowings	(146)	(730)	-	-
Taxation - refund	601	-	-	-
Taxation - provision	6,476	(5,604)	-	-
Current account Wellington Regional Council	-	-	-	-
Employee entitlements	263	(141)	-	-
working capital recognised on WPC acquisition	(1,900)	-	-	-
<b>Add / (less) items classified as investing and financing activities:</b>				
Accounts payable related to property, plant and equipment	(537)	(1,698)	-	-
Accounts receivable related to property, plant and equipment	-	(7,100)	-	-
Account payable relate to earthquake capital expenditure	(841)	-	-	-
Insurance progress payment schedule	(16,895)	(75,066)	-	-
Other	110	-	-	-
<b>Net cash inflow from operating activities</b>	<b>7,446</b>	<b>6,262</b>	<b>471</b>	<b>(570)</b>

## 21 Financial risk management

Nature of activities and management policies with respect to financial instruments:

### Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, and the basis of measurement applied in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the Financial Statements.

### Financial risk management objectives

Treasury activities are reported to Board and Audit & Risk Committee.

### Fair value assumptions

The Group considers that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximate their fair values. The fair value of derivative instruments is determined using a hierarchical basis that reflects the significance of the inputs used in making the measurements.

### Inter-group advances

Port Investments Limited has an unsecured advance facility of \$44,000,000 with its parent WRC Holdings Limited. The facility matures on 28 October 2038. The interest rate on the facility as at 30 June 2018 was 2.0250% p.a. (2017: 2.00%). CentrePort holds balances with its group entities. These inter-group advances are non-interest bearing, repayable on demand and are carried at amortised cost. It is considered impractical to determine the fair value of these advances due to the difficulty of doing so without an actively traded market.

### Capital risk management

CentrePort manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 16, cash reserves and retained earnings.

### Externally imposed capital requirements

CentrePort has borrowing covenant requirements for gearing and interest cover ratios. Performance against covenants is reported quarterly to the Audit and Risk Committee. These covenants have been complied with during the period.

#### (a) Market risk

##### *Currency risk*

The Group enters into forward exchange contracts to hedge the Group's foreign currency risk on major asset purchases.

##### *Interest rate risk*

The Group is exposed to interest rate risk as the Group borrows funds at both fixed and floating interest rates. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite as provided for in the Treasury Policy.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of note 21.

##### *Interest rate sensitivity*

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 1.0% (2017: 1.0%) increase or decrease represents management's assessment of the possible change in interest rates.

At reporting date, if interest rates had been 100 basis points higher or lower and all other variables were held constant, the Group's net profit would increase/decrease by \$0.94 million (2017: increase/decrease by \$1.24 million).

During the year, the company terminated its interest rate swap portfolio. At year end the company holds no interest rate swaps.

**Port Investments Limited**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2018**  
(continued)

	2018 \$'000	2017 \$'000
Fair Value of Interest Rate Swaps	-	8,778
	<u>-</u>	<u>8,778</u>

**Financial liabilities**

Current Liabilities	-	-
Non-Current Liabilities	<u>-</u>	<u>8,778</u>

**Interest rate swap contracts**

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held and the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps are based on market values of equivalent instruments at the reporting date and are disclosed below. The average interest rate is based on the outstanding balances.

At balance date the Group has not entered in any swap agreements (2017: \$50 million paying swaps and \$15 million receiving swaps with interest rates ranging from 1.98% to 5.96%).

	2018 %	2017 %	2018 Group and Parent Notional \$'000	2017 Group and Parent Notional \$'000
<b>Interest rate swap agreements - Paying /(Receiving) swaps</b>				
Less than one year			-	-
Two to Five Years	1.98% - 1.99%		-	(15,000)
Greater than five years	5.36% - 5.96%		<u>-</u>	<u>50,000</u>
<b>Total financial liabilities</b>			<u>-</u>	<u>35,000</u>

### Maturity profile of financial instruments

The following table details the Group's exposure to interest rate risk at 30 June 2018 and 30 June 2017:

	Weighted average interest rate	Variable interest rate*	Maturity profile of financial instruments						Non-inter est bearing	Total
			Within one year \$'000	1-2 years \$'000	2-3 years \$'000	3-4 years \$'000	4-5 years \$'000	5+ years \$'000		
<b>Group 2018</b>										
<b>Financial liabilities:</b>										
Trade and other payables			10,761	-	-	-	-	-	-	10,761
Payables to employees			3,523	645	-	-	-	-	-	4,168
Debt - Parent	1.99	2.03	-	-	-	-	-	44,000	-	44,000
Debt - CentrePort*	2.54	1.94	22,040	-	-	-	-	-	-	22,040
<b>Total</b>			<u>36,324</u>	<u>645</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,000</u>	<u>-</u>	<u>80,969</u>
<b>Group 2017</b>										
<b>Financial liabilities:</b>										
Trade and other payables			6,346	-	-	-	-	-	-	6,346
Payables to employees			3,153	752	-	-	-	-	-	3,905
Debt - Parent	2.11	2.00	-	44,000	-	-	-	-	-	44,000
Debt - CentrePort*	5.34	1.95	36,146	-	-	-	-	-	-	36,146
<b>Total</b>			<u>45,645</u>	<u>44,752</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>90,397</u>
<b>Parent 2018</b>										
<b>Financial liabilities:</b>										
Trade and other payables			623	-	-	-	-	-	-	623
Borrowings - WRC H	1.99	2.03	-	-	-	-	-	44,000	-	44,000
<b>Total</b>			<u>623</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,000</u>	<u>-</u>	<u>44,623</u>
<b>Parent 2017</b>										
<b>Financial liabilities:</b>										
Trade and other payables			484	-	-	-	-	-	-	484
Borrowings - WRC H	2.11	2.00	-	44,000	-	-	-	-	-	44,000
<b>Total</b>			<u>484</u>	<u>44,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,484</u>

\* Excluding bank margin

\*\* The entire value of the Group's borrowings is subject to interest rate risk within 1 year due to all facilities held having floating interest rates.

**(b) Credit risk management**

Credit risk is the risk that the counter party to a transaction with the Group will fail to discharge its obligations, causing the Group to incur a financial loss. The Group is exposed to credit risk through the normal trade credit cycle and advances to third parties. The Group performs credit evaluations on all customers requiring credit and generally does not require collateral. Maximum exposures to credit risk as at balance date are the carrying value of financial assets in the statement of financial position.

Trade and other receivables include amounts that are unimpaired but considered past due as at balance date.

	<b>Group</b>		<b>Parent</b>	
	<b>2018</b>	2017	<b>2018</b>	2017
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
30-60 days	1,226	719	-	-
60-90 days	89	160	-	-
90-120 days	52	415	-	-
121days +	44	254	-	-
Total	<u>1,411</u>	<u>1,548</u>	<u>-</u>	<u>-</u>

**Insurance receivables credit risk**

A total of \$59 million is recognised by the Group as a receivable in relation to insurance proceeds at balance date due from various insurance institutions. The SPVs recognised insurance receivable of \$91 million at balance date. The credit ratings of the largest insurance credit exposure as published by Standard & Poors is rated A+ and above as at the date of these financial statements.

**Concentrations of credit risk**

The Group does not have any significant credit risk exposure other than insurance receivable to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by International credit-rating agencies.

**Currency risk**

The Group enters into forward exchange contracts to hedge the Group's foreign currency risk on major asset purchases.

As at 30 June 2018, The Group had not entered into any forward contracts (2017: nil).

**(c) Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in raising funds at short notice to meet its financial commitments as they fall due. To reduce the exposure to liquidity risk the Group has a bank overdraft facility of \$2m through a set off arrangement, (2017: \$2m) and banking facilities of \$125m at balance date (2017: \$150m). (refer to note 16 Borrowings). Of these \$22m (2017: \$36m) had been drawn down by the Group at balance date. The bank overdraft of \$4m at 30 June 2018 is offset by \$2.3m of cash in hand (note 7).



**Liquidity profile of financial instruments**

The following tables detail the group liquidity profile based on undiscounted cash outflows at 30 June 2018 and 30 June 2017, assuming future interest cost on borrowings at nil (2017: 7.05%) of the average debt for each period.

<b>Group - 30 June 2018</b>	Less than one year \$'000	1-2 Years \$'000	2-3 Years \$'000	3-4 Years \$'000	4-5 Years \$'000	5+ Years \$'000	Total \$'000
<b>Financial liabilities</b>							
Trade and other payables	10,761	-	-	-	-	-	10,761
Payables to employees	3,523	645	-	-	-	-	4,168
Borrowings	22,040	-	-	-	-	44,000	66,040
<b>Total</b>	<b>36,324</b>	<b>645</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>44,000</b>	<b>80,969</b>
<b>Group - 30 June 2017</b>							
<b>Financial liabilities</b>							
Trade and other payables	6,346	-	-	-	-	-	6,346
Payables to employees	3,153	752	-	-	-	-	3,905
Other financial liabilities	1,887	1,895	5,642	-	-	13,704	23,128
Borrowings	6,782	70,125	14,118	-	-	12,846	103,871
<b>Total</b>	<b>18,168</b>	<b>72,772</b>	<b>19,760</b>	<b>-</b>	<b>-</b>	<b>26,550</b>	<b>137,250</b>
<b>Parent - 30 June 2018</b>							
<b>Financial liabilities</b>							
Trade and other payables	623	-	-	-	-	-	623
Borrowings	-	-	-	-	-	44,000	44,000
<b>Total</b>	<b>623</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>44,000</b>	<b>44,623</b>
<b>Parent - 30 June 2017</b>							
<b>Financial liabilities</b>							
Trade and other payables	484	-	-	-	-	-	484
Borrowings	880	44,220	-	-	-	-	45,100
<b>Total</b>	<b>1,364</b>	<b>44,220</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45,584</b>

**Port Investments Limited**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2018**  
(continued)

**(d) Financial instruments by category**

<b>Financial assets as per balance sheet</b>	<b>Loans and receivables \$'000</b>	<b>Total \$'000</b>
<b>Group</b>		
<b>At 30 June 2018</b>		
Cash and cash equivalents	2,309	2,309
Trade and other receivables	68,336	68,336
Other financial assets	<u>3,281</u>	<u>3,281</u>
	<u>73,926</u>	<u>73,926</u>
	<b>Loans and receivables \$'000</b>	<b>Total \$'000</b>
<b>At 30 June 2017</b>		
Cash and cash equivalents	216	216
Trade and other receivables	69,623	69,623
Other financial assets	<u>2,686</u>	<u>2,686</u>
	<u>72,525</u>	<u>72,525</u>
<b>Financial assets as per balance sheet</b>	<b>Loans and receivables \$'000</b>	<b>Total \$'000</b>
<b>Parent</b>		
<b>At 30 June 2018</b>		
Cash and cash equivalents	1	1
Other financial assets	<u>3,281</u>	<u>3,281</u>
	<u>3,282</u>	<u>3,282</u>
	<b>Loans and receivables \$'000</b>	<b>Total \$'000</b>
<b>At 30 June 2017</b>		
Cash and cash equivalents	1	1
Other financial assets	<u>2,686</u>	<u>2,686</u>
	<u>2,687</u>	<u>2,687</u>

**Port Investments Limited**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2018**  
(continued)

<b>Financial liabilities as per balance sheet</b>	<b>Derivatives classified as held for trading \$'000</b>	<b>Financial liabilities at amortised cost \$'000</b>	<b>Total \$'000</b>
<b>Group</b>			
<b>At 30 June 2018</b>			
Trade and other payables	-	10,761	10,761
Borrowings	-	66,040	66,040
Other financial liabilities	-	4,168	4,168
	<u>-</u>	<u>80,969</u>	<u>80,969</u>
<b>At 30 June 2017</b>			
Trade and other payables	-	6,346	6,346
Borrowings	-	80,146	80,146
Other financial liabilities	8,778	3,905	12,683
	<u>8,778</u>	<u>90,397</u>	<u>99,175</u>
<b>Parent</b>			
<b>At 30 June 2018</b>			
Trade and other payables	-	623	623
Borrowings	-	44,000	44,000
Other financial liabilities	-	-	-
	<u>-</u>	<u>44,623</u>	<u>44,623</u>
<b>At 30 June 2017</b>			
Trade and other payables	-	484	484
Borrowings	-	44,000	44,000
Other financial liabilities	-	-	-
	<u>-</u>	<u>44,484</u>	<u>44,484</u>

## 22 Commitments

### Capital Commitments

The parent company, Port Investments Limited had no capital commitments at 30 June 2018 (2017: None).

At balance date CentrePort had commitments for expenditure of \$5.1m for the Group (2017: \$1.9m). This relates to Kings Wharf Partial demolition, E-Sites Remediation, Demolition of Thorndon Container Wharf, Shed 51 Cruise Terminal, Seaview Wharf and Straddle House Floor.

### Leases

Group entities lease certain land and plant. Leases are finance leases wherever the terms of the lease transfer substantially all the risk and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### Group as Lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

#### Group as Lessor

Operating leases relate to subleases of properties (excluding land) leased with lease terms between 1 and 12 years, with an option to extend for a further period between 1 to 6 years. All operating lease contracts (excluding land) contain market review clauses. An operating lease relating to land has a term of 125 years. The lessee does not have an option to purchase the property or land at expiry of the lease period.

#### Lease Incentives

In the event that lease incentives are provided to lessees to enter into operating leases, such incentives are recognised a reduction of rental income on a straight-line basis.

#### Operating Leases

All operating lease contracts contain market review clauses in the event that the CentrePort exercises its option to renew. CentrePort Limited does not have an option to purchase the leased asset at the expiry of the lease period.

Operating lease receipts relate to commercial property rental in accordance with a rental agreement.

#### Disclosure for lessees

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	<b>Group</b>		<b>Parent</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Non-cancellable operating lease payments</b>				
Not longer than 1 Year	311	484	-	-
Longer than 1 year and not longer than 5 years	904	966	-	-
Longer than 5 years	317	751	-	-
	<u>1,532</u>	<u>2,201</u>	<u>-</u>	<u>-</u>

#### Disclosure for lessors

Future minimum lease payments under non-cancellable operating lease are as follows:

	<b>Group</b>		<b>Parent</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Non-cancellable operating lease receipts</b>				
Not later than 1 year	7,717	8,348	-	-
Later than 1 year and no later than 5 years	23,876	25,688	-	-
Later than 5 years	18,741	26,626	-	-
	<u>50,334</u>	<u>60,662</u>	<u>-</u>	<u>-</u>

## 23 Related party transactions

Port Investments Limited is 100% owned by WRC Holdings Limited which is in turn 100% owned by Wellington Regional Council. During the year transactions between the Port Investment Group and related parties included:

Port Investments Limited owns 76.9% of CentrePort Limited with the balance of 23.1% owned by MWRC Holdings Limited, a subsidiary of Manawatu Wanganui Regional Council (trading as Horizons Regional Council).

The Group has a tax loss share arrangement with the Wellington Regional Council and Subsidiaries that allows the Group to purchase tax losses.

Port Investments Limited did not provide any tax losses to any entities in the Greater Wellington Group for the year ended 30 June 2018. (2017: nil).

On 20 November 2017, Harbour Quays D3 Limited and Harbour Quays C1 Limited were removed from the Companies Register. In addition, on 12 January 2018 CentrePac Limited and CentrePort Limited were amalgamated.

On 31 January 2018, CentrePort Limited purchased the remaining 50% of shares of Wellington Port Coldstores Limited from Hamstead Enterprises Limited.

During the year transactions between the Group and related parties included:

	<b>Group</b>		<b>Parent</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Wellington Regional Council</b>				
Interest income on intercompany current accounts	43	89	43	89
Payment for management fees	(79)	(75)	(79)	(75)
Income received from rent and services	703	761	-	-
Payment for use of navigational facilities, debt guarantee fee CentrePort	(1,069)	(1,189)	-	-
Current account - Wellington Regional Council	3,281	2,686	3,281	2,686
<b>WRC Holdings</b>				
Dividend paid or proposed	-	-	-	-
Interest expense on Port Investments Limited advance	996	1,088	996	1,088
Advance WRC Holdings	44,000	44,000	44,000	44,000
Income received from rent and services performed.	-	-	-	-
Payment for goods and services	-	-	-	-
<b>Direct Connect Container Service Limited</b>				
Income received from rent and services performed	209	256	-	-
Payment for services performed	(138)	(46)	-	-
<b>Wellington Port Coldstore Limited</b>				
Income received from rent and services performed.	103	204	-	-
<b>CentrePort Limited</b>				
Dividend paid or proposed	-	-	1,538	538
<b>Harbour Quays A1 Limited</b>				
Amounts received for tax losses transferred	133	-	-	-
<b>Harbour Quays D4 Limited</b>				
Amounts received for tax losses transferred	168	-	-	-
<b>Harbour Quays F1F2 Limited</b>				
Amounts received for tax losses transferred	455	-	-	-

On 9 September 2011, CentrePort Limited, 76.9% owned by Port Investments Limited, sold three investment properties to three special purpose vehicles that are wholly owned by CentrePort Properties Limited for a total consideration of \$150 million. CentrePort Properties Limited is a wholly owned subsidiary of CentrePort Limited. CentrePort Properties Limited also entered into three 125 year ground leases with the special purpose vehicles for the site on which the buildings sit at \$1 per annum per lease.

At year-end the following outstanding balances with related parties were recorded as an asset / (liability):

	2018	2017
	\$'000	\$'000
Wellington Regional Council and subsidiaries	2,742	2,270
CentrePac Limited	-	-
Transport Systems 2000 Limited	-	-
Wellington Port Coldstore Limited	-	-
Direct Connect Container Service Limited	47	75

During the year Harbour Quays A1 Limited, Harbour Quays D4 Limited and Harbour Quays F1F2 Limited paid management fees of \$0.2 million to CentrePort Property Management Limited (2017: \$0.2 million).

The compensation of the directors and executives, being the key management personnel of the group, is set out below:

	Group		Parent	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Short-term employee benefits	<u>3,158</u>	<u>3,092</u>	<u>16</u>	<u>13</u>
Total key management personnel compensation	<u>3,158</u>	<u>3,092</u>	<u>16</u>	<u>13</u>

## 24 Contingent Assets

The Group is entitled to insurance claims for damage incurred to its insured assets and infrastructure from the November 2016 earthquake. The insurers have accepted that the damage is covered under the group insurance policies. However, the damage assessments and repairs have not been completed and the final settlement amount has not yet been agreed.

In the Company's Statement of Intent issued to shareholders, \$400m of insurance proceeds are forecast to be recognised over the period to 30 June 2020 in relation to port operations, of which CentrePort has recognised \$210m to 30 June 2018. Until the insurance claim process is finalised it is not possible to reliably estimate the value of the contingent asset.

Full provision has been made for insurance claims on the commercial properties see note 12

The Parent Company has uncalled capital in WRCHL of \$10,000,100 (2017: \$10,000,100).

## 25 Contingent liabilities

### Subsidiary companies - CentrePort Limited:

There were no contingent liabilities as at 30 June 2018 (2017: nil).

### Port Investments Limited

There were no contingent liabilities as at 30 June 2018 (2017: nil)

## 26 Subsequent events

Financial statements will be authorised for issue by the Board of Directors on September 28, 2018.

Subsequent to balance date, CentrePort received a non specific insurance advance of \$50m and CentrePort Properties Group received a non specific insurance advance of \$50m of which \$3.6m has been allocated to Harbour Quays A1 Limited and \$46.3m to Harbour Quays F1F2 Limited.

Subsequent to balance date, CentrePort Properties Ltd and the insurers have agreed terms for a final settlement of the insurance claim for CentrePort Properties Ltd, Harbour Quays A1 Ltd, Harbour Quays D4 Ltd and Harbour Quays F1F2 Ltd. At the date of signing, the final settlement documentation has not been finalised.

**27 Reserves**

	Group		Parent	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<i>Property, plant and equipment revaluation reserve</i>				
Revaluation reserve brought forward	6,615	48,131	-	-
Increase in value of Port land after tax	-	6,932	-	-
Provision for land resilience	-	(48,448)	-	-
Revaluation reserve carried forward	<u>6,615</u>	<u>6,615</u>	<u>-</u>	<u>-</u>

**Compliance**

The Directors and management of the Company confirm that all the statutory requirements of the Local Government Act 2002 in relation to the financial report have been complied with.

**Responsibility**

The Directors and management of the Group accept responsibility for the preparation of the annual Financial Statements and the Statement of Service Performance and the judgements used in them.

The Directors have authority to sign these financial statements.

The Directors and management of the Company accept responsibility for establishing and maintaining a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the opinion of the Directors and management of the Company, the annual Financial Statements and the Statement of Service Performance for the year ended 30 June 2018 fairly reflect the financial position and operations of the Company.



Director

September 28, 2018



Director

September 28, 2018



Chief Financial Officer

September 28, 2018



## Independent Auditor's Report

### To the readers of Port Investments Limited and group's financial statements and performance information for the year ended 30 June 2018

The Auditor-General is the auditor of Port Investments Limited and group (PIL and group). The Auditor-General has appointed me, Jacques Coetzee, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information of PIL and group, on his behalf.

#### Opinion

We have audited:

- the financial statements of PIL and group on pages 13 to 62, that comprise the statement of financial position as at 30 June 2018, 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; and
- the performance information of PIL and group on pages 4 to 9.

In our opinion:

- The financial statements of PIL and group on pages 13 to 62:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2018; 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 and International Financial Reporting Standards.
- The performance information of PIL and group on pages 4 to 9 presents fairly, in all material respects, PIL and group's actual performance compared against the performance targets and other measures by which performance was judged in relation to PIL and group's objectives for the year ended 30 June 2018.

Our audit was completed on 28 September 2018. This is the date at which our opinion is expressed.

The basis for our opinion is explained below and we draw your attention to the uncertainties arising from the impact of the Kaikoura earthquake. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

## **Uncertainties arising from the impact of the Kaikoura earthquake**

Without modifying our opinion, we draw attention to Note 4 of the financial statements, which explains the material impact of the Kaikoura earthquake on the group. This note explains and links to other disclosures in the financial statements that outline the assumptions around the insurance proceeds expected to be received, and the extent of impairment of assets, and related tax treatment, and the significant uncertainties and judgements involved in estimating them. Note 12 also explains how the Kaikoura earthquake affected the equity accounted results of the group's joint ventures, including the significant uncertainties and judgements involved in estimating earthquake related costs and insurance proceeds.

## **Basis for opinion**

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

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

## **Responsibilities of the Board of Directors for the financial statements and the performance information**

The Board of Directors is responsible on behalf of PIL and group for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparing the performance information for PIL and group.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of PIL and group for assessing PIL and group's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate PIL and group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

## **Responsibilities of the auditor for the audit of the financial statements and the performance information**

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

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

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

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

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PIL and group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported performance information within PIL and group's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on PIL and group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause PIL and group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

- We obtain sufficient appropriate audit evidence regarding the financial statements and the performance information of the entities or business activities within PIL and group to express an opinion on the consolidated financial statements and the consolidated performance information. We are responsible solely for the direction, supervision and performance of PIL and group audit. We remain solely responsible for our audit opinion.

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

Our responsibilities arise from the Public Audit Act 2001.

### **Other information**

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 2 to 63 but does not include the financial statements and the performance information, and our auditor's report thereon.

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

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

### **Independence**

We are independent of PIL and group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): *Code of Ethics for Assurance Practitioners*, issued by New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with, or interests in, PIL and group.



Jacques Coetzee  
Audit New Zealand  
On behalf of the Auditor-General  
Wellington, New Zealand