Port Investments Limited
Financial Statements
for the year ended 30 June 2016

Contents

Directory

Directors	Appointed	Resigned
P M Lamason (Chairperson)	23 November 2010	
S H Sharif (Deputy Chair)	19 August 2015	
P Blades	01 May 2005	
B H Donaldson	11 December 2013	
P D Swain	11 December 2013	09 March 2016
F H Wilde	14 November 2007	06 March 2016
N Wilson	03 May 2016	
C R Laidlaw	03 May 2016	

Registered office

Shed 39, 2 Fryatt Quay,
Pipitea, Wellington 6011

Auditor

Andy Burns
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 2016.

Principal Activities

Port Investments Limited (the Company) is a council controlled trading organisation owned by 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 and Miramar. It also owns and operates a number of commercial properties. Current tenants include Statistics New Zealand, Wellington Regional Council and the Bank of New Zealand.

The Group's primary objectives

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

CentrePort to be the Port of choice for Central New Zealand Shipping & Cargo.

CentrePort to 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.

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

Effectively manage any other investments held by the Group in order to maximise the commercial value to the shareholders and to protect the shareholder's investment.

The financial objectives of the Group

Provide a commercial return to shareholders.

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

CentrePort to deliver competitive financial returns compared to industry benchmarks (port and comparable sectors).

CentrePort to adopt policies that prudently manage risk and protect the investment of shareholders.

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

Operate in an environmentally responsible and sustainable manner.

Raise awareness of environmental issues within the Group, and minimise our impact on the environment.

Ensure regulatory compliance

Develop a culture of awareness and responsibility

Liaise with and communicate to stakeholders CentrePort's environmental and sustainable performance.

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 social systems (employees, customers, tenants, local community and wider society) by:

CentrePort being a respected and responsible employer.

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

CentrePort to participate in and encourage selected community activities.

CentrePort to consult with employees, stakeholders and community where appropriate.

The nature and scope of activities undertaken by the group are consistent with those set in the 2015/16 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 2016 $'000	Target 2016 $'000	Actual 2015 $'000
CentrePort			
Net profit before tax (1)	**16,636**	**16,359**	14,500
Net profit after tax (2)	**14,516**	**13,696**	14,100
Return on port assets (3)	**7.7%**	**8.2%**	7.3%
Return on total property assets (3)	**7.5%**	**5.8%**	6.2%
Return on total assets (3)	**7.6%**	**7.4%**	6.9%
Return on equity (4)	**8.6%**	**6.8%**	7.1%
Dividend as percentage of underlying net profit after tax	**47%**	**45%**	45%
Dividend (5)	**6,800**	**6,100**	6,300
Interest Cover (6)	**4.1 times**	**3.8 times**	3.1 times
Gearing Ratio (7)	**36.3%**	**38.0%**	36.2%
Port Investments - Parent			
Dividend Distribution - Port Investments - Parent	**3,691**	**2,741**	2,461
Dividend Distribution % - Port Investments - Parent	**96.0%**	**100.0%**	72.0%
Return on equity - Port Investments - Parent (8)	**142.6%**	**104.5%**	159.7%
Return on assets - Port Investments - Parent (9)	**10.5%**	**9.5%**	11.0%

(1) Underlying net profit before earthquake costs, fair value adjustments and tax
(2) Underlying net profit after tax and before net after tax fair value adjustments
(3) Return on assets is the net profit before interest, earthquake costs, fair value movements and tax (EBIT) divided by total average assets.
(4) Return on equity is the net profit after tax and before net after tax fair value adjustments divided by average equity
(5) Represents a dividend payment per share of $0.29 (2015: $0.27)
(6) EBIT plus depreciation, amortisation and dividends received from associates divided by interest expense
(7) Debt divided by the sum of debt plus equity
(8) Based on net surplus before tax divided by average equity, but excluding revaluation gains and losses
(9) Based on earnings before interest and tax divided by average assets

SOCIAL PERFORMANCE TARGETS - CENTREPORT LIMITED

Contribute to the desired outcome of the Wellington Regional Strategy through:

Planned Target

The provision of workplace opportunities and skills enhancements of our employees.

Progress Update

The recent update of the BERL report which assesses the impact of CPL on the region identified that ~21,000 jobs are associated with CentrePort's business. As we continued to grow this has created employment opportunities not only within the main CentrePort business but also in the regions and within companies participating in the logistics chain. The overall increase in associated jobs between 2009 and 2016 is around 7,000 jobs. CentrePorts Growth in Wellington and the regions continues to provide employment opportunities with over 20 new roles being added recently. Candidates for these roles were sourced from local training providers, out of town, off shore and the local community. The regional growth in Whanganui and Masterton has also provided opportunities for local people.

Planned Target

Ensuring the regional economy is connected by the provision of high quality port services to support international and coastal trade.

Progress Update

In the last year CentrePort has added shipping services, continued to improve inland transport structures and connectivity with Wellington for shippers in the central region. Examples of this include the ongoing growth of CentreRail, the establishment of new connections into the upper South Island and the new inland hub at Waingawa

Planned Target

Supporting the regional community by investing in community sponsorship.

Progress Update

Sponsorship of the Wellington Free Ambulance, the International Youth Match Racing Championships held in February and the Hutt Valley Chamber of Commerce.

Planned Target

To meet regularly with representative community groups.

Actual Performance

Meeting held with Environmental Consultative Committee in March 2016

SAFETY PERFORMANCE TARGETS - CENTREPORT LIMITED

Planned Target

Year on year improvement towards zero harm

Progress Update

We will close out the year with an on target result for injury frequency rate and a better than target result for reporting and severity making this a positive contribution towards our goal of zero harm.

Planned Target

Implementation of the five year Health & Safety action plan.

Progress Update

The five year health and safety plan actions are substantively complete. This extensive programme of work has contributed to an improved health and safety culture and better safety outcomes for our people.

Planned Target

Maintain the tertiary level of compliance with the ACC Workplace Safety Management Practices Programme (WSMP) and comply with the AS/NZS 4801: Occupational Health and Safety Management Systems.

Progress Update

The next WSMP audit is due November 2016 at which time we will bring TSL into the CentrePort safety management system and audit.

Planned Target

Annual review of Health and Safety Policy.

Progress Update

The Health and Safety Policy was reviewed in February 2016 and endorsed by the Board in May 2016.

Planned Target

Undertake risk assessments and implement any mitigating procedures relating to the Port & Harbour Safety Code which promotes safety and excellence in marine operations.

Progress Update

We are supporting the Harbour Master in his review of the risk assessment and have reviewed and updated our relevant sections.

Planned Target

Maintain compliance with the International Ship & Port Security (ISPS) Code which promotes security against terrorism within the port environment

Progress Update

An external audit was completed in April 2016. This audit was reviewed by MNZ in June 2016 at the same time they also conducted practical exercises to test compliance. Following this audit and exercises, Centreport retains its compliance and standing under the ISPS Code.

ENVIRONMENTAL PERFROMANCE TARGETS

Objective	Performance measure	Performance target FY16	Q4 (full year) Report against Target
Ensure regulatory compliance	Compliance breaches	Zero	**Achieved** There have been no known compliance breaches in FY16. An application for resource consent has been made to address a previous compliance issue relating to log yard stormwater discharges.
Minimise risk to the environment	System: consistency with ISO14001	Review of port wide risk assessment complete (focus on highest risk areas)	**Achieved**
	Incidents: number of registered environmental incidents	Decrease from previous year	**Achieved** A total of 14 incidents (32 in FY15)
	Complaints: number of complaints from external stakeholders about environmental performance	Zero	**Not achieved** 6 complaints received (all relating to ship noise)
Realise opportunities to be more sustainable	Greenhouse gas emissions (quantity CO2equivalent)	Verified annual emissions inventory complete	**Achieved** Inventory for FY15 period complete and independently verified
	Ozone depleting substances used (quantity methyl bromide released to atmosphere)	100% use of recapture technology for container fumigation	**Achieved** Recapture is now being used for large item fumigation under sheets following successful trial in March 2016.
	Solid waste to landfill (quantity)	No target	Target to be developed in FY17
Improve stakeholder relations	Environmental Consultative Committee meeting frequency	At least 3 per annum	**Achieved**
	Iwi engagement	Pre lodgement consultation undertaken for 100% of resource consent applications	**Achieved**
	Transparency	Performance against targets reported in Annual Report	**Achieved**
Develop a culture of awareness and responsibility	Board sub-committee (Health Safety and Environment) meeting frequency	At least 4 per annum	**Achieved**

	Internal 'sustainability subcommittee' meeting frequency	At least 3 per annum	**Achieved**

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

GENERAL PERFORMANCE TARGETS - CENTREPORT AND THE GROUP

Planned Target

The company will, in consultation with the shareholders, continue to develop performance targets in the financial, environmental and social areas.

Progress Update

Performance targets are reviewed and agreed in the development of the Statement of Intent.

Planned Target

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.

Progress Update

Quarterly reporting has been scheduled with the shareholders.

Planned Target

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

Progress Update

CentrePort Limited met with the Port Investments board four times during the year and Port Investments Limited approved a constitution change in relation to creation of leasehold interest in land.

Planned target

When developing 'property held for development' the Board is to adhere to the following principles:

i. Properties may be developed without the building being fully pre-let so long as tenancy risk is managed prudently.
ii. Property developments must not compromise port operations.
iii. Developments are to be undertaken only if they are able to be funded without additional capital from shareholders.

Definition of terms (para 5.4 b. refers):
Management of tenancy risk means that each single property investment has committed rental income (via executed lease contracts) that is sufficient to meet forecast interest costs on (i) the cost of the site development related to the development and (ii) the cost of the construction of the development AND the vacant net lettable area of the proposed development is no greater than 25%.

Progress Update

No properties were under development.

Remuneration of directors of the Parent Company

Details of Directors' remuneration are as follows:

	2016
	$000
P M Lamason (Chair)	1
S H Sharif (Deputy Chair)	4
P Blades	5
B H Donaldson	-
P D Swain (Resigned)	-
F H Wilde (Resigned)	-
N Wilson	-
C R Laidlaw	-
	10

Relevant entries in the interests register

Disclosure of interests by Directors for the year ended 30 June 2016:

P M Lamason
Councillor (of Wellington Regional Council)

S H Sharif

C R Laidlaw
Councillor (of Wellington Regional Council)

P Blades

B H Donaldson
Councillor of Wellington Regional Council

N Wilson

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:

	Number of current employees
$100,001 - $110,000	8
$110,001 - $120,000	8
$120,001 - $130,000	18
$130,001 - $140,000	4
$140,001 - $150,000	5
$150,001 - $160,000	3
$160,001 - $170,000	2
$170,001 - $180,000	1
$200,001 - $210,000*	6
$210,001 - $220,000*	1
$290,001 - $300,000*	1
$300,001 - $310,000*	1
$310,001 - $320,000*	1
$330,001 - $340,000*	1
$350,001 - $360,000*	1
$490,001 - $500,000*	1
	62

* 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 Andy Burns of Audit New Zealand to undertake the audit.

For, and on behalf of, the Board of Directors

Director

27 September, 2016

Director

27 September, 2016

Port Investments Limited
Statement of Comprehensive Income
For the year ended 30 June 2016

	Notes	Group 2016 $'000	2015 $'000	Parent 2016 $'000	2015 $'000
INCOME					
Revenue from continuing operations	3	**77,620**	71,030	**5,339**	5,349
Share of associate profit accounted for using the equity method	3	**13,315**	7,564	**-**	-
TOTAL INCOME		**90,935**	78,594	**5,339**	5,349
Earthquake costs and gain / (loss) in fair value movements in CentrePort:					
Fair value gain on financial instruments	3	**(7,639)**	(4,946)	**-**	-
Fair value (loss) / gain on revaluation of Investment property	3	**2,801**	2,557	**-**	-
Impairment		**(233)**	-	**-**	-
EXPENDITURE					
Expenses, excluding finance costs	3	**(60,737)**	(54,564)	**(85)**	(96)
Interest paid	3	**(8,248)**	(10,122)	**(1,407)**	(1,833)
Total expenses		**(68,985)**	(64,686)	**(1,492)**	(1,929)
(Deficit) / surplus before income tax and subvention payment		**16,879**	11,519	**3,847**	3,420
Income tax (expense)	4	**(77)**	741	**-**	-
Profit from continuing operations		**16,802**	12,260	**3,847**	3,420
NET (DEFICIT) / SURPLUS FOR THE YEAR		**16,802**	12,260	**3,847**	3,420
Other comprehensive income					
Increase / (decrease) in value of Port land attributable to:					
Equity holders of the group		**-**	(273)	**-**	-
Non-controlling interests		**-**	(82)	**-**	-
		-	(355)	**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**16,802**	11,905	**3,847**	3,420
Total comprehensive income for the year is attributable to:					
Owners of Port Investments Limited		**12,668**	8,749		
Non-controlling interest		**4,134**	3,156		
		16,802	11,905		

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

	Notes	Group 2016 $'000	Group 2015 $'000	Parent 2016 $'000	Parent 2015 $'000
Net surplus / (deficit) for the year		**16,802**	12,260	**3,847**	3,420
Increase/(decrease) in asset revaluation reserve attributable to:					
Equity holders of the group		**-**	(273)	**-**	-
Non-controlling interests		**-**	(82)	**-**	-
Total comprehensive income / (loss)		**16,802**	11,905	**3,847**	3,420
Other movements					
Dividends attributable to:					
Equity holders of the parent		**(3,692)**	(2,460)	**(3,692)**	(2,461)
Non-controlling interests - dividend paid		**(1,571)**	(1,581)	**-**	-
Total comprehensive income / (loss) for the year after dividends		**11,539**	7,864	**155**	959
Equity at beginning of the year					
Parent shareholders' interest		**116,235**	109,945	**2,621**	1,662
Non-controlling interest		**46,616**	45,042	**-**	-
		162,851	154,987	**2,621**	1,662
Equity at end of the year					
Parent shareholders' interest		**125,211**	116,235	**2,776**	2,621
Non-controlling interest		**49,179**	46,616	**-**	-
		174,390	162,851	**2,776**	2,621

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

Port Investments Limited
Statement of Financial Position
As at 30 June 2016

	Notes	Group 2016 $'000	Group 2015 $'000	Parent 2016 $'000	Parent 2015 $'000
ASSETS					
Current assets					
Cash and cash equivalents		**987**	882	**1**	1
Trade and other receivables	5	**15,538**	6,848	**1**	-
Inventories		**1,127**	922	**-**	-
Current tax receivables		**621**	226	**-**	-
Current accounts	6	**6,828**	5,362	**6,828**	5,362
Total current assets		**25,101**	14,240	**6,830**	5,363
Non-current assets					
Property, plant and equipment	7	**185,489**	180,654	**-**	-
Intangible assets	8	**3,043**	3,067	**-**	-
Investments in joint ventures	10	**90,990**	83,728	**-**	-
Investment in subsidiary	9	**-**	-	**44,000**	44,000
Investment properties	11	**47,932**	50,384	**-**	-
Deferred tax	12	**2,561**	2,235	**-**	-
Total non-current assets		**330,015**	320,068	**44,000**	44,000
Total assets		**355,116**	334,308	**50,830**	49,363
LIABILITIES					
Current liabilities					
Trade and other payables		**7,004**	5,334	**363**	281
Borrowings	13	**876**	1,009	**-**	-
Provision for employee entitlements	14	**3,140**	3,486	**-**	-
Dividend payable	15	**3,691**	2,461	**3,691**	2,461
Other financial liabilities	19	**36**	384	**-**	-
Total current liabilities		**14,747**	12,674	**4,054**	2,742
Non-current liabilities					
Borrowings	13	**146,000**	146,000	**44,000**	44,000
Provision for employee entitlements	14	**906**	276	**-**	-
Deferred tax liabilities		**-**	1,421	**-**	-
Other financial liabilities	18	**19,073**	11,086	**-**	-
Total non-current liabilities		**165,979**	158,783	**44,000**	44,000
Total liabilities		**180,726**	171,457	**48,054**	46,742
Net assets		**174,390**	162,851	**2,776**	2,621
EQUITY					
Reserves		**48,131**	48,132	**-**	-
Retained earnings		**77,080**	68,103	**2,776**	2,621
Non-controlling interest	16	**49,179**	46,616	**-**	-
Total equity		**174,390**	162,851	**2,776**	2,621

Director
27 September, 2016

Director
27 September, 2016

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

	Notes	Group 2016 $'000	Group 2015 $'000	Parent 2016 $'000	Parent 2015 $'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash was provided from:					
Receipts from customers		**74,912**	70,105	**-**	-
Dividend income received		**5,778**	4,015	**5,231**	5,269
Interest received		**33**	45	**-**	-
Income tax transfer receipts from Group Companies		**405**	140	**-**	-
		81,128	74,305	**5,231**	5,269
Cash was disbursed to:					
Payments to suppliers and employees		**(52,854)**	(48,155)	**-**	-
Income taxation paid		**(2,617)**	(760)	**-**	-
Interest expense paid		**(8,300)**	(9,796)	**(1,326)**	(1,716)
NET CASH FLOWS FROM OPERATING ACTIVITIES	17	**17,357**	15,594	**3,905**	3,553
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash was provided from:					
Proceeds from sale of investment property		**-**	10,092	**-**	-
Proceeds from sale of plant and equipment		**-**	1,389	**-**	-
Cash was applied to:					
Purchase of property, plant & equipment		**(11,640)**	(11,237)	**-**	-
Development of investment properties		**(311)**	-	**-**	-
Acquisition of subsidiary		**(315)**	(11)	**-**	-
Investment in Joint Venture		**(40)**	-	**-**	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(12,306)**	233	**-**	-
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash was provided from:					
Repayment of loans		**-**	-	**-**	-
Proceeds from borrowings		**-**	(12,000)	**-**	-
Movement in current account - Wellington Regional Council		**(1,443)**	(3,552)	**(1,443)**	(3,553)
Cash was applied to:					
Dividends paid to shareholders		**(4,030)**	(1,582)	**(2,462)**	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		**(5,473)**	(17,134)	**(3,905)**	(3,553)
Net increase / (decrease) in cash, cash equivalents & bank overdraft at year end		**(422)**	(1,307)	**-**	-
Add opening cash, cash equivalents / (overdraft) brought forward		**882**	2,189	**1**	1
Acquisition of subsidiary		**527**	-	**-**	-
CASH, CASH EQUIVALENTS & BANK OVERDRAFT AT YEAR END		**987**	882	**1**	1

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. 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 1993 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.

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 29 September 2016.

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 2016, the comparative information presented in these financial statements is for the year ended 30 June 2015.

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.

Property, plant & equipment and investment property

Operational Port Land was re valued as at 31 December 2013. Refer to note 7 for disclosure of the valuation and methodology.

Investment Property was revalued to fair value as at 30 June 2016. Refer to note 10 for disclosure of the valuation and methodology.
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 have been classified as Investment Property.

CentrePort estimates the extent of future infrastructure costs that will be incurred to create investment property sites at Harbour Quays. These future costs have been taken into account when determining the fair value of investment property.

2 Summary of significant accounting policies (continued)

Joint control of Harbour Quays Special Purpose Vehicles (SPVs)

Note 10 describes Harbour Quays A1 Limited, Harbour Quays D4 Limited and Harbour Quays F1F2 Limited (the SPVs) 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. The SPVs are therefore joint ventures of the Group.

Capital Works in Progress

This includes capital projects requiring resource consent to proceed. The Board and management regularly reviews these projects to determine whether the assumptions supporting the project proceeding continue to be valid. The Capital Works in Progress balance is carried forward on the basis the projects have been determined they will proceed.

(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 is 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 9).

Interests 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.

2 Summary of significant accounting policies (continued)

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.

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 36 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.

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

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

(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.

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

2 Summary of significant accounting policies (continued)

Wharves and paving
Cranes and floating equipment
Plant, vehicles and equipment

Operational Port Freehold 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 31 December 2013. 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 Freehold 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 statement of comprehensive income to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation is charged to the statement of comprehensive income 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.

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	10 to 50 years
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.

(g) 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 three classes of investment property:

Developed investment property
Land available for development
Investment property under development

Other investments are stated at the lower of cost and fair value.

(h) Leases

Group entities lease certain land, buildings, wharves 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. All leases held by the Group are classified as operating leases.

Consolidated entity as lessee:

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

Consolidated entity as lessor:

2 Summary of significant accounting policies (continued)

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.

(i) 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.

(j) 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.

(k) 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.

(l) Borrowing costs

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.

(m) 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.

2 Summary of significant accounting policies (continued)

(n) 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.

(o) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Provision has been made for obsolescence where applicable. Apart from fuel stocks, inventories are held for maintenance purposes only.

2 Summary of significant accounting policies (continued)

(p) 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. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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.

(q) 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.

2 Summary of significant accounting policies (continued)

(r) 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.

(s) 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.

(t) Provision for dividends

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

(u) Financial instruments

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.

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.

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.

2 Summary of significant accounting policies (continued)

(v) Financial asset

Investments are recognised and derecognised on trade date where purchase and sale of an investment is under a contract whose terms require delivery of the investments within the timeframe established by the market concerned, and are initially at fair value, plus transactions costs, except for those financial assets classified as at fair value through the statement of comprehensive income, which are initially measured at fair value.

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

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) 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.

2 Summary of significant accounting policies (continued)

Trade payables 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.

(v) Foreign currency transactions

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.

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

Management has reviewed the Standards and Interpretations that became mandatory in the current year, and has determined that they have no material effect on the results and position of the Group.

Standards or Interpretations not yet in effect

The following are the new or revised Standards or Interpretations in issue that are not yet required to be adopted by entities preparing financial statements for periods ending on 30 June 2016. Management has not yet assessed the impact of these standards.

Standard/Interpretation:

• Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to NZ IAS 26), effective for accounting periods beginning on or after 1 January 2016

• Financial Instruments NZ IFRS 9, effective for accounting periods beginning on or after 1 January 2018

Revenue from contracts with customers NZ IFRS 15, effective for accounting periods beginning or after 1January 2018

Leases NZ IFRS 16, effective for accounting periods beginning on 1 January 2019

3 Operating surplus / (deficit) before subvention and taxation

	Note	Group 2016 $'000	Group 2015 $'000	Parent 2016 $'000	Parent 2015 $'000
Income					
Rental income		5,299	5,448	-	-
Interest received		141	125	108	80
Dividends		-	-	5,231	5,269
Subsidiary revenue		70,900	64,346	-	-
Net gain on disposal of property, plant and equipment/ investment property		1,280	1,111	-	-
Share of profit of investments using the equity method		13,315	7,564	-	-
		90,935	78,594	5,339	5,349
Other financial assets at fair value through profit or loss:					
Fair value gain on financial instruments		(7,639)	(4,946)	-	-
Fair value (loss) / gain on revaluation of investment property		2,801	2,557	-	-
Impairment		(233)	-	-	-
		(5,071)	(2,389)	-	-
Expenses, excluding finance costs					
Amortisation	8	182	179	-	-
Depreciation	7	6,769	6,334	-	-
Directors fees and expenses		463	398	10	6
Employee benefits expense		22,024	19,964	-	-
Impairment of Goodwill	8	15	-	-	-
Audit Fees		105	112	6	6
Tax services		12	18	12	18
Other services provided by audit		15	-	-	-
Management fees		51	60	51	54
Repairs and maintenance		3,572	2,911	-	-
Rates and insurance		3,568	4,079	6	5
Rental and lease expenses		2,678	2,379	-	-
Contractors and consultants		-	7	-	7
Other operating expenses		21,283	18,123	-	-
		60,737	54,564	85	96
Interest paid		8,248	10,122	1,407	1,833
Operating surplus before subvention and taxation		16,879	11,519	3,847	3,420

***Earthquake related costs**

Two significant earthquakes struck the Wellington region on 20 July 2013 and 16 August 2013. The earthquakes caused damage to Port land, property, plant and equipment plus the internal fit-out of several properties owned by joint venture companies.

The financial statements have provided for the estimated cost of repairs to the property, plant and equipment and an impairment charge has been made for damage to Port land.

The total financial impact on comprehensive income for the year ended 30 June 2016 is $0.49m income (2015: $2.4m expense).

4 Taxation

	Group		Parent	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
(a) Income tax recognised in profit or loss				
Tax expense / (benefit) comprises:				
Current tax expense/(income)	**1,824**	(197)	**-**	-
(Over) / under provision of income tax in previous period	**-**	-	**-**	-
Impact of changes to building depreciation - (deferred tax)	**-**	-	**-**	-
Deferred tax expense / (income) relation to the origination and reversal of temporary differences	**(1,747)**	(544)	**-**	-
Total Tax expense / (benefit)	**77**	(741)	**-**	-
Tax expense / (benefit) is attributable to:				
Continuing operations	**77**	(741)	**-**	-
	77	(741)	**-**	-
(b) The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:				
Surplus / (deficit) from operations	**16,879**	11,519	**3,847**	3,420
	16,879	11,519	**3,847**	3,420
Income tax expense/(benefit) calculated at 28%	**4,726**	3,225	**1,077**	958
Non-deductible expenses	**149**	132	**-**	-
Non-assessable income	**(4,086)**	(2,128)	**-**	-
Tax effect of imputation credits	**-**	-	**(1,364)**	-
Previously unrecognised and unused tax losses now recognised or utilised	**-**	-	**-**	(958)
Increase / (decrease) in the value of developed investment property land	**(784)**	(716)	**-**	-
Increase / (decrease) in the value of land available for development	**-**	-	**-**	-
Increase / (decrease) in the value of land port operational	**-**	-	**-**	-
Unused tax losses and tax offsets not recognised	**-**	-	**287**	-
Permanent differences	**(130)**	(1,313)	**-**	-
Temporary differences not recognised	**-**	-	**-**	-
	(125)	(800)	**-**	-
(Over) / under provision of income tax in previous period	**202**	59	**-**	-
Income tax expense	**77**	(741)	**-**	-

4 Taxation (continued)

	Group 2016 $'000	2015 $'000	Parent 2016 $'000	2015 $'000
(c) Imputation credit account balances				
Balance at end of the period	**13,118**	12,738	**13,265**	12,805

(d) Tax expense / (benefit) is represented by:

	Group 2016 $'000	2015 $'000	Parent 2016 $'000	2015 $'000
Current tax expense	**1,824**	(197)	**-**	-
Deferred tax expense / (benefit)	**(1,747)**	(544)	**-**	-
	77	(741)	**-**	-

(e) Tax losses not recognised

At the Parent level, Port Investments Limited has unrecognised tax losses of $8.998million (2015: $7.971 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 $2.519 million (2015: $2.232 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 upon continuing to meet the requirements of the Income Tax Act 2007.

5 Trade & other receivables

	Group 2016 $'000	2015 $'000	Parent 2016 $'000	2015 $'000
Net trade receivables				
Trade receivables	**7,451**	6,041	**-**	-
Provisioning for doubtful debts	**(2)**	(14)	**-**	-
	7,449	6,027	**-**	-
Net other receivables				
Other receivables	**367**	376	**1**	-
Receivable on sale of property	**7,100**	-	**-**	-
	7,467	376	**1**	-
Prepayments	**622**	445	**-**	-
	15,538	6,848	**1**	-

5 Trade & other receivables (continued)

	Group		Parent	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Provision of doubtful debts				
At 1 July				
Opening balance	-	-	-	-
Amounts written off during the year	-	-	-	-
Amounts recovered during the year	(3)	(14)	-	-
Increased in allowance recognised in comprehensive income	5	14	-	-
Closing balance	2	-	-	-

The average credit period on sales is 30 days. No interest is charged on the trade receivables. An allowance has been made for estimated irrecoverable amounts from the sales of services, determined by reference to past default experience.

Included in trade receivables are debtors with a carrying amount of $1.317 million, which are past due at 30 June 2016 (2015: $1.136 million). CentrePort believes that the amounts (net of doubtful debt provision) are recoverable.

6 Current accounts

	Group		Parent	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Current account - Wellington Regional Council	6,828	5,362	6,828	5,362
Total current accounts	6,828	5,362	6,828	5,362

7 Property, plant & equipment

Group	Operational port freehold land $'000	Buildings $'000	Wharves and paving $'000	Cranes and floating equipment $'000	Plant, vehicles and equipment $'000	Work in progress $'000	Total $'000
At 1 July 2014							
Cost	77,597	26,317	82,736	47,132	16,793	9,693	260,268
Accumulated depreciation	-	(12,246)	(37,785)	(17,051)	(10,501)	-	(77,583)
Net book amount	77,597	14,071	44,951	30,081	6,292	9,693	182,685
Year ended 30 June 2015							
Opening net book amount	77,597	14,071	44,951	30,081	6,292	9,693	182,685
Additions	-	2	-	-	37	9,517	9,556
Transfers	6,185	1,083	4,982	11	3,674	(15,935)	-
Disposals	-	-	-	(1,329)	(48)	-	(1,377)
Reclassification	(3,668)	(40)	(782)	76	(184)	-	(4,598)
Impairment	515	(849)	849	-	-	-	515
Revaluation	(870)	-	-	-	-	-	(870)
Depreciation charge	-	(826)	(2,729)	(1,983)	(796)	-	(6,334)
Transfers	-	-	(7)	1,085	(1)	-	1,077
Closing net book amount	79,759	13,441	47,264	27,941	8,974	3,275	180,654
At 30 June 2015							
Cost	79,759	27,046	93,919	44,017	19,686	3,275	267,702
Accumulated depreciation	-	(13,605)	(46,655)	(16,076)	(10,712)	-	(87,048)
Net book amount	79,759	13,441	47,264	27,941	8,974	3,275	180,654

Group	Operational port freehold land $'000	Buildings $'000	Wharves and paving $'000	Cranes and floating equipment $'000	Plant, vehicles and equipment $'000	Work in progress $'000	Total $'000
Year ended 30 June 2015							
Opening net book amount	79,759	13,441	47,264	27,941	8,974	3,275	180,654
Additions	-	-	-	-	32	11,774	11,806
Transfers from work in progress	82	197	3,599	2,488	715	(7,146)	(65)
Disposals	-	-	-	-	-	-	-
Reclassification	81	-	-	2,237	(2,237)	-	81
Impairment	-	-	(218)	-	-	-	(218)
Revaluation	-	-	-	-	-	-	-
Depreciation charge	-	(822)	(2,710)	(2,494)	(743)	-	(6,769)
Loss on disposal	-	-	-	-	-	-	-
Closing net book amount	79,922	12,816	47,935	30,172	6,741	7,903	185,489
At 30 June 2016							
Cost	79,922	27,243	97,300	48,742	18,197	7,903	279,307
Accumulated depreciation	-	(14,427)	(49,365)	(18,570)	(11,456)	-	(93,818)
Net book amount	79,922	12,816	47,935	30,172	6,741	7,903	185,489

7 Property, plant & equipment (continued)

	2016 $'000
Capitalised work in progress	
Harbour Deepening Project	3,224
Wharves	1,783
Logs	874
Mobile	805
Paving	390
Other	827
Total	7,903

(a) Borrowing costs capitalised

During the year no borrowing costs were capitalised (2015: nil)

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

(b) Valuation

Operational port land is measured at fair value. Additions subsequent to the valuation are recorded at cost. All other property, plant and equipment are carried at cost less accumulated depreciation and any allowance for impairment.

Operational port land was independently valued by registered valuers of the firm Colliers International Limited on 31 December 2013.

The Directors are satisfied that there has not been a material movement in the fair value as at 30 June 2016.

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 notional carrying amount that would have been recognised had operational port land been carried under the cost model would be $17.266 million (2015: $17.186 million) for both the Group and Parent Company.

(c) Valuation approach

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 as described below. This hierarchy reflects the significance of the inputs used in making the measurements.

- 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).

All inputs into the determination of fair value of operational port land sit within level 3 of this hierarchy.

(i) Valuation approach - Operational port freehold land

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.

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.

7 Property, plant & equipment (continued)

Freehold land	Fair value $'000	Valuation approach	Key valuation assumptions	Valuation impact
Operational Port Land				
Industrial Zoned	$67,348	Comparison to sales of industrial land in similar locations	Weighted average land value $90 - $550 psm	+ / - 5% +/ -$3.4m
Commercial Zoned	$4,651	Comparison to sales of commercially zoned land in similar locations	Weighted average land value $1,400 - $1,500 psm	+ / - 5% + / - $0.2m

Valuation Approach - Operational 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. To this figure is added the value of right to renew if perpetual lease or the PV of the total market value of the site deferred until 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.

Leasehold land	Fair value $'000	Valuation approach	Key valuation assumptions	Valuation impact
Operational port land	$7,842	Capitalised market rental checked to comparable sales of freehold land	Capitalisation rates 7.0% - 7.5%	+ / - 0.025% + / - $0.6m

8 Intangible assets

Group	Goodwill $'000	Computer software $'000	Total $'000
At 1 July 2015			
Cost	2,675	3,461	6,136
Accumulated amortisation and impairment	-	(3,210)	(3,210)
Net book amount	2,675	251	2,926
Year ended 30 June 2015			
Opening net book amount	2,675	251	2,926
Additions	-	320	320
Amortisation charge	-	(179)	(179)
Closing net book amount	2,675	392	3,067
At 30 June 2015			
Cost	2,675	3,476	6,151
Accumulated amortisation and impairment	-	(3,084)	(3,084)
Net book amount	2,675	392	3,067
Year ended 30 June 2016			
Opening net book amount	2,675	392	3,067
Additions	15	158	173
Impairment charge	(15)	-	(15)
Amortisation charge	-	(182)	(182)
Closing net book amount	2,675	368	3,043
At 30 June 2016			
Cost	2,675	3,634	6,309
Accumulated amortisation and impairment	-	(3,266)	(3,266)
Net book amount	2,675	368	3,043

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

The goodwill premium paid of $15,000 for the cash generating unit acquired in 2016 has been impaired in 2016 as it has been assessed by the Board and management to have a nil value.

9 Investments in subsidiaries

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 2016 %	Equity holding 2015 %
Centrepac	Container packing	New Zealand	**76.9**	38.5
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

9 Investments in subsidiaries (continued)

Harbour Quays Shed 39 Limited	Commercial rental property	New Zealand	**76.9**	-

10 Aggregated joint venture information

Name of entity	Principal activities	Proportion of ownership interest/Voting rights held by the group 2016	2015
Harbour Quays A1 Limited *	Commercial rental property	**76.9%**	76.9%
Harbour Quays D4 Limited *	Commercial rental property	**76.9%**	76.9%
Harbour Quays F1F2 Limited *	Commercial rental property	**76.9%**	76.9%
Wellington Port Coldstore Limited *	Cold storage of produce	**38.5%**	38.5%
Direct Connect Container Services Limited	Transport hubbing and logistics	**38.5%**	-

* All companies are incorporated and operate in New Zealand

	Group 2016 $'000	Group 2015 $'000	Parent 2016 $'000	Parent 2015 $'000
Carrying amount at beginning of year	**83,728**	80,179	-	-
Investment in Joint Ventures	**13,315**	-	-	-
Equity accounted earnings of joint ventures**	**(5,778)**	7,564	-	-
Dividends from joint ventures	-	(4,015)	-	-
Transfer net assets of CentrePac Limited to wholly owned subsidiary on acquisition of remaining interest	**(300)**	-	-	-
Investment in Direct Connect Series Limited	**25**	-	-	-
Investments in Joint ventures	**90,990**	83,728	-	-
Represented by:				
Harbour Quays A1 Limited***	**20,839**	16,824	-	-
Harbour Quays D4 Limited***	**16,793**	15,843	-	-
Harbour Quays F1F2 Limited***	**51,226**	48,868	-	-
Individually Immaterial joint ventures	**2,132**	2,193	-	-
Carrying amount at end of year	**90,990**	83,728	-	-

Investment in Harbour Quays F1F2 Limited

** The equity accounted earnings in joint ventures includes provisions for earthquake repairs less insurance claims net of tax of $363,000 income in 2016 (2015: $142,000 income) arising from the earthquakes of 20 July 2013 and 16 August 2013.

*** Refer to note 2 (b) Summary of significant accounting policies, critical accounting estimates and judgements, joint control of Harbour Quays special purpose vehicles.
**** For commercial sensitivity purpose, the financial information of associates are not disclosed.

11 Investment properties

	Group 2016 $'000	2015 $'000	Parent 2016 $'000	2015 $'000
Developed investment properties brought forward	**26,548**	28,287	-	-
Additions / (disposals)	-	-	-	-
Transfer from / (to) land available for development	**37**	(1,080)	-	-
Net change in the value of developed investment property	**(249)**	(659)	-	-
Developed investment properties carried forward	**26,336**	26,548	-	-
Land available for development brought forward	**23,836**	24,871	-	-
Transfer from / (to) developed investment property	**(37)**	1,080	-	-
Transfer from / (to) property under development	-	4,598	-	-
Additions	**304**	(9,929)	-	-
Disposals	**(5,420)**	-	-	-
Transfer to Port Land	**(81)**	-	-	-
Depreciation of Infrastructure	**(63)**	-	-	-
Net change in the value of land available for development	**3,057**	3,216	-	-
Land available for development carried forward	**21,596**	23,836	-	-
	47,932	50,384	-	-
Investment Property under development brought forward	-	-	-	-
Transfer from developed Investment Property	-	-	-	-
Net change in the value of investment property held for sale				
Developed investment property	**(249)**	(659)	-	-
Land available for development	**3,057**	3,216	-	-
Investment property held for sale	-	-	-	-
Total change in value	**2,808**	2,557	-	-

Valuation

Investment properties are revalued every year. Investment properties were valued on 30 June 2016 by independent registered valuers of the firms Colliers International New Zealand Limited.

The fair value of investment properties 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 the investment property at 30 June 2016 is $47.9 million (2015: $49.6 million).

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.

Valuation approach

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 7 . 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

11 Investment properties (continued)

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

	Fair value $'000	**Valuation approach**	**Key valuation assumptions**	**Valuation impact**
Improved properties	$10,660	Capitalised rental checked to freehold land value	Market capitalisation rate of 8.625%	+ / - 0.25% + / - $0.3m
Leasehold land	$15,676	Capitalised rental checked to freehold land value	Lessee capitalisation rate 6.75% - 7.50%	+ / - 0.25% + 0.5m / - 0.6m
Total developed investment property	**$26,336**			
Development sites commercial	$21,596	Direct sales comparison	Weighted average land value $450 - $2,000 psm (excl common areas), less allowance for infrastructure costs.	+ / - 0.5% + / - $1.1m
Total land available for development	**$21,596**			

12 Deferred tax

	Group 2016 $'000	Group 2015 $'000	Parent 2016 $'000	Parent 2015 $'000
The balance comprises temporary differences attributable to:				
Tax losses	**2,519**	2,235	**-**	-
Temporary differences	**42**	(1,421)	**-**	-
	2,561	814	**-**	-

	Group 2016 $'000	Group 2015 $'000	Parent 2016 $'000	Parent 2015 $'000
Unrecognised deferred tax balances				
Tax losses	**-**	-	**(2,519)**	(2,232)
Temporary differences	**-**	-	**(3)**	(3)
	-	-	**(2,522)**	(2,235)

Movements - Group	**Investment properties $'000**	**Property, plant and equipment $'000**	**Trade and other payables $'000**	**Other financial liabilities $'000**	**Tax losses $'000**	**Total $'000**
At 1 July 2014	(562)	(4,133)	994	1,826	2,145	270
Charged to income	(347)	(583)	2	1,385	87	544
At 30 June 2015	(909)	(4,716)	996	3,211	2,232	814

Movements - Group	**Investment properties held for sale $'000**	**Property, plant and equipment $'000**	**Trade and other payables $'000**	**Other financial liabilities $'000**	**Tax losses $'000**	**Total $'000**
At 1 July 2015	(909)	(4,716)	996	3,211	2,232	814
Charged to income	(69)	(630)	20	2,139	287	1,747
At 30 June 2016	(978)	(5,346)	1,016	5,350	2,519	2,561

13 Borrowings

	Group 2016 $'000	Group 2015 $'000	Parent 2016 $'000	Parent 2015 $'000
Current				
Bank borrowings	**876**	1,009	**-**	-
Non-current				
WRC Holdings loan	**44,000**	44,000	**44,000**	44,000
Bank loans	**102,000**	102,000	**-**	-
Total non-current interest bearing liabilities	**146,000**	146,000	**44,000**	44,000
Total interest bearing liabilities	**146,876**	147,009	**44,000**	44,000

On 18 December 2014 CentrePort Limited 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 $150m with renewal dates ranging from 2 to 5 years for $125m of the facilities. There is also evergreen facility of $25m subject to a 13 month cancellation notice.

The interest rate charged on the facilities ranged from 2.38% to 5.86% p.a. (2015: 2.67% to 5.99%) plus bank margins. Borrowings under the bank facilities are supported by a negative pledge deed.

The majority shareholder, Greater Wellington Regional Council has guaranteed the Group borrowings up to the full limit of the facility of $150 million. CentrePort pays a guarantee fee to Greater Wellington Regional Council.

Port Investments Limited has an unsecured advance facility of $44 million with its parent WRC Holdings Limited. The facility matures on 28 October 2018.

14 Provision for employee entitlements

	Group 2016 $'000	Group 2015 $'000	Parent 2016 $'000	Parent 2015 $'000
Current				
Employee benefits	**3,140**	3,486	**-**	-
	3,140	3,486	**-**	-
Non-current				
Employee benefits	**906**	276	**-**	-
Total provisions	**4,046**	3,762	**-**	-

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% (2015: 3.9%).

15 Dividends payable

	Group 2016 $'000	Group 2015 $'000	Parent 2016 $'000	Parent 2015 $'000
(a) Ordinary shares				
Dividend payable to WRC Holdings Limited	**3,691**	2,461	**3,691**	2,461
Total dividends declared	**3,691**	2,461	**3,691**	2,461

16 Non-controlling interest

	Group 2016 $'000	Group 2015 $'000	Parent 2016 $'000	Parent 2015 $'000
Opening non-controlling interest	**46,616**	45,042	**-**	-
Non-controlling share of operating surplus / (deficit)	**4,134**	3,238	**-**	-
Non-controlling share of movements in revaluation reserve	**-**	(82)	**-**	-
Non-controlling share of dividends paid or payable	**(1,571)**	(1,582)	**-**	-
Total non-controlling interest	**49,179**	46,616	**-**	-

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

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

	Group 2016 $'000	Group 2015 $'000	Parent 2016 $'000	Parent 2015 $'000
Profit for the year	**16,802**	12,260	**3,847**	3,420
Add / (less) non-cash items:				
Depreciation	**6,769**	6,334	-	-
Amortisation	**182**	179	-	-
Impairment of fixed assets	**233**	-	-	-
(Gain) / loss on sale of property, plant and equipment	**(1,283)**	-	-	-
Earthquake related costs	-	-	-	-
Decrease / (increase) in financial instruments - assets	**7,639**	4,946	-	-
Write down / (up) of investments properties	**(2,801)**	(2,557)	-	-
Equity accounted earnings less dividends received from Investments	**(7,537)**	(3,549)	-	-
Deferred tax liability	**(1,747)**	(544)	-	-
(Increase) / decrease in fair value of investment in subsidiary	-	-	-	-
Change in provision for doubtful debt	**(2)**	14	-	-
Add / (less) movements in working capital:				
Accounts receivable	**(1,443)**	581	-	-
Accounts payable	**1,463**	(1,991)	**(32)**	(4)
Inventory	**(205)**	274	-	-
Borrowings	**(133)**	209	-	-
Taxation - refund	**(388)**	(818)	-	-
Taxation - provision	-	10	-	-
Current account Wellington Regional Council	**114**	(3,537)	**113**	(3,537)
Employee entitlements	**284**	-	-	-
Add / (less) items classified as investing and financing activities:				
Increase / (decrease) in current accounts relating to financing activities	**(23)**	4,894	**(23)**	3,674
Accounts payable related to property, plant and equipment	**(567)**	-	-	-
Gain on sale of fixed assets	-	(1,111)	-	-
Net cash inflow from operating activities	**17,357**	15,594	**3,905**	3,553

18 Share capital

	Group $'000	$'000	Parent $'000	$'000
Ordinary shares				
10,000,100 $1 shares issued but uncalled	-	-	-	-
	-	-	-	-

19 Financial risk management

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

Financial risk management objectives

Treasury activities are reported to the Board monthly. In addition, CentrePort has established a Treasury Committee with an independent treasury specialist as a member. Minutes of the meetings are provided to the Board and Audit & Risk Committee.

Fair values

The Group considers that the carrying amount of financial assets and financial liabilities (except borrowings) recorded in the financial statements approximates their fair values. The fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instrument.

Fair value assumptions

The Group considers that the carrying amount of financial assets and financial liabilities (except borrowings) recorded in the financial statements approximates their fair values. The fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instrument.

Inter-group advances

The Company holds balances with other 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.

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.

Parent-group advances

Port Investments Limited has an unsecured advance facility of $44 million with its parent WRC Holdings Limited. The facility matures on 28 October 2018. The interest rate on the facility as at 30 June 2016 was 2.38% p.a. (2015: 3.34%). 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 12, 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 monthly to the Board and semi-annually to our banker. All externally imposed 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.

19 Financial risk management (continued)

Interest rate risk

The Group is exposed to interest rate risk as the Group borrows funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, by the use of interest rate swap contracts and forward interest rate contracts. 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 19.

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% (2015: 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 $1.02 million (2015: increase/decrease by $0.04 million). This is mainly attributable to the Group's exposure to interest rates on its borrowings and excludes the unrealised gain or loss in the value of interest rate swaps.

At reporting date, if interest rates on the interest rate swap portfolio had been 100 basis points higher and all other variables were held constant, the fair value movement in financial instruments in the Statement of Comprehensive Income would decrease by $7.1 million (2015: $5.3 million); if interest rates on the interest rate swap portfolio had been 100 basis points lower and all other variables were held constant, the fair value movement in financial instruments in the Statement of Comprehensive Income would increase by $7.7 million (2015: $5.7 million).

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.

19 Financial risk management (continued)

At balance date the Group had entered into the following swap agreements that had interest rates ranging from 4.19% to 5.96% (2015: 4.52% to 6.23% p.a.) and maturities of:

	2016 %	2015 %	**2016 Group and Parent Notional $'000**	2015 Group and Parent Notional $'000
Interest rate swap agreements				
Financial liabilities:				
Less than one year		5.76%	**-**	30,000
Two to Five Years	**4.19% - 4.53%**	4.52% - 5.84%	**30,000**	70,000
Greater than five years	**4.37% - 5.96%**	6.00% - 6.23%	**80,000**	40,000
Total financial liabilities			**110,000**	140,000
Group and Parent fair value liabilities			**19,109**	11,470
Reconciliation of other financial liabilities				
Interest rate swaps			**19,109**	11,470
			-	-
Represented by:				
Current liabilities			**36**	384
Non-current liabilities			**19,073**	11,086
			19,109	11,470

Joint Venture Company Mandatory Convertible Note (MCN) Conversion Derivative

As mentioned in note 2 Joint Control of Harbour Quays Special Purpose Vehicles (SPVs), MCNs have been issued to the ACC as joint venture partner. The MCNs are convertible to equity in March 2024 (or September 2026 at CentrePort Properties Limited ('CPPL') option).

On conversion, the issuer will issue to the noteholder shares to the value of the face value of the notes or 50% of the value of the securities on issue at that date, whichever is higher. The value of MCNs are adjusted annually by the consumer price index.

A conversion derivative liability has been recognised on the balance sheets of the joint venture companies to reflect the variance between forecast growth in value of the MCNs and the estimated terminal values of the commercial properties over the term of the MCNs discounted to present value.

The MCN derivatives are financial instruments with risk attaching to CPPL's investment in the 3 joint venture companies. The conversion derivatives have a nil liability on the balance sheets of the 3 joint venture companies at 30 June 2016 (2015: $0.311 million).

19 Financial risk management (continued)

Sensitivity of Mandatory Convertible Note Conversion Derivative to Movements in Consumer Price Index and Building Value

The sensitivity analyses below have been determined based on the aggregate exposure of the Mandatory Convertible Note Conversion Derivatives to movements in Consumer Price Index and estimates of building value at conversion date.

At reporting date, increasing the building values at conversion date by 10% would result in no change to the value of the Conversion Derivative of nil. Reducing the building value at conversion date by 10% would increase the value of the Conversion Derivative by $692,000 (to $692,000).

At reporting date, increasing forecast movements in Consumer Price Index by +1.0% would result in the Conversion Derivative increase in value by $419,000 (to $419,000). Reducing forecast movements in Consumer Price Index by -1.0% would result in no change to the Conversion Derivatives of $nil.

Maturity profile of financial instruments

The following table details the Group's exposure to interest rate risk at 30 June 2016 and 30 June 2015:

	Weighted average interest rate	Variable interest rate	Maturity profile of financial instruments						Non-interest bearing	Total
			Within one year	1-2 years	2-3 years	3-4 years	4-5 years	5+ years		
	%	%	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group 2016 Financial liabilities:										
Trade and other payables			7,004	-	-	-	-	-	-	7,004
Payables to employees			3,140	906	-	-	-	-	-	4,046
Debt - Parent	3.20	2.38	-	-	44,000	-	-	-	-	44,000
Debt - CentrePort	5.20	2.40	876	25,000	77,000	-	-	-	-	102,876
Total			11,020	25,906	121,000	-	-	-	-	157,926
Group 2015 Financial liabilities:										
Trade and other payables			5,334	-	-	-	-	-	5,334	5,334
Payables to employees			3,486	276	-	-	-	-	3,762	3,762
Debt - Parent	4.17	3.34	-	-	-	44,000	-	-	-	44,000
Debt - CentrePort	5.41	3.05	1,009	25,000	-	50,000	27,000	-	-	103,009
Total			9,829	25,276	-	94,000	27,000	-	9,096	156,105
Parent 2016 Financial liabilities:										
Trade and other payables			363	-	-	-	-	-	-	363
Borrowings - WRCH	3.20	2.38	-	-	44,000	-	-	-	-	44,000
Total			363	-	44,000	-	-	-	-	44,363
Parent 2015 Financial liabilities:										
Trade and other payables			281	-	-	-	-	-	281	281
Borrowings - WRCH	4.17	3.34	-	-	-	44,000	-	-	-	44,000
Total			281	-	-	44,000	-	-	281	44,281

19 Financial risk management (continued)

(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.

	Group		Parent	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
1-30 days	**14,070**	-	-	-
30-60 days	**249**	884	-	-
60-90 days	**625**	163	-	-
90-120 days	**367**	37	-	-
121days +	**227**	52	-	-
Total	**15,538**	1,136	-	-

Concentrations of credit risk

The Group does not have any significant credit risk exposure 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 2016, CentrePort Group had not entered into any forward contracts. (2015: EUR80,452; NZ$125,295).

(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 $2 million net, with a gross indebtness of $6 million through a set off arrangement, (2015: $1 million) and New Zealand dollar Commercial Bill facilities of $150 million at balance date (refer note 15 Borrowings) (2015: $150 million). Of these $102 million (2015: $102 million) had been drawn down by the Group at balance date.

The Board and Management review the cash flow on a monthly basis.

19 Financial risk management (continued)

Liquidity profile of financial instruments

The following tables detail the entity's liquidity profile based on undiscounted cash outflows at 30 June 2016 and 30 June 2015, assuming future interest cost on borrowings at 6.7% (2015: 7.2%) of the average debt for each period.

Group - 30 June 2016	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
Financial liabilities							
Trade and other payables	7,004	-	-	-	-	-	7,004
Payables to employees	3,140	906	-	-	-	-	4,046
Other financial liabilities	36	-	2,417	-	-	16,656	19,109
Borrowings	8,698	31,581	129,010	-	-	-	169,289
Total	18,878	32,487	131,427	-	-	16,656	199,448
Group - 30 June 2015							
Financial liabilities							
Trade and other payables	5,334	-	-	-	-	-	5,334
Payables to employees	3,486	276	-	-	-	-	3,762
Other financial liabilities	384	-	782	-	4,563	5,741	11,470
Borrowings	8,353	30,998	4,502	53,041	27,796	-	124,690
Total	17,557	31,274	5,284	53,041	32,359	5,741	145,256
Parent - 30 June 2016							
Financial liabilities							
Trade and other payables	363	-	-	-	-	-	363
Borrowings	1,000	1,000	44,250	-	-	-	46,250
Total	1,363	1,000	44,250	-	-	-	46,613
Parent - 30 June 2015							
Financial liabilities							
Trade and other payables	281	-	-	-	-	-	281
Borrowings	1,470	1,470	44,298	-	-	-	47,238
Total	1,751	1,470	44,298	-	-	-	47,519

(d) 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.

Fair value measurements recognised in the statement of financial position

All financial instruments recognised in CentrePort Limited's balance sheet at fair value sit within level 2.

19 Financial risk management (continued)

(e) Financial instruments by category

Financial assets as per balance sheet	Loans and receivables $'000	Total $'000
Group		
At 30 June 2016		
Cash and cash equivalents	987	987
Trade and other receivables	15,538	15,538
Other financial assets	6,828	6,828
	23,353	23,353
At 30 June 2015		
Cash and cash equivalents	882	882
Trade and other receivables	6,848	6,848
Other financial assets	5,362	5,362
	13,092	13,092
Parent		
At 30 June 2016		
Cash and cash equivalents	1	1
Other financial assets	6,828	6,828
	6,829	6,829
At 30 June 2015		
Cash and cash equivalents	1	1
Other financial assets	5,362	5,362
Other financial assets	-	-
	5,363	5,363

19 Financial risk management (continued)

Financial liabilities as per balance sheet	Derivatives classified as held for trading $'000	Financial liabilities at amortised cost $'000	Total $'000
Group			
At 30 June 2016			
Trade and other payables	-	7,004	7,004
Borrowings	-	146,876	146,876
Other financial liabilities	19,109	4,046	23,155
	19,109	157,926	177,035
At 30 June 2015			
Trade and other payables	-	5,334	5,334
Borrowings	-	147,009	147,009
Other financial liabilities	11,470	-	11,470
	11,470	152,343	163,813
Parent			
At 30 June 2016			
Trade and other payables	-	363	363
Borrowings	-	44,000	44,000
Other financial liabilities	-	-	-
	-	44,363	44,363
At 30 June 2015			
Trade and other payables	-	281	281
Borrowings	-	44,000	44,000
Other financial liabilities	-	-	-
	-	44,281	44,281

20 Commitments

The parent company, Port Investments Limited had no capital commitments at 30 June 2016 (2015: None).

At balance date commitments in respect of contracts for capital expenditure are $10.1 million for the Group (2015: $2.8 million). This relates to shipping channel deepening, pavements and wharves.

Operating leases relate to straddles and forklift trucks. The straddle lease is for a period of 10 years; the forklift truck lease terms are between 2 to 5 years, with an option to extend. All operating lease contracts contain market review clauses in the event that the CentrePort Limited 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

	Group 2016 $'000	2015 $'000	Parent 2016 $'000	2015 $'000
Non-cancellable operating lease payments				
Not longer than 1 Year	**1,367**	2,045	-	-
Longer than 1 year and not longer than 5 years	**2,567**	4,442	-	-
Longer than 5 years	**868**	651	-	-
	4,802	7,138	-	-

20 Commitments (continued)

Disclosure for lessors

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

	Group		Parent	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Non-cancellable operating lease receipts				
Not later than 1 year	**4,760**	6,679	-	-
Later than 1 year and no later than 5 years	**8,062**	11,681	-	-
Later than 5 years	**8,226**	9,384	-	-
	21,048	27,744	-	-

21 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.

It is not anticipated that Port Investments Limited will provide tax losses to any entities in the Greater Wellington Group for the year ended 30 June 2016. For the year ended 30 June 2015, Port Investments Limited did not provide Greater Wellington Rail Limited with any losses.

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

	Group		Parent	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Wellington Regional Council				
Interest income on intercompany current accounts	**108**	80	**108**	80
Payment for management fees	**(53)**	(54)	**(53)**	(54)
Payment for rent and services, CentrePort	**1,300**	1,209	-	-
Payment for use of navigational facilities, debt guarantee fee CentrePort	**(1,201)**	(1,190)	-	-
Current account - Wellington Regional Council	**6,828**	5,362	**6,828**	5,362
Payments under tax loss sharing arrangement	-	-	-	-
WRC Holdings Subsidiaries				
Dividend paid or proposed	**(3,691)**	(2,461)	**(3,691)**	(2,461)
Interest expense on Port Investments Limited advance	**1,407**	1,833	**1,407**	1,833
CentrePort dividend	-	-	-	5,269
Current account - Wellington Regional Council Holdings Limited	-	-	-	-
Advance WRC Holdings	**44,000**	44,000	**44,000**	44,000
CentrePort dividend receivable	-	-	-	-
CentrePac Limited				
Income received from rent and services performed.	**437**	433	-	-
Payment for goods and services	**(2)**	(11)	-	-
Transport Systems 2000 Limited				
Income received from rent and services performed	-	1,010	-	-
Payment received for payroll and support services	-	-	-	-
Payment for services performed	-	(54)	-	-
Wellington Port Coldstore Limited				
Income received from rent and services performed.	**179**	198	-	-
Payment for services performed	**(9)**	(8)	-	-

21 Related party transactions (continued)

During the year Subsidiary Companies charged no lease rentals to CentrePort Limited (2015: $Nil) During the year CentrePort Limited charged no management fee to a Subsidiary Company (2015 $Nil).

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.

All other transactions with related parties have been carried out on normal commercial terms.

At year-end the following outstanding balances with related parties were recorded as an asset / (liability) other than those already disclosed above:

	Group 2016 $'000	2015 $'000
Wellington Regional Council and subsidiaries	1	(105)
CentrePac Limited	-	14
Transport Systems 2000 Limited	-	32
Wellington Port Coldstore Limited	1	23

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 (2015: $0.2 million), and infrastructure charges of $0.1 million to CentrePort Properties Limited (2015: $0.1 million).

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

	2016 $'000	2015 $'000
Short-term employee benefits	2,759	2,192
Total key management personnel compensation	2,759	2,192

Subsidiaries Acquired

CentrePac Limited

CentrePac Limited's principal activity is the delivery and storage of container products.

CentrePort Limited initially acquired a 50% holding in CentrePac Limited for $39,500 and classified this investment as an associate under IAS 28. Up until 29 February 2016 CentrePort Limited used the equity method to account for its share of undistributed profits totalling $260,684. As a result, as at 29 February 2016 the carrying amount of CentrePort Limited's investment in CentrePac Limited was $300,184.

On 29 February 2016 CentrePort Limited acquired the remaining 50% shareholding in CentrePac Limited for cash consideration of $315,184. This acquisition brought CentrePort Limited's ownership to 100%.

The purpose of the acquisition was to realise the benefit expected to come from having a devanning business fully integrated into CentrePort Limited's container terminal business. Acquisition costs have been excluded from the consideration transferred and have been recognised as an expense in the income statement in the current year with other operating expenses.

Assets acquired and liabilities recognised at the time of acquisition include:

21 Related party transactions (continued)

	Group		Parent	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Current Assets				
Cash	**527**	-	-	-
Trade and Other Receivables	**129**	-	-	-
Fixed Assets	**29**	-	-	-
Trade and Other payables	**(85)**	-	-	-
Net Assets	**600**	-	-	-
Goodwill arising on consolidation	**15**	-	-	-

22 Contingent liabilities

The following contingent liabilities existed at 30 June 2016:

Parent company:

There were no contingent liabilities for the parent company, Port Investments Limited as at 30 June 2016 (2015: Nil)

Subsidiary companies - CentrePort Limited:

There were no contingent liabilities as at 30 June 2016 (2015: Unquantified claim which was resolved during the 2016 financial year).

23 Subsequent events

CentrePort Limited has declared a final dividend post balance date of $0.7 million (2015: $0.7m).

Financial statements will be authorised for issue by the Board of Directors on 27 September 2016.

There were no other subsequent events up to the date of these financial statements which would affect the amounts or disclosures in the financial statements.

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 2016 fairly reflect the financial position and operations of the Company.

Director	Director	Chief Financial Officer
27 September, 2016	27 September, 2016	27 September, 2016

Auditors' report

To the shareholders of Port Investments Limited

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Port Investments Limited group's financial statements and performance information for the year ended 30 June 2016

The Auditor-General is the auditor of Port Investments Limited Group (the Group). The Auditor-General has appointed me, Andy Burns, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information of the Group, consisting of CentrePort Limited and its subsidiaries and other controlled entities (collectively referred to as the 'Group'), on her behalf.

Opinion on the financial statements and the performance information

We have audited:

- the financial statements of the Group on pages 11 to 50, that comprise the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and

- the performance information of the Group on pages 4 to 8.

In our opinion:

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

- The performance information of the Group presents fairly, in all material respects, the Group's actual performance, compared against the performance targets and other measures by which performance was judged in relation to the Group's objectives for the year ended 30 June 2016.

Our audit was completed on 27 September 2016. This is the date at which our opinion is expressed.

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

Basis of opinion

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

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

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

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the appropriateness of the reported performance information within the Group's framework for reporting performance;
- the adequacy of the disclosures in the financial statements and in the performance information; and
- the overall presentation of the financial statements and the performance information.

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

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

Responsibilities of the Board of Directors

The Board of Directors is responsible for the preparation and fair presentation of financial statements for the Group that comply with generally accepted accounting practice in New Zealand and New Zealand equivalents to International Financial Reporting Standards. The Board of Directors is also responsible for preparation of the performance information for the Group.

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

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

Responsibilities of the Auditor

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

Independence

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

Other than the audit, we have no relationship with or interests in the Group.

Andy Burns
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand