Port Investments Limited
Financial Statements
for the year ended 30 June 2017

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Directors	Appointed	Resigned
S H Sharif (Chair)	19 August 2015	
P M Lamason (Deputy chair)	23 November 2010	
P Blades	01 May 2005	15 December 2016
B H Donaldson	11 December 2013	
R W G Blakeley	14 December 2016	
I D McKinnon	14 December 2016	
N Wilson	03 May 2016	14 December 2016
C R Laidlaw	03 May 2016	14 December 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 2017.

It is important to note that due to the November 2016 Kaikorua earthquakes, Port Investments Limited financial statements had been delayed. The reason for this is due to discussions with insurers, engineers and valuers required at arriving estimates for CentrePorts financial statements.

Principal Activities

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

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

The Group's primary objectives

Own Wellington Regional Council's interest in CentrePort Limited, to maximise the commercial value of CentrePort 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.

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

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

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

The financial objectives of the Group

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

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

Health & Safety workplace objectives of the Group

Create a zero harm workplace.

Maintain compliance with international ship and port security code.

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

Operate in a sustainable manner.

Minimise our impact on the environment.

Ensure regulatory compliance

Develop a culture of awareness and responsibility

Engage with stakeholders on environmental matters.

The social objectives of the Group

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

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

Participating in and encouraging selected community activities.

Consulting with employees, stakeholders and community where appropriate.

The nature and scope of activities undertaken by the group are consistent with those set in the 2016/17 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 2017 $'000	Restated Target 2017 $'000	Restated Actual 2016 $'000
CentrePort			
Net profit before tax (1)	10,785	17,754	16,636
Net profit after tax (2)	39,045	14,411	14,516
Return on port assets (3)	6.4%	8.5%	7.7%
Return on total property assets (3)	(0.8)%	5.9%	7.5%
Return on total assets (3)	4.2%	7.6%	7.6%
Return on equity (4)	4.3%	6.9%	8.6%
Dividend as percentage of underlying net profit after tax	1.8%	45%	47%
Dividend (5)	700	6,500	6,800
Interest Cover (6)	3.7 times	4.1 times	4.1 times
Gearing Ratio (7)	18.5%	39%	36.4%
Port Investments - Parent			
Dividend Distribution - Port Investments - Parent	-	3,625	3,691
Dividend Distribution % - Port Investments - Parent	- %	100.0%	96.0%
Return on equity - Port Investments - Parent (8)	(21.2)%	138.3%	142.6%
Return on assets - Port Investments - Parent (9)	(1.2)%	9.8%	10.5%

(1) Underlying net profit before earthquake costs, fair value adjustments and tax
(2) Underlying net profit after tax and earthquake related items 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 $0.03 (2016: $0.29)
(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

Restatement of 2016 Results

A review of the accounting treatment of the Mandatory Convertible Note derivative was undertaken during the year. The review highlighted an error in the previous valuations of the derivative. The financial impact of the accounting error on prior year results is set out in note 5 of these financial statements and is reflected through the equity accounted results of the joint ventures. The impact on the 2016 result was a reduction in Group comprehensive income of $6.3m from $17.9m to $11.6m. Please see note 5

SAFETY AND SECURITY PERFORMANCE TARGETS - CENTREPORT LIMITED

Objective	Performance measure		
		Peformance Target - FY17	*Q4 (full year) report against target*
Year on year improvement towards zero harm	Implementation of five year action plan	Review and renew plan	Two year plan renewed
	Lost Time Injury Frequency (200,000 hours worked)	≤4.0	4.0
	Lost Time Injury Severity (per 200,000 hours worked)	≤60	79
	bSafe Reports (incident and near miss reports)	≥700	1289 bSafe reports
Maintain tertiary level of compliance with the ACC Workplace Safety Management Practices(WSMP)	Tertiary status maintained	Status retained	The final audit under the now cancelled WSMP system was cancelled as a result of the earthquake. ACC are developing an improved safety management standard, with which CentrePort will aim to align.
Comply with the AS/NZS 4801: Occupational Health and Safety Management Systems	AS/NZS 4801 audit completed in alternate years to WSMP	Compliance with AS/NZS 4801	Due to the cancellation of the WSMP audit we plan to complete a self-audit using the AS/NZS 4801 framework. A WSMP self-audit was completed in November 2016 prior to the November 14 earthquake.
Maintain a Health and Safety Policy that leads our zero harm aspiration and actions	Policy reviewed annually against CentrePorts objectives and external benchmarks	Compliance with Policy	The policy remains current.
Maintain and promote excellence in Marine Operations consistent with the Port & Harbour Safety Code (PHSC)	The requirements of the PHSC continue to be met	No breaches of the PHSC	There have been no breaches of the PHSC.
	Risk assessments of new tasks or reviews post incident completed	All new task risk assessments and post incident reviews complete	Current
Maintain compliance with the International Ship & Port Security (ISPS) Code	Compliance is maintained, all incidents are reported to MNZ and NZ Customs Service, and learning reviews are undertaken and recommendations implemented	Compliance Maintained	Compliance has been maintained

ENVIRONMENTAL PERFROMANCE TARGETS

Objective	Performance measure	*Peformance Target - FY17*	*Q4 (full year) report against target*
Ensure regulatory compliance	Compliance breaches	Zero	Achieved. Infrastructure damage due to the November 2016 earthquake (e.g. to stormwater and sewage systems) resulted in unauthorized temporary discharges which were remedied or for which resource consents are being sought.
Minimise risk to the environment	System: consistency with ISO14001	Audit and first stage certification complete	Deferred to FY18 due to November 2016 Earthquake
	Incidents: number of registered environmental incidents(FY2015 baseline – 32)	Decrease from previous year	Not achieved. 27 incidents (14 in FY16). Increase in reported incident numbers due in part to EQ damage and improvements in reporting systems.
	Complaints: number of complaints from external stakeholders about environmental performance	Zero	Not achieved. Three noise complaints received (two received about operations at Seaview Wharf and one about piling for EQ repairs)
Realise opportunities to be more sustainable	Greenhouse gas emissions (quantity CO_2 equivalent) emissions measured in accordance with ISO 14064 –1:2006 and the Greenhouse Gas Protocol.	Emissions intensity reduction plan and targets complete	In progress. Completion delayed due to November 2016 Earthquake
	Ozone depleting substances used (quantity methyl bromide released to atmosphere)	100% use of recapture technology for container fumigation	Achieved
	Solid waste to landfill (quantity)	Waste monitoring system (and reduction plan) developed	In progress. Waste minimisation practices being included in recovery work for November 2016 Earthquake.
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	In progress. Sustainability aspects are being incorporated into current recovery work for November 2016 Earthquake.

Social Performance Target	Progress Update
Contribute to the desired outcome of the Wellington Regional Strategy through: (i) The provision of workplace opportunities and skills enhancements of our employees.	As part of the recovery process following the November 2016 earthquake, CentrePort has provided existing employees whose roles were affected by the resultant reduction in business, such as container services, with training in new skills to enable them to undertake alternative duties within the business. In doing so CentrePort has also been able to retain skilled employees that may otherwise have sought employment outside of Wellington and the wider region. In addition, CentrePort has resourced for key professional and operational roles in support of the Port's recovery, and in areas where business activity and growth has remained strong. These resources have come from the local community, other regions and off shore. As part of preparing for the return of business in areas such as containers, CentrePort has recently initiated further recruitment exercises that have provided employment opportunities primarily for local and regional people, and provided advancement opportunities for internal staff.
(ii) Ensuring the regional economy is connected by the provision of high quality port services to support international and coastal trade.	CentrePort was severely impacted by the 14 November 2016 Kaikoura Earthquake. This impacted the business providing quality port services to support local and international trade. The Port is currently in the process of restoring modified operations. There is a large temporary works project to secure the ship to shore cranes and the Port is expecting its first ship service since the earthquake on 18 September 2017 which would be a significant milestone. A number of other shipping lines have confirmed their return in the September / October period which is very positive for the local economy.The Port continues to work through the earthquake recovery implementing a medium term operating model as well as working through a long term master plan to enable trade to return to pre-earthquake levels.
(iii) Collaborating with key partners of CentrePort's business to improve service outcomes.	CentrePort has been working with a large group of relevant stakeholders on the development of the Wellington Region Lifelines business case. CentrePort has committed funding to the development of this business case and staff time to the group. CentrePort has also been working with Government agencies to assist on their national response plans for a Wellington event. CentrePort has also been working with GEER (a research group for Geotech / Seismic performance). This is independent and comprises the University of Canterbury.
Supporting the regional community by investing in community sponsorship and engaging in community activities	CentrePort is committed to supporting organisations that share its values and make a difference in the communities. This is done in a number of ways, including providing support and sponsorship to employees involved in community activities, and promoting employee led events that contribute to various charity organisations, including beneficiaries of Loud Shirt Day and the Wellington City Mission. CentrePort also has a close link with members of the community through interactions with school groups and participation in career expos. CentrePort also continues to support and work with a number of organisations using Wellington Harbour for education or recreation, such as the Royal Port Nicholson Yacht Club and Wellington Youth Sailing Trust; and the Hikitia crane. CentrePort also supports the Hutt Valley and Wellington Chambers of Commerce.

To meet regularly with representative community groups.	CentrePort met regularly with community groups as part of the Environmental Consultative Committee. Meetings were held in September 2016 and May 2017, and separate post-earthquake updates were provided. In addition, various community groups and individuals were engaged directly regarding Port related initiatives such as the proposed development of Kaiwharawhara Point and the Channel Deepening Project.

General Performance Target	Progress Update
The company will, in consultation with the shareholders, continue to develop performance targets in the financial, environmental and social areas.	Performed annually in conjunction with SOI preparation.
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.	Completed for FY17.
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. (iv) Development construction contracts are to be negotiated on a guaranteed maximum price or lump sum basis. Definition of terms (paragraph 6.5 c(i). above refers): 'Management of tenancy risk' means that each single property investment has committed rental income (via development and 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 of commercial buildings is no greater than 25%.	No property developments commenced or proposed in FY17.

Remuneration of directors of the Parent Company

Details of Directors' remuneration are as follows:

	2017	2016
	$'000	$'000
S H Sharif (Chair)	3	4
P M Lamason (Deputy chair)	8	1
R W G Blakeley	-	-
P Blades (Resigned)	2	5
B H Donaldson	-	-
C R Laidlaw (Resigned)	-	-
N Wilson (Resigned)	-	-
I D McKinnon	-	-
	13	10

Relevant entries in the interests register

Disclosure of interests by Directors for the year ended 30 June 2017:

S H Sharif

Motor Trade Association (Director)

Flirtey Limited (Director)

Coastal Oil Logistics Ltd (Independent advisor)

NZ Standards Board Approval Board (Member)

NZ Institute of Safety Management (Chair)

Greater Wellington Rail Limited (Chair)

WRC Holdings Limited (Chair)

Port Investments Limited (Chair)

P M Lamason

Wellington Regional Council (Councillor)

Hutt Mana Charitable Trust (Deputy Chair and Trustee)

She Trust (Trustee)

Britannia House (Trustee)

Greater Wellington Rail Limited (Deputy Chair)

WRC Holdings Limited (Deputy Chair)

Port Investments Limited (Deputy Chair)

R W G Blakeley

Wellington Regional Council (Councillor)

Greater Wellington Rail (Director)

WRC Holdings Limited (Director)

Port Investments Limited (Director)

I D McKinnon

Wellington Regional Council (Councillor)

Greater Wellington Rail Limited (Director)

WRC Holdings Limited

Port Investments Limited (Director)
B H Donaldson
Councillor of Wellington Regional Council

Greater Wellington Rail Limited (Director)

WRC Holdings Limited (Director)

Port Investments Limited (Director)

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	**11**
$110,001 - $120,000	**20**
$120,001 - $130,000	**6**
$130,001 - $140,000	**3**
$140,001 - $150,000	**5**
$150,001 - $160,000	**3**
$160,001 - $170,000	**2**
$170,001 - $180,000	**2**
$180,001 - $190,000	**1**
$190,001 - $200,000*	**1**
$200,001 - $210,000*	**4**
$210,001 - $220,000*	**2**
$220,001 - $230,000*	**1**
$260,001 - $270,000	**1**
$320,001 - $330,000*	**1**
$340,001 - $350,000*	**1**
$400,001 - $410,000*	**1**
$430,001 - $440,000*	**1**
	66

* 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

October 25, 2017

Director

October 25, 2017

	Notes	Group 2017 $'000	Group Restated* 2016 $'000	Parent 2017 $'000	Parent 2016 $'000
INCOME					
Revenue from continuing operations	3	**63,846**	77,620	**627**	5,339
Share of associate profit accounted for using the equity method	3	**(18,614)**	7,022	**-**	-
TOTAL INCOME		**45,232**	84,642	**627**	5,339
Earthquake related items					
Temporary works expenditure	4	**(19,305)**	-	**-**	-
Impairment of assets	4	**(63,968)**	-	**-**	-
Insurance progress payment receivable	4	**166,042**	-	**-**	-
Gain / (loss) in fair value movements					
Net gain on disposal of property, plant and equipment	3	**(4)**	-	**-**	-
Fair value gain on financial instruments	3	**10,330**	(7,639)	**-**	-
Fair value (loss) / gain on revaluation of Investment property	3	**-**	2,801	**-**	-
EXPENDITURE					
Expenses, excluding finance costs	3	**(60,177)**	(60,970)	**(112)**	(85)
Interest paid	3	**(10,565)**	(8,248)	**(1,088)**	(1,407)
Total expenses		**(70,742)**	(69,218)	**(1,200)**	(1,492)
(Deficit) / surplus before income tax and subvention payment		**67,585**	10,586	**(573)**	3,847
Income tax (expense)	6	**(16,666)**	(77)	**-**	-
Profit from continuing operations		**50,919**	10,509	**(573)**	3,847
NET (DEFICIT) / SURPLUS FOR THE YEAR		**50,919**	10,509	**(573)**	3,847
Other comprehensive income					
Increase / (decrease) in value of Port land attributable to:					
Equity holders of the group	26	**(41,516)**	-	**-**	-
Non-controlling interests	18	**(12,472)**	-	**-**	-
		(53,988)	-	**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(3,069)**	10,509	**(573)**	3,847
Total comprehensive income for the year is attributable to:					
Owners of Port Investments Limited		**(2,544)**	7,828		
Non-controlling interest		**(525)**	2,681		
		(3,069)	10,509		

* See note 5 for details relating to the restatement as a result of an error.

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

Group	Notes	Attributable to equity holders of the Company Revaluation Reserve $'000	Retained earnings $'000	Non-controlling interest $'000	Total equity $'000
Balance as at 1 July 2015		48,131	68,103	46,616	162,850
Correction of error	5	-	(4,219)	(1,267)	(5,486)
Restated balance		48,131	63,884	45,349	157,364
Total Comprehensive income for the Year, Net of Tax		-	7,828	2,681	10,509
Dividends		-	(3,690)	(1,572)	(5,262)
Balance as at 30 June 2016		48,131	68,022	46,458	162,611
Balance as at 1 July 2016		48,131	68,022	46,458	162,611
Total Comprehensive Income for the Year		-	38,972	11,947	50,919
Increase / (Decrease) in revaluation Reserve		(41,516)	-	(12,472)	(53,988)
Dividends		-	-	(162)	(162)
Balance as at 30 June 2017		6,615	106,994	45,771	159,380

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

	Notes	Group 2017 $'000	Group Restated* 2016 $'000	Parent 2017 $'000	Parent 2016 $'000
ASSETS					
Current assets					
Cash and cash equivalents		**216**	988	**1**	1
Trade and other receivables	7	**6,938**	15,536	**-**	1
Inventories	8	**1,424**	1,127	**-**	-
Current tax receivables		**601**	621	**-**	-
Insurance receivable	4	**62,685**	-	**-**	-
Current accounts		**2,686**	6,828	**2,686**	6,828
Total current assets		**74,550**	25,100	**2,687**	6,830
Non-current assets					
Property, plant and equipment	9	**118,604**	185,489	**-**	-
Intangible assets	10	**3,287**	3,044	**-**	-
Investments in subsidiaries	11	**-**	-	**44,000**	44,000
Investments in joint ventures	12	**59,397**	79,211	**-**	-
Investment properties	13	**16,773**	47,932	**-**	-
Deferred tax assets	14	**-**	2,561	**-**	-
Total non-current assets		**198,061**	318,237	**44,000**	44,000
Total assets		**272,611**	343,337	**46,687**	50,830
LIABILITIES					
Current liabilities					
Trade and other payables		**5,931**	6,707	**68**	66
Borrowings	15	**146**	876	**-**	-
Provision for employee entitlements	16	**3,153**	3,140	**-**	-
Current accounts		**416**	297	**416**	297
Dividend payable	17	**-**	3,691	**-**	3,691
Other financial liabilities	20	**-**	36	**-**	-
Total current liabilities		**9,646**	14,747	**484**	4,054
Non-current liabilities					
Borrowings	15	**80,000**	146,000	**44,000**	44,000
Provision for employee entitlements	16	**752**	906	**-**	-
Deferred tax liabilities	14	**14,055**	-	**-**	-
Other financial liabilities	20	**8,778**	19,073	**-**	-
Total non-current liabilities		**103,585**	165,979	**44,000**	44,000
Total liabilities		**113,231**	180,726	**44,484**	48,054
Net assets		**159,380**	162,611	**2,203**	2,776
EQUITY					
Reserves	26	**6,615**	48,131	**-**	-
Retained earnings		**106,994**	68,022	**2,203**	2,776
Non-controlling interest	18	**45,771**	46,458	**-**	-
Total equity		**159,380**	162,611	**2,203**	2,776

Director
25 October, 2017

Director
25 October, 2017

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

	Notes	Group 2017 $'000	Group 2016 $'000	Parent 2017 $'000	Parent 2016 $'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash was provided from:					
Receipts from customers		64,703	74,912	-	-
Dividend income received		1,200	5,778	538	5,231
Interest received		36	33	-	-
Income tax transfer receipts from Group Companies		-	405	-	-
		65,939	81,128	538	5,231
Cash was disbursed to:					
Payments to suppliers and employees		(57,379)	(52,854)	-	-
Business Interruption -Temp Work		19,305	-	-	-
Income taxation paid		-	(2,617)	-	-
Interest expense paid		-	(8,300)	(966)	(1,326)
Business Interruption -loss of rents		8,985	-	-	-
Temp Work		(19,305)	-	-	-
Termination of interest rate swaps		(4,347)	-	-	-
Interest paid		(6,794)	-	-	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	19	6,404	17,357	(428)	3,905
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash was provided from:					
Earthquake insurance payment received		75,066	-	-	-
Investment in Joint Venture		6,696	-	-	-
Cash was applied to:					
Purchase of property, plant & equipment		(18,771)	(11,640)	-	-
Development of investment properties		(2,076)	(311)	-	-
Acquisition of subsidiary		-	(315)	-	-
Earthquake Capital Expenditure		(2,357)	-	-	-
Investment in Joint Venture		-	(40)	-	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		58,558	(12,306)	-	-
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash was provided from:					
Repayment of loans		(66,000)	-	-	-
Proceeds from borrowings		-	-	-	-
Movement in current account - Wellington Regional Council		4,119	(1,443)	4,119	(1,443)
Cash was applied to:					
Dividends paid to shareholders		(3,853)	(4,030)	(3,691)	(2,462)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(65,734)	(5,473)	428	(3,905)
Net increase / (decrease) in cash, cash equivalents & bank overdraft at year end		(772)	(422)	-	-
Add opening cash, cash equivalents / (overdraft) brought forward		988	883	1	1
Acquisition of subsidiary		-	527	-	-
CASH, CASH EQUIVALENTS & BANK OVERDRAFT AT YEAR END		216	988	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. Port Investments Limited (the Company) is a council controlled trading organisation owned by WRC Holdings limited. Wellington Regional Council owns 100% of WRC Holdings limited .They are profit-oriented entities incorporated in New Zealand.

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

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

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

The Financial Statements were authorised for issue by Port Investment Limited on 25 October 2017.

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 2017. The comparative information presented in these financial statements is for the year ended 30 June 2016.

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

Specific accounting policies

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

(b) Critical accounting estimates and judgements

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

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

The estimates and assumptions are reviewed on an on-going basis.

The areas involving significant estimates or judgements are:

Property, plant and equipment and investment property valuation (notes 9 and 13)

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

Treatment of the joint control of Harbour Quays Special Purpose Vehicles (SPVs) (note 12)

Fair value of Port land (note 9)

Income tax calculations (note 6)

Property, plant & equipment and investment property

Operational Port Land was re valued as at 30 June 2017. Refer to note 9 for disclosure of the valuation and methodology.

Investment Property was revalued to fair value as at 30 June 2017. Refer to note 13 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.

Joint control of Harbour Quays Special Purpose Vehicles (SPVs)

Note 12 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 11

(d) Statement of cash flows

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

(a) Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within cash.

(b) Investing activities are those activities relating to the acquisition and disposal of Property, Plant & Equipment, Investment Property, Intangible Assets and Joint Ventures. Investments include securities not falling within the definition of cash.

(c) Financing activities are those activities that result in the changes in size and composition of the capital structure of the Group. This includes both equity and debt not falling within the definition of cash. Dividends paid in relation to capital structure are included in financing activities.

(d) Operating activities include all transactions and other events that are not investing or financing activities.

(e) Revenue recognition

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

(i) Rendering of services
Revenues from services are recognised in the accounting period in which the services have been rendered.

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

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

(iv) Business interruption insurance

Business interruption insurance is recognised on an accruals basis.

Income is stated exclusive of GST collected from customers.

(f) Property, plant and equipment

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

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

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

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

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

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

(g) Depreciation

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

Buildings	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.

(h) Investment property

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

The Group has three classes of investment property:

Developed investment property
Land available for development

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

(i) Leases

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

Group as lessee:

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

Group as lessor:

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

Lease incentives:

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

(j) Assets held for sale

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

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

(k) Intangible assets

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

(l) Impairment of assets

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

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

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

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

(m) Borrowing costs

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

(n) Investments in subsidiaries and associates

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

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

(o) Interest in Joint ventures

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

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

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

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

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

(p) Cash and cash equivalents

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

(q) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first in, first out (FIFO) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Costs of inventories include the transfer from equity of any gains/losses on qualifying cash flow hedges for purchases of raw materials.

(r) Income tax

Current tax

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

Deferred tax

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

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

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

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

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

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

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

Current and deferred tax for the period

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

(s) Goods and services tax (GST)

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

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

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

(t) Provision for employee entitlements

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

(u) Provisions

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

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

(v) Provision for dividends

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

(w) Financial instruments

Financial instruments issued by the companies

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

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.

Financial assets

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.

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

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

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

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

Financial liabilities

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

Trade and other Payables

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

Borrowings

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

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

(x) Foreign currency translation

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

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

i) New and amended standards adopted by the group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2016:

- Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to NZ IAS 16 and NZ IAS 38
- Annual Improvements to NZ IFRSs 2012 2014 Cycle
- Disclosure Initiative – Amendments to NZ IAS 1
- XRB A1 Application of the Accounting Standards Framework
- Amendments to For profit Accounting Standards as a Consequence of XRB A1 and Other Amendments

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

(ii) New standards and interpretations not yet adopted

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 2017. Management has not yet assessed the impact of these standards.

- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to NZ IAS 12)
- Disclosure Initiative (Amendments to NZ IAS 7)
- Annual Improvements to NZ IFRSs 2014 – 2016 Cycle
- NZ IFRS 9 Financial Instruments

- NZ IFRS 15 Revenue from Contracts with Customers
- Transfers of Investment Property (Amendments to NZ IAS 40)
- NZ IFRS 16 Leases

3 Operating surplus / (deficit) before subvention and taxation

	Notes	Group 2017 $'000	2016 $'000	Parent 2017 $'000	2016 $'000
Income					
Rental Income		6,574	6,888	-	-
Dividend Income from Subsidiaries		-	-	538	5,231
Subsidiary revenue		57,115	69,311	-	-
Net gain on disposal of property, plant and equipment/ investment property		-	1,280	-	-
Interest received		157	141	89	108
Share of profit of investments using the equity method		(18,614)	7,022	-	-
		45,232	84,642	627	5,339
Other financial assets at fair value through profit or loss:					
Net gain on disposal of property, plant and equipment		(4)	-	-	-
Fair value gain on financial instruments		10,330	(7,639)	-	-
Fair value (loss) / gain on revaluation of investment property		-	2,801	-	-
		10,326	(4,838)	-	-
Expenses, excluding finance costs					
Amortisation	10	193	182	-	-
Depreciation	9	4,891	6,769	-	-
Directors fees and expenses		471	463	13	10
Employee benefits expense		23,077	22,024	-	-
Audit Services		190	105	7	6
Tax advice		11	12	11	12
Other services provided by audit		-	15	-	-
Repairs and maintenance		2,940	3,572	-	-
Rates and Insurance		3,524	3,568	-	-
Rental and Lease Expenses		2,821	2,678	6	6
Management fees		75	51	75	51
Other operating expenses		21,984	21,531	-	-
		60,177	60,970	112	85
Finance costs					
Interest costs		6,218	8,248	1,088	1,407
Realised swap profit / loss		4,347	-	-	-
Total finance costs		10,565	8,248	1,088	1,407
Operating surplus before subvention,taxation and earthquake related items		(15,184)	10,586	(573)	3,847

4 Earthquake Related Items

Kaikoura Earthquake

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

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

CentrePort Limited has a total insured value (in relation to port infrastructure) of $600m for both Material Damage and Business Interruption combined. The Business Interruption covers a 36 month indemnity period. Insurance progress payments of $100m were received by CentrePort Limited in the year ended 30 June 2017. This payment was applied to business interruption (loss of rents and temporary works) in the first instance and secondly to material damage. CentrePort Properties Limited received a progress payment of $3.4m.

CentrePort Properties Limited, including its associate entities (SPVs') has a total insured value of their property portfolio of $276.3m including loss of rents (of up to $49.8m). The indemnity period is 36 months. A progress payment of $10.0m has been received in the 2017 financial year. A further $3.7m has been paid in relation to the property deductible buy down policy. Initial draft damage assessment reports for the investment properties have been prepared by independent advisors. Insurance and property related impacts for CentrePort Properties Limited are included in the Group line items as expanded on below. As the SPVs are equity accounted, the impact of the earthquake in relation to the SPVs is accounted for separately as described in note 12.

The following table shows the net proceeds applied in the financial statements for the year ended 30 June 2017:

	Material Damage $'000	Business Interruption $'000	Total $'000
Loss of gross profits and rents	-	8,985	8,985
Temporary works expenditure incurred to date	-	19,305	19,305
Material damage - preliminary estimates	137,751	-	137,751
Total Insurance income in the year ended 30 June 2017	137,751	28,290	166,041
Total Insurance Income	137,751	28,290	166,041
Less progress payments received	(75,066)	(28,290)	(103,356)
Receivable as at 30 June 2017	62,685	-	62,685

Impairment of Assets

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

	Total $'000
Asset impairment arising out of the earthquake:	
- Estimated asset impairments relating to damaged assets	51,207
- Impairment and fair value write-down on investment properties owned by Centerport Properties Ltd	12,761
	63,968

Impairment Sensitivity Analysis

Of the $64m impairment, $47m relates to assets that are completely destroyed and fully written off and $17m relates to estimates of impairment for partially damaged assets ranging from 10% to 80%. If the percentage of estimated damage is altered by +/- 10% this would result in an increase or decrease in the impairment provision (and therefore total comprehensive income) by $1.7m

Port Land

An adjustment of $63m to the fair value of land has been made to recognise the resilience work that needs to be undertaken to support the land. The estimated resilience work cost of $63m is based on a square meter rate of $164,000 based on recent work undertaken to stabilise the container wharf. This adjustment represents a critical accounting estimate as actual costs may differ significantly once the work is fully scoped. A 5% increase or decrease in the square metre rate or land area would result in movement in the fair value of land of $3.1m (note 9).

Business Interruption

An estimate of the amount recoverable for Business Interruption and Loss of Rents has been made for the period to 30 June 2017. The amount has been calculated based on the estimated loss of revenue and has not yet been agreed with the insurer and therefore could be subject to change in future periods.

A change to the estimated loss of revenue of + / - 10% would result in an increase / decrease in the business interruption income estimate accrued of $1m.

Material Damage Insurance Receivable

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

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

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

There is no material contingent asset in relation to the commercial property claim with the exception of the Wellington Port Coldstores Limited and Harbour Quays F1F2 Limited properties. (note 12)

Earthquake deductible expenditure

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

Net Insurance Recovery - Associates and Joint Ventures

The estimated Wellington Port Coldstore insurance proceeds for material damage have been accounted for in the year ended 30 June 2017. CentrePort owns 50% of the Coldstore and its share of the net impact of $3.6m income has been included in the associate earnings for the year.

The estimated impact of the Kaikoura on the SPV entities is a $27.2m loss. This has been included in the Share of profit/(loss) of investments using the equity method.

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

Tax impact

Refer to note 6 for information on the material assumptions and sensitivities related to the impact of the earthquake on income tax.

5 Correction of error

The CentrePort Group have undertaken a detailed review of the calculations relating to the valuation of the SPV Mandatory Convertible Notes Derivative. An error has been identified relating to how the calculation of the equity option is reflected in the financial statements.

The error has been corrected by restating each of the affected financial statement line items for the prior periods as follows:

Statement of Financial Position (extract)	30 June 2016 $'000	Increase / (Decrease) $'000	30 June 2016 Restated* $'000	30 June 2015 $'000	Increase / (Decrease) $'000	30 June 2015 Restated* $'000
Investment in Joint Ventures	90,990	(11,779)	79,211	83,728	(5,486)	78,242
Net assets	**174,390**	**(11,779)**	**162,611**	**162,851**	**(5,486)**	**157,365**
Retained earnings	77,080	(9,058)	68,022	68,103	(4,219)	63,884
Non-controlling interest	49,179	(2,721)	-	46,616	(1,267)	45,349
Total equity	**(174,390)**	**11,779**	**(162,611)**	**(162,851)**	**5,486**	**(157,365)**

Statement of Comprehensive Income (extract)	30 June 2016 $'000	Increase / (Decrease) $'000	30 June 2016 Restated* $'000	30 June 2015 $'000	Increase / (Decrease) $'000	30 June 2015 Restated* $'000
Share of associate profit accounted for using the equity method	13,315	(6,293)	7,022	7,564	(5,486)	2,078
(Deficit) / surplus before taxation and subvention payment	**16,879**	**(6,293)**	**10,586**	**11,519**	**(5,486)**	**6,033**
Income tax expense	(77)	-	(77)	741	-	741
Net (deficit) / surplus after tax for the year	**16,802**	**(6,293)**	**10,509**	**12,260**	**(5,486)**	**6,774**

6 Taxation

	Group 2017 $'000	Group 2016 $'000	Parent 2017 $'000	Parent 2016 $'000
(a) The Income Taxation Expense is Represented By:				
Current Year Taxation expense	50	1,824	-	-
Deferred tax expense (note 14)	16,616	(1,747)	-	-
Income Taxation Expense / (Benefit)	16,666	77	-	-
Continuing operations	16,666	77	-	-
	16,666	77	-	-
(b) Relationship between income tax and accounting surplus:				
Net surplus (deficit) before tax	67,585	10,586	(573)	3,847
	67,585	10,586	(573)	3,847
Income Taxation on the Surplus for the Year at 28%	18,924	2,964	(160)	1,077
Taxation Effect of:				
- Imputation credits	-	-	(152)	(1,364)
- Add back Equity Earnings in Joint Ventures	-	-	-	-
- Insurance Income Allocated to Capital	-	-	-	-
- Change in fair values of investment properties	1,592	(784)	-	-
- Asset Impairments	-	-	-	-
- Capital Gain on Sale of Asset	-	-	-	-
- Non-deductible Expenditure	5,283	149	-	-
- Unused tax losses and tax offsets not recognised	-	-	312	287
- Depreciation on held for sale properties	-	-	-	-
- Building additions / disposals with no deferred tax impact	-	-	-	-
Permanent Differences	16	(130)	-	-
Non Assessable Income	(9,099)	(2,324)	-	-
(Over) / under provision of income tax in previous period	(50)	202	-	-
Income tax expense	16,666	77	-	-
(c) Imputation credit account balances				
Balance at the end of the period	13,786	13,118	13,474	13,265
(d) Tax expense / (benefit) is represented by:				
Current tax expense	50	1,824	-	-
Deferred tax expense / (benefit)	16,616	(1,747)	-	-
	16,666	77	-	-

(e) Tax losses not recognised

At the Parent level, Port Investments Limited has unrecognised tax losses of $10.110 million (2016: $8.998 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 $2.831 million (2016: $2.519 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 foward tax losses is contingent on continuing to meet the requirements of the Income Tax Act 2007.

	Group		Parent	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
Income Tax Receivable				
Opening Balance	**621**	226	-	-
Refund Received	-	(126)	-	-
Tax Paid	-	2,343	-	-
Prior Year Adjustment	**(20)**	(100)	-	-
Transfer losses to deferred tax	**(7,437)**	-	-	-
Current Year Tax Liability / (Benefit)	**7,437**	(1,722)	-	-
Closing Balance	**601**	621	-	-

Key assumptions

A number of assumptions have been applied in the tax calculation as a result of the different tax rules that apply to insurance proceeds and asset repairs or reinstatement. The most material assumption is the allocation of $117m of the insurance proceeds to assets that are liekly to be deemed disposed of for tax purposes. The allocation is based on the indemnity value of the key assets considered to be irreparable as a result of the earthquake. This assumption results in non taxable capital gains of $32m (tax effect of $9m) being the proceeds over and above the original cost. The historic tax depreciation claimed on the assets deemed to be destoryed that is likely to be recovered by Inland Revenue has been reflected as a deferred tax liability (tax effect $17m). The remainder of the proceeds are deemed to be taxable as the related expenditure on repairs will be deductible.

7 Trade & other receivables

	Group 2017 $'000	Group 2016 $'000	Parent 2017 $'000	Parent 2016 $'000
Net trade receivables				
Trade debtors	5,912	7,451	-	-
Provisioning for doubtful debts	(23)	(2)	-	-
	5,889	7,449	-	-
Net related party receivables				
Related party receivables	9	-	-	-
	9	-	-	-
Net other receivables				
Other receivables	878	365	-	1
Receivable on sale of property	-	7,100	-	-
	878	7,465	-	1
Prepayments				
Prepayments	162	622	-	-
	162	622	-	-
	6,938	15,536	-	1

Provision for doubtful debts	Group 2017 $'000	Group 2016 $'000	Parent 2017 $'000	Parent 2016 $'000
Opening balance	2	-	-	-
Amounts written off during the year	-	(3)	-	-
Increased in allowance recognised in comprehensive income	21	5	-	-
Closing balance	23	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 $1.548 million, which are past due at 30 June 2017 (2016: $1.317 million). CentrePort believes that the amounts (net of doubtful debt provision) are recoverable.

8 Current assets - Inventories

	Group		Parent	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Inventories				
Spares stock control	**1,305**	1,010	**-**	-
Fuel and stock control	**119**	117	**-**	-
	1,424	1,127	**-**	-

9 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
Year ended 30 June 2016							
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)
Depreciation charge	-	(822)	(2,710)	(2,494)	(743)	-	(6,769)
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

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 2017							
Opening net book amount	79,922	12,816	47,935	30,172	6,741	7,903	185,489
Provision for resilience	(63,000)	-	-	-	-	-	(63,000)
Additions	-	-	1,214	-	5,442	15,014	21,670
Transfers from work in progress	3,100	2,171	4,465	-	2,454	(12,190)	-
Disposals	-	-	-	(23)	(63)	-	(86)
Transfer from Investment Property	21,618	-	-	-	-	-	21,618
Impairment	-	(6,850)	(34,075)	(3,580)	(842)	(5,860)	(51,207)
Revaluation	9,012	-	-	-	-	-	9,012
Depreciation charge	-	(590)	(1,596)	(1,611)	(1,095)	-	(4,892)
Loss on disposal	-	-	-	-	-	-	-
Closing net book amount	50,652	7,547	17,943	24,958	12,637	4,867	118,604
At 30 June 2017							
Cost	50,652	22,567	67,670	49,093	16,857	4,867	211,706
Accumulated depreciation	-	(15,020)	(49,727)	(24,135)	(4,220)	-	(93,102)
Net book amount	50,652	7,547	17,943	24,958	12,637	4,867	118,604

	2017 $'000
Capitalised work in progress	
Wharves	334
Mobile	2,977
Other	1,556
Total	4,867

Capital Work in Progress

Capital work in progress include 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.

Borrowing costs capitalised

During the year no borrowing costs were capitalised (2016: nil).

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

Operational Port Land

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

	2017 $'000
Industrial Zoned Land	79,590
Commercial Zoned	8,831
Total Operational Port Land	88,421
Provision for Resilience	(63,000)
Carrying Value Operational Port Land	25,421
Carrying Value Operational Other Port Land	25,231
Carrying Value Operational Port Land 30 June 2017	50,652

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.

Operational Port Land was independently valued by registered valuers of the firm Bayleys on 30 June 2017. The fair value of Operational Port Land is based on the highest and best use for transport distribution, road/rail/port linkages and logistics.

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

As at 30 June 2017 operational port land subject to valuation was assessed to have a total value of $110.5m. Each freehold parcel of land is valued on a rate per square metre basis using the direct sales comparison approach. In carrying out this comparison, consideration is given to:

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

Key assumptions underlying the valuation are set out below:

(i) Land at Aotea Quay, the Northern Reclamation and Point Howard have been valued in their current condition post-earthquake.

(i) Parts of the port incurred significant settlement resulting in undulations and sharp height variations to some sealed areas. The valuation was completed on the basis that all remediation work was complete, including re levelling and laying new seal.

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

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

Valuation Approach - 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	$25,231	Comparison to sales of industrial land in similar locations	Weighted average land value - $120 - $2,10 0/sqm	+/- 5% ($1.3m)

Port Land Resilience

The geotechnical stability of the land, settlement and risk of ongoing business interruption has influenced the valuation. The Asset Management Plan includes significant ground resilience expenditure planned for the next 5 years to stabilise the land and further work is being undertaken to improve the seismic resilience in the land and erosion impact.

An adjustment of $63m to the fair value of land has been made to recognise the resilience work that needs to be undertaken to support the land. The estimated resilience work cost of $63m is based on a square metre rate of $164,000 based on recent work undertaken to stabilise the container wharf. This adjustment represents a critical accounting estimate as actual costs may differ significantly once the work is fully scoped. A 5% increase/decrease in the square metre rate or land area would result in movement in the fair value of land of $3.1m.

10 Intangible assets

Group	Goodwill $'000	Computer software $'000	Total $'000
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	3,635	6,310
Accumulated amortisation and impairment	-	(3,266)	(3,266)
Net book amount	2,675	369	3,044

Group	Goodwill $'000	Computer software $'000	Total $'000
Year ended 30 June 2017			
Opening net book amount	2,675	368	3,043
Additions	-	437	437
Amortisation charge	-	(193)	(193)
Closing net book amount	2,675	612	3,287
At 30 June 2017			
Cost	2,675	4,038	6,713
Accumulated amortisation and impairment	-	(3,426)	(3,426)
Net book amount	2,675	612	3,287

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

11 Investments in subsidiaries

PIL owns 76.9% of CentrePort group and the Group had the following subsidiaries at 30 June 2017

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 2017	Equity holding 2016
CentrePac Limited	Container packing	New Zealand	**76.9%**	76.9%
Harbour Quays D3 Limited	Commercial rental property	New Zealand	**76.9%**	76.9%
Harbour Quays C1 limited	Commercial rental property	New Zealand	**76.9%**	76.9%
CentrePort Limited	Port operations	New Zealand	**76.9%**	76.9%
CentrePort Property Management Limited	Management Services	New Zealand	**76.9%**	76.9%
CentrePort Properties Limited	Investment in special purpose vehicle	New Zealand	**76.9%**	76.9%
Harbour Quays Property Limited	Investment in special purpose vehicle	New Zealand	**76.9%**	76.9%
Harbour Quays Shed 39 Limited	Commercial rental property	New Zealand	**76.9%**	76.9%

12 Aggregated Joint Venture Information

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

Summarised financial information for joint ventures

	Port Associates		Property Associates		Total	
	2017	2016	**2017**	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Cash and cash equivalents	**1,587**	70	**7,454**	4,563	**9,041**	4,633
Insurance receivable	**10,419**	-	**93,220**	-	**103,639**	-
Other current assets (excluding cash)	**269**	665	**8**	908	**277**	1,573
Total current assets	**12,275**	735	**100,682**	5,471	**112,957**	6,206
Other current liabilities (including trade payables)	**(429)**	(288)	**(1,821)**	(1,916)	**(2,250)**	(2,204)
Total current liabilities	**(429)**	(288)	**(1,821)**	(1,916)	**(2,250)**	(2,204)
Non-current assets	**14**	5,689	**38,572**	165,137	**38,586**	170,826
Total non-current assets	**14**	5,689	**38,572**	165,137	**38,586**	170,826
Financial liabilities	**-**	(1,873)	**(83,965)**	(91,612)	**(83,965)**	(93,485)
Total non-current liabilities	**-**	(1,873)	**(83,965)**	(91,612)	**(83,965)**	(93,485)
Net assets	**11,860**	4,263	**53,468**	77,080	**65,328**	81,343
Share of Net Assets	**5,929**	2,131	**53,468**	77,080	**59,397**	79,211

Summarised statements of comprehensive income

	Port Associates 2017 $'000	Port Associates 2016 $'000	Property Associates 2017 $'000	Property Associates 2016 $'000	Total 2017 $'000	Total 2016 $'000
Revenue	2,236	5,606	5,631	17,680	7,867	23,286
Operating expenses	(3,259)	(5,091)	(4,161)	(4,491)	(7,420)	(9,582)
Net finance cost	(62)	(150)	(5,275)	(5,749)	(5,337)	(5,899)
	(1,085)	365	(3,805)	7,440	(4,890)	7,805
	-	-	-	-	-	-
Earthquake Related Items						
Costs and impairments	(6,917)	45	(130,766)	(506)	(137,683)	(461)
Insurance income	15,599	-	103,530	506	119,129	506
Profit or loss from continuing operations	7,597	410	(31,041)	7,440	(23,444)	7,850
Income tax (expense)/ benefit	-	-	265	(1,238)	265	(1,238)
Post-tax profit from continuing operations	7,597	410	(30,776)	6,202	(23,179)	6,612
Fair value adjustments	-	-	8,364	614	8,364	614
Total comprehensive income	7,597	410	(22,412)	6,816	(14,815)	7,226
Share of comprehensive income	3,798	205	(22,412)	6,817	(18,614)	7,022
Dividends received from joint venture or associate	-	-	1,200	5,785	1,200	5,785

Reconciliation of summarised financial information

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

	Port Associates 2017 $'000	Port Associates 2016 $'000	Property Associates 2017 $'000	Property Associates 2016 $'000	Total 2017 $'000	Total 2016 $'000
Opening net assets 30 June	4,261	3,852	77,080	81,535	81,341	85,387
Correction of error	-	-	-	(5,486)	-	(5,486)
	4,261	3,852	77,080	76,049	81,341	79,901
Profit/(loss) for the year	7,597	410	(22,412)	6,816	(14,815)	7,226
Dividend	-	-	(1,200)	(5,785)	(1,200)	(5,785)
Closing net assets	11,858	4,262	53,468	77,080	65,326	81,342
Interest in joint venture	5,929	2,131	53,468	77,080	59,397	79,211

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

Name of entity	Principal activities	Proportion of ownership interest 2017	2016
Harbour Quays A1 Limited	Commercial rental property	100%	100%
Harbour Quays D4 Limited	Commercial rental property	100%	100%
Harbour Quays F1F2 Limited	Commercial rental property	100%	100%
Wellington Port Coldstore Limited	Cold storage or products	50%	50%
Direct Connect Container Services Limited	Transport hubbing and logistics	50%	50%

	Group 2017 $'000	Group 2016 $'000	Parent 2017 $'000	Parent 2016 $'000
Carrying amount at beginning of year	79,211	83,736	-	-
Correction of error	-	(5,486)	-	-
Share of profit / (loss) of joint ventures	(18,614)	7,021	-	-
Dividends from joint ventures	(1,200)	(5,785)	-	-
Transfer net assets of CentrePac Limited to wholly owned subsidiary on acquisition of remaining interest	-	(300)	-	-
Investment in Direct Connect Series Limited	-	25	-	-
Total current assets	59,397	79,211	-	-
Represented by:				
Harbour Quays A1 Limited	16,085	16,807	-	-
Harbour Quays D4 Limited	13,071	14,404	-	-
Harbour Quays F1F2 Limited	24,312	45,869	-	-
Other Joint Venture Companies	5,929	2,131	-	-
	59,397	79,211	-	-

Earthquake damage

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

CentrePort Properties Limited is managing the insurance process for the SPV group and Wellington Port Coldstore Limited. Work has commenced on the insurance claim process. The claim was not submitted at 30 June 2017. During the year, the SPV group received a non-specific advance of $10.3m.

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

Harbour Quays A1 Limited

The Statistics New Zealand building sustained significant damage to the building as a result of the Kaikoura earthquake. Damage assessment reports have been completed and they conclude that the building is destroyed and is uneconomic to repair or restore the damage. The building has been fully impaired in the financial statements for the year ended 30 June 2017. The property has an insured value of $43.0m and has been accounted for on the basis that the insurance claim for total loss of the building will be accepted. The Company had a Business Interruption loss of rents policy which covers a 36 month indemnity period. Due to the tenants rent free period under their lease (up to February 2018), Business Interruption proceeds have not been received in the financial year ended 30 June 2017.

Harbour Quays D4 Limited

The Customhouse property was damaged in the earthquake and damage assessments have concluded that both structural and non-structural damage was caused however it was relatively minor compared to the damage sustained by other buildings. The building has an insured value of $38.5m and a Business Interruption loss of rents policy which covers a 36 month indemnity period. An estimate of the amount recoverable for Business Interruption Loss of Rents has been included as insurance income receivable. The estimated costs to repair the building (total of $3m) has been recognised as a material damages receivable, after taking the deductible into account.

Harbour Quays F1F2 Limited

BNZ House sustained significant damage and initial damage assessment reports conclude that it is likely that the building will be deemed to be uneconomic to repair or restore however there is considerable uncertainty in relation to this. The building has an insured value of $111.5m and Business Interruption Loss of Rents which covers a 36 month indemnity period expiring November 2019. The financial statements for HQ F1F2 Limited have been prepared on the basis that the insurance claim for the earthquake damage to the building will be accepted, however they reflect the uncertainty relating to whether this will be for the full loss to the building (being the indemnity value of $84.8m) or for building repairs (which could range from a lowest estimate of $60m up the full sum insured of $111.5m).

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

Wellington Port Coldstore Limited

The Coldstore sustained significant damage to the building as a result of the Kaikoura earthquake. Damage assessment reports have been completed and they conclude that the building is destroyed and is uneconomic to repair or restore the damage. The building has been fully impaired in the financial statements for the year ended 30 June 2017. The property has an insured value and business interruption policy of $21.1m, however the financial statements reflect a $13.0m settlement value including business interruption of $14.5m. The business interruption policy is for a 12 month indemnity period.

The property impairment and the estimated amounts receivable for insurance are critical accounting judgements. As the property has been fully written off and a minimum estimate of the insurance receivable has been recognised there is the potential for adjustments to be made in future years that may be material. For further details relating to the associate net earthquake insurance recovery see note 4.

Joint Venture Company Mandatory Convertible Note (MCN) Conversion Derivative

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 is recognised on the balance sheets of the joint venture companies when the CPI adjusted fair value of the Mandatory Convertible Note is expected to be less than 50% of the conversion property values. This is a change from previous years calculation when the derivative was deemed to arise when the fair value of the MCNs exceeded 50% of the security value. Refer to note 5. The liability reflects the variance between forecast growth in the value of Mandatory Convertible Notes and the estimated terminal values of the commercial properties over the term of the Mandatory Convertible Notes discounted 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 three joint venture companies at 30 June 2017 (2016: restated $8.4m).

This is because the value of each building has decreased compared to 2016 and the Index Adjusted Principal Amounts (IAPAs) have increased. Consequently the differential between 50% of the expected value of the securities at conversion date and the IAPA at conversion date has decreased.

The forecast security values for F1F2 and A1 at conversion in 2024 or 2026 are based on the properties being fully repaired and reoccupied or rebuilt using insurance proceeds and reoccupied. As the carrying value of the MCNs are significantly above 50% of the security values there are no material sensitivity exposures as the forecast security values would need to increase significantly before a mandatory convertible note conversion liability would need to be recorded.

13 Investment Properties

	Group 2017 $'000	Group 2016 $'000	Parent 2017 $'000	Parent 2016 $'000
Developed Investment Properties	**4,750**	26,336	**-**	-
Land Available for Development	**12,022**	21,596	**-**	-
	16,772	47,932	**-**	-
Developed Investment Property as at 1 July	**26,336**	26,548	**-**	-
Transfer to Port Land	**(15,676)**	-	**-**	-
Additions	**519**	-	**-**	-
Impairments and Fair Value Change (earthquake)	**(6,429)**	-	**-**	-
Transfer from/(to) Land Available for Development	**-**	37	**-**	-
Net Change in the Value of Developed Investment Property *	**-**	(249)	**-**	-
	4,750	26,336	**-**	-
Land Available for Development as at 1 July	**21,596**	23,836	**-**	-
Transfer to Port Land	**(5,942)**	(81)	**-**	-
Additions	**2,700**	304	**-**	-
Disposals	**-**	(5,420)	**-**	-
Transfer from / (to) Developed Investment Property	**-**	(37)	**-**	-
Depreciation of Infrastructure	**-**	(63)	**-**	-
Impairments and Fair Value Change (earthquake)	**(6,332)**	-	**-**	-
Net Change in the Value of Land Available for Development *	**-**	3,057	**-**	-
	12,022	21,596	**-**	-
	16,772	47,932	**-**	-

Valuation

Investment properties are revalued every year. Investment properties were valued on 30 June 2017 by independent registered valuers Bayleys.

The fair value of Investment Property 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 2017 is $16.8 million (2016: $47.9 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.

During the year, $21.6m of Leasehold Land was transferred to Port Operational Land.

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.

The property sustained significant damage to the buildings as a result of the Kaikoura earthquake. Damage assessment reports are being undertaken. The valuations have been prepared on the basis that the property is structurally sound and did not take into account any costs to remedy the building following the earthquake. The impairment provision reflects the repair work to be completed.

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 9. This hierarchy reflects the significance of the inputs used in making the measurements.

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

Freehold Investment Property

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

Leasehold Investment Property

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

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

Market rental is assessed using both the:

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

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

	Fair Value $'000	**Valuation Approach**	**Key Valuation Assumptions**	**Valuation Impact**
Improved Properties	$7,750	Capitalised rental checked to freehold land value	Market capitalisation rate of 8.75%	+ / - 0.25% +$0.2m / - $0.2m
Total Developed Investment Property	**$7,750**			
Development Sites Commercial	$15,422	Direct sales comparison	Weighted average land value $550 to $2,100psm	+/- 5% ($0.8m)
Total Land Available for Development	**$15,422**			

14 Deferred tax

	Group 2017 $'000	Group 2016 $'000	Parent 2017 $'000	Parent 2016 $'000
The balance comprises temporary differences attributable to:				
Tax losses	**10,268**	2,519	**-**	-
Temporary differences	**(24,323)**	42	**-**	-
Balance at 30 June	**(14,055)**	2,561	**-**	-

	Group 2017 $'000	Group 2016 $'000	Parent 2017 $'000	Parent 2016 $'000
Unrecognised deferred tax balances				
Tax losses	**-**	-	**(2,831)**	(2,519)
Temporary differences	**-**	-	**(3)**	(3)
	-	-	**(2,834)**	(2,522)

Movements - Group	Investment properties $'000	Property, plant and equipment $'000	Trade and other payables $'000	Other financial liabilities $'000	Tax losses $'000	Insurance recoverable $'000	Total $'000
At 1 July 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

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	Insurance recoverable $'000	Total $'000
At 1 July 2016	(978)	(5,346)	1,016	5,350	2,519	-	2,561
Charged to income	1,229	11,063	2,143	(2,892)	7,749	(35,908)	(16,616)
At 30 June 2017	251	5,717	3,159	2,458	10,268	(35,908)	(14,055)

15 Borrowings

	Group 2017 $'000	Group 2016 $'000	Parent 2017 $'000	Parent 2016 $'000
Current				
Bank borrowings	**146**	876	**-**	-
Total current interest bearing liabilities	**146**	876	**-**	-
Non-current				
WRC Holdings loan	**44,000**	44,000	**44,000**	44,000
Bank loans	**36,000**	102,000	**-**	-
Total non-current interest bearing liabilities	**80,000**	146,000	**44,000**	44,000
Total interest bearing liabilities	**80,146**	146,876	**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 $150 million (2016: $150 million) with renewal dates ranging from 2 to 5 years for $125 million (2016: $125 million) of the facilities. There is also an evergreen facility of $25 million (2016: $25 million) subject to a 13 month cancellation notice.

The interest rate charged on the facilities ranged from 1.98% to 5.96% p.a. (2016: 2.38% to 5.86%) 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 (2016: $150 million). CentrePort pays a guarantee fee to Greater Wellington Regional Council.

Port Investments Limited has an unsecured advance facility of $44 million (2016: $44 million) with its parent WRC Holdings Limited. On 29 September 2017, the Board of Directors of WRC Holdings extended the term loan to PIL to be repaid on 28 October 2038

Refer to note 20 Financial Risk Management for additional information about the Group's exposure and sensitivity to interest rate risk.

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

16 Provision for employee entitlements

	Group 2017 $'000	Group 2016 $'000	Parent 2017 $'000	Parent 2016 $'000
Current				
Employee benefits	3,153	3,140	-	-
	3,153	3,140	-	-
Non-current				
Employee benefits	752	906	-	-
Total provisions	3,905	4,046	-	-

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% (2016: 2.9%).

17 Dividends payable

	Group 2017 $'000	Group 2016 $'000	Parent 2017 $'000	Parent 2016 $'000
(a) Ordinary shares				
Dividend payable to WRC Holdings Limited	-	3,691	-	3,691
Total dividends declared	-	3,691	-	3,691

18 Non-controlling interest

	Group 2017 $'000	Group Restated* 2016 $'000	Parent 2017 $'000	Parent 2016 $'000
Opening non-controlling interest	**46,458**	45,349	-	-
Non-controlling share of operating surplus / (deficit)	**11,947**	2,681	-	-
Non-controlling share of movements in revaluation reserve	**(12,472)**	-	-	-
Non-controlling share of dividends paid or payable	**(162)**	(1,572)	-	-
Total non-controlling interest	**45,771**	46,458	-	-

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

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

	Group		Parent	
	2017	Restated. 2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Profit for the year	**50,919**	10,509	**(573)**	3,847
Add / (less) non-cash items:				
Depreciation	**4,954**	6,769	-	-
Amortisation	**193**	182	-	-
Impairment of fixed assets	-	233	-	-
(Gain) / loss on sale of property, plant and equipment	-	(1,283)	-	-
Earthquake related costs	**63,968**	-	-	-
Decrease / (increase) in financial instruments - assets	**(10,330)**	7,639	-	-
Write down / (up) of investments properties	-	(2,801)	-	-
Equity accounted earnings less dividends received from Investments	**19,814**	(1,244)	-	-
Deferred tax liability	**22,243**	(1,747)	-	-
(Increase) / decrease in fair value of investment in subsidiary	-	-	-	-
Change in provision for doubtful debt	-	(2)	-	-
Add / (less) movements in working capital:				
Accounts receivable	**8,599**	(1,443)	-	-
Accounts payable	**(776)**	1,463	**3**	(32)
Insurance receivable	**(62,685)**	-	-	-
Inventory	**(297)**	(205)	-	-
Borrowings	**(730)**	(133)	-	-
Taxation - refund	-	(388)	-	-
Taxation - provision	**(5,604)**	-	-	-
Current account Wellington Regional Council	-	114	**23**	113
Employee entitlements	**(141)**	284	-	-
Add / (less) items classified as investing and financing activities:				
Increase / (decrease) in current accounts relating to financing activities	**141**	(23)	**119**	(23)
Accounts payable related to property, plant and equipment	**(1,698)**	(567)	-	-
Accounts receivable related to property, plant and equipment	**(7,100)**	-	-	-
Insurance progress payment schedule	**(75,066)**	-	-	-
Net cash inflow from operating activities	**6,404**	17,357	**(428)**	3,905

20 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 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.

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.

Inter-group advances

Port Investments Limited has an unsecured advance facility of $44,000,000 with its parent WRC Holdings Limited. The facility matures on 28 October 2018. The interest rate on the facility as at 30 June 2017 was 2.00% p.a. (2016: 2.38%). 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 15, 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.

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 20.

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% (2016: 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 $1.24 million (2016: increase/decrease by $1.02 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 $3.4 million (2016: $7.1 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 $3.2 million (2016: $7.7 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.

At balance date the Group had entered into the following swap agreements that had interest rates ranging from 1.98% to 5.96% (2016: 4.19% to 5.96% p.a.) and maturities of:

	2017 %	2016 %	2017 Group and Parent Notional $'000	2016 Group and Parent Notional $'000
Interest rate swap agreements - Paying /(Receiving) swaps				
Less than one year			-	-
Two to Five Years	**1.98% - 1.99%**	4.19% - 4.53%	**(15,000)**	30,000
Greater than five years	**5.36% - 5.96%**	4.37% - 5.96%	**50,000**	80,000
Total financial liabilities			**35,000**	110,000
Group and Parent fair value liabilities			**8,778**	19,109
Reconciliation of other financial liabilities				
Interest rate swaps			**8,778**	19,109
Represented by:				
Current liabilities			-	36
Non-current liabilities			**8,778**	19,073
Total financial liabilities			**8,778**	19,109

Maturity profile of financial instruments

The following table details the Group's exposure to interest rate risk at 30 June 2017 and 30 June 2016:

	Weighted average interest rate	Variable interest rate	Maturity profile of financial instruments						Non-interest bearing	Total
	%	%	Within one year $'000	1-2 years $'000	2-3 years $'000	3-4 years $'000	4-5 years $'000	5+ years $'000	$'000	$'000
Group 2017 Financial liabilities:										
Trade and other payables			6,346	-	-	-	-	-	-	6,346
Payables to employees			3,153	752	-	-	-	-	-	3,905
Debt - Parent	2.11	2.00	-	44,000	-	-	-	-	-	44,000
Debt - CentrePort	5.34	1.95	36,146	-	-	-	-	-	-	36,146
Total			45,645	44,752	-	-	-	-	-	90,397
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	102,876	-	-	-	-	-	-	102,876
Total			113,020	906	44,000	-	-	-	-	157,926
Parent 2017 Financial liabilities:										
Trade and other payables			484	-	-	-	-	-	-	484
Borrowings - WRC H	2.11	2.00	-	44,000	-	-	-	-	-	44,000
Total			484	44,000	-	-	-	-	-	44,484
Parent 2016 Financial liabilities:										
Trade and other payables			363	-	-	-	-	-	-	363
Borrowings - WRC H	3.20	2.38	-	-	44,000	-	-	-	-	44,000
Total			363	-	44,000	-	-	-	-	44,363

(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	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
30-60 days	**719**	249	**-**	-
60-90 days	**160**	625	**-**	-
90-120 days	**415**	367	**-**	-
121days +	**254**	227	**-**	-
Total	**1,548**	1,468	**-**	-

Insurance receivables credit risk

A total of $63 million was recognised as a receivable in relation to insurance proceeds at balance date due from various insurance institutions. Within the Associates results a total of $104 million was recognised as a receivable. The credit ratings of each institution as published by Standard & Poor's are rated AA and above as at the date of these financial statements.

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 2017, CentrePort Group had not entered into any forward contracts. (2016: nil).

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds at short notice to meet its financial commitments as they fall due. To reduce the exposure to liquidity risk the Group has a bank overdraft facility of $2 million net, with a gross indebtness of $6 million through a set off arrangement, (2016: $2 million) and New Zealand dollar Commercial Bill facilities of $150 million at balance date (refer to note 15 Borrowings) (2016: $150 million). Of these $36 million (2016: $102 million) had been drawn down by the Group at balance date.

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

Liquidity profile of financial instruments

The following tables detail the entity's liquidity profile based on undiscounted cash outflows at 30 June 2017 and 30 June 2016, assuming future interest cost on borrowings at 7.05% (2016: 6.7%) of the average debt for each period.

Group - 30 June 2017	Less than one year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	5+ Years	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial liabilities							
Trade and other payables	6,346	-	-	-	-	-	6,346
Payables to employees	3,153	752	-	-	-	-	3,905
Other financial liabilities	1,887	1,895	5,642	-	-	13,704	23,128
Borrowings	6,782	70,125	14,118	-	-	12,846	103,871
Total	18,168	72,772	19,760	-	-	26,550	137,250
Group - 30 June 2016							
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
Parent - 30 June 2017							
Financial liabilities							
Trade and other payables	484	-	-	-	-	-	484
Borrowings	880	44,220	-	-	-	-	45,100
Total	1,364	44,220	-	-	-	-	45,584
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

(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.

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

(e) Financial instruments by category

Financial assets as per balance sheet	**Loans and receivables $'000**	**Total $'000**
Group		
At 30 June 2017		
Cash and cash equivalents	216	216
Trade and other receivables	69,623	69,623
Other financial assets	2,686	2,686
	72,525	72,525

	Loans and receivables $'000	**Total $'000**
At 30 June 2016		
Cash and cash equivalents	988	988
Trade and other receivables	15,536	15,536
Other financial assets	6,828	6,828
	23,352	23,352

Financial assets as per balance sheet	**Loans and receivables $'000**	**Total $'000**
Parent		
At 30 June 2017		
Cash and cash equivalents	1	1
Other financial assets	2,686	2,686
	2,687	2,687

	Loans and receivables $'000	**Total $'000**
At 30 June 2016		
Cash and cash equivalents	1	1
Other financial assets	6,828	6,828
	6,829	6,829

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 2017			
Trade and other payables	-	6,346	6,346
Borrowings	-	80,146	80,146
Other financial liabilities	8,778	3,905	12,683
	8,778	90,397	99,175
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
Parent			
At 30 June 2017			
Trade and other payables	-	484	484
Borrowings	-	44,000	44,000
Other financial liabilities	-	-	-
	-	44,484	44,484
At 30 June 2016			
Trade and other payables	-	363	363
Borrowings	-	44,000	44,000
Other financial liabilities	-	-	-
	-	44,363	44,363

21 Commitments

Capital Commitments

The parent company, Port Investments Limited had no capital commitments at 30 June 2017 (2016: None).

At balance date commitments in respect of contracts for capital expenditure are $1.9 million for the Group (2016: $10.1 million). This relates to the purchase of a new pilot launch, work on satellite sites and on Seaview.

An additional $8.8m was committed at June 2017 relating to the contract to secure the Ship to Shore Container Cranes.

The Group has significant claims for damage to port infrastructure assets and properties which will result in significant capital expenditure repairs and reinstatement. In the Company's Statement of Intent to its shareholder, the Company has estimated this to be $197.5m for the group over the next 3 years. Total earthquake capital repairs and reinstatement costs are likely to exceed this sum and will extend beyond the next three years. The total earthquake repairs and reinstatement costs are yet to be determined.

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

Operating Leases

Operating lease payments relate to forklift trucks and 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. CentrePort Limited purchased its operating lease straddles during the year ended 30 June 2017 for $5.4m.

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

Disclosure for lessees

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

	Group		Parent	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Non-cancellable operating lease payments				
Not longer than 1 Year	**484**	1,367	-	-
Longer than 1 year and not longer than 5 years	**966**	2,567	-	-
Longer than 5 years	**751**	868	-	-
	2,201	4,802	-	-

Disclosure for lessors

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

	Group		Parent	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Non-cancellable operating lease receipts				
Not later than 1 year	**8,348**	4,760	-	-
Later than 1 year and no later than 5 years	**25,688**	8,062	-	-
Later than 5 years	**26,626**	8,226	-	-
	60,662	21,048	-	-

22 Related party transactions

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

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

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

Port Investments Limited did not provide any tax losses to any entities in the Greater Wellington Group for the year ended 30 June 2017. (2016: nil).

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

	Group		Parent	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Wellington Regional Council				
Interest income on intercompany current accounts	**89**	108	**89**	108
Payment for management fees	**(75)**	(53)	**(75)**	(53)
Payment for rent and services, CentrePort	**486**	1,300	-	-
Payment for use of navigational facilities, debt guarantee fee CentrePort	**(1,189)**	(1,201)	-	-
Current account - Wellington Regional Council	**2,686**	6,828	**2,686**	6,828
WRC Holdings				
Dividend paid or proposed	-	(3,691)	-	(3,691)
Interest expense on Port Investments Limited advance	**1,088**	1,407	**1,088**	1,407
Advance WRC Holdings	**44,000**	44,000	**44,000**	44,000
CentrePac Limited				
Income received from rent and services performed.	-	437	-	-
Payment for goods and services	-	(2)	-	-
Direct Connect Container Service Limited				
Income received from rent and services performed	**(46)**	(45)	-	-
Wellington Port Coldstore Limited				
Income received from rent and services performed.	**204**	179	-	-
Payment for services performed	-	(9)	-	-
	-	-	-	-
CentrePort Limited	-	-	**538**	5,231

During the year Subsidiary Companies charged no lease rentals to CentrePort Limited (2016: $Nil) During the year CentrePort Limited charged no management fee to a Subsidiary Company (2016 $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):

	2017 $'000	2016 $'000
Wellington Regional Council and subsidiaries	2,270	6,531
CentrePac Limited	-	(377)
Transport Systems 2000 Limited	-	-
Wellington Port Coldstore Limited	-	1
Direct Connect Container Service Limited	75	-

During the year Harbour Quays A1 Limited, Harbour Quays D4 Limited and Harbour Quays F1F2 Limited paid management fees of $0.2 million to CentrePort Property Management Limited (2016: $0.2 million), and infrastructure charges of $0.1 million to CentrePort Properties Limited (2016: $0.1 million).

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

	2017 $'000	2016 $'000
Short-term employee benefits	3,079	2,759
Total key management personnel compensation	3,079	2,759

23 Contingent Assets

The Group has significant claims on its insurers in relation to the Kaikoura earthquake on 14 November 2016. Claims have yet to be assessed and finalised. In the Company's Statement of Intent issued to the shareholders earlier in the year, preliminary estimates were that a further $200m of material damage claims would be settled over and above the insurance proceeds recognised at 30 June 2017 in relation to Port infrastructure amounts. Until the insurance claim process is finalised it is not possible to reliably estimate the value of the contingent asset.

Full provision has been made for insurance claims on the commercial properties with the exception of the Coldstore and F1F2 note 12

24 Contingent liabilities

Subsidiary companies - CentrePort Limited:

There were no contingent liabilities as at 30 June 2017 (2016: Unquantified claim which was resolved during the 2016 financial year).

Port Investments Limited

There were no contingent liabilities as at 30 June 2017 (2016: nil)

25 Subsequent events

Financial statements will be authorised for issue by the Board of Directors on October 25, 2017.

Apart from the extension of the loan agreement between WRC Holdings Limited and Port Investments Limited as referred to in Note 15, 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.

26 Reserves

	Group		Parent	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Property, plant and equipment revaluation reserve				
Revaluation reserve brought forward	**48,131**	48,131	**-**	-
Increase in value of Port land after tax	**6,932**	-	**-**	-
Provision for land resilience	**(48,448)**	-	**-**	-
Revaluation reserve carried forward	**6,615**	48,131	**-**	-

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 except for:

The Board has not complied with section 67(1) of the Local Government Act 2002 which requires the annual report to be completed within three months after the end of the financial year.

CentrePort suffered the affects from the November 2016 Kaikorua earthquakes. As a result completing the financial statement has been delayed due to discussions with Insurers, engineers and valuers required at arriving at the estimates in their financial statements.

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 2017 fairly reflect the financial position and operations of the Company.

Director	Director	Chief Financial Officer
October 25, 2017	October 25, 2017	October 25, 2017

Auditors' report
To the shareholders of Port Investments Limited

Independent Auditor's Report

To the readers of Port Investments Limited's and group's financial statements and performance information for the year ended 30 June 2017

The Auditor-General is the auditor of Port Investments Limited and group (PIL and 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 PIL and group, on his behalf.

Opinion

We have audited:

- the financial statements of PIL and group on pages 12 to 64, that comprise the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and

- the performance information of PIL and group on pages 4 to 8.

In our opinion:

- The financial statements of PIL and group on pages 12 to 64:

    - present fairly, in all material respects:

        - its financial position as at 30 June 2017; and

        - its financial performance and cash flows for the year then ended; and

    - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

- The performance information of PIL and group on pages 4 to 8 presents fairly, in all material respects, PIL and group's actual performance compared against the performance targets and other measures by which performance was judged in relation to PIL and group's objectives for the year ended 30 June 2017.

Our audit was completed on 25 October 2017. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Uncertainties related to the effects of the Kaikoura earthquake

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

Basis for opinion

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

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

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

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

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

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

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

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

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

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

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

For the budget information reported in the performance information, our procedures were limited to checking that the information agreed to PIL and group's statement of intent.

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

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

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PIL and group's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- We evaluate the appropriateness of the reported performance information within PIL and group's framework for reporting its performance.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on PIL and group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause PIL and group to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 2, 3, 9 to 11, and 65 but does not include the financial statements and the performance information, and our auditor's report thereon.

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

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

Independence

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

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

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