# ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2015

Lyttelton Port of Christchurch

# CONTENTS

# CORPORATE GOVERNANCE

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# LYTTELTON PORT OF CHRISTCHURCH STRIVES FOR BEST PRACTICE IN CORPORATE GOVERNANCE

## ROLE OF THE BOARD

The Board is responsible for corporate governance and the direction and supervision of the Company's business. Day to day management of the Company is delegated to the Chief Executive appointed by the Board. The Board agrees targets and objectives with the Chief Executive and monitors and reviews management's performance. The Board must make decisions in accordance with the Company's Statement of Corporate Intent.

### Board composition

The Company's Constitution provides that the Board will consist of between six and eight Directors, and not more than two Directors can be members or employees of a local authority that owns voting securities in the Company.

One third of the Directors must retire by rotation at each annual meeting.

In addition to the Constitution requirements, the Board's policy is that Directors should possess a balance of skills, knowledge, experience and perspectives so that the Board works effectively.

### Continuous improvement

The Company provides induction training for new appointees to the Board and Directors are encouraged to undertake ongoing training to remain current on how to best perform their duties as directors.

The Board has a formal procedure for regular evaluation of the effectiveness and performance of the Board and its individual members.

## ETHICAL STANDARDS

Company Directors and employees are expected to act honestly, in good faith and in the best interests of the Company as required by law at all times. Directors observe and foster high ethical standards throughout the Company. To that end, the Board has adopted a Code of Conduct for employees and a fraud prevention policy which addresses:

- conflicts of interest,
- protection of Company information,
- protection of Company assets and property,
- acceptance of gifts or benefits (and the prohibition of bribes and facilitation payments),
- relations with customers, suppliers and employees, and
- compliance with laws and policies.

Mechanisms are in place for the reporting of unethical behaviour and breaches of the Code of Conduct and other Company policies, which may lead to disciplinary action.

A Directors' interests register is maintained and reviewed at each Board meeting. Directors' interests are disclosed in the Company's annual report.

## COMMITTEES OF THE BOARD

### The Board has the following Committees:

- Audit and Finance Committee,
- Remuneration Committee,
- Infrastructure Development Committee, and
- Health and Safety Governance Committee.

The Committees make recommendations to the Board and exercise the Board's decision making powers when they have been delegated authority to do so. The composition, terms of reference and performance of each of the Committees are reviewed regularly by the Board.

### Audit and Finance Committee

The Audit and Finance Committee (AFC) consists of at least three non-executive Directors, and at least one of whom must have an accounting or financial background. The Chairman of the Board may not be the Chairman of the AFC.

The responsibilities of the AFC include:

- ensuring that processes are in place and monitoring those processes so that the Board is properly and

# CORPORATE GOVERNANCE

regularly informed and updated on corporate financial matters,

- reviewing the Company's financial reports,
- liaising with the external auditors on behalf of the Board and ensuring the independence of the auditors is not impaired, or could reasonably be perceived to be impaired,
- monitoring and reviewing the Company's accounting policies, internal controls and related matters, and
- verifying that the Company has appropriate processes to identify and manage potential and relevant risks.

### Remuneration Committee

The responsibilities of the Remuneration Committee include:

- assisting the Board in the establishment of the remuneration policies and practices for the Company,
- undertaking the annual performance appraisal of the Chief Executive and reviewing the performance appraisals of senior management, and
- reviewing the terms and conditions of Company wide employment contracts, the remuneration of the Chief Executive and senior management, and the design and operation of the incentive programme, and making appropriate recommendations to the Board.

### Infrastructure Development Committee

The responsibilities of the Infrastructure Development Committee includes assisting the Board in reviewing the engineering plans and recommendations for the development plan.

### Health and Safety Governance Committee

The responsibilities of the Health and Safety Governance Committee include:

- providing oversight on the Port's health and safety,
- challenging health and safety strategies for the Port,
- ensuring all Port users understand the health and safety obligations, and
- monitoring progress against health and safety goals.

## REMUNERATION POLICY

The Board is committed to a policy that the remuneration of Directors and senior management be transparent, fair and reasonable.

Shareholders by ordinary resolution from time to time set a total maximum annual amount payable to the Directors in their capacity as Directors. That aggregate sum is divided among the Directors as they consider appropriate. The fees paid to each of the Directors in the previous financial year are detailed in the Directors' interests section of the Company's annual report.

A proportion of the Chief Executive and senior management remuneration comprises a performance incentive related payment which is dependent on the performance of the Company and attainment of agreed objectives. Particulars of the remuneration of employees and senior management are set out the in the Company's annual report.

## REPORTING AND DISCLOSURES

The Board requires management to provide it with information of sufficient content, quality and timeliness as the Board considers necessary to allow the Board to effectively discharge its duties.

Management provides formal Board papers one week in advance of Board meetings. In addition, Board policy is to make regular site visits to view Company operations and to ensure Directors remain familiar with issues associated with the Company's business. Site visits usually involve interaction between Directors and management, and direct access to employees when their particular area of expertise is required.

A formal process is followed, including representations and certifications from senior management, to ensure that the Company's financial statements comply with international financial reporting standards as applied in New Zealand and fairly represent the financial affairs of the Company.

The Company will provide timely and adequate disclosure of information on matters of material impact to shareholders. The Company communicates through its interim and annual reports, and media releases, and via its website at lpc.co.nz.

The Board actively fosters constructive relationships with its shareholder, as appropriate.

## INDEPENDENT AUDITOR

The Board is responsible for ensuring the quality and independence of the external audit process.

Pursuant to the Port Companies Act 1988 and the Public Audit Act 2001, the Auditor-General is the auditor of the Company and its subsidiaries. The Auditor-General may delegate that authority to a professional accounting services firm.  The current auditor of the Company on behalf of the Auditor-General is G Edwards, of KPMG.

The Board has formal and transparent procedures for communication with the Company's external auditors.

The AFC meets with the auditors at least twice a year independently of management to discuss any areas of concern or recommendations for improvement.

To ensure auditor independence, the AFC is advised of any non-audit services provided by the auditors to the Company. Any such services must be consistent with the independence requirements of the Auditor-General (which incorporate the independence requirements of the External Reporting Board) and the fees for non-audit work must be reported to shareholders in the Company's annual report.

# REGISTER OF DIRECTORS' INTERESTS

## TREVOR BURT – CHAIRMAN

| Entity | Transactions | Share dealing |
|---|---|---|
| Ngai Tahu Holdings Corporation Ltd – Chairman | None | Nil |
| Ngai Tahu Capital Ltd – Chairman | | |
| NZ Lamb Company Ltd – Chairman | | |
| PGG Wrightson Ltd – Deputy Chairman | | |
| MainPower NZ Ltd – Director | | |
| Breakaway Investments Ltd – Director | | |
| Landpower Holdings Ltd – Director | | |
| Silver Fern Farms Ltd – Director | | |
| Agria Asia Investments Ltd – Director | | |
| Agria (Singapore) Pty Ltd – Director | | |

## LINDSAY CROSSEN

| Entity | Transactions | Share dealing |
|---|---|---|
| National Infrastructure Advisory Board – Chairman | None | Nil |
| NZ Board of Engineering Diplomas – Chairman | | |
| LC & JH Crossen Family Trust – Trustee | | |
| Crown Irrigation Investment Limited – Director | | |
| CERA Audit & Risk Committee – External Member | | |
| Enable Services Limited – Management Contractor | | |
| Fulton Hogan Limited – Shareholder | | |

** Lindsay Crossen resigned from the Board of Directors on 13 August 2015*

## BRIAN WOOD

| Entity | Transactions | Share dealing |
|---|---|---|
| Buller Holdings Ltd – Chairman | None | Nil |
| Westreef Services Ltd – Chairman | | |
| Buller Recreation Ltd – Chairman | | |
| Westport Harbour Ltd – Chairman | | |
| Canterbury Linen Services Ltd – Chairman | | |
| Abley Transportation Consultants Ltd – Chairman | | |
| Dunedin City Holdings Ltd – Director | | |
| Dunedin City Treasury Ltd – Director | | |
| Interpret Geospatial Solutions Ltd – Director | | |
| Harrison Grierson Holdings Ltd – Director | | |
| Dunedin Ventures Ltd – Director | | |

# REGISTER OF DIRECTORS' INTERESTS

## DR ROD CARR

| Entity | Transactions | Share dealing |
|---|---|---|
| Reserve Bank of New Zealand – Chairman | None | Nil |
| Canterbury Employer's Chamber of Commerce – Director | | |
| Joint Research Consultants (NZ) Limited – Director | | |
| Waingawa Forest Corporation Limited – Director | | |
| Canterprise Ltd – Director | | |
| UC International College – Director | | |
| University of Canterbury Trust Funds – Vice Chancellor | | |
| UC Foundation – Trustee (ex officio) | | |
| Waingawa Land Company – Partner | | |
| Waingawa Forestry Partners – Partner | | |
| New Zealand Oil and Gas Limited – Shareholder | | |
| Wellington Drive Limited – Shareholder | | |
| Carnival Labs – Shareholder | | |
| Waingawa Forest Corporation Limited – Shareholder | | |
| Home Trust – Trustee | | |
| Christchurch Earthquake Appeal Trust – Trustee | | |
| Earthquake Centre for Research Excellence – Member | | |

## KARL SMITH

| Entity | Transactions | Share dealing |
|---|---|---|
| Gough Gough & Hamer Investments Limited – Group Chief Executive Officer | None | Nil |
| Crusaders Limited Partnership – Director | | |
| The Voyager Trust – Trustee | | |

## JIM QUINN

| Entity | Transactions | Share dealing |
|---|---|---|
| Tubman Heating Ltd – Chairman and Shareholder | None | Nil |
| Q Services Ltd – Owner | | |
| Payments New Zealand – Director | | |
| Halls Group – Director | | |
| Go Bus – Director | | |
| Intilecta Corporation – Chairman | | |
| J & D Family Trust – Trustee | | |
| Marketing Impact – Advisor | | |
| Auckland Council – Executive | | |

# CHIEF EXECUTIVE REMUNERATION

The Board, through the Remuneration Committee, sets the remuneration structure for the Chief Executive and Senior Management Team. The Company's Senior Management Team's total remuneration is made up of a mixture of:

- Fixed Remuneration (FR);
- Short Term Incentive (STI); and
- Long Term Incentive (LTI).

The FR is determined in relation to the market for comparable sized and performing companies (as assessed by independent advisors from Strategic Pay) and includes all benefits, allowances and deductions. The position in the market will normally be comparable to the median. Adjustments are not automatic and are determined by performance which is reviewed annually.

### Short term incentive

The Board assesses the Chief Executive's performance against financial, operational and leadership objectives. The STI is set at a maximum of 40% of FR. Twenty per cent of the STI is linked to Company financial performance with the actual opportunity in the range of 0% to 100%. Eighty per cent is based on achieving strategic objectives with the actual opportunity in the range of 0% to 100%. Objectives are set each year; these include a mix of financial, strategic and health and safety objectives.

### Long term incentive

In 2014 the Board agreed a LTI scheme with some Senior Executives. This is a three year scheme to retain key executives through a critical period in the rebuild of the Port. The key components of the scheme are:

- Deferred payment scheme of up to a maximum of 25% of FR
- Performance hurdles are:
  - Profitable Company performance,
  - the Executive remains employed by the Company until 30 June 2016 and
  - the Executive is of 'good standing' with the Company at 30 June 2016.
- Payable after 30 June 2016

The LTIs for executives under this scheme are accrued annually, as part of earned remuneration.

### Remuneration earned and paid

The Chief Executive's remuneration for the year ended 30 June 2015 is outlined in the table below:

| | 2015 | 2014 |
|---|---|---|
| | $000's | $000's |
| Fixed remuneration | 566 | 569 |
| STI 2013 | – | 187 |
| LTI 2013 | – | 483 |
| STI 2014 | 171 | – |
| LTI 2014 | 138 | |
| Insurance Settlement Bonus | 100 | – |
| **Total remuneration** | **975** | **1,239** |

### Chief Executive Total Remuneration to 30 June 2016

The Chief Executive's total remuneration to 30 June 2016 may reflect the following payments:

| | 2016 |
|---|---|
| | $000's |
| Fixed remuneration | 569 |
| STI 2015 | 159 |
| LTI 2015 | 142 |
| **Total remuneration** | **870** |

*The Chief Executive's 2016 fixed remuneration is subject to annual review*

# DIRECTORS' REMUNERATION

| Name | 2015 | 2014 |
|---|---|---|
| T BURT | 84,025 | 83,181 |
| R CARR | 44,625 | 44,625 |
| L CROSSEN | 46,500 | 45,750 |
| K SMITH | 49,125 | 49,125 |
| J QUINN | 47,344 | 11,438 |
| B WOOD | 46,125 | 45,750 |
| R FISHER | – | 23,438 |
| A GRANT | – | 15,624 |
| **Total** | **317,744** | **318,930** |

# LYTTELTON PORT COMPANY LIMITED REMUNERATION

| Total Remuneration | 2015 | 2014 |
|---|---|---|
| 100 – 110 | 52 | 55 |
| 110 – 120 | 28 | 28 |
| 120 – 130 | 17 | 24 |
| 130 – 140 | 11 | 16 |
| 140 – 150 | 9 | 4 |
| 150 – 160 | 6 | 2 |
| 160 – 170 | 1 | 2 |
| 170 – 180 | – | 2 |
| 180 – 190 | 1 | 1 |
| 190 – 200 | 7 | 5 |
| 200 – 210 | 2 | – |
| 210 – 220 | – | 1 |
| 250 – 260 | 2 | 1 |
| 270 – 280 | 1 | – |
| 300 – 310 | – | 1 |
| 520 – 530 | – | 1 |
| 570 – 580 | 1 | – |
| 970 – 980 | 1 | – |
| 1230 – 1239 | – | 1 |
| **Total** | **139** | **144** |

# FINANCIAL STATEMENTS

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# DIRECTORS' DECLARATION

## FOR THE YEAR ENDED 30 JUNE 2015

In the opinion of the Directors of Lyttelton Port Company Limited, the consolidated financial statements and notes on pages 14 to 41:

- comply with New Zealand equivalents to International Financial Reporting Standards and fairly present the financial position of the Group as at 30 June 2015, and the results of their operations and cash flows for the year ended on that date; and
- have been prepared using appropriate accounting policies, which have been consistently applied and supported by reasonable judgements and estimates.

The Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Group, and facilitate compliance of these consolidated financial statements with the Companies Act 1993 and Financial Reporting Act 2013.

The Directors consider that they have taken adequate steps to safeguard the assets of the Company and the Group, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide a reasonable assurance as to the integrity and reliability of these consolidated financial statements.

The Directors are pleased to present the consolidated financial statements of Lyttelton Port Company Limited and its subsidiaries for the year ended 30 June 2015.

For and on behalf of the Board of Directors:

**Trevor Burt**
Director
27 August 2015

**Karl Smith**
Director
27 August 2015

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 30 JUNE 2015

| In thousands of New Zealand dollars | Notes | **2015** | **2014** |
|---|---|---|---|
| Revenue | | 109,062 | 115,839 |
| Employee expenses | | (48,506) | (47,267) |
| Materials and consumables utilised | | (22,090) | (28,761) |
| Depreciation and amortisation | 6, 8, 9 | (12,353) | (11,058) |
| Administrative and other expenses | 4 | (8,847) | (6,825) |
| **RESULTS FROM OPERATING ACTIVITIES BEFORE THE IMPACT OF THE FOLLOWING EARTHQUAKE RELATED ITEMS** | | 17,266 | 21,928 |
| **EARTHQUAKE RELATED ITEMS** | | | |
| Additional costs | | – | (13,418) |
| Insurance income | | – | 357,612 |
| Depreciation on earthquake assets | 8 | – | (4,664) |
| Assets written off/derecognised | | – | (1,109) |
| Ineffective portion of interest rate swaps | | – | (1,636) |
| Net financing income | 5 | 12,209 | 3,241 |
| **Profit before tax for the year** | | **29,475** | **361,954** |
| Income tax expense | 7 | (8,901) | (18,728) |
| **Profit for the year** | | **20,574** | **343,226** |
| **OTHER COMPREHENSIVE INCOME** | | | |
| Effective portion of changes in fair value of cash flow hedges – gross of tax | | 292 | 950 |
| Income tax on other comprehensive income | | (82) | (266) |
| **Total comprehensive income for the year** | | **20,784** | **343,910** |
| **EARNINGS PER SHARE FROM CONTINUING OPERATIONS** | | | |
| Basic and diluted earnings per share (cents) | | 20.1 | 335.6 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## AS AT 30 JUNE 2015

| In thousands of New Zealand dollars | Notes | 2015 | 2014 |
|---|---|---|---|
| **ASSETS** | | | |
| Property, plant and equipment | 8 | 327,880 | 248,914 |
| Intangible assets | 9 | 10,818 | 4,197 |
| Term deposits | | 40,000 | – |
| Loans and advances | | 240 | 446 |
| **Total non-current assets** | | **378,938** | **253,557** |
| Cash and cash equivalents | | 96,470 | 232,174 |
| Term deposits | | 90,000 | 90,000 |
| Trade and other receivables | | 13,572 | 14,272 |
| Prepayments | | 1,598 | 968 |
| Interest receivable | | 5,008 | 2,068 |
| Inventories | | 3,725 | 4,361 |
| Loans and advances | | 136 | 66 |
| Derivatives | 13 | 96 | – |
| **Total current assets** | | **210,605** | **343,909** |
| **Total assets** | | **589,543** | **597,466** |
| **EQUITY** | | | |
| Share capital | 11 | 21,457 | 21,457 |
| Cash flow hedge reserve | 11 | 69 | (141) |
| Retained earnings | | 510,221 | 511,805 |
| **Total equity** | | **531,747** | **533,121** |
| **LIABILITIES** | | | |
| Deferred lease income | 12 | 1,036 | 1,903 |
| Deferred tax liabilities | 10 | 32,970 | 34,456 |
| **Total non-current liabilities** | | **34,006** | **36,359** |
| Trade and other payables | | 12,442 | 13,932 |
| Employee entitlements | | 9,553 | 8,302 |
| Income tax payable | | 928 | 4,689 |
| Derivatives | 13 | – | 196 |
| Deferred lease income | 12 | 867 | 867 |
| **Total current liabilities** | | **23,790** | **27,986** |
| **Total liabilities** | | **57,796** | **64,345** |
| **Total equity and liabilities** | | **589,543** | **597,466** |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 30 JUNE 2015

| In thousands of New Zealand dollars | Share capital | Cash flow hedge reserve | Retained earnings | Total |
|---|---|---|---|---|
| **Balance at 1 July 2013** | **21,457** | **(2,003)** | **170,625** | **190,079** |
| **PROFIT FOR THE YEAR** | – | – | 343,226 | 343,226 |
| Interest rate swaps no longer deemed effective | – | 1,636 | – | 1,636 |
| Income tax on ineffective hedges charged to current tax | – | (458) | – | (458) |
| **OTHER COMPREHENSIVE INCOME** | | | | |
| Effective portion of changes in fair value of cash flow hedges – net of tax | – | 684 | – | 684 |
| **TRANSACTIONS WITH OWNERS RECORDED DIRECTLY IN EQUITY** | | | | |
| Dividends to equity holders | – | – | (2,046) | (2,046) |
| **Balance at 30 June 2014** | **21,457** | **(141)** | **511,805** | **533,121** |
| **PROFIT FOR THE YEAR** | – | – | 20,574 | 20,574 |
| **OTHER COMPREHENSIVE INCOME** | | | | |
| Effective portion of changes in fair value of cash flow hedges – net of tax | – | 210 | – | 210 |
| **TRANSACTIONS WITH OWNERS RECORDED DIRECTLY IN EQUITY** | | | | |
| Dividends to equity holders | – | – | (22,158) | (22,158) |
| **Balance at 30 June 2015** | **21,457** | **69** | **510,221** | **531,747** |

# CONSOLIDATED STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 30 JUNE 2015

| In thousands of New Zealand dollars | Notes | **2015** | **2014** |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Cash receipts from customers | | 109,031 | 115,672 |
| Cash paid to suppliers and employees | | (79,676) | (86,965) |
| **Cash generated from operations** | | **29,355** | **28,707** |
| Insurance proceeds from the Canterbury earthquakes | | – | 385,296 |
| Cash costs as a result of the Canterbury earthquakes | | – | (15,054) |
| Interest and facility fees paid | 5 | (27) | (1,405) |
| Interest received | 5 | 9,296 | 2,578 |
| Income tax paid | | (14,230) | (3,269) |
| **Net cash from operating activities** | **16** | **24,394** | **396,853** |
| **CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES** | | | |
| Proceeds from sale of property, plant and equipment | | 85 | 65 |
| Net acquisition of term deposits | | (40,000) | (90,000) |
| Acquisition of property, plant and equipment | | (90,867) | (42,435) |
| Acquisition of intangible assets | | (7,158) | (762) |
| **Net cash used in investing activities** | | **(137,940)** | **(133,132)** |
| **CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES** | | | |
| Repayment of borrowings | | – | (30,470) |
| Dividends paid | | (22,158) | (2,046) |
| **Net cash from financing activities** | | **(22,158)** | **(32,516)** |
| **Cash and cash equivalents at 1 July** | | **232,174** | **969** |
| Net (decrease)/increase in cash and cash equivalents | | (135,704) | 231,205 |
| **Cash and cash equivalents at 30 June** | | **96,470** | **232,174** |

# NOTES TO THE FINANCIAL STATEMENTS

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# 1. REPORTING ENTITY

Lyttelton Port Company Limited (the 'Company') is a company domiciled in New Zealand, is a Port Company under the Port Companies Act 1988, and is registered under the Companies Act 1993. The financial statements have been prepared in accordance with the requirements of this legislation and the Financial Reporting Act 2013.

On 7 November 2014 the Company delisted from the New Zealand Stock Exchange following Christchurch City Holdings Ltd acquiring all the shares in the Company, and it ceased being an issuer under the Financial Reporting Act 1993. The Company's registered office is at 41 Chapmans Road, Hillsborough, Christchurch 8022, New Zealand. These consolidated financial statements comprise the Company and its subsidiaries (collectively the 'Group' and individually 'Group companies'). The Group is primarily involved in providing and managing port services and cargo handling facilities. The Company is a profit-oriented entity.

# 2. BASIS OF PREPARATION

### (a) Statement of compliance

These consolidated financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other Financial Reporting Standards as applicable to profit-oriented entities. They were authorised for issue by the Company's Board of Directors on 27 August 2015.

Details of the Group's accounting policies, including changes during the year, are included in note 3.

### (b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments that are measured at fair value.

### (c) Functional and presentation currency

These consolidated financial statements are presented in New Zealand dollars (NZ$), which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

### (d) Use of estimates and judgements

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustment in the year ending 30 June 2015 is included in:

Note 8 – carrying value and depreciation rates and estimation of useful economic lives of property, plant and equipment.

Note 20 – impairment.

# 3. SIGNIFICANT ACCOUNTING POLICIES

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

**(a) Financial instruments**

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, short term deposits maturing in less than three months and call deposits. Bank overdrafts that are repayable on demand and form part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

Other

Subsequent to initial recognition, other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

(ii) Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange, commodity price and interest rate risks arising from operational, financing and investment activities. In accordance with its Treasury Policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value and transaction costs are expensed immediately. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the hedging relationship.

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

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment (note 8).

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day to day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Derecognition

In the event that an asset or part of an asset is damaged and not expected to be able to be used to generate future economic benefits, then it is derecognised as an asset and the carrying value, or part thereof, is charged to profit or loss as 'assets written off'.

(iv) Capital work in progress

Capital work in progress comprises all costs directly attributable to the construction of an asset including cost of materials, professional services, direct labour, finance costs and an appropriate allocation of overhead. Feasibility costs incurred prior to a decision to invest in an asset or in the selection of which asset to acquire are expensed as incurred as they do not relate to a specific item of property, plant or equipment. Costs cease to be capitalised as soon as the asset, or a significant component of the asset, is in the location and condition necessary for it to be capable of operating in the manner intended by management.

# 3. SIGNIFICANT ACCOUNTING POLICIES cont.

### (c) Revenue

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

Services

Revenue from services is recognised in profit or loss when the service is performed. Where services are in progress at the reporting date, revenue is recognised in profit or loss in proportion to the stage of completion of the service at that date.

### (d) Finance income and expenses

Finance income comprises interest income on funds invested and gains on derivative instruments that are recognised in profit or loss. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest expense on borrowings and the ineffective portion of derivative instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method, except with regards to borrowing costs on qualifying assets which are capitalised as part of the cost of those assets, as required by NZ IAS 23 Borrowing Costs.

### (e) Dredging costs

Maintenance dredging costs are recorded as a prepayment and expensed over the period of benefit, which has been assessed as one to five years.

### (f) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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

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

### (g) New standards and interpretations not yet adopted

A number of new standards and interpretations are not yet effective for the year ended 30 June 2015, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the financial statements of the Group except for NZ IFRS 9 and NZ IFRS 15.

NZ IFRS 9 Financial Instruments: Classification and Measurement will supersede NZ IAS 39 and specifies how an entity should classify and measure financial assets. The standard is effective for the year ended 30 June 2016. The Group has not yet determined the potential impact of this standard.

NZ IFRS 15 Revenue from Contracts with Customers: This standard addresses the recognition of revenue from contracts with customers. It specifies the revenue recognition criteria governing the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Standard is effective for the year ended 30 June 2018. The Group has not yet determined the potential impact of this standard.

## 4. OTHER EXPENSES

The following items of expenditure are included in administrative expenses:

| In thousands of New Zealand dollars | 2015 | 2014 |
|---|---|---|
| Auditor's remuneration to KPMG comprises: | | |
| Audit of financial statements | 88 | 105 |
| Other non-audit related services | 15 | – |
| **Total auditor's remuneration** | **103** | **105** |

Other non-audit related services included an assessment of City Depot revenue processes and controls.

## 5. FINANCE INCOME AND EXPENSES

| In thousands of New Zealand dollars | 2015 | 2014 |
|---|---|---|
| Interest income on cash and cash equivalents | 12,236 | 4,646 |
| Bank facility fees | (26) | (599) |
| Interest paid on bank advances | (1) | (1,605) |
| Interest capitalised to property, plant and equipment | – | 799 |
| **Net financing income** | **12,209** | **3,241** |

# 6. NET LOSS ON SALE OF PROPERTY, PLANT AND EQUIPMENT

| In thousands of New Zealand dollars | 2015 | 2014 |
|---|---|---|
| Net loss on sale of property, plant and equipment | 139 | 16 |

(Included in depreciation and amortisation).

# 7. INCOME TAX EXPENSE

| In thousands of New Zealand dollars | 2015 | 2014 |
|---|---|---|
| **Current tax expense** | | |
| Current period | 9,128 | 10,620 |
| Adjustment for prior periods | 571 | (139) |
| **Total current tax expense** | **9,699** | **10,481** |
| **Deferred tax expense** | | |
| Origination and reversal of temporary differences | (798) | 8,247 |
| **Total deferred tax expense** | **(798)** | **8,247** |
| Income tax expense | 8,901 | 18,728 |
| **Total income tax expense** | **8,901** | **18,728** |

Income tax has been calculated based on the tax rates and tax laws enacted or substantively enacted at balance date.

| In thousands of New Zealand dollars | 2015 Rate | 2015 Amount | 2014 Rate | 2014 Amount |
|---|---|---|---|---|
| Profit after tax | | 20,574 | | 343,226 |
| Total income tax expense | | 8,901 | | 18,728 |
| **Profit before tax** | | **29,475** | | **361,954** |
| Income tax using the Company's domestic tax rate | 28.0% | 8,253 | 28.0% | 101,347 |
| Non-deductible expenses | 0.3% | 77 | 0.0% | 27 |
| Tax exempt income | – | – | (22.8%) | (82,517) |
| Non-deductible tax depreciation on buildings | – | – | 0.0% | 10 |
| Under/(Over) provided in prior periods | 1.9% | 571 | (0.0%) | (139) |
| **Total income tax expense** | **30.2%** | **8,901** | **5.2%** | **18,728** |

| In thousands of New Zealand dollars | 2015 | 2014 |
|---|---|---|
| Derivatives | (82) | (724) |
| **Total income tax recognised directly in equity (Note 10)** | **(82)** | **(724)** |

| In thousands of New Zealand dollars | 2015 | 2014 |
|---|---|---|
| Imputation credits at 1 July | 26,215 | 23,741 |
| New Zealand tax payments, net of refunds | 5,754 | 3,270 |
| Imputation credits attached to dividends paid | (8,615) | (796) |
| **Imputation credits at 30 June** | **23,354** | **26,215** |

The above amounts represent the balance of the imputation account as at the end of the reporting period, adjusted for:

a) Imputation credits that will arise from the payment of the amount of the provision for income tax,

b) Imputation debits that will arise from the payment of dividends recognised as a liability at the reporting date; and

c) Imputation credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The consolidated amounts include imputation credits that would be available to the Company.

# 8. PROPERTY, PLANT AND EQUIPMENT

| In thousands of New Zealand dollars | Freehold land | Buildings | Land improvements & harbour structures | Plant, equipment & vehicles | Total |
|---|---|---|---|---|---|
| **GROSS CARRYING AMOUNT** | | | | | |
| **Balance at 1 July 2013** | **63,585** | **9,470** | **141,029** | **143,059** | **357,143** |
| Additions | 2,698 | 770 | 27,603 | 19,093 | 50,164 |
| Disposals | – | (1,684) | – | (257) | (1,941) |
| **Balance at 30 June 2014** | **66,283** | **8,556** | **168,632** | **161,895** | **405,366** |
| Additions | 44,460 | 2,168 | 44,660 | 8,792 | 100,080 |
| Disposals | – | – | (10,611) | (530) | (11,141) |
| **Balance at 30 June 2015** | **110,743** | **10,724** | **202,681** | **170,157** | **494,305** |
| **ACCUMULATED DEPRECIATION** | | | | | |
| **Balance at 1 July 2013** | **–** | **(4,402)** | **(57,072)** | **(80,505)** | **(141,979)** |
| Depreciation expense | – | (475) | (7,803) | (6,946) | (15,224) |
| Disposals | – | 585 | – | 166 | 751 |
| **Balance at 30 June 2014** | **–** | **(4,292)** | **(64,875)** | **(87,285)** | **(156,452)** |
| Depreciation expense | – | (450) | (4,321) | (6,993) | (11,764) |
| Disposals | – | – | 1,261 | 530 | 1,791 |
| **Balance at 30 June 2015** | **–** | **(4,742)** | **(67,935)** | **(93,748)** | **(166,425)** |
| **CARRYING AMOUNTS** | | | | | |
| **Net book value as at 30 June 2014** | **66,283** | **4,264** | **103,757** | **74,610** | **248,914** |
| **Net book value as at 30 June 2015** | **110,743** | **5,982** | **134,746** | **76,409** | **327,880** |

Included in the reconciliation above is ‘capital work in progress’ of $59.3m (2014: $57.7m).

During the year, the Group has commenced significant asset additions including a Liebherr ship to shore crane, Cashin Quay 2 wharf and 10 hectare reclamation.

During the year, a sea wall with a carrying value of $9.4m was transferred (shown above as a disposal) to land as part of the reclamation. The useful economic life has subsequently changed from 100 years to an indefinite life. No other changes to the economic lives of major property, plant and equipment has been made based on management's assessment.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment from the date that they are available for use, except for capital work in progress. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

| | |
|---|---|
| • Buildings | 5-50 years |
| • Harbour structures and land improvements | 3-50 years |
| • Container cranes | 30 years |
| • Plant equipment and vehicles | 3-30 years |
| • Vessels | 5-25 years |
| • Seawalls | 100 years |

# 9. INTANGIBLE ASSETS

| In thousands of New Zealand dollars | Software | Easements & resource consents | Total |
|---|---|---|---|
| **GROSS CARRYING AMOUNT** | | | |
| **Balance at 1 July 2013** | **6,489** | **2,689** | **9,178** |
| Additions | 141 | 621 | 762 |
| **Balance at 30 June 2014** | **6,630** | **3,310** | **9,940** |
| Additions | 384 | 6,774 | 7,158 |
| **Balance at 30 June 2015** | **7,014** | **10,084** | **17,098** |
| **ACCUMULATED AMORTISATION** | | | |
| **Balance at 1 July 2013** | **(4,699)** | **(562)** | **(5,261)** |
| Amortisation expense | (438) | (44) | (482) |
| **Balance at 30 June 2014** | **(5,137)** | **(606)** | **(5,743)** |
| Amortisation expense | (479) | (58) | (537) |
| **Balance at 30 June 2015** | **(5,616)** | **(664)** | **(6,280)** |
| **CARRYING AMOUNTS** | | | |
| **Net book value as at 30 June 2014** | **1,493** | **2,704** | **4,197** |
| **Net book value as at 30 June 2015** | **1,398** | **9,420** | **10,818** |

Included in the reconciliation above is ‘capital work in progress’ of $8.9m (2014: $2.1m).

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of finite intangible assets, from the date that they are available for use.

The estimated useful lives for the current and comparative periods are as follows:

- Computer software 3-10 years
- Easements and resource consents 5-35 years

# 10. DEFERRED TAX ASSETS AND LIABILITIES

| | Assets | | Liabilities | | Net | |
|---|---|---|---|---|---|---|
| In thousands of New Zealand dollars | **2015** | **2014** | **2015** | **2014** | **2015** | **2014** |
| Property, plant and equipment | – | – | (34,970) | (36,287) | (34,970) | (36,287) |
| Employee entitlements | 2,101 | 1,788 | – | – | 2,101 | 1,788 |
| Derivatives | – | 55 | (27) | – | (27) | 55 |
| Other items | – | – | (74) | (12) | (74) | (12) |
| **Tax assets/(liabilities)** | **2,101** | **1,843** | **(35,071)** | **(36,299)** | **(32,970)** | **(34,456)** |

There are no unrecognised deferred tax assets or liabilities for the Group.

Movement in temporary differences during the year:

| In thousands of New Zealand dollars | **Balance 1 July 2013** | **Recognised in profit or loss** | **Recognised in equity** | **Balance 30 June 2014** | **Recognised in profit or loss** | **Recognised in equity** | **Balance 30 June 2015** |
|---|---|---|---|---|---|---|---|
| Property, plant and equipment | (20,076) | (16,211) | – | (36,287) | 1,317 | – | (34,970) |
| Employee entitlements | 1,647 | 141 | – | 1,788 | 313 | – | 2,101 |
| Derivatives | 779 | – | (724) | 55 | – | (82) | (27) |
| Insurance claim receivable | (7,288) | 7,288 | – | – | – | – | – |
| Other items | (39) | 27 | – | (12) | (62) | – | (74) |
| **Tax assets/(liabilities)** | **(24,977)** | **(8,755)** | **(724)** | **(34,456)** | **1,568** | **(82)** | **(32,970)** |

# 11. CAPITAL AND RESERVES

### SHARE CAPITAL

At 30 June 2015 there were 102,261,279 shares on issue (2014: 102,261,279). All issued shares are fully paid and have no par value.

The holders of ordinary shares are entitled to receive dividends as declared from time to time by the Directors and are entitled to one vote per share at meetings of the Group. All shares rank equally with regard to the Groups' residual assets.

### CASH FLOW HEDGE RESERVE

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

### DIVIDENDS

A special dividend of $20.5m and a normal dividend of $1.7m were paid by the Group during the year ended 30 June 2015 (2014: $2.1m).

# 12. DEFERRED LEASE INCOME

On 11 September 2002 shareholders approved entry into a 15-year coal handling agreement with Solid Energy New Zealand Limited which provided for Lyttelton Port Company to receive a $13 million prepayment of agreement charges. Should Lyttelton Port Company fail to meet its material obligations in respect of the agreement and Solid Energy exercises its right of termination then the company would be required to repay to Solid Energy a proportion of the value of its agreement charge prepayment up to a maximum of $13 million. Deferred lease income received is recognised in the Statement of Comprehensive Income on a straight line basis over the 15 year term of the agreement.

| In thousands of New Zealand dollars | 2015 | 2014 |
|---|---|---|
| **Balance at 1 July** | **2,770** | **3,637** |
| Deferred lease income recognised | (867) | (867) |
| **Balance at 30 June** | **1,903** | **2,770** |
| **Recognised as follows:** | | |
| Current | 867 | 867 |
| Non current | 1,036 | 1,903 |
| **Total** | **1,903** | **2,770** |

# 13. FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, and market risks arise in the normal course of the Group's business.

### CREDIT RISK

Credit risk is the risk that the counterparty to an arrangement does not meet its obligations under the arrangement.

Management has a credit policy in place under which each new customer is individually analysed for credit worthiness and assigned a purchase limit before the standard payment and trading terms and conditions are offered. Purchase limits are reviewed on a regular basis.

In order to determine which customers are classified as having payment difficulties the Group considers duration and frequency of default and makes provision for specific balances considered to be impaired. The Group does not require collateral in respect of trade and other receivables.

The Group's exposure to credit risk is reflective of its customer base. As such it is concentrated to the default risk of its customers' industries. No more than 15 percent of the Group's operating revenue results from transactions with any one customer. Geographically there is no significant credit risk concentration outside of New Zealand.

Cash handling and derivative transactions are only carried out with counterparties that have an investment grade credit rating.

The Group had significant cash balances as at 30 June 2015. The Group is exposed to default risk of the counterparty, and this risk is managed by the Group's Treasury Policy. The Treasury Policy limits the exposure to individual counterparty's based on class of institution and their individual credit ratings. The Policy also specifies a maximum exposure to each New Zealand registered bank of $100 million and $40 million with a minimum rating of AA- and A+ respectively (Standard and Poors or equivalent).

### LIQUIDITY RISK

Liquidity risk represents the Group's ability to meet its contractual obligations. The Group evaluates its liquidity requirements on an ongoing basis. In general, the Group generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has credit lines in place to cover potential shortfalls and meet capital expenditure requirements.

### MARKET RISK

Market risk is the risk that a movement in market prices impacts on the financial viability of the Group's business.

In accordance with its Treasury Policy the Group may enter into derivative arrangements in the ordinary course of business to manage foreign currency, interest rate and fuel price risks. A Treasury Management Committee, made up of senior management supported by an independent advisor, provides oversight for risk management and derivative activities.

### FOREIGN CURRENCY RISK

The Group is exposed to foreign currency risk on purchases of capital equipment, operational supplies and bank accounts that are denominated in a currency other than the Company's functional currency, New Zealand dollars ($), which is the presentation currency of the Group. The foreign currencies in which transactions are primarily denominated are Australian dollars (AUD), U.S. dollars (USD) and Euro (EUR). The Group uses forward exchange contracts to hedge major foreign currency risk arising from payables or commitments in accordance with its policies. The Group's revenues are billed in NZD.

### INTEREST RATE RISK

The Group's Treasury Policy requires that term borrowings are hedged within pre-approved thresholds by fixing the rates of interest in order to provide greater certainty. The Group uses interest rate swaps to manage these exposures.

### FUEL PRICE RISK

The Group's Treasury Policy requires that fuel price exposures are assessed on a quarterly basis and may be hedged within pre-approved thresholds by fixing prices in order to provide greater certainty.

# 13. FINANCIAL INSTRUMENTS cont.

## QUANTITATIVE DISCLOSURES

(i) Credit risk

The carrying amount of financial assets represents the Group's maximum credit exposure.

The Group has not renegotiated the terms of any financial assets which would result in the carrying amount no longer being past due, or to avoid a possible past due status.

The majority of the Group's customers are New Zealand based agents or branches of international shipping lines servicing New Zealand importers and exporters. As such there are no concentrations of geographical risk outside New Zealand.

The status of trade receivables at the reporting date is as follows:

| | | 2015 | | 2014 |
|---|---|---|---|---|
| In thousands of New Zealand dollars | **Gross receivable** | **Individually impaired** | **Gross receivable** | **Individually impaired** |
| Not past due | 10,300 | – | 13,731 | – |
| Past due 1-60 days | 3,090 | – | 2,504 | – |
| Past due 61-90 days | 65 | – | 8 | – |
| Past due more than 90 days | 117 | 90 | 97 | 50 |
| **Total** | **13,572** | **90** | **16,340** | **50** |

No trade and other receivables that were neither past due nor impaired are included in the higher risk category in the above table.

(ii) Liquidity risk

The following table sets out the undiscounted contractual cash flows for all financial liabilities:

| In thousands of New Zealand dollars | **Carrying value** | **Contractual cash flows** | **6 months or less** | **6-12 months** | **1-2 years** | **2-5 years** | **More than 5 years** |
|---|---|---|---|---|---|---|---|
| **2015** | | | | | | | |
| Trade and other payables | 12,442 | 12,442 | 12,442 | – | – | – | – |
| **Non-derivative liabilities total** | **12,442** | **12,442** | **12,442** | **–** | **–** | **–** | **–** |
| Forward exchange contracts | (96) | 1,129 | 251 | 878 | – | – | – |
| **Total** | **12,346** | **13,571** | **12,693** | **878** | **–** | **–** | **–** |
| **2014** | | | | | | | |
| Trade and other payables | 13,932 | 13,932 | 13,932 | – | – | – | – |
| **Non-derivative liabilities total** | **13,932** | **13,932** | **13,932** | **–** | **–** | **–** | **–** |
| Forward exchange contracts | 196 | 1,992 | 256 | – | – | – | – |
| **Total** | **14,128** | **15,924** | **14,188** | **–** | **–** | **–** | **–** |

# 13. FINANCIAL INSTRUMENTS cont.

(iii) Interest rate risk – repricing analysis

The Group's exposure to repricing of its interest rate exposure can be summarised as follows:

| In thousands of New Zealand dollars | Total | 6 months or less | 6-12 months | 1-2 years | 2-5 years | More than 5 years |
|---|---|---|---|---|---|---|
| **2015** | | | | | | |
| Cash and cash equivalents | 96,470 | 96,470 | – | – | – | – |
| Term deposits | 130,000 | 30,000 | 60,000 | 40,000 | – | |
| **Total** | **226,470** | **126,470** | **60,000** | **40,000** | **–** | **–** |
| **2014** | | | | | | |
| Cash and cash equivalents | 232,174 | 232,174 | – | – | – | – |
| Term deposits | 90,000 | 50,000 | 40,000 | | | |
| **Total** | **322,174** | **282,174** | **40,000** | **–** | **–** | **–** |

## CAPITAL MANAGEMENT

The Group's capital includes share capital, reserves and retained earnings.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group maintains a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Group's policies in respect of capital management and allocation are reviewed, as required, by the Board of Directors.

There have been no material changes in the Group's management of capital during the period.

## SENSITIVITY ANALYSIS

In managing interest rate, fuel price and currency risks the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer-term, however, permanent changes in foreign exchange, fuel prices and interest rates will have an impact on profit.

At 30 June 2015 it is estimated that an increase of 1.0% in interest rates would increase the Group's profit before income tax by approximately $2.3 million (2014: $3.2 million).

The Group is not exposed to any material profit variation from changes in exchange rates due to the nature of its operations and underlying forward exchange contracts.

## FORECAST TRANSACTIONS

The Group classifies its forward exchange contracts hedging forecast transactions as cash flow hedges. The net fair value of forward exchange contracts used as hedges of forecast transactions at 30 June 2015 was $0.1m (2014: $0.2m), comprising assets of $0.1m (2014: $Nil) and liabilities of $Nil (2014: $0.2m).

All financial assets and liabilities are classified as loans and receivables or at amortised cost respectively with the exception of derivatives which are classified as fair value hedge instruments. The carrying value of all financial instruments is equivalent to fair value.

# 14. OPERATING LEASES

### LEASES AS LESSEE

Non-cancellable operating lease rentals are payable as follows:

| In thousands of New Zealand dollars | 2015 | 2014 |
|---|---|---|
| Less than one year | 318 | 299 |
| Between one and five years | 751 | 948 |
| More than five years | 75 | 175 |
| **Total** | **1,144** | **1,422** |

During the year ended 30 June 2015 the Group recognised $0.3m as an expense in the Statement of comprehensive income in respect of operating leases (2014: $0.3m).

### LEASES AS LESSOR

The Group leases a range of land, buildings and equipment to numerous customers. A number of leases include rights of renewal for further periods including 'in perpetuity'. There were no contingent rents recognised as income in the year. The future minimum lease payments under non-cancellable leases are as follows:

| In thousands of New Zealand dollars | 2015 | 2014 |
|---|---|---|
| Less than one year | 5,326 | 5,030 |
| Between one and five years | 16,453 | 17,430 |
| More than five years | 21,000 | 24,425 |
| **Total** | **42,779** | **46,885** |

# 15. CAPITAL COMMITMENTS

| In thousands of New Zealand dollars | **2015** | **2014** |
|---|---|---|
| Commitments for the purchase of property, plant & equipment | 19,083 | 64,749 |

# 16. RECONCILIATION OF NET PROFIT FOR THE YEAR WITH NET CASH FROM OPERATING ACTIVITIES

| In thousands of New Zealand dollars | 2015 | 2014 |
|---|---|---|
| **Profit for the year** | **20,574** | **343,226** |
| **ADJUSTMENTS FOR:** | | |
| Depreciation and amortisation (including net loss on sale of property, plant and equipment) | 12,353 | 15,722 |
| Asset write off due to the Canterbury earthquakes | – | 1,109 |
| Deferred tax charge | (1,568) | 8,755 |
| Non-current deferred lease revenue | (867) | (867) |
| Non-current loans and receivables | 206 | – |
| | **10,124** | **24,719** |
| **ADD/(LESS) MOVEMENTS IN WORKING CAPITAL ITEMS:** | | |
| Change in tax payable | (3,761) | 6,704 |
| Change in inventories | 636 | (154) |
| Change in trade and other receivables | 630 | 28,400 |
| Change in interest receivable | (2,940) | (2,068) |
| Change in prepayments | (630) | – |
| Change in trade and other payables (including employee entitlements) | (239) | (3,974) |
| | **(6,304)** | **28,908** |
| **Net cash flow from operating activities** | **24,394** | **396,853** |

# 17. RELATED PARTIES

### PARENT AND ULTIMATE CONTROLLING ENTITY

Christchurch City Holdings Limited is the controlling shareholder of Lyttelton Port Company Limited. The ultimate controlling shareholder is Christchurch City Council.

### TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Key management personnel compensation comprised:

| In thousands of New Zealand dollars | **2015** | **2014** |
|---|---|---|
| Short-term employee benefits | 2,811 | 2,385 |
| Long-term incentives | 384 | 384 |

The Group does not provide any non-cash benefits to Directors and executive officers in addition to their Directors fees or salaries.

### TRANSACTIONS WITH CONTROLLING SHAREHOLDER AND OTHER COMPANIES IN THE GROUP

In the normal course of business the Group incurs expenses on an ‘arms length’ basis from its controlling shareholder and other companies in the Christchurch City Holdings group.

# 18. GROUP ENTITIES

| | Country | Interest (%) | |
|---|---|---|---|
| In thousands of New Zealand dollars | | **2015** | **2014** |
| NZ Express (2005) Limited | New Zealand | 100 | 100 |
| Curries Proprietary Limited | New Zealand | 100 | 100 |

# 19. CONTINGENT ASSETS

On 29 June 2015, the Company filed a statement of claim against Aon Ltd in the High Court. The claim centres on Aon's responsibilities in relation to the Company's insurance policies during the Canterbury Earthquakes. Aon filed its Statement of Defence on 4 August 2015. This refuted the Company's claims.

The Directors are confident in the Company's case, however they are unable to estimate the Company's chances of success or the final amount which may be awarded.

# 20. IMPAIRMENT

In accordance with NZ IAS 36 Impairment of Assets, the Directors considered an indicator of impairment for the Group's assets at 30 June 2015 following the Group's equity transaction in 2014. Given an indicator of impairment, the Directors have undertaken an impairment test as required by NZ IAS 36 and engaged an independent advisor to assist with its assessment.

After completing this assessment, the Directors are satisfied that there is no impairment of the Group's assets at 30 June 2015, which includes $226 million of cash and cash equivalents, on the basis that the fair value of the Group incorporating committed capital expenditure exceeds the carrying amount. Recent investments in Plant, property and equipment were necessary to restore the resilience of the Group's assets and to protect the future income streams of the Group. Capital investments will continue to be made considering the impact on operational resilience and investment return.

The Group's impairment assessment includes certain assumptions on coal handing volumes, for which the actual results may differ as a result of the voluntary administration of Solid Energy, as outlined in Note 21. At the date of approval of these financial statements, the Directors' assessment reflects the best available information and views of the Group with respect to its future coal handling activities.

# 21. SUBSEQUENT EVENTS

The following significant events occurred after 30 June 2015:

On 13 August 2015 Solid Energy New Zealand Ltd entered voluntary administration. All invoices outstanding at year end were paid in July. If Solid Energy were to cease trading it would have a significant impact on the Company.

On 6 August 2015, the Company was sentenced in the District Court in relation to the Worksafe prosecution resulting from Brad Fletcher's death on 28 August 2014. The Company was fined $63k and ordered to pay $75k reparations to the family.

On 27 August 2015, the Company declared a final dividend of $2.0m payable on 16 October 2015.

# INDEPENDENT AUDITOR'S REPORT

4

# INDEPENDENT AUDITOR'S REPORT

## TO THE READERS OF LYTTELTON PORT COMPANY LIMITED'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

The Auditor-General is the auditor of Lyttelton Port Company Limited and its New Zealand domiciled subsidiaries and other controlled entities. The Auditor-General has appointed me, Graeme Edwards, using the staff and resources of KPMG, to carry out the audit of the financial statements of the group, consisting of Lyttelton Port Company Limited and its subsidiaries and other controlled entities (collectively referred to as 'the Group'), on her behalf.

## OPINION

We have audited the financial statements of the Group on pages 14 to 41, that comprise the statement of financial position as at 30 June 2015, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

In our opinion, the financial statements of the Group:

- present fairly, in all material respects:
  - its financial position as at 30 June 2015; and
  - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with New Zealand equivalents to International Financial Reporting Requirements.

Our audit was completed on 27 August 2015. This is the date at which our opinion is expressed.

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

## BASIS OF OPINION

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

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

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

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;

# INDEPENDENT AUDITOR'S REPORT

- the adequacy of the disclosures in the financial statements; and
- the overall presentation of the financial statements.

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

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

## RESPONSIBILITIES OF THE BOARD OF DIRECTORS

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

The Board of Directors' responsibilities arise from the Port Companies Act 1988.

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

## RESPONSIBILITIES OF THE AUDITOR

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001.

## INDEPENDENCE

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

In addition to the audit we have carried out assignments in the areas of reviewing certain processes and controls, which are compatible with those independence requirements. Other than the audit and these assignments, we have no relationship with or interests in the Group.

Graeme Edwards
KPMG
On behalf of the Auditor-General
Wellington, New Zealand

# DIRECTORY

## BOARD OF DIRECTORS

**Trevor Burt**
Chairman

**Rod Carr**

**Bill Dwyer**
Appointed
27 August 2015

**Jim Quinn**

**Karl Smith**

**Brian Wood**

## EXECUTIVE MANAGEMENT TEAM

**Peter Davie**
Chief Executive

**Jonathan Gardiner**
Chief Financial Officer

**Allanah James**
Strategic Communications Manager

**Kathy Meads**
Executive Manager

**Paul Monk**
Operations Manager

**Simon Munt**
Marketing Manager

**John O'Dea**
Development Manager

**Sarah Reilly**
Senior Health and Safety Manager

## REGISTERED OFFICE

Lyttelton Port Company Limited
41 Chapmans Road, Woolston
Christchurch, New Zealand
Private Bag, 501, Lyttelton 8841

Telephone: (03) 328 8198
Facsimile: (03) 328 7828
Email: enquiries@lpc.co.nz

## WEBSITE

www.lpc.co.nz

## BANKERS

Westpac Banking Corporation

## AUDITORS

Graeme Edwards, KPMG
On behalf of the Auditor-General, New Zealand