LPC

LYTTELTON PORT COMPANY LIMITED
HALF YEAR REPORT 2013


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KOTA LUKIS
SINGAPORE

Contents

Thanks to Tony Stewart, David Alexander, John Rendle and John McCombe for their contribution of photography for this publication.

2013 half year report

The Company has continued its strong performance for the first six months of the 2012/2013 financial year, with revenue increasing to $54.2 million (up 4.5% on the same period last financial year) and Profit after Taxation increasing 15.1% to $3.3 million.

Key factors contributing to these results have been the increase in container volumes, bulk fuel volumes and dry bulk imports.

This six-month period has provided the Company with a strong base for the full year. The Port continues to consolidate growth in the container business and other cargoes, largely due to the result of strengthening relationships and support from our customers.

The increase in dairy volumes from new and expanding facilities in the Canterbury region is a key factor in container growth.

The Company continues to work on and refine its Reinstatement and Development Plan, and good progress has been made with advancing the future shape of the Port.

“

This six-month period has provided the Company with a strong base for the full year. We continue to consolidate growth in our container business and other cargoes, largely due to the result of strengthening relationships and support from our customers.

Rodger Fisher, Chairman

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Summary of the highlights for the six months

15.1%

rise in profit after taxation to $3.3 million

4.5%

rise in revenues to $54.2 million

2.1%

rise in total TEUs to a record 170,030, and 4.7% rise at the Container Terminal to 164,890 TEUs

Financial summary

Financial results

The statutory consolidated result, which includes earthquake effects such as additional costs and depreciation on earthquake assets, offset by insurance income, is a Profit after Taxation of $3.3 million. This compares to a $2.8 million profit for the same period to 31 December 2011, an increase of 15.1%.

This after-tax result is proof of the underlying strength of the business and reflects solid business performance, particularly in container volumes and bulk cargoes.

Revenues totalled $54.2 million, up 4.5% from $51.8 million in the previous comparative period.

The changes in the Earthquake-adjusted Profit between the two periods are outlined in the table to the right, along with a reconciliation of the reported profit to Earthquake-adjusted Profit.

	Six months to 31 December 2012 ($ millions)	Six months to 31 December 2011 ($ millions)
Profit after tax	**3.3**	**2.8**
add Cruise revenue	-	1.4
add Earthquake expenditure	5.2	7.9
add Depreciation on earthquake assets	2.3	-
less Insurance income	(1.0)	-
less Taxation	(1.8)	(2.6)
Earthquake-adjusted Profit after Taxation	**8.0**	**9.5**

The Company is now outside its business interruption indemnity periods. This has impacted in two main areas:

- Cruise revenue - no accrual has been made for revenue losses in the current period
- Ongoing earthquake-related expenditure - the view has been taken that from 1 July 2012, costs under $250,000 per item that would previously have been "earthquake-related" will now be included in the "normalised" result. Costs meeting this threshold totalled approximately $350,000 in the period.

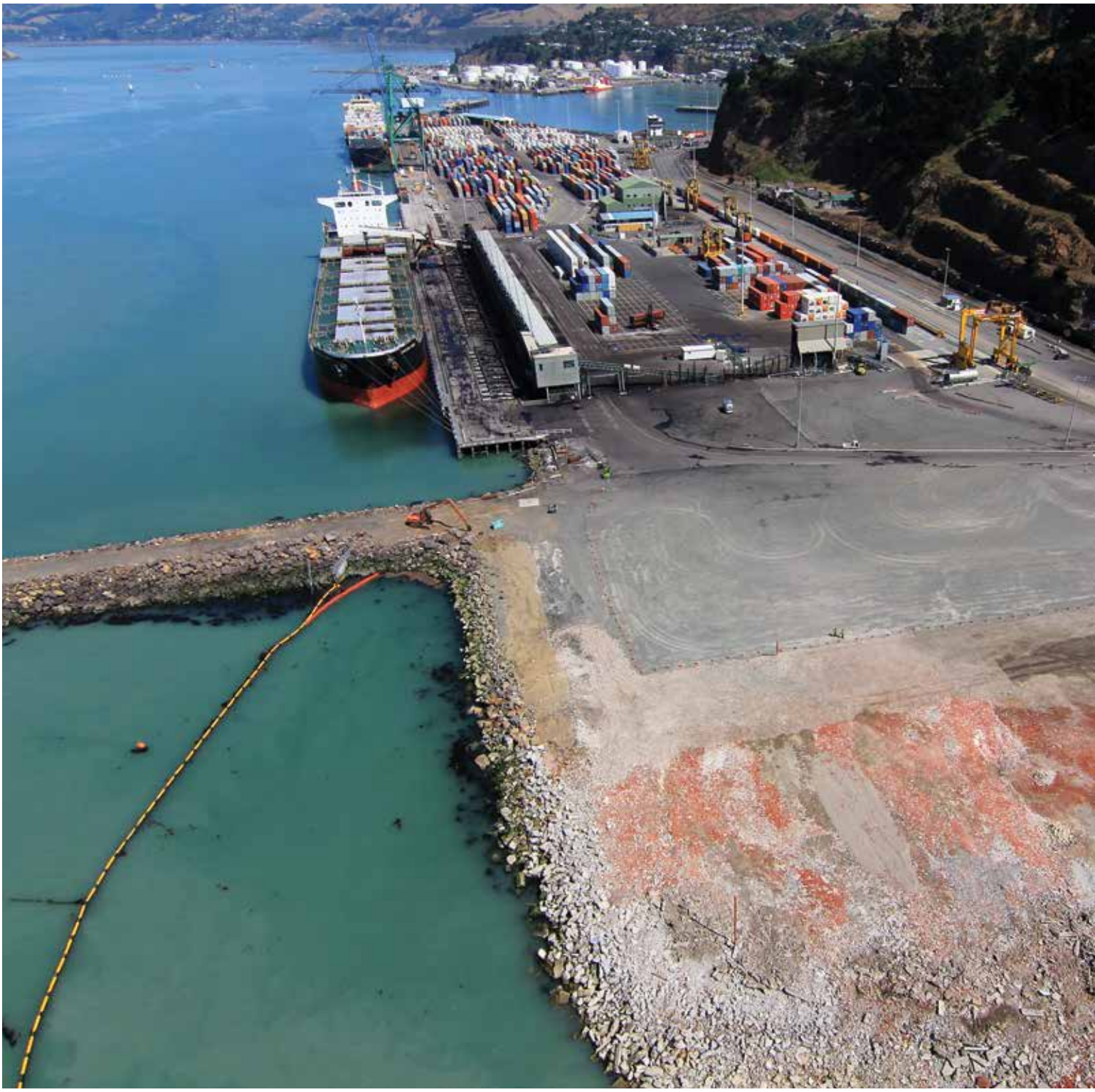
With regard to the depreciation on earthquake assets, a number of emergency repairs have been made to the Company's harbour structures and these repairs by their nature have an economic life which exceeds 12 months. They are not the permanent structures the Company is entitled to under its Material Damage insurance policies, but temporary repairs made under its Business Interruption policies. However, given the life of these structures, they are required to be capitalised under IFRS and then written off over their economic life.

An additional insurance income accrual of $1.0 million for the period ended 31 December 2012 has taken the total accrual to $30.0 million. This accrual related to costs incurred under the material damage policy.

Financial summary for the six months ending 31 December 2012

	Six months to 31 December 2012 ($,000)	Six months to 31 December 2011 ($,000)	Movement (%)	Year to 30 June 2012 ($,000)
Revenue	54,179	51,825	4.5%	104,546
Earnings Before Interest, Taxation, Depreciation and Amortisation (EBITDA)	18,339	18,632	(1.6%)	33,672
Earnings Before Interest and Taxation (EBIT)	12,903	13,252	(2.6%)	22,744
Earthquake-Adjusted Profit after Taxation	7,951	9,532	(16.6%)	17,041
Earthquake-Related items (net of Taxation)	(4,700)	(6,708)	29.9%	162
Profit after Taxation	3,251	2,824	15.1%	17,203
Total Assets	275,057	253,169	8.6%	273,536
Shareholders' Equity (percentage)	63.83%	62.19%	2.6%	62.88%
Earnings Per Share (cents)	3.2	2.8	15.1%	16.8
Net Asset Backing Per Share (dollars)	2.69	2.48	8.6%	2.67

Looking down Cashin Quay back road, Lyttelton Container Terminal



Te Awaparahi Bay Reclamation, Lyttelton Container Terminal

"This has been a very positive start to the year. Our container trade continues to grow, increasing 2.1% compared to this time last year and enabled by the excellent planning and high productivity from our staff. Given the ongoing difficult working conditions due to earthquake damage, that growth is an achievement we can all be proud of."

Peter Davie, Chief Executive

Reporting half year results

Operational performance

Highlights for the year to date have included continued growth in the container trade and an increase in general cargo volumes across a number of trades.

This has been a very positive start to the year. Our container trade continues to grow, increasing 2.1% compared to this time last year, enabled by the excellent planning and high productivity from our staff. Given the ongoing difficult working conditions, due to earthquake damage, this growth is an achievement to be proud of.

Following the contraction in Solid Energy's business, coal volumes declined to 991,383 tonnes (down 19.9% on last year). The Company is forecasting a 17% reduction in its 30 June 2013 coal volumes which is estimated to result in a $0.7 million reduction in its after-tax earnings. The Port is working closely with Solid Energy given the Company's publicly stated financial position, and will inform the market if there are any material developments.

There has been a 10% uplift in bulk fuel tonnage to 558,537 tonnes over the six month period. In addition, dry bulk volumes have increased 6.0% to 339,085 tonnes. Cement, grain and fishing volumes continue to rise, while fertiliser volumes were lower compared to the same period last year. Good volumes are expected for the next six months.

CityDepot continued to experience growth with high demand for dairy containers, and experienced additional rail volume through the rail siding all in conjunction with extended hours of service.

Te Awaparahi Bay reclamation

The reclamation is currently progressing well and has grown to approximately 3.5 hectares and is now providing 8,000 square metres of valuable storage space for equipment and imported vehicles. This is over a third of the way to completion of the 10 hectare project commenced in March 2011.

This process gave the city of Christchurch a sustainable solution for the disposal of clean earthquake-demolition material. A robust environmental management plan continues to ensure the Company is complying with relevant environmental legislation.

Investment in four new straddles

With the continued growth in the Container Terminal the Company is investing in four new diesel electric straddles to meet demand and improve service requirements. Liebherr Container Cranes Limited have been commissioned to manufacture the straddles with delivery expected in April 2013. On arrival the straddles will be assembled, thoroughly tested and then integrated into the existing fleet through the straddle support programme.

Dredging projects

Planning, scientific and technical investigations and consultation are well underway. This involves both the renewal of the Company's maintenance dredging consent and a new consent for capital dredging. The maintenance dredging consent will allow the Port to maintain the current channel depth for 12.4m draught ships and will be lodged before the end of March 2013. The capital dredging consent application process for deepening the channel is progressing well and the Company expects to be in a position to seek approval in 2013.

Our people

Currently the Company has over 460 permanent staff, and approximately half of these are based in the Container Terminal. The container trade continues to grow and this is enabled by the excellent planning and high productivity from all of the Company's staff.

The Company has an active recruitment programme in place to ensure it continues to have people on the team who embrace the importance of the business in the wider community.

Retained Tertiary Status

The Company has retained its Tertiary Status for the ACC Workplace Safety Management Practice (WSMP) audit, a robust two-year audit that is based on ensuring a health and safety framework exists. The Company continues to place a great deal of emphasis on improvements

Summary of the highlights for the six months

Te Awaparahi Bay reclamation now over 3.5 hectares with

8,000

square metres of storage space available

Retained Tertiary Status (highest level) following an ACC Workplace Safety Management Practice Audit in October 2012

Investment in

four

new diesel electric straddles in the Container Terminal to meet demand and enhance service requirements due for delivery in April 2013

LPC Directors' – University of Canterbury Scholarship for 2013. An annual scholarship of $10,000 towards the first year of study available to LPC staff members and their immediate families. The scholarship was initiated by Director Dr Rod Carr, and is funded jointly by Directors and the Company

Left to Right - Director, Dr Rod Carr, Scholarship Recipient, Brooke Hand and Chairman, Rodger Fisher

in the health and safety sphere and recognises the good work being undertaken towards the Company's goal of achieving a zero-harm work environment.

LPC Directors' – University of Canterbury Scholarship for 2013

In November 2012, the Company announced the introduction of an annual scholarship of $10,000 focused on supporting a student in their first year of study. The LPC Directors' - University of Canterbury Scholarship, initiated by Director Dr Rod Carr, is a commitment from Directors and the Company to provide financial assistance to sons and daughters of current employees. This is in recognition of the commitment of the Company's staff who maintained port operations following the seismic events of 2010 and 2011.

Brooke Hand was announced as the first recipient of the Scholarship. This will provide support for her study towards a BCom, majoring in Marketing at University of Canterbury.

Key appointments

Current Directors Trevor Burt and Dr Rod Carr were both re-elected to the Board of Directors at the 2012 Annual Meeting.

Dividend

The payment of dividends has been suspended until the Directors are comfortable with the progress being made on insurance matters.

The situation remains the same as our advice to the market in November 2012. Whilst some insurance payments have been received, matters with our insurers are not yet finalised and the total financial impact of the earthquake damage remains unclear. The payment of dividends therefore remains suspended, although the Company sees no reason why it would not revert back to paying dividends once matters have been resolved.

Insurance update

The Company has continued to work constructively with the insurers on its claims. Good progress is now being made in all areas; Material Damage, Business Interruption and Contract Works.

Regarding the Material Damage claim; the Port continues to discuss its draft Reinstatement Plan with its insurers, and is receiving feedback on a number of aspects. Reinstatement designs for the key harbour structures are underway, with construction planned to commence during 2013. Public consultation will commence on the wider building programme this year.

The Head Office building at Norwich Quay is also a focus for reinstatement as soon as possible. Final engineering reports are expected shortly, which will provide the Company with advice on whether the building is to be repaired or rebuilt. Discussions can then commence with the insurers on the required solution. As the Company reinstates its infrastructure, funds are expected to flow as the costs are incurred in line with the Pay as You Go process.

The Company's Material Damage policy entitles it to receive indemnity progress payments on earthquake damaged and destroyed assets that are covered for reinstatement. To receive these payments the indemnity value needs to be established. Opus International Consultants Limited has been engaged to undertake an indemnity valuation for six key harbour structures. Since the signing of the Financial Statements on 28 February 2013, this indemnity valuation report has been completed and provided to the insurers for consideration. Once the indemnity valuation is agreed, the insurers are required to make a progress indemnity payment for these structures.

Progress is continuing to be made on the Business Interruption claim, with constructive interaction between the loss adjusters. Substantiation of claims for the loss of revenue and increased costs as a result of the earthquakes is ongoing.

The contract works claim for damage to the works underway at CQ1 on 13 June 2011 has been submitted to insurers and is currently under review by their loss adjusters. The Company expects this matter to be resolved in the near future.

The next six months

Trade volumes are expected to continue to grow in the second half of the current financial year. The Company's current expectation for the full-year Earthquake-adjusted Profit after Taxation is between $13 million and $15 million. The reduction from the 30 June 2012 full-year Earthquake-adjusted Profit after Taxation of $17.0 million is largely due to LPC moving outside its indemnity period for cruise revenue and the reduction in Solid Energy coal volumes.

The Company is anticipating rounding out the year with strong trade results. Challenges are to be expected as it continues to keep the Port operational throughout the rebuild and development while ensuring it meets the needs of its customers.

The Company provides a vital link to the Canterbury region as it moves forward in the rebuild of the city. It has been fundamental in the execution of the Greater Christchurch Transport Statement designed to help guide the development and management of Greater Christchurch transport programmes and partners' investment strategies towards a strong and resilient future.

The Port will continue its efforts on growing the business, and the commencement of the long-term reinstatement of assets as well as progressing its insurance claims.

Stacked containers, CityDepot, Woolston

Reporting our financials

Straddles working alongside the rail siding at Lyttelton Container Terminal


21
Kalmar
Kalmar
21

Auditors' review report

To the shareholders of Lyttelton Port Company Limited.

We have completed a review of the financial statements on pages 14 to 20 in accordance with the Review Engagement Standard RS-1 issued by the External Reporting Board and RG-1 issued by the New Zealand Institute of Chartered Accountants. The financial statements provide information about the past financial performance of Lyttelton Port Company Limited and its financial position as at 31 December 2012.

Directors' responsibilities

The Directors of Lyttelton Port Company Limited are responsible for the preparation of financial statements which give a true and fair view of the financial position of the company as at 31 December 2012 and the results of its operations and cash flows for the six months ended on that date.

Reviewers' responsibilities

The Auditor-General is the auditor of the group pursuant to section 5(1)(c) of the Public Audit Act 2001. Pursuant to section 32 of the public Audit Act 2001, the Auditor-General has appointed Alex Skinner of KPMG to undertake the review of the Group.

It is our responsibility to express an independent opinion on the financial statements presented by the Directors and report our opinion to you.

Basis of opinion

A review is limited primarily to enquiries of company personnel and analytical review procedures applied to the financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Other than in our capacity as auditors on behalf of the Auditor-General we have no relationship with or interests in the Company.

Review opinion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements on pages 14 to 20 do not give a true and fair view of the financial position of Lyttelton Port Company Limited as at 31 December 2012 and the results of its operations for the six months ended on that date in accordance with NZ IAS 34 Interim Financial Reporting.

Our review was completed on 28 February 2013 and our opinion is expressed as at that date.

Alex Skinner
KPMG
On behalf of the Auditor-General
Christchurch, New Zealand

Directors' declaration

In the opinion of the Directors of Lyttelton Port Company Limited the interim financial statements and notes on pages 14 to 20:

- comply with New Zealand generally accepted accounting practice and give a true and fair view of the financial position of the Group as at 31 December 2012 and the results of its operations and cash flows for the six months ended on that date
- have been prepared using appropriate accounting policies that 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 the interim financial statements with the New Zealand equivalents to International Financial Reporting Standard (NZ IFRS) NZ IAS 34 Interim Financial Reporting.

The Directors consider that they have taken adequate steps to safeguard the assets of 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 the interim financial statements.

The Directors are pleased to present the interim financial statements of Lyttelton Port Company Limited for the six months ended 31 December 2012.

For and on behalf of the Board of Directors:

Rodger Fisher
Chairman
28 February 2013

Trevor Burt
Deputy Chairman
28 February 2013

Statement of financial position

as at 31 December 2012 (unaudited)

In thousands of New Zealand dollars	Note	31 December 2012	31 December 2011	30 June 2012 (Audited)
Assets				
Property, plant and equipment		214,871	215,107	216,901
Intangible assets		3,497	3,422	3,476
Loans and advances		537	920	566
Total non-current assets		**218,905**	**219,449**	**220,943**
Inventories		4,421	3,154	4,006
Trade and other receivables		15,695	13,923	14,320
Insurance receivable	7	30,003	10,592	28,972
Prepayments		1,251	2,057	713
Cash and cash equivalents		1,291	666	1,153
Loans and advances		116	67	57
Income tax receivable		3,375	3,261	3,372
Total current assets		**56,152**	**33,720**	**52,593**
Total assets		**275,057**	**253,169**	**273,536**
Equity				
Share capital		21,457	21,457	21,457
Hedging reserve		(2,851)	(3,332)	(3,178)
Retained earnings		156,963	139,333	153,712
Total equity		**175,569**	**157,458**	**171,991**
Liabilities				
Loans and borrowings		56,500	55,015	55,925
Derivatives		3,626	4,339	3,983
Deferred lease income		3,204	4,070	3,637
Deferred tax liabilities		19,335	13,015	18,139
Other non-current liabilities		-	91	34
Total non-current liabilities		**82,665**	**76,530**	**81,718**
Trade and other payables		8,759	11,065	10,304
Employee entitlements		6,863	6,901	8,206
Derivatives		334	348	450
Deferred lease income		867	867	867
Total current liabilities		**16,823**	**19,181**	**19,827**
Total liabilities		**99,488**	**95,711**	**101,545**
Total equity and liabilities		**275,057**	**253,169**	**273,536**

Statement of comprehensive income

for the six months to 31 December 2012 (unaudited)

In thousands of New Zealand dollars	Note	31 December 2012	31 December 2011
Continuing operations			
Revenue		54,179	51,825
Employee expenses		(20,648)	(19,635)
Materials and consumables utilised		(11,808)	(10,281)
Depreciation and amortisation		(5,436)	(5,380)
Administrative and other expenses		(3,384)	(3,277)
Results from operating activities before the impact of the following earthquake-related items		**12,903**	**13,252**
Earthquake-related items			
Additional costs	7	(5,236)	(7,882)
Insurance income	7	1,031	-
Depreciation on earthquake assets	7	(2,332)	-
Net financing expenses		(2,046)	(1,426)
Profit before taxation for the period		**4,320**	**3,944**
Income tax expense		(1,069)	(1,120)
Profit for the period		**3,251**	**2,824**
Other comprehensive income			
Effective portion of changes in fair value of cash flow hedges - net of taxation		327	(569)
Total comprehensive income for the period		**3,578**	**2,255**
Earnings per share from continuing operations			
Basic earnings per share (cents)		3.2	2.8
Diluted earnings per share (cents)		3.2	2.8

Statement of changes in equity

for the six months to 31 December 2012 (unaudited)

In thousands of New Zealand dollars	Share capital	Hedging reserve	Retained earnings	Total
Balance at 1 July 2011	**21,457**	**(2,763)**	**136,509**	**155,203**
Total comprehensive income for the period	-	(569)	2,824	2,255
Balance at 31 December 2011	**21,457**	**(3,332)**	**139,333**	**157,458**
Total comprehensive income for the period	-	154	14,379	14,533
Balance at 30 June 2012	**21,457**	**(3,178)**	**153,712**	**171,991**
Total comprehensive income for the period	-	327	3,251	3,578
Balance at 31 December 2012	**21,457**	**(2,851)**	**156,963**	**175,569**

Statement of cash flows

for the six months to 31 December 2012 (unaudited)

In thousands of New Zealand dollars	Note	31 December 2012	31 December 2011
Cash flows from operating activities			
Cash receipts from customers		52,371	49,835
Cash paid to suppliers and employees		(39,349)	(36,517)
Cash generated from operations		**13,022**	**13,318**
Cash costs as a result of the Canterbury earthquakes		(5,392)	(8,078)
Interest paid		(2,244)	(1,478)
Interest received		54	62
Income tax paid		(88)	(70)
Net cash from operating activities	**4**	**5,352**	**3,754**
Cash flows from/(used in) investing activities			
Proceeds from sale of property, plant and equipment		29	-
Acquisition of property, plant and equipment		(5,584)	(17,959)
Acquisition of intangible assets		(234)	(84)
Net cash used in investing activities		**(5,789)**	**(18,043)**
Cash flows from/(used in) financing activities			
Proceeds of borrowings		575	14,263
Net cash from financing activities		**575**	**14,263**
Net increase/(decrease) in cash and cash equivalents		138	(26)
Cash and cash equivalents at 1 July		1,153	692
Cash and cash equivalents at 31 December		**1,291**	**666**

Notes to the condensed consolidated interim financial statements

1. Reporting entity

Lyttelton Port Company Limited (the "Company") is a company domiciled in New Zealand, registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange ("NZX"). The Company is an issuer in terms of the Financial Reporting Act 1993.

The condensed consolidated interim financial statements of Lyttelton Port Company Limited as at and for the period ended 31 December 2012 comprise the Company and its subsidiaries (together referred to as the "Group").

Lyttelton Port Company Limited is engaged in the provision of port and associated facilities.

2. Basis of preparation

Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) NZ IAS 34 Interim Financial Reporting. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

The accounting policies are consistent with those used in the 30 June 2012 financial statements.

3. Dividends

No dividend for the six months ended 31 December 2012 has been proposed by the Directors.

4. Reconciliation of the profit for the period with the net cash from operating activities

In thousands of New Zealand dollars	31 December 2012	31 December 2011
Profit for the period	**3,251**	**2,824**
Adjustments for:		
Depreciation	7,562	5,190
Amortisation of intangible assets	213	190
Loss/(gain) on sale of property, plant and equipment	(7)	-
Fair value adjustment on derivatives	(20)	(17)
Deferred tax charge	1,049	1,385
Deferred revenue	(433)	(433)
	8,364	**6,315**
Add/(less) movements in working capital items		
Provision for tax payable	(3)	(283)
Change in inventories	(415)	(9)
Change in trade and other receivables	(2,406)	(2,810)
Interest payable	(144)	9
Change in trade and other payables including employee benefits	(3,295)	(2,292)
	(6,263)	**(5,385)**
Net cash from operating activities	**5,352**	**3,754**

5. Segmental reporting

The Company determines its operating segments based on the information provided to the Board of Directors who are the Company's chief operating decision maker. The Company has one reportable business segment providing and managing port and associated facilities in Christchurch, New Zealand.

6. Related parties

In the normal course of business, the Company may commercially interact with its shareholders. Unless otherwise stated below, these transactions are on an 'arm's length' basis.

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	31 December 2012	31 December 2011
Short-term employee benefits	746	892

Transactions with controlling shareholder

No charges were made to Christchurch City Holdings Limited in the period up to 31 December 2012 (31 December 2011: $Nil) nor were any balances outstanding as at 31 December 2012 (31 December 2011: $Nil).

Other related parties

During the period Port Otago Limited, a 15.48% shareholder of Lyttelton Port Company Limited, provided services to the Group to the value of $Nil (2011: $1,984,183). The balance owed as at 31 December 2012 was $Nil (2011: $Nil).

7. Canterbury earthquakes

Since September 2010 the Canterbury region has experienced in excess of 11,000 earthquakes. These extensively damaged the Port and its infrastructure. The most damaging quakes occurred in September 2010, February 2011 and June 2011.

There have been no damaging seismic events since 13 June 2011. The Company continues to monitor the status of its damaged assets to ensure they retain safe operational status, whilst awaiting reinstatement.

Derecognition of assets

Following each significant earthquake, the Company's key infrastructural assets are subject to independent technical and engineering assessments. If new significant damage is identified, the assets are assessed for whether they were partly or completely damaged and therefore need to be derecognised. No assets were derecognised in the period ended 31 December 2012.

Impairment of assets

In accordance with NZ IAS 36, the Company assessed whether there were any indicators of impairment in the period ended 31 December 2012. The Company determined that there were no indicators of impairment of assets.

On 2 November 2011, the Company elected to evacuate its administration building due to the risks highlighted in an engineering report. Further engineering assessments were commissioned to determine if remediation was possible and economically feasible. At 31 December 2012, no decision has been reached on whether this building will be repaired or replaced. The Company is currently unable to assess whether the building had suffered any impairment. The building had a net book value of $1.2 million as at 31 December 2012.

Notes to the condensed consolidated interim financial statements continued

Insurance receivable and claims paid

The insurance receivable as at 31 December 2012 represents the amounts due from its insurers which the Company can reliably measure based on the costs incurred and the revenue lost to date. The Company has recognised a $30.0 million insurance receivable as at 31 December 2012 (30 June 2012: $29.0 million) which represents a portion of what will be significant claims for both Business Interruption and Material Damage. The Company has not received any payments in the period ended 31 December 2012 from its insurers, but remains confident of the receipt of the insurance receivable.

The table below summarises the status of insurance recoveries recognised in the accounts to date:

In thousands of New Zealand dollars	31 December 2011	30 June 2012	31 December 2012	Total payments received	Total accrued
Claim Type					
Material Damage	33,695	40,376	41,407	(33,695)	7,712
Business Interruption	12,592	21,906	21,906	(2,000)	19,906
Contract Works	-	2,385	2,385		2,385
Total	**46,287**	**64,667**	**65,699**	**(35,696)**	**30,003**

The Company has a Material Damage claim with its insurer in relation to the reinstatement of its assets. The Company has generally elected to reinstate its damaged or destroyed assets, though significant physical works are yet to commence.

The Company is entitled to lodge claims for payments under the policy when:

- Indemnity values have been established, and/or
- Reinstatement costs have been incurred.

Opus International Consultants Limited has been engaged to undertake an indemnity valuation for six key harbour structures. This work is almost completed, and will be provided in the near future to the insurers for consideration. Once the indemnity valuation is agreed, the insurers are required to make a progress indemnity payment for these structures.

It will take the Company a number of years to complete the reinstatement of its damaged and destroyed assets. The ultimate quantum of the Material Damage claim cannot currently be reliably measured on the basis that there is significant uncertainty around the range of possible outcomes and insufficient information to form a reasonable judgement.

The claim process is highly complex and over the next financial year, the Company will continue to collate the necessary engineering and financial information for the insurers and their assessors.

Earthquake assets

A number of emergency repairs have been made to the Company's harbour structures, and these repairs by their nature, have an economic life which exceeds 12 months. They are not the permanent structures the Company is entitled to under its Material Damage insurance policies, but temporary repairs made under its Business Interruption policies. Given the life of these structures, they are required to be capitalised under IFRS. The depreciation is shown as an earthquake impact as these structures have a substantially shorter life than a permanent structure, and they are a direct consequence of earthquake damage.

8. Subsequent events

There were no significant events after 31 December 2012.

Directory

Board of Directors
Rodger Fisher, *Chairman*
Trevor Burt, *Deputy Chairman*
Dr Rod Carr
Lindsay Crossen
Karl Smith
Brian Wood
Alan Grant - *Advisor to the Board*

Management Team
Peter Davie, *Chief Executive*
Kathy Meads, *CFO and Corporate Services Manager*
Paul Monk, *Operations Manager*
Simon Munt, *Marketing Manager*
Callum Wood, *Programme Manager*

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Website
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Solicitors
Chapman Tripp

Bankers
Westpac Banking Corporation

Auditors
KPMG, on behalf of the Auditor-General

Share Registry
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Telephone (03) 308 8887
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Email info@linkmarketservices.com

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