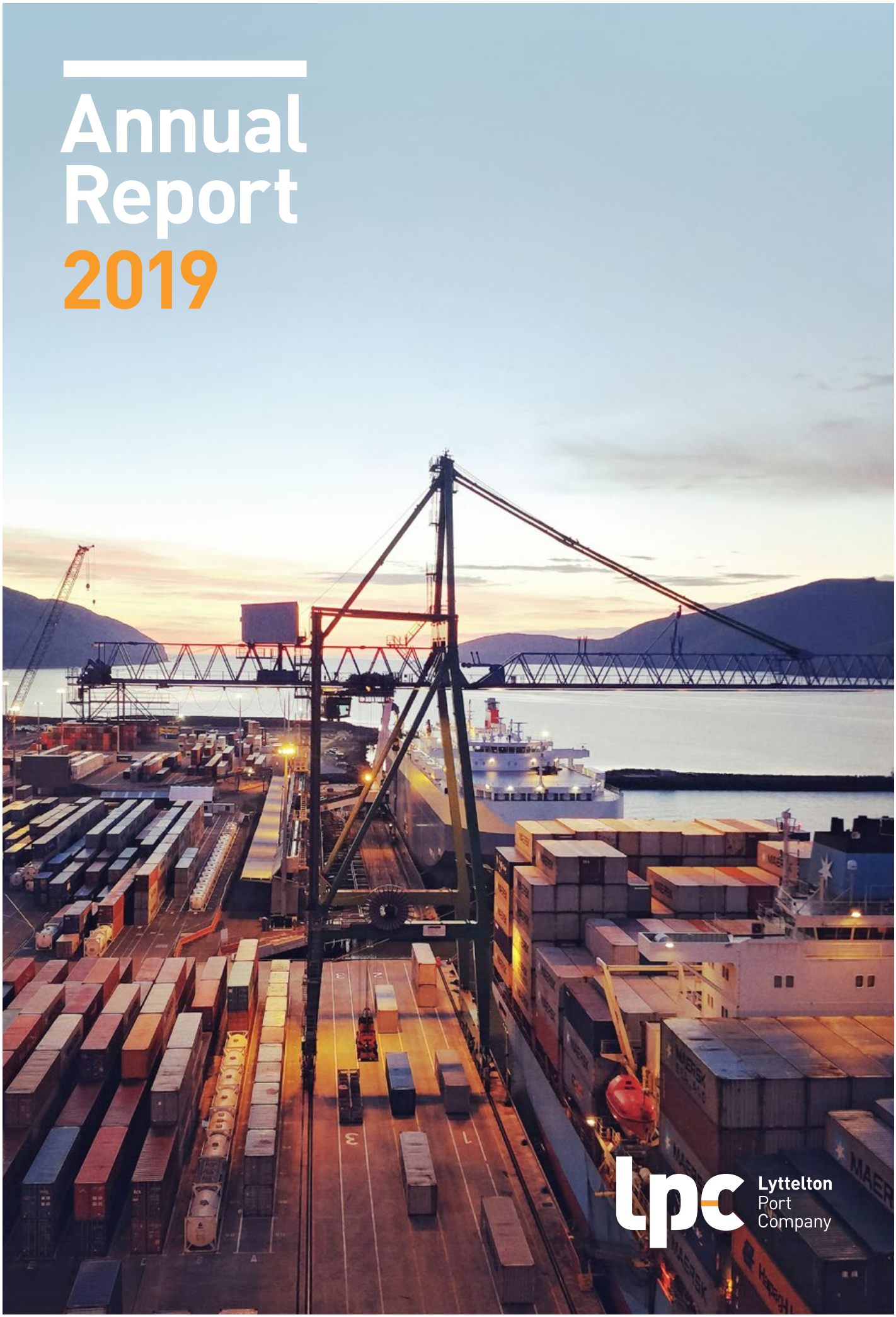
Annual Report 2019



Lyttelton Port Company

From our Chair and Chief Executive

The last 12 months has been a period of milestones for Lyttelton Port Company (LPC), with the delivery of key projects and record levels of cargo through our container terminal. We have remained committed to delivering a Port that can sustain the economic and well-being aspirations of the people in our region.

Margaret Devlin
Board Chair

Peter Davie
Chief Executive

During the period we have reviewed our company strategy and infrastructure development programme to ensure they remain relevant, and that we continue to maximise returns to our shareholder. As a result, we are confident in the development programme we currently have underway and our current strategic direction.

With cargo volumes set to double over the next two decades, after having doubled in the last decade, LPC's development programme remains key to the economic prosperity of our region.

The Board and the Management Team have undertaken work to analyse the efficiency and performance of the Port over the long term, and initiatives developed out of this will form a key part of our forward work-plan. This is part of our commitment to ensure that we can deliver maximum value to our customers, our community and our shareholder.

LPC continues to handle a wide range of cargo for many customers, from fishing and grain, to cement, cars and coal exports. We are committed to continually working on ways to improve our service and performance for all our customers. We thank them for the continuing confidence they place in the team at LPC.

We have maintained this strong focus on customers with the introduction of the successful Vehicle Booking System at Lyttelton Container Terminal and the formation of our Customer Service Unit. LPC is dedicated to delivering the level of service that customers expect, and as a result efficient and timely operations are a vital driver of our planning and strategy.

It has been a year of strong import and export growth, and record performance. Import volumes handled by Lyttelton grew to $4.75 billion, while there was a significant increase in export volumes of 16%, to $5.63 billion, a lift of nearly $800 million.

Container volume was up nearly 3% to 437,413 Twenty Foot Equivalent Units (TEU) handled, a new record for Lyttelton. This was achieved despite disruption in the upper North Island supply chain late in 2018 which reduced coastal volumes for a period.

The financial year saw significant growth in operations revenue, with a lift of 5.7% to $129 million. Revenue growth was particularly strong in Containers (6%), Other Trades (20%), Coal (9%) and MidlandPort (48%).

Operating expenses were $5.3 million higher than last year, driven by higher operational labour costs and an increase in materials and services as a result of our increased volumes of cargo. The cost growth in materials and services were from fuel costs, train costs due to higher volumes from MidlandPort, and maintenance costs in some ageing equipment which is being addressed. Depreciation is also higher due, to our significant programme of capital investment.

LPC has continued with a programme of significant infrastructure investment to support the needs of customers and the wider region's economy. Over the last year, we invested $146 million in capital projects.

The period has seen the delivery of the new, deepened channel and the arrival of a new, more powerful tug *Piaka*, allowing larger container vessels to access the Port, and the beginning of construction on New Zealand's only purpose-built Cruise Berth. Along with the commencement of work on reclamation to create our new container terminal at Te Awaparahi Bay, work to upgrade Canterbury's major Oil terminal has also begun.

In total, LPC has 20 projects underway to deliver the Port of the future and ensure we can support the growth of the South Island economy.

We have also finalised LPC's Sustainability Strategy. LPC has long had a commitment to being a responsible part of the Harbour community. This year we have finalised our strategy and set firm commitments and targets that are outlined further on in this report. At the core of our strategy is maintaining an efficient, economically viable business that supports the regions' economy and community, while protecting and enhancing our natural environment. LPC has also committed to moving to an integrated reporting approach.

We have developed a People and Performance Strategy for LPC, with a focus on the future through people development, increased engagement, and learning and development. We also continue to develop and evolve our systems to support and enable good health, safety and well-being performance. This year we have completed key tasks such as our work around critical risk control assurance and implementation of our PCBU framework.

In April 2019, Chief Executive Peter Davie announced his retirement. Peter has made an enormous contribution to LPC and to the region since joining LPC as CE in 2003, and leading the Port through some of the most momentous and challenging periods in its 170 year history.

During Peter's time as CE, container volumes through Lyttelton Port have tripled to be over 50 per cent of the South Island's container movements. However, the biggest challenge was the series of earthquakes that struck Canterbury in 2010 and 2011.

Following the earthquakes, and insurance settlements, the Port then engaged and consulted on their redevelopment plan. As a result of that process, Peter has overseen the largest series of developments in the Port's history.

These developments now see the Port well positioned for the future, with new berths, an expanded container terminal, a successful inland Port at Rolleston and Canterbury's only walk-on Marina. LPC also has consents to reclaim more land, and to further deepen the channel, ensuring that the Port is set up to support exporters and importers in the long-term.

This year we also farewell two of our directors, Jim Quinn and Grant Gilfillan. Jim and Grant have played an integral role in the success of LPC, and we wish them the very best for the future.

LPC also welcomes a new director to the team, with Fiona Mules joining us and bringing extensive experience in infrastructure procurement and financing. We also had two new additions to our Executive Management Team, with Kirstie Gardener joining us as General Manager Human Resources and Phil de Joux as Strategic Engagement Manager.

Finally, we wish to acknowledge the tremendous commitment of the LPC team. LPC staff are a dedicated group who work all hours in all weathers to ensure that vessels keep moving, and imports and exports keep flowing to their final destinations. Their contribution at Lyttelton Port, CityDepot and MidlandPort is the vital ingredient in the success of LPC.

Margaret Devlin
Board Chair

Peter Davie
Chief Executive

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Charting our Sustainable Course

Over the last year, LPC has developed a business wide sustainability strategy delivering on the commitment we made in previous annual reports and our statement of intent.

We have set key commitments and targets across our three key focus areas: Prosperity, People and the Planet.

At the heart of our sustainability strategy is our Prosperity commitment, focused on creating and maintaining an efficient, economically viable business that supports the wider region's economy and community. We will grow connectivity, deliver operational excellence and make sure we remain profitable and financially sustainable.

The importance of our people means we are committed to creating quality employment opportunities, attracting and developing talented people, and maintaining the health and well-being of everyone in our workplace. As part of the role we play as a citizen of Lyttelton Harbour, we work hard to be a responsible and supportive part of the community.

We are also committed to the protection and enhancement of our natural environment. As a port, LPC has a special responsibility for the Harbour environment, and we are proud to be a part of Whaka-Ora, the Whakaraupo/ Lyttelton Harbour Catchment Management Plan. We are committed to being Carbon Neutral by 2050, Zero-waste by 2040 and have set an ambitious goal of seeing a net gain in the biodiversity and ecological health of the harbour.

Our services are critical to the success of a diverse range of exporters and importers, and consequently the lifestyle and prosperity of all people living in the South Island. The Port supports thousands of jobs, and the creation of billions of dollars of wealth.

Our commitment is to continue to do this while growing our strong focus on health and safety, the wellbeing of our workforce, mutual benefits for our communities and doing our part in addressing the significant global challenges of climate change and biodiversity loss.

Prosperity

Financial Performance
- Maintain and grow connectivity for the South Island to key markets
- Maintain efficient and reliable Port operations
- Increase profitability

Transparency and Reporting
- Move towards Integrated Reporting using the Integrated Reporting principles in 2020
- Integrated reporting by end of 2022

People

Our People
- Improve our staff engagement scores over time
- Leadership, learning and development
- Improve and maintain our performance against our Health, Safety and Wellbeing targets

Relationships with Manawhenua and our communities
- Improve our rating in community surveys
- Implement a long-term focus for our relationships

Planet

Healthy Harbour / Biodiversity
Net gain in biodiversity and ecological health of the harbour

2020

A detailed carbon emission reduction plan for first five year period

Purchasing policy updated to include non financial / responsible sourcing parameters

2022

50% operational product suppliers[1] evaluated against responsible sourcing criteria

2023

10% decrease in landfill waste (operational waste)

2025

20% carbon reduction in scope 1 and 2 operational emissions

20% decrease in landfill waste (operational waste)

2030

100% of operational suppliers[1] evaluated against responsible sourcing criteria

30% carbon reduction in scope 1, 2 and mandatory scope 3 emissions

50% decrease in landfill waste (operational waste)

2040

Zero solid waste to landfill

40% carbon reduction in scope 1, 2 and mandatory scope 3 emissions

2050

Net carbon zero For scope 1, 2 and mandatory scope 3 operational emissions

[1] Suppliers greater than $50k / annum

Our purpose is simple: to facilitate trade in Canterbury and the South Island.

Prosperity

A key part of our sustainability strategy is to deliver economic prosperity to our region. To do this, we must increase the profitability of the Port, guarantee long-term trade connections for the South Island and ensure LPC remains economically sustainable.

Our services are critical to the success of a diverse range of exporters and importers, and consequently the lifestyle and prosperity of all people living in the South Island.

That is why we take our role in the economic sustainability of Christchurch, Canterbury and the wider South Island so seriously. We are committed to making sure we develop the Port to ensure it is able to handle strong projected growth in volumes and is sustainable in the long-term.

This requires us to operate efficiently, safely and sustainably. It requires us to focus on our efficiency and reliability to ensure Port operations provide customers with the best service.

We are dedicated to delivering operational excellence, optimising the use of LPC's infrastructure assets and developing infrastructure to meet capacity in a timely way.

Imports
$4.75b
▲1.6% increase
$4.67b in 2018

Exports
$5.63b
▲16% increase in export value
$4.84b in 2018

Containers
437,413
▲ 2.9% growth
424,572 in 2018

Fuel
1.162m
▲ 2% increase
1.137m in 2018

Cars
50,341
▼ 17% drop
60,785 in 2018

Logs
517,798
▲ 20% increase
431,291 in 2018

Increase in exports (value) **16%**

Export growth **$790,000,000**

Total Exports **$5,630,000,000**

Liquid Gold Goes Global

CUSTOMER STORY

Over 100 years ago on the rugged terrain of Banks Peninsula, William Bray and Alfred Barret set up beehives, bringing Airborne Honey to life.

Fast-forward to 2019, and Bray's great-grandson Peter and his team are taking Airborne Honey to over 20 countries across the world, transported through Lyttelton Port.

"They lived off the land," recalls Airborne Honey's managing director Peter Bray of his great-grandfather and business partner Alfred Barret. "This was before the days of laboratories, cars and modern day engineering – it was incredibly laborious work."

The pair's hard work and entrepreneurial nature paid off. The Airborne Honey brand is now the oldest surviving brand of honey in New Zealand and a business with its focus firmly on the future.

In the late 1920s it was decided to move the operation from Banks Peninsula inland to Leeston, where a processing and packing plant was built.

Nowadays, Airborne Honey has a distinctly more scientific approach to making this sweet pantry staple, placing them at the leading-edge of honey production in New Zealand.

"Our laboratory allows us to analyse the honey throughout the production process, ensuring the quality of each and every batch," says Peter.

Airborne has a unique labelling system for their jars, which means customers can trace the batch their honey came from, locate every apiary that contributed their honey, as well as every drum of honey from that particular batch.

"We have honey coming in from North Cape to Bluff and with our labelling system customers can find out exactly where their honey came from."

Airborne also has a patented process for liquefying their honey, delivering the lowest amount of heat damage of any honey in the New Zealand market.

"This reduces the heating time from three days to twelve hours, which is better for the environment and also better for our honey," says Peter.

Airborne's array of monofloral honeys are a premium product due to their distinct taste, fragrance and flavour. From classics like Clover and Manuka, to Rata, Vipers Bugloss, Rewarewa and Thyme, Airborne Honey caters to every honey taste.

"These days, we all want to be chefs in our own kitchen, which is why it is important to have a multitude of flavoured products," says Peter.

That may be why Airborne has become so popular overseas: Of the honey Airborne produces each year, around 30 per cent is exported offshore.

The majority of Airborne's exported honey is transported from Leeston to Lyttelton by road, before it is shipped to nations like China, the United Arab Emirates, Singapore, Malaysia, Japan, and the United States.

"Our honey is extremely popular in Asian and Middle Eastern markets," says Airborne's Sales and Marketing Manager John Smart. "It's really rewarding to see our honey go offshore."

Looking ahead, John says the Airborne Honey team plan to continue making great honey to the highest standard, as well as focusing on sustainability. "We plan on doing more of the same, but doing it better."

The Blue Highway's Champion

CUSTOMER STORY

Pacifica Shipping's outgoing Executive Director is a champion of the blue highway, and believes coastal shipping is yet to have its day in the sun.

Steve Chapman has seen significant changes to coastal shipping during his career. He has also been an advocate for the mode of transport to be seen as a reliable alternative to rail and road. After 25 years, Steve has made the decision to step away from the industry, stating that Pacifica Shipping is in great shape and it's time for a new Coastal Shipping Champion.

"There have definitely been more highs than lows," says Steve, reflecting on his time with Pacifica. His career has seen the firm change from being a family business to ownership by Swire Shipping, as well as seeing the number of ships fluctuate as the business has navigated through both calm and rough seas.

Steve began his career as a Sales and Operations Executive with Pacifica Express Freight in 1994, before progressing through a number of roles and transferring to the Shipping arm of the firm in the early 2000s.

He was appointed Chief Executive in 2011 and became executive director two and a half years ago.

From 1985 to 2012 Pacifica Shipping's Hub Port was based at Number 7 Wharf at Lyttelton Port, and Steve says Christchurch will always be the company's 'spiritual home'.

The coastal shipping industry – moving domestic freight by sea – has undergone a number of changes, with arguably the biggest transformation being the shift from break bulk to containerisation, which happened on Chapman's watch.

"In 2008 we became an entirely containerised operation, which also meant we could become a genuine feeder service for the major international shipping lines."

Pacifica now operates the Spirit of Canterbury, however Swire Shipping have recently announced the replacement of this vessel with the Moana Chief, a larger vessel that will be better able to cope with increasing domestic demand as well as increasing volumes of international tranship cargo.

Steve says with this change, Pacifica is well placed to handle future freight demands. "As a mode of transport, coastal shipping is environmentally friendly, cost effective and regular. Coastal shipping still works and is as important for the domestic market as it always has been."

After the Christchurch earthquakes in 2011, coastal shipping stepped up, with Pacifica Shipping at the forefront of the recovery effort, shipping bulk water and other vital supplies to Lyttelton.

Then again in 2016 when a 7.8 magnitude earthquake left Kaikōura isolated, coastal shipping was needed more than ever.

"I'm really proud of how we stepped up and were able to help during those times," says Steve. "It also highlighted that coastal shipping was an effective and reliable mode of transport."

Looking back on his time in coastal shipping, Steve says it has been a fantastic ride.

"Coastal shipping will have its day in the sun – with Swire Shipping as parent company, I know Pacifica is only going to get bigger and better."

Sowing Success in Mid Canterbury

CUSTOMER STORY

The rich soils of Mid Canterbury are now producing close to half of the world's hybrid radish, carrot and beet seed, making the region's seed and grain industry big business.

Of the $240 million of seed and grain exported by New Zealand growers annually, close to 90 per cent is produced in Mid Canterbury, and goes through Lyttelton Port on its way to the world.

New Zealand Grain and Seed Association General Manager Thomas Chin says there are many reasons why the region commands a premium on grain and seed.

"This is largely due to the local industry's focus on quality and reliability of supply. Canterbury also has ideal growing conditions with low pest and disease incidence."

"As an industry we also benefit from the fact that our production season coincides with the northern hemisphere's off-season."

Mid Canterbury's grain and seed industry includes a highly skilled group of farmers, growers, wholesale agents, and freight movers who work collaboratively to produce first-class seed and grain exports for the world.

Modern plant genetics, state of the art processing systems, and access to irrigation also strengthen Mid Canterbury's edge, says Mr Chin.

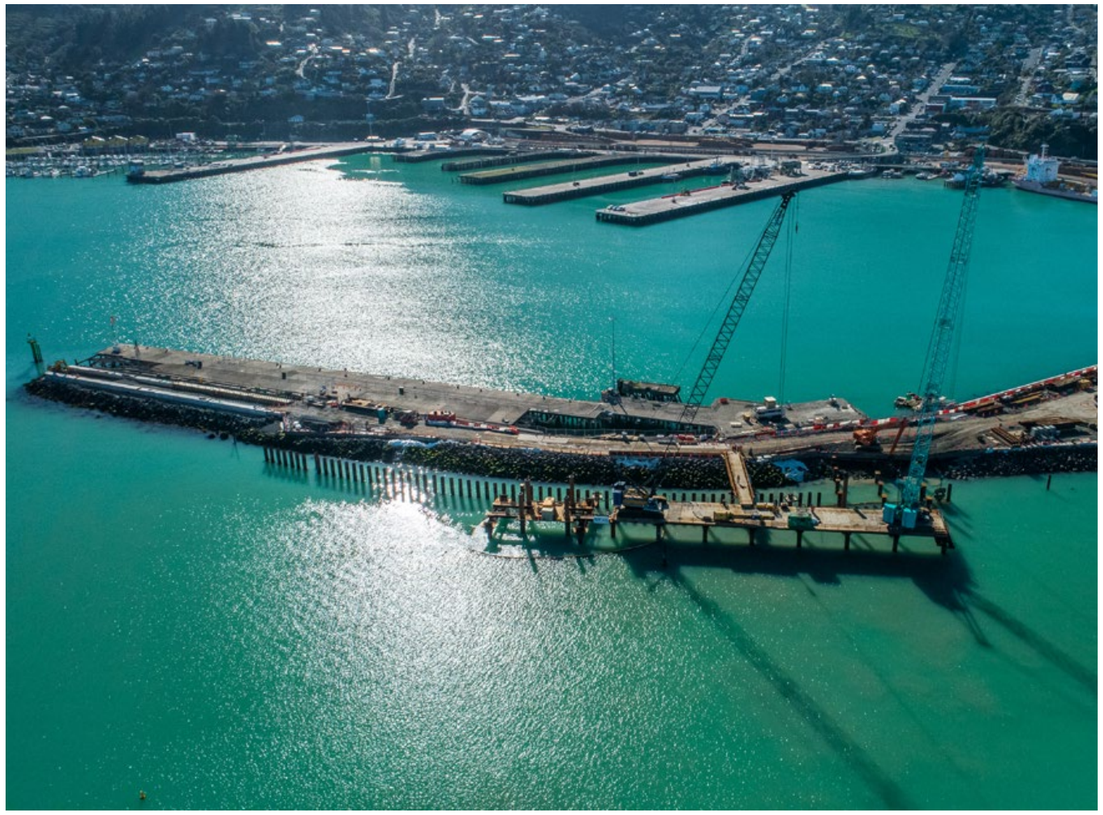
Pasture seeds, primarily ryegrass and clovers, that support the livestock industry are also exported to more than 60 countries across the world, with key markets being Europe, the United States, Asia and Australia.

Australia is the top market for New Zealand ryegrass seed and most of New Zealand's beet, carrot and radish seeds are exported to the Netherlands.

Seed and grain produced in Mid Canterbury for export is transported via road to the Port, however trucking companies are now using LPC's Midland Port, our inland port based in Rolleston. Then seed and grain is transported by rail to Lyttelton, where it is loaded on container vessels and exported.

Approximately 36,000 tonnes of seed are exported annually and Mr Chin says that number is set to grow.

"We are really excited about the future of seed and grain, and know Mid Canterbury will continue to play a significant role in the industry."



Cruising into Lyttelton

We are on track for LPC to bring the world's largest cruise ships to Canterbury through the construction of New Zealand's first ever purpose-built cruise ship facility.

With over half of the main wharf piles now successfully driven, the facility will be open by November 2020, in time for the 2020/2021 cruise ship season.

LPC Chief Executive, Peter Davie, says more than 70 bookings from cruise ship agencies for this season have been received, which he says highlights a real need for this type of facility.

The new berth means Lyttelton will be able to berth a larger cruise vessel on the new cruise berth and still have smaller cruise ships in the inner harbour. "We will be able to say yes to all cruise ships," says Peter.

Large cruise vessels have been unable to berth at Lyttelton Port since the February 2011 earthquakes. With the new cruise berth in place, LPC will be able to welcome the full range of cruise vessels, including ships that cater for over 7,000 passengers and 2,000 staff.

Passengers will be transported by bus from the cruise ships into Lyttelton and Christchurch, where they can explore everything Canterbury has to offer.

Cruise Lines International Association (CLIA) Australasia Managing Director, Joel Katz, congratulated the Lyttelton Port Company on the infrastructure project. "The investment in Port facilities at Lyttelton is a further sign of the Canterbury region's recovery and resurgence following the devastating 2011 earthquakes in which the Port experienced significant damage," Mr Katz said.

"In addition to highlighting the region's resilience, the facilities provide cruise operators with greater flexibility and choice in itinerary planning for the growing number of cruise visitors to New Zealand."

LPC's Engineering Project Manager, Paul Kelly, says when complete, almost 10 kilometres of steel piles will have been used in the project.

"The contractors HEB Construction and designer's, Beca, have done an excellent job, as there is a lot that goes on technically to ensure piles are driven correctly and have the required capacity."

The cruise berth was redesigned to reduce underwater noise levels during piling. To manage any other environmental effects, we have also implemented New Zealand's most comprehensive marine piling management and monitoring programme (see page 40).

We have also committed to connecting with the community about construction noise, providing daily piling schedule updates on our Harbourwatch website: www.lpcharbourwatch.co.nz.

Te Awaparahi Bay – A Port for the Future

The reclamation of land and the construction of a new container wharf at Te Awaparahi Bay is a key part of our long term commitment to meet the demands of the South Island's increasing volume of import and export trade.

Canterbury's freight volumes are set to double in the next 15 years.

Not only will this new terminal handle the future growth in container freight volumes, it will also allow some of the general cargo operations to move from the inner harbour onto the current container terminal at Cashin Quay.

LPC's Infrastructure Manager, Mike Simmers, says this moving of Port operations east underpins the Port's ongoing redevelopment.

"The first 10ha of the reclamation has already been completed, and excellent progress is being made on the next stage, creating an additional 6ha."

The work includes quarrying at Gollans Bay, dredging part of the reclamation footprint, the land reclamation itself and, potentially, the construction of a new wharf.

"The reclamation is being created by placing acceptable and suitable fill material in Te Awaparahi Bay until the land reaches the desired level," says Mike.

"Our quarry at Gollans Bay is providing most of the fill material for this additional 6ha, with less than five per cent being building demolition rubble."

Settlement of the new land is a major issue due to the soft seabed in the Harbour. To reduce this settlement time for the potential new wharf, the softer material is being dredged out.

"By doing this, and pre loading the material, we are reducing the settlement time by some 5 years," says Mike.

"Once complete, we are planning to start building a new wharf to support LPC's ongoing growth."

Terminal Development Plan

Our Terminal Development Plan is a three stage plan to move Port operations east and develop the container terminal in Te Awaparahi Bay. T2020 is the first stage, the second stage is Terminal 2022 and the final stage is Terminal 2025/26.

Work has included upgrading and moving some of the roads currently on the reclamation, followed by new areas for import vehicle storage and the ECY. This will free up space to add an extra container terminal area, which later in 2019 and early 2020 will be partly used to build new reefer towers. Other projects happening to support growth in trade include adding an additional rail siding and a new back road.

The additional container rail siding next to the existing siding in LCT will increase rail capacity. This project will be completed mid-2020.

Work on our new reefer towers will begin shortly, maximising space and creating a safer area for our people to work with reefers. The new reefer towers will be completed by the third quarter of 2020.

Many of our teams have been involved in the development of the plan and we are looking forward to seeing the construction commence over coming months to meet our capacity and make full use of our newly reclaimed land.

Responsibly Managing Development

Reclaiming land can have effects on the environment, both during construction and in the longer term.

We spent a lot of time with experts investigating and developing measures to mitigate potential effects, and we are confident the construction effects can be easily managed, and that longer-term change to the Harbour will be undetectable.

We have also gained over six years' experience constructing the first 10ha reclamation, which has helped us to understand how to best build this next stage.

The eastern part of the Gollans Bay Quarry had not been quarried before, and some of the area is habitat for New Zealand native Waitaha gecko.

LPC gained a Wildlife permit from the Department of Conservation which sets out how we as a company must manage the effects on geckos.

In April 2019 we worked with RMA Ecology to safely capture 134 Waitaha geckos from the Gollans Bay Quarry and released them in tall native forest in Riccarton Bush.

Riccarton Bush was chosen because it has 7.8 hectares of established forest surrounded by a state-of-the-art pest and mammal-proof fence that keeps out predators, such as rats and cats.

Fuelling Canterbury

Repair and strengthening of LPC's Oil Berth is underway, extending the longevity of this vital resource for Canterbury.

Operated by several oil companies, the berth provides an essential link for petroleum to many suppliers in the South Island.

The berth is used by vessels unloading fuels, gas and bitumen to supply the Canterbury and South Island market as well as and bunkering, which is supplying fuel for use by ships.

Oil tankers are often regarded as some of the heaviest vessels that travel the sea, which is why LPC's oil berth is built to cater for vessels with up to 60,000 tonnes displacement.

LPC's Infrastructure Manager Mike Simmers says the berth was badly damaged during the Christchurch earthquakes.

"Fulton Hogan is the contractor undertaking the project, and they have done an excellent job at completing the work while ensuring the berth remains operational.

"We expect the work to be complete by mid 2020."

Vehicle Booking System: A Customer Service Success

LPC has delivered on its commitment to support the Greater Christchurch Transport Statement Freight Action Plan, successfully implementing an online Vehicle Booking System (VBS) at the Lyttelton Container Terminal (LCT).

VBS is an online booking tool that allows trucking companies to reserve time slots to bring in and pick up containers at LPC sites. The system was successfully implemented at LPC's CityDepot in February 2018, and in March 2019 VBS was extended to LCT.

LPC's Terminal Development Manager Paul Williams says VBS is a win-win for customers, the community and the Port.

By booking an arrival time slot online, trucking companies now avoid queuing when they reach the LCT, saving time and costs.

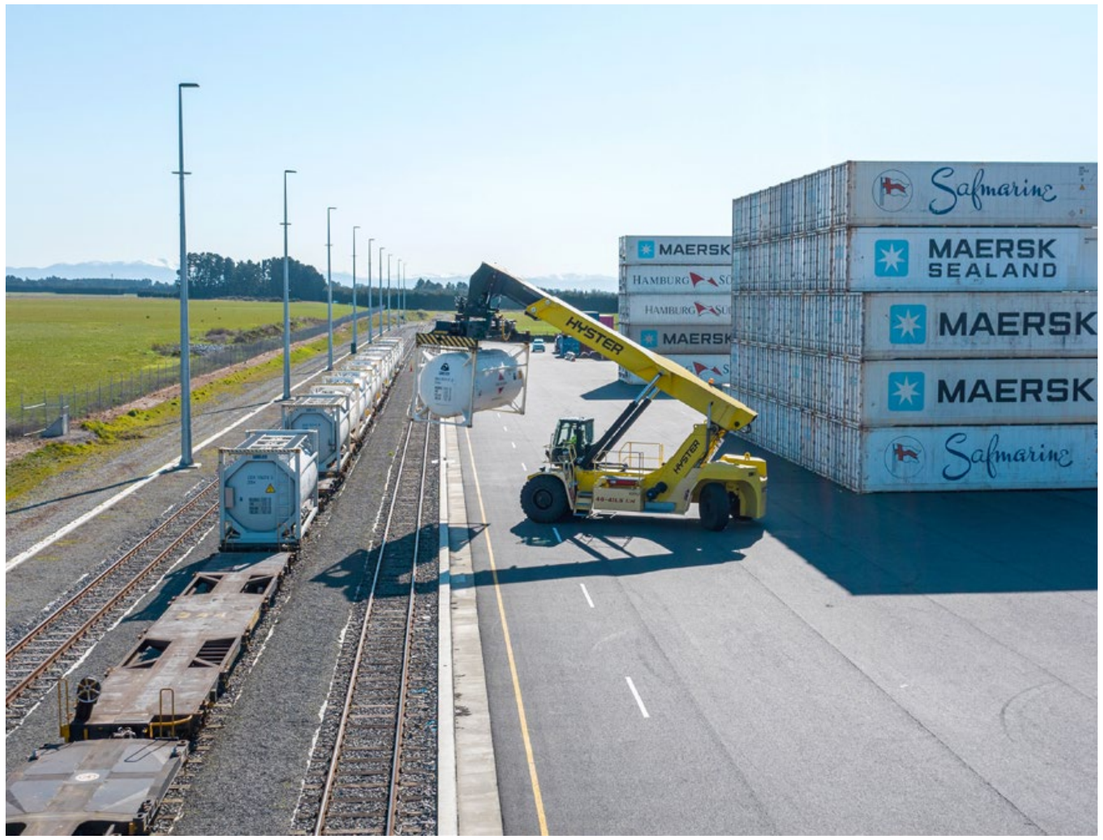
VBS also gives LPC better information flow and data quality, as we can now transmit and receive shipment data that no longer needs to be processed manually.

"Implementing VBS in Lyttelton has almost completely eliminated truck queues at the Port, which means trucks have a faster turnaround time," says Paul.

"More containers are now brought to and from Lyttelton in the evenings, early morning and weekends, which reduces the pressure on key city transport routes like Brougham Street during peak hour traffic."

Since its implementation, truck turnaround time in Lyttelton has improved from 33 minutes per visit to around 23 minutes per visit.

"On a typical week LCT receives visits from over 2,000 container trucks. With VBS, each truck is saving 10 minutes, a reduction in truck time of over 330 hours per week."



MidlandPort: Vital to Canterbury's Supply Chain

MidlandPort is fast becoming an integral part of Canterbury's supply chain, with over 10 per cent of the Port's volume now moving through our inland port.

This year, 10 per cent of LPC's entire containerized volume moved through MidlandPort in Rolleston, cementing its place as a hub for the South Island's imports and exports.

LPC's Marketing Manager Simon Munt says since MidlandPort came into operation just over three years ago, it has continually exceeded expectations.

"In 2016, two or three trains a week were moving containers to and from Midland to the Port. Now, KiwiRail operate up to sixteen return services a week from Midland.

"Not only is this taking up to 195 one-way truck trips trucks off the road each day, it is ensuring that containers are moved to and from the Port efficiently without traffic delays and at lowest cost to customers."

A number of containers moving through MidlandPort are now being delivered via the direct interface to iPort and the new Move Logistics Distribution Centre using a Combi Xpress Shuttle, allowing cross dock operations and container packing and devanning.

"That volume never touches the road, making Midland a key part of reducing our customers' carbon emissions and providing a sustainable logistics solution."

Supporting Customers Carbon Reduction Targets

Thanks to a newly-developed carbon calculator, LPC customers have been able to calculate they are benefiting from up to 50 per cent carbon emissions reduction by using a supply chain that includes MidlandPort.

"Like LPC, many of our customers have strong commitments to sustainability and ambitious carbon emission reduction targets so we're focused on helping them achieve those targets. As part of their supply chain, we can assist them to reach their goals by offering carbon efficient logistics solutions and tools to accurately evaluate different options," says LPC's Marketing Manager Simon Munt.

AECOM NZ Ltd was commissioned to develop a robust calculation methodology and model to calculate the annual emission reductions that can be achieved by moving freight by rail compared to road transport to and from Lyttelton and MidlandPort.

KiwiRail Deputy Chief Executive/Chief Operating Officer Todd Moyle says the success of MidlandPort demonstrates the crucial contribution rail can make to transport networks.

"With freight volumes expected to grow significantly in coming years we will need all our transport networks working together to ensure our goods get to market. Using rail as part of a multi-modal supply chain benefits everyone by minimising emissions, reducing road congestion and maintenance costs and improving safety.

"Road congestion along Brougham Street has been identified for many years as an impediment to the supply chain, so we are very pleased to playing a part in resolving that issue."

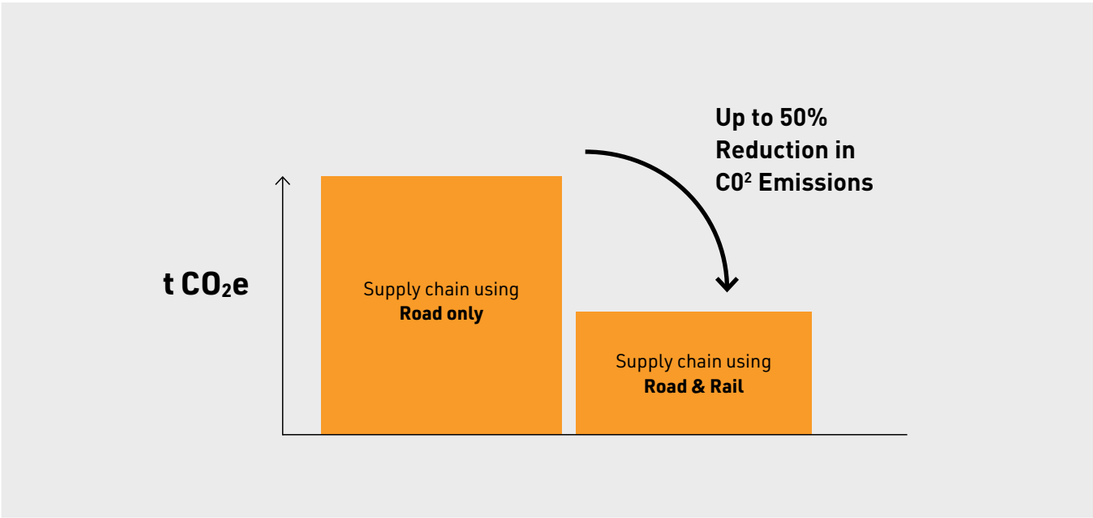
Due to increasing demand for MidlandPort's services and overall increase in volume through Lyttelton, Simon says expansion at Midland is in the pipeline.

"Our staff numbers have increased as well as our hours of operation. We are also looking at expansion and purchasing new equipment to ensure we can continue to meet demands."

Carbon calculator

Transport volume by transport mode	X	Average transport distance by transport mode	X	Average CO_2 emission factor per tonne-km by transport mode.	=	CO_2 Emissions

Potential $C0^2$ reduction



The Woolstore Development

Hospitality and retail establishments will soon to be breathing life into Lyttelton's west side waterfront, following the commitment of successful Christchurch investors The Peebles Group to the Woolstore development at LPC's Te Ana Marina.

The Peebles Group is headed by Richard Peebles and has played a major role in the revitalisation of Christchurch's city centre, including the 'Little High' restaurant complex. The Group will bring its trademark innovation to The Woolstore development.

The Woolstore's rustic character offers 720 square metres of ground floor space and features expansive views over the marina, plentiful onsite car parking as well as a pedestrian link connecting Te Ana Marina to Lyttelton.

Richard Peebles says he is looking forward to bringing central-city style hospitality and retail vibrancy to the unique waterfront site.

"I just love this building and the waterfront position overlooking the amazing new marina is incredible. LPC have done a great job with the new marina and the precinct development, the potential here is huge."

LPC's Chief Executive Peter Davie says The Woolstore development will once again open up Lyttelton's Harbourside for public use.

"Te Ana Marina has already started this process, and the Woolstore is the next stage of making the harbour a place where people can connect and enjoy the waterfront. We're excited to see the buzz of restaurants and retail in Lyttelton.

Almost all of the 170 floating berths at Te Ana Marina are leased, meaning the Woolstore will already benefit from a captive audience of marina users."

Deputy Mayor and Councillor for Banks Peninsula Ward Andrew Turner welcomed the announcement.

"This announcement represents further positive progress at Te Ana Marina. The community has been impressed with the development of the new facilities and the long awaited public waterfront access which Te Ana provides."

The Peebles Group's vision for The Woolstore includes small diverse retail activities, a local bar and restaurant, a gym which could have spin classes on the promenade, as well as small offices with unrivaled views. Construction work is expected to begin shortly.

Our people and the community are a key component of LPC's sustainability focus. We are committed to our role as a responsible employer, and to being a supportive and collaborative member of the community

People

We have over 600 staff dedicated to delivering the highest levels of service and performance to the people and businesses of the South Island who depend on the Port.

Our focus for the future is on the continual leadership development of our people, increasing our attractiveness as an employer and developing our approach to diversity and inclusion.

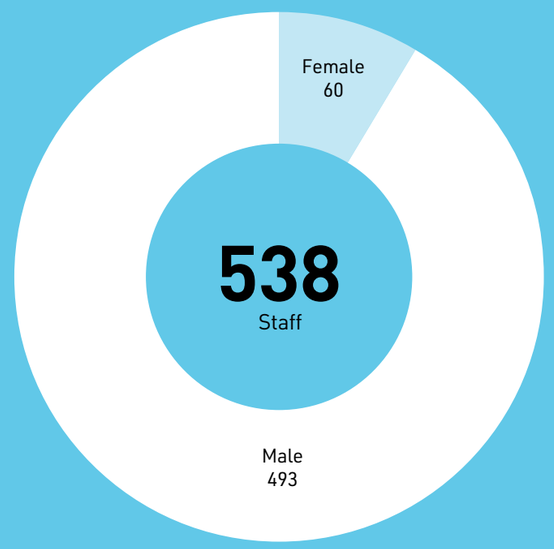
LPC has developed a range of initiatives to support the health, safety and wellbeing of our people, and we see health and safety as an enabler of good performance. We have identified critical risks, established baseline systems, and implemented a Person Conducting a Business or Undertaking (PCBU) framework. We have launched our new Health, Safety and Wellbeing Policy and Framework.

As part of the role we play as a citizen of Lyttelton Harbour, we work hard to be a responsible and supportive part of the community.

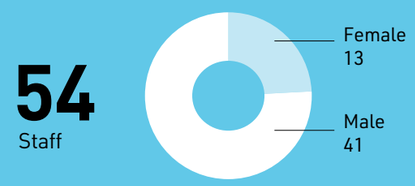
We want to grow trust by effectively engaging our communities. We will evolve our sponsorship programme to deliver long-term meaningful value and encourage programmes that link our staff with community programmes. We will deliver on the community aspiration of more investment in youth and schools in local areas.

Our People
Total Staff: 608

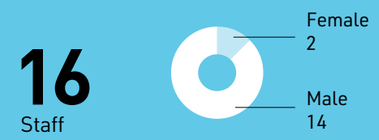
Lyttelton



CityDepot



MidlandPort



Average tenure

Our People

Our people are at the heart of LPC. From front line staff, engineers, business analysts and administrators, every employee plays an important part in our business. We are proud to attract great staff, many of whom stay in the LPC team their entire career. Recent recruit Rhiannon Williamson shares why she joined LPC:

Rhiannon Williamson is the first female Port Services General Hand, but this distinction doesn't feel like a big deal.

"They just treat me as one of the boys and we all work as a team. I was really welcomed. It's a good group."

Rhi – as everyone calls her – is not afraid of hard work. "I can do anything," she says with a grin. She grew up the youngest of three siblings and was always into cars and trucks. For five years, Rhi was a driver for Sanipak – collecting rubbish for LPC.

When the company changed hands recently, she decided to apply for a job at LPC and started with the Port Services team in April.

She still gets to drive trucks – part of her role includes driving LPC's water truck that controls dust around the Port. When she's not behind the wheel of the water truck, Rhi and the Port Services Team are often found setting up one of the inner wharves for general cargo operations.

"It's fun here. I get to use tools, take things apart, put things together. I love the variety of the work and I love being near the water. I've never been one to sit still."

LPC's Port Services and Security Manager Tony Simpson says since Rhi joined the Port Services team, she has made a significant contribution, particularly in the general cargo and inner harbour area.

"She's focused on ensuring the smooth operation of general cargo vessels and at the same time conscious of keeping herself and her coworkers safe.

"She's enthusiastic, has a wealth of experience and has made a really positive impact on her team – Rhi has a really bright future ahead of her."

Our Health, Safety and Wellbeing Commitment

At LPC, we are committed to the health, safety and wellbeing of our people and all Port users.

This year we implemented our new Health and Safety Policy and Framework. Our Senior Health, Safety and Wellbeing Manager Glen Johnson says the policy and framework was a shift away from a traditional rule-based approach to engaging our people as the heart of health and safety solutions.

"Our Health and Safety team have worked really hard to support our teams on the ground, identify risks, and controls to ensure we can fail safely."

A significant focus has also been placed on our critical risk control assurance work which has included 'Bowtie Workshops' analysing the key critical risks, helping our teams identify the critical controls and engineering solutions to improve or add hard controls.

"It has given us a greater understanding of how a job is undertaken and allowed us to implement key controls and efficiencies to keep ourselves safe," says Glen.

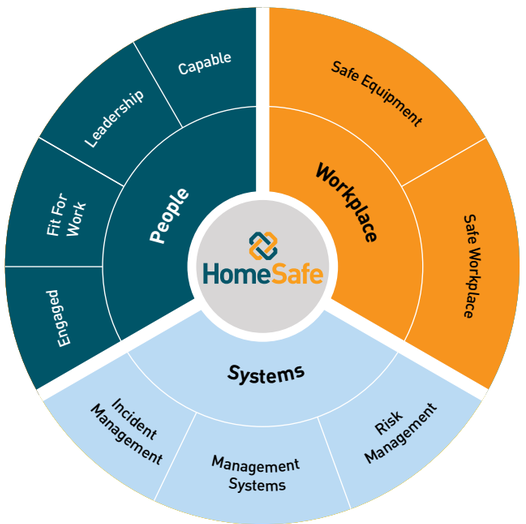
At our CityDepot inland port, the team have upgraded the container survey pads to mitigate the Man vs Machine critical risk by segregating mobile plant and pedestrians.

This year has seen a number of Health and Safety initiatives achieved.

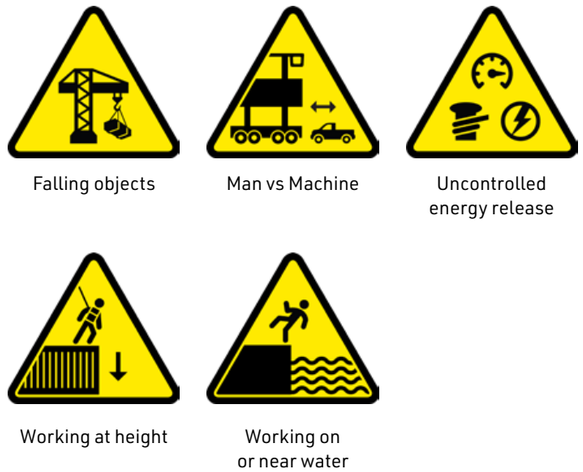
Our teams have implemented our Working at Heights Standard, a new Risk Matrix, a revised approach to Job Safety Analysis, increased our focus on managing workplace exposure. We have also established a PCBU framework to assist PCBU's managing health and safety requirements.

Our commitment to our people going home safe is, and will remain, a vital focus for LPC.

HomeSafe framework wheel



Our Critical Risks



Lighting up Lyttelton Netball

Lyttelton Netball Club is shining bright, thanks to a little Kiwi ingenuity and support from LPC.

The Lyttelton Primary School Netball Court is home to the Lyttelton Netball Club, a group of around 65 players from primary through to young adults, who are passionate about the game and developing young local players.

But the Club's Treasurer and Secretary Jane Walders says in the darker winter months, the players could not practice after 6pm because there were no lights on the court.

The Club approached LPC, and our Strategic Engagement Manager Phil de Joux says it was a 'no brainer' for the Port to lend a hand.

LPC funded the purchase and installation of flood lights on the Lyttelton Primary School roof, lighting up the netball court when the sun goes down.

Jane says the flood lights have been a real boost for the Club, extending their evening training time.

"All of our high school-aged players have to get from school in Christchurch back to Lyttelton for training, usually by bus, which meant they had to rush down to the court after school so we could fit in training before it got dark.

"Now we don't have to be in any rush, we can just focus on training."

The new lights also mean the club can play social adults netball on a Monday night once everyone is home from work.

Backing Project Lyttelton

For over 10 years, LPC has sponsored Project Lyttelton's Festival of Lights, a public fireworks display that brought Cantabrians to Lyttelton for a family-friendly night in Whakaraupō/Lyttelton Harbour.

This year, Project Lyttelton decided to take a different approach to its mid-winter festival, bringing Matariki and community to the heart of a week-long winter celebration.

Event coordinator Claire Coates says Ka Awatea – A Celebration of Matariki emerged from Project Lyttelton's partnership with Te Hapū o Ngāti Wheke.

"Ka Awatea emerged as a celebration focusing on Matariki: Herenga – Connection, Whakahounga – Renewal, Kōrero Tuku Iho – Tradition, Hapori – Community.

"Growing connections and working partnerships with Te Hapu o Ngāti Wheke, Lyttelton Port Company and Christchurch City Council was a focus for the celebration," says Claire.

LPC was approached to sponsor Ka Awatea's youth-led event.

Local youngsters met at Lyttelton Primary School before being lead down London Street to the beat of the Christchurch Samba Band, with their scooters, skateboards and bikes lighting up the night.

Then the team headed back to the Lyttelton Skate Park with a DJ, and pizza from the community garden pizza oven.

"The Youth event was a highlight of the week," says Claire.

"Young people in Lyttelton felt like they were going to miss out when the Festival of Lights was no longer happening, so to be able to put together a specific event for them, with so many elements was incredible and then seeing how much they enjoyed it and participated in it was just great."

LPC's Strategic Engagement Manager Phil de Joux says the Port is committed to supporting the local communities in which it operates.

"Supporting Lyttelton community initiatives, particularly those that involve and benefit young people is a real focus for LPC. We look forward to continuing our support of Project Lyttelton."

Whakaraupō for Future Generations

Whakaraupō/Lyttelton Harbour is an important place for many different people. The mana whenua of Ngāti Wheke, residents, and visitors all share a love for the harbour and surrounding bays.

Lyttelton Harbour is part of the fabric of LPC, which is why the Port is proud to be part a unique partnership of five organisations collaborating to restore the health of the harbour.

The Whaka-Ora/Healthy Harbour project is a joint venture between Te Hapū o Ngāti Wheke Inc, Te Rūnanga o Ngāi Tahu, Environment Canterbury, Christchurch City Council and LPC.

Launched in 2016, the plan sets a way forward for the community to ensure the ecological and cultural health of Whakaraupō/Lyttelton Harbour as mahinga kai is restored for us and our children after us.

This year the five partners signed a new memorandum of understanding focusing on implementation of the plan to deliver meaningful actions.

The plan also received the New Zealand Planning Institute's 'Best Practice Consultation and Participation Strategies and/or Processes' 2019 award.

LPC's Chief Executive Peter Davie says he is thrilled the Whaka-Ora plan has been acknowledged with this award.

"We are extremely proud of the special connection we have as a company to the natural environment of Lyttelton Harbour. Lyttelton Port Company is committed to being a responsible and active participant in the maintaining this unique space.

"The partnership has seen five organisations collaborate for a vitally important common goal – restoring the health of our Harbour.

This award recognises the effort of the teams behind the partnership to plan and implement an ambitious but necessary objective, and it is fantastic to see the fruits of this work recognised in initiatives across the community."

For more information on the plan and upcoming events, visit www.healthyharbour.org.nz.

The natural environment is at the heart of New Zealand's identity, shaping our economy, lifestyles and culture. We know our staff and communities care deeply about protecting the environment and we are committed to playing our part.

Planet

Our Sustainability Strategy recognises three key priorities: climate change, waste and bio-diversity.

We are positively contributing to addressing climate change. Our climate change target is to achieve zero net carbon emissions for our operations by 2050.

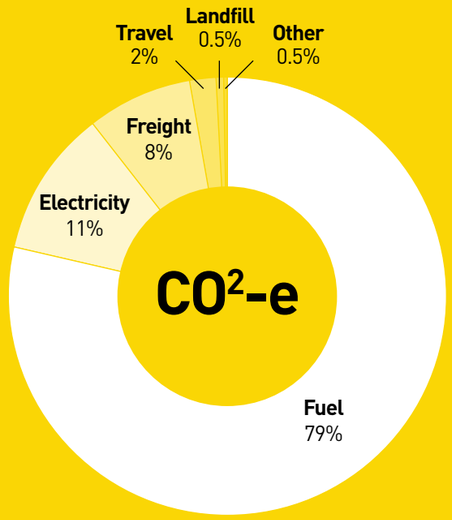
We recognise that collaborating and partnering with our peers, including Christchurch City Holdings Ltd (CCHL) companies and our customers will be important to achieving this goal, along with participating in the New Zealand Climate Leaders Coalition, World Ports Sustainability Programme and New Zealand Port's network. We will work with suppliers of our plant and machinery to understand their future plans, and work to inform them of our requirements as a customer.

LPC's goal is to transition to zero waste by 2040, we'll do this by focusing on making better purchasing decisions, collaborating with suppliers and considering how we deal with products at end of life. Prioritising hazardous waste elimination and high volume wastes is likely to lower our risks and be a valuable exercise from a cost point of view as well.

Our focus is on designing out waste with a strong focus on purchasing decisions, increasing the diversion of recyclables and compostables from landfill, making recycling easier and looking for circular economy opportunities.

Our goal is for LPC's net biodiversity impact to be positive for the environment. We will have a net restorative and regenerative approach on our harbour environment. This is an extremely ambitious goal, and we know of no Port that has such a bold target .

Carbon emissions by source



Total CO² emissions tonnes

11,793

Biodiversity ambition

To have a net restorative and regenerative approach on our harbour environment.

Zero net carbon emissions target

2050

Zero waste target

2040

Decreasing Our Waste

Our ambition is to be zero waste by 2040. To get there we're working to a 10% decrease in landfill waste by 2023 and 20% decrease by 2025.

The first step is to understand our waste footprint. We started measuring the types and volumes of waste we produce two years ago. Last year, 42% of our waste ended up in landfill. Waste to landfill is our fifth largest source of carbon emissions.

Most of our waste to landfill solid general waste comes from our workshops and container terminal areas, so that's where we'll be focusing our efforts. We'll look at how we can design out waste – looking at the things we buy and making purchasing decisions that avoid and minimise waste.

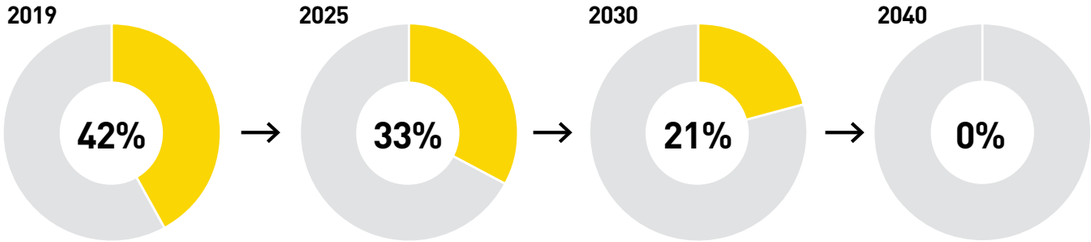
Where we can't eliminate yet, we'll seek to re-use by getting creative about repurposing. This year we collected used workwear and personal protective equipment that was in good condition for the City Mission who find new homes for the gear with people keen to get into work.

Working with Leedsafe and Kilmarnock Enterprises, we're participating in a trial to chip old plastic hardhats into a raw material that can be used again.

Some of our older computers are being refurbished and re-used by an e-waste recycling company we've partnered with.

LPC Environment and Planning Manager Kim Kelleher says, "To make progress towards our targets we're going to have to get creative and come at the challenge from a lot of different angles to find solutions that will help us eliminate waste. This sort of problem solving is actually a lot of fun once you get your head around the creative thinking needed and it's something that really engages people so I'm optimistic."

Waste to landfill



Partnering with Lyttelton Primary School

A plastic penguin now roosts at Waterfront House, created by Lyttelton Primary School's 'Enviroclub' students.

The students worked with LPC's Environmental Team on a waste audit of the Port, and the penguin raises awareness about the impacts of plastic on harbour life.

Foreman Tony "Super" Sherratt says it's great to see the kids getting on board.

"Especially in Lyttelton where we're a small harbour town with a great community. The kids are pretty smart these days and they want to make a difference so that in 20 years they can still enjoy the environment."

Pictured: LPC Foreman Tony Sherratt with Lyttelton Primary School students Maia and Ngaio.

Big Machines, Biggest Challenge

From tugs and pilot vessels to loaders, cranes trucks and straddles, our business relies on large machines that run on fossil fuels. Finding alternative fuel sources to run this heavy equipment will be our biggest challenge when it comes to transitioning to net carbon zero by 2050.

In the short term, we're converting our straddle fleet to diesel electric carriers with regenerative braking. Sixty per cent of our fleet that are the new fuel efficient machines which save 25 per cent in fuel burn than the older ones.

We've installed ERoads software into all our light vehicles, which provides feedback on how to drive more fuel efficiently.

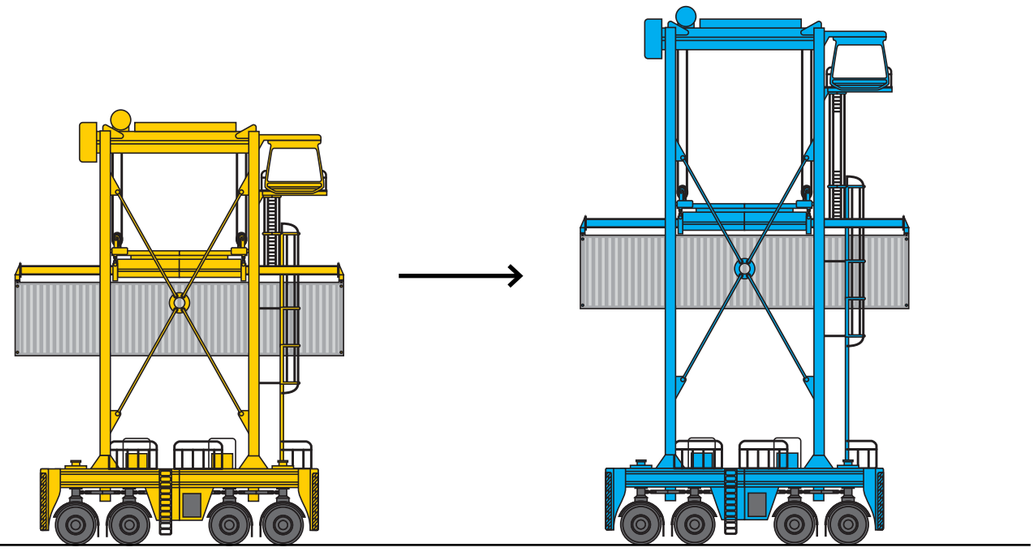
We're looking at all the ways we can do things differently, like converting grounds maintenance equipment to electric.

In the future, new technologies like electrification, hydrogen and biofuels may help us reduce emissions for the heavy machines and vessels that we operate.

Last year we joined more than 100 of New Zealand's leading businesses in the Climate Leaders Coalition. The Coalition is committed to taking responsibility and action to address climate change by transitioning to a low emissions economy.

"It's important for us to be part of this group because we know that collaboration and partnerships are going to be critical in making the transition away from fossil fuels," says LPC Environment and Planning Manager Kim Kelleher.

Old straddles | **New straddles**



Old straddles		New straddles	
7 Straddles in operation	**18 litres** Average fuel per hour	**20** Straddles in operation	**14 litres** Average fuel per hour
Diesel Standard engine	**Standard braking**	**Diesel electric** Hybrid engine resulting in 25% decrease in fuel burn	**Regenerative braking** Braking energy converted back into engine power

Understanding Hector's Dolphins

Lyttelton Harbour is home to the world's smallest marine mammal, the endangered Hector's dolphin. Hector's dolphins use echolocation to find out where predators and prey are underwater.

Since January 2017, LPC has been working with Styles Group to track dolphin clicks at eight monitoring sites in Lyttelton Harbour.

"It's unique in its scale – this is the largest monitoring of this kind in the country," says Style Group marine scientist Dr Matt Pine. The monitoring picks up feeding and movement around the harbour – day and night, all year round – something that was not possible with visual surveys done from a boat.

In addition to the CPODs, which record dolphin clicks, there are also autonomous underwater recorders called SoundTraps, which record underwater noise in the inner harbour and the outer harbour – whether it's caused by piling, dredging, ships, pleasure boats, or even wind and rain.

Each month, the data from the hydrophones and the CPODs are collected by Vision Environment and processed by Styles Group. This information is supplied to independent marine mammal biologists at Cawthron Institute, who look at the two data sets together to assess the impacts of port noise on Hector's dolphins.

A full year of baseline data was collected before dredging or piling started and Styles Group will collect data for another year after piling is completed before the scientists will be able to draw any conclusions.

What they'll be hoping for is to better understand is the impacts of human activities on Hector's dolphins.

This work contributes to our framework for marine mammal protection in development projects such as Cruise and Channel Deepening, and ultimately could contribute to nationwide underwater noise guidelines for Hectors and Maui dolphins.

Cawthron researcher Deanna Clements says, "Human-generated underwater noise is now thought to be one of the main impacts affecting today's marine mammals worldwide. This is the longest running acoustic study in which a port company has recognised this influence and is being proactive in collecting the acoustic data necessary to assess noise effects on one of New Zealand's marine mammals."

Blue Planet Marine Mammal Observer Maryjane Waru on our Cruise Berth construction site. As soon as Hector's dolphins get within 450 metres of the site she halts operations immediately.

The Science Behind Harbour Health

Our net positive biodiversity target means we need to be working to make improvements in harbour health and biodiversity. To get there, we need to understand where we're starting. LPC has invested in a multi-year water quality and biodiversity monitoring to grow the understanding of our harbour.

Since 2017, 14 monitoring buoys have been taking continuous readings of water clarity, salinity, temperature and dissolved oxygen. They have been recording the tides and the currents and sedimentation levels and feeding this information through the 3G network to scientists, surfers and port staff every 30 minutes.

Leonie Andersen is the environmental scientist overseeing it all. "The system was commissioned so that LPC can manage its dredging in real time, but what we're learning about the harbour is amazing for science. Prior to this, the harbour had only a few data points, but we've been gathering so much information on currents, water chemistry, and sedimentation."

Leonie says the data shows the harbour is clearer than many people expected. "Unless the conditions are awful, the water clarity is actually pretty good."

Leonie says they've learned that wind direction and wave heights play a big part in water clarity. "Lyttelton Harbour has always been a muddy harbour and the animals that live here are used to that. Mussels don't thrive in clear water."

Cawthron Institute researcher Ross Sneddon has been underwater counting and measuring mussels and other species in Lyttelton Harbour. Surveys were done before the dredging project to understand the baseline conditions, and then every four months during and after the channel deepening project. The surveys help the port understand if the dredging has any significant effect on marine life in the area. The knowledge gained also has real scientific value over the longer-term.

LPC Environment and Planning Manager Kim Kelleher says, "The ecological survey helps us understand the marine environment and make sure it's protected in our development programmes. The work provides a really important layer of knowledge. It all builds a picture of the ecological health of the harbour and the factors that influence that."

The real time water quality monitoring information is available online at www.lpcharbourwatch.co.nz.

Net Positive for Biodiversity

As part of our commitment to protecting and enhancing biodiversity on land and sea, we've invested in transitioning 17 hectares from bare hillside into thriving native habitat.

The project is a partnership between LPC and the Banks Peninsula Conservation Trust. Now in its third year, the Port Saddle Restoration Project has seen LPC staff, Lyttelton locals and enviroschool students help restore the hillside with native trees on the LPC owned land.

BPCT General Manager Maree Burnett says the planting will help create ecological corridors, which are a priority for the trust. "Ultimately, it will be a network of regenerating bush that will provide a wildlife corridor from the Peninsula, into the city and right across to the Alps."

BPCT board member and botanist Kate Whyte helped design plantings for the Port Saddle restoration project. She says the plants were chosen to create a food resource or habitat for native birds and animals.

Kate says the Port Saddle provides a diverse range of habitat. "From my botanical perspective, the Port Saddle is a fabulous landscape area that has a variety of habitat and aspects – from the rocky ridge line where lizards, small leaved shrubs and dry ferns dwell, to the deeper soils that can foster forest and lush green shrubs on both sides of the saddle.

Kereru, bellbirds and tui have all been spotted in the area since the plantings started.

"Tui are significant ecologically because they are important pollinators of many of our nectar producing flowering plant species, such as kowhai, flax, rata and fuchsia," Kate says.

Tui also disperse larger seeds from trees like kahikatea, matai and miro.

"Very few of our larger, characterful bird species are left near Banks Peninsula that can serve these roles," Kate says

LPC Environment and Planning Manager Kim Kelleher says the aim is for the area to be used for ecological restoration, recreation and environmental education.

"We want people to feel like this is part of their town," she says "Already when you walk along the trail you wind your way through the planting area on both sides. I'm imagining the day when I'm up here walking under a native forest canopy. That's going to be pretty satisfying and it's going to happen."

Twenty Years Supporting Quail Island

Each year, over 3,000 plants decorate the LPC Rescue boat in a pattern of bright green native trees, destined for the shores of Ōtamahua/Quail Island.

Since the Ōtamahua/Quail Island Ecological Restoration Trust was formed in 1998, over 95,000 trees have been planted, and native birds are beginning to return to the historic island.

This year marks 20 years of LPC supporting the Trust, who are dedicated to restoring the island's native habitat, in partnership with the Department of Conservation.

LPC has supported the Trust since 1999, providing both financial and in-kind assistance to support the exceptional work the organisation undertakes.

Our LPC Rescue boat is used to transport plants from Lyttelton to the island for the main planting in August each year. In July our Marine Team carried on the tradition, transporting 3,000 plants and six volunteers to the island.

LPC's Environmental and Planning Manager Kim Kelleher says the longevity of LPC's support of the Trust highlights the organisation's vital work.

"The Trust has made significant progress on the ecological restoration of Quail Island, and we're really proud to play – even just a small part – in the work that they undertake.

"Their work also aligns with LPC's Sustainability Strategy, and our commitment to having a positive impact on harbour biodiversity."

Financial Statements

2018–2019

Contents

Director's Declaration

FOR THE YEAR ENDED 30 JUNE 2019

In the opinion of the Directors of Lyttelton Port Company Limited, the Consolidated Financial Statements and Notes on pages 48 to 70;

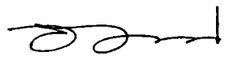
- comply with New Zealand equivalents to International Financial Reporting Standards and fairly present the financial position of the Group as at 30 June 2019, and the results of their operations and cash flows for the year ended on that date; and
- have been prepared using appropriate accounting policies, 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 2019.

For and on behalf of the Board of Directors:



Margaret Devlin
Board Chair
18 September 2019

Brian Wood
Director
18 September 2019

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2019

These Financial Statements should be read in conjunction with the notes to the financial statements

In thousands of New Zealand dollars	Notes	2019	2018
Revenue	4	166,774	122,173
Employee expenses		(59,941)	(56,709)
Materials and consumables utilised		(28,918)	(28,109)
Depreciation and amortisation	8, 9	(16,046)	(13,030)
Administrative and other expenses	5	(14,537)	(10,364)
RESULTS FROM OPERATING ACTIVITIES		**47,332**	**13,961**
Net financing income (costs)	6	(217)	4,164
Profit before tax for the year		47,115	18,125
Income tax (expense)	7	(4,945)	(5,909)
Profit for the year		42,170	12,216
OTHER COMPREHENSIVE INCOME/ (EXPENSE)			
Effective portion of changes in fair value of cash flow hedges - gross of tax		(681)	314
Income tax on other comprehensive income		191	(88)
Total comprehensive income for the year		**41,680**	**12,442**

Consolidated Statement of Financial Position

FOR THE YEAR ENDED 30 JUNE 2019

These Financial Statements should be read in conjunction with the Notes to the Financial Statements

In thousands of New Zealand dollars	Notes	2019	2018
ASSETS			
Property, plant and equipment	8	524,751	391,770
Intangible assets	9	18,770	15,650
Prepayments		195	270
Deferred tax asset	10	1,352	-
Total non-current assets		**545,068**	**407,690**
Cash and cash equivalents	13	9,499	16,911
Short term deposits	13	-	63,000
Trade and other receivables	11	22,685	17,728
Prepayments		3,563	3,487
Interest receivable		1	616
Inventories		3,393	3,431
Loans and advances		-	400
Derivatives		-	260
Total current assets		**39,141**	**105,833**
Total assets		**584,209**	**513,523**
EQUITY			
Share capital	12	21,457	21,457
Cash flow hedge reserve	12	(308)	182
Retained earnings		495,755	460,621
Total equity		**516,904**	**482,260**
LIABILITIES			
Other non current liabilities		668	714
Deferred tax liabilities	10	-	544
Derivatives	13	252	8
Employee entitlements		517	448
Loans and borrowings	13	35,000	-
Total non-current liabilities		**36,437**	**1,714**
Trade and other payables	13	18,153	15,033
Interest payable		179	-
Employee entitlements		10,080	10,641
Derivatives	13	176	-
Other current liabilities		50	47
Income tax payable		2,230	3,828
Total current liabilities		**30,868**	**29,549**
Total liabilities		**67,305**	**31,263**
Total equity and liabilities		**584,209**	**513,523**

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2019

These Financial Statements should be read in conjunction with the Notes to the Financial Statements

In thousands of New Zealand dollars	Share capital	Cash flow hedge reserve	Retained earnings	Total
Balance at 1 July 2017	**21,457**	**(44)**	**457,015**	**478,428**
PROFIT FOR THE YEAR	-	-	12,216	12,216
OTHER COMPREHENSIVE INCOME/(EXPENSE)				
Effective portion of changes in fair value of cash flow hedges - net of tax	-	226	-	226
TRANSACTIONS WITH OWNERS RECORDED DIRECTLY IN EQUITY				
Dividends to equity holders	-	-	(8,610)	(8,610)
Balance at 30 June 2018	**21,457**	**182**	**460,621**	**482,260**
PROFIT FOR THE YEAR	-	-	42,170	42,170
OTHER COMPREHENSIVE INCOME/(EXPENSE)				
Effective portion of changes in fair value of cash flow hedges - net of tax	-	(490)	-	(490)
TRANSACTIONS WITH OWNERS RECORDED DIRECTLY IN EQUITY				
Dividends to equity holders	-	-	(7,036)	(7,036)
Balance at 30 June 2019	**21,457**	**(308)**	**495,755**	**516,904**

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2019

These Financial Statements should be read in conjunction with the Notes to the Financial Statements

In thousands of New Zealand dollars	Notes	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		124,555	121,262
Other cash receipts		35,250	-
Cash paid to suppliers and employees		(99,982)	(97,548)
Interest and facility fees paid		(1,173)	(121)
Interest received		1,474	5,288
Subvention payments	18, 20	(5,429)	(7,325)
Income tax paid		(2,820)	5,262
Net cash from operating activities	16	**51,875**	**26,818**
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		249	72
Net realisation of short term deposits		63,000	54,000
Acquisition of property, plant and equipment	8	(144,381)	(65,606)
Acquisition of intangible assets	9	(6,119)	(6,794)
Net cash used in investing activities		**(87,251)**	**(18,328)**
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Proceeds from borrowings		35,000	-
Dividends paid	12, 18	(7,036)	(8,610)
Net cash from financing activities		**27,964**	**(8,610)**
Cash and cash equivalents at 1 July		**16,911**	**17,031**
Net increase/(decrease) in cash and cash equivalents		(7,412)	(120)
Cash and cash equivalents at 30 June		**9,499**	**16,911**

Notes to the Consolidated Financial Statements

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 Companies Act 1993 and the Financial Reporting Act 2013.

The Company's registered office is at Waterfront House, 37-39 Gladstone Quay Lyttelton 8082, 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 22 August 2019.

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 2019 is included in: Note 8 - property, plant and equipment.

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, employee entitlements 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.

Loans and borrowings
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

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.

Trade and other receivables
Trade and other receivables are stated at their cost less impairment losses.

Trade and other payables
Trade and other payables are stated at cost.

Employee entitlements
Employee Entitlements are stated at cost.

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. 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.

(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 is recognised as the amount of consideration expected to be received in exchange for transferring promised goods or services to a customer. There is no change to the timing of revenue recognition arising from the adoption of NZ IFRS 15. NZ IFRS 15 does not apply to revenues other than those from contracts with customers.

(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, bank fees 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.

(E) LOANS AND BORROWINGS

All borrowings are initially recognised at the value of the consideration received. The carrying value is subsequently measured at amortised cost using the effective interest method.

(F) BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. The average effective interest rate for capitalised borrowing costs was 2.65%. Other borrowing costs are expensed as incurred.

(G) 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. Capital dredging has an indefinite useful life and is not depreciated as the channel is maintained via maintenance dredging to its original depth and contours.

(H) 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.

(I) SIGNIFICANT ACCOUNTING POLICIES ADOPTED DURING THE PERIOD

(i) NZ IFRS 9 Financial instruments
NZ IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. All existing Group hedging relationships designated under IAS 39 as at 30 June 2018 been determined to meet the criteria for hedge accounting under NZ IFRS 9 at 1 July 2018. Additional interest rates swaps taken out during the year were brought into existing hedge relationships under NZ IFRS 9. In accordance with the transitional provisions in NZ IFRS 9, comparative figures have not been restated in these financial statements. The adoption of this accounting standard has had no material impact on the financial statements.

(ii) NZ IFRS 15 Revenue from contracts with customers
NZ IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. The Group has adopted NZ IFRS 15 using the cumulative method (without applying practical expedients) with the effect of applying this standard recognised at the date of application. For those revenue streams that fall under the scope of NZ IFRS 15, the timing of revenue recognition has been assessed to be in line with the satisfaction of performance obligations. The adoption of this accounting standard has had no material impact on the financial statements.

(J) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

No new accounting standards or interpretations that became effective for the period had a material impact on the financial statements.

There are a number of other new and amended accounting standards and interpretation not yet effective that will be adopted by LPC when they become mandatory. Those relevant to LPC include NZ IFRS 16 Leases. The financial impact of this standard has been assessed as follows:

	Effective for the financial year ending
NZ IFRS 16 Leases	30 June 2020

NZ IFRS 16 Leases becomes effective for the Group from the period beginning 1 July 2019. The new standard replaces NZ IAS 17 and requires implementation of a new lessee accounting model. This is accomplished by recognising a new right of use asset and a corresponding lease liability. This is calculated as the present value of the remaining payments on the lease. The Group will elect to use the exemptions proposed by the standard on lease contracts for which the lease term ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of a low value. The Group also intends to apply a practical expedient to 'grandfather' our previous assessment of which existing contracts are, or contain, leases.

There will be a material impact on the Group's financial statements in 2020. The impact to the Statement of Financial Position upon the recognition of right of use assets and liabilities is estimated to be $20.3 million. There is expected to be a decrease in lease expenditure of $1.6m, increase in depreciation expense of approximately $1.3 million, and interest expense of approximately $600k. This is subject to the transition modelling and assumptions used. Operating expenses are expected to increase by an estimated $300k.

4. Revenue

In thousands of New Zealand dollars	2019	2018
Port operations income	129,108	122,173
Other income	37,666	-
Total revenue	**166,774**	**122,173**

From 1 July 2018, the Group are accounting for revenue from contracts with customers under the new standard NZ IFRS 15 (previously NZ IAS 18 Revenue). The previous accounting treatment aligns with the new standard.

During the year LPC reached multiple litigation settlements. These are recorded as other income.

In thousands of New Zealand dollars	2019	2018
Disaggregation of revenue from contracts with customers		
Container terminals	65,378	62,359
Multi-cargo	44,352	42,635
Marine services	13,411	12,777
Total revenue	**123,141**	**117,771**

Total revenue from contracts with customers excludes revenue out of scope of NZ IFRS 15 Revenue from Contracts with Customers. The above table does not include rental income, gains on disposal of property, plant and equipment, dividend income, other income, and interest income.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group's revenue mainly consists of container terminal, multi cargo and marine services.

The following specific recognition criteria must also be met before revenue is recognised:

a) Container Terminal
Container revenue relates to the handling, processing and storage of containers. Each process or service is a performance obligation and usually has an identifiable selling price. Revenue from providing containerised stevedoring and other containerised services is recognised at the point in time when the services are rendered to the customer. However, storage revenue is recognised over a period of time.

b) Multi Cargo
Multi-cargo revenue relates to the handling, processing and storage of bulk goods. Each process or service is a performance obligation and usually has an identifiable selling price. Revenue from providing multi cargo services is recognised at the point in time when the services are rendered to the customer. However, storage revenue is recognised over a period of time.

c) Marine Services
Marine revenue is related directly to the visit of a vessel to the port and includes fees for pilotage, towage, dues for accessing the port and mooring fees. Each service is a performance obligation and revenue is recognised at the point in time the services are rendered to the customer.

5. Other Expenses

In thousands of New Zealand dollars	2019	2018
Administrative and other expenses, including:	14,537	10,364
Auditor's remuneration to KPMG comprises:		
Audit of financial statements	99	98
Total auditor's remuneration	**99**	**98**
Net (gain)/loss on sale of property, plant and equipment	**(65)**	**257**

Also included in other expenses are fees payable to the OAG for audit related overhead of $7k (2018: $6k).

6. Finance Income and Expenses

In thousands of New Zealand dollars	2019	2018
Interest income on cash and cash equivalents	859	4,286
Bank facility fees	(943)	(57)
Interest paid on bank advances	(440)	(65)
Less interest capitalised to property, plant & equipment	307	–
Net financing income/(costs)	**(217)**	**4,164**

7. Income Tax Expense

In thousands of New Zealand dollars	2019	2018
Current tax expense		
Current period	6,850	5,628
Adjustment for prior periods	(200)	(1,222)
Total current tax expense	**6,650**	**4,406**
Deferred tax expense		
Origination and reversal of temporary differences	(1,918)	319
Adjustment for prior period	213	1,184
Total deferred tax expense/(credit)	**(1,705)**	**1,503**
Total income tax expense	**4,945**	**5,909**

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

7. Income Tax Expense cont.

In thousands of New Zealand dollars	2019 Rate	2019 Amount	2018 Rate	2018 Amount
Profit after tax		42,170		12,216
Total income tax expense		4,945		5,909
Profit before tax		**47,115**		**18,125**
Income tax using the Company's domestic tax rate	28.0%	13,192	28.0%	5,075
Permanent differences	(14.6%)	(6,860)	3.2%	574
Adjustments to deferred tax	(3.0%)	(1,400)	1.6%	298
(Over)/under provided in prior periods	0.0%	13	0.2%	(38)
Total income tax (credit)/expense	**10.5%**	**4,945**	**32.6%**	**5,909**

In thousands of New Zealand dollars	2019	2018
Income tax expense/(credit) on derivatives	191	(88)
Total income tax recognised directly in equity (Note 12)	**191**	**(88)**

In thousands of New Zealand dollars	2019	2018
Imputation credits at 1 July	16,884	24,514
New Zealand tax payments, net of refunds	1,840	(4,282)
Imputation credits attached to dividends paid	(2,736)	(3,348)
Imputation credits at 30 June	**15,988**	**16,884**

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 provisional tax made subsequent to balance date which related to year end 30 June 2019,

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	Civil works land	Freehold land	Buildings	Land improvements & harbour structures	Plant, equipment & vehicles	Total
GROSS CARRYING AMOUNT						
Balance at 1 July 2017	**28,607**	**82,745**	**21,526**	**280,738**	**206,305**	**619,921**
Additions	-	-	15,743	35,009	16,167	66,919
Disposals	-	-	(97)	(809)	(3,988)	(4,894)
Transfer	-	-	(1,733)	8,619	(3,614)	3,272
Balance at 30 June 2018	**28,607**	**82,745**	**35,439**	**323,557**	**214,870**	**685,218**
Additions	12,534	8,007	4,110	83,404	38,053	146,108
Disposals	-	-	(1,970)	(2,546)	(7,098)	(11,614)
Transfer	-	-	(856)	(5,770)	6,626	0
Balance at 30 June 2019	**41,141**	**90,752**	**36,723**	**398,645**	**252,451**	**819,712**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES						
Balance at 1 July 2017	**(464)**	**(11,116)**	**(8,520)**	**(128,831)**	**(133,963)**	**(282,894)**
Depreciation expense	-	-	(580)	(5,592)	(6,430)	(12,602)
Disposals	-	-	95	433	4,213	4,741
Transfer	-	-	(538)	(2,156)	-	(2,694)
Balance at 30 June 2018	**(464)**	**(11,116)**	**(9,543)**	**(136,146)**	**(136,180)**	**(293,449)**
Depreciation expense	-	-	(1,664)	(4,918)	(9,160)	(15,742)
Disposals	-	-	1,890	2,650	6,995	11,535
Transfer	-	-	724	1,356	615	2,695
Impairment expense	-	-	-	-	-	-
Balance at 30 June 2019	**(464)**	**(11,116)**	**(8,593)**	**(137,058)**	**(137,730)**	**(294,961)**
CARRYING AMOUNTS						
Net book value as at 30 June 2018	**28,143**	**71,629**	**25,896**	**187,411**	**78,690**	**391,769**
Net book value as at 30 June 2019	**40,677**	**79,636**	**28,130**	**261,587**	**114,721**	**524,751**

8. Property, Plant and Equipment

Additions for the year ended 30 June 2019 include capitalised interest of $307,000 (2018: $Nil). Accumulated impairment included in the above is $92,237,000 (2018: $93,682,000). Included in the accumulated depreciation is $25.9m worth of fixed assets that were derecognised in the 2011 financial year due to assets being partly damaged or could not be used in generate future economic benefits in their current state.

Included in the reconciliation above is "capital work in progress" of $168,215,000 (2018: $67,743,000) comprising $12,273,000 land, $2,162,000 buildings, $124,836,000 land improvements & harbour structures, $18,241,000 plant, equipment & vehicles, $9,712,000 vessels, and $991,000 computer hardware.

During the year, LPC transferred geotechnical costs that were previously classified as intangible assets. These geotechnical costs have been capitalised against the appropriate assets and the associated accumulated depreciation ($2.7m) has also been transferred.

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. 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
Capital dredging	Indefinite

Impairment Consideration

The Directors have considered and have concluded there is no impairment of the Group's assets at 30 June 2019. The Directors consider the Group to be one cash generating unit (CGU) for the purposes of the valuation. The Directors have prepared a value in use valuation using internal cash flow projections and received external expert valuation assistance to assist with their impairment assessment. The forecasts and valuation contain a number of assumptions around future growth, profitability, capital expenditure and discount rates. Using the base case assumptions, the estimated recoverable amount of the CGU exceeded the carrying amount by approximately $7 million.

The key assumptions in the value in use calculation include:

	%
Discount Rate	6.42
Terminal Growth Rate	1.50
BITDA Percentage at Terminal Cash Flows	36.80

Changes in any of the valuation assumptions could have a material impact on the valuation of LPC and cause the Director's to re-assess their assumptions around impairment in the future. The valuation is particularly sensitive to discount rate, terminal growth rate and EBITDA assumptions. The table below shows the sensitivity in those rates on the valuation.

Valuation Sensitivity Table	Valuation Headroom Above $M	Valuation Headroom Below $M
Discount Rate (-0.5%, +0.5%)	81	(53)
Terminal Growth Rate (+0.5%, -0.5%)	62	(38)
EBITDA (+20%, -20%)	46	(32)

The cost of the cruise berth is becoming more certain as we progress through the construction. The number of bookings for the first year exceeds the underlying business case. The likelihood of the cruise berth being impaired is dependent on the growth of cruise berth bookings in the later years.

9. Intangible Assets

In thousands of New Zealand dollars	Software	Easements & resource consents	Total
GROSS CARRYING AMOUNT			
Balance at 1 July 2017	**7,522**	**14,743**	**22,265**
Additions	538	6,256	6,794
Transfers	-	(3,272)	(3,272)
Balance at 30 June 2018	**8,060**	**17,727**	**25,787**
Transfers	-	-	-
Additions	585	5,534	6,119
Balance at 30 June 2019	**8,645**	**23,261**	**31,906**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES			
Balance at 1 July 2017	**(6,947)**	**(5,456)**	**(12,403)**
Amortisation expense	(260)	(168)	(428)
Transfer	-	2,694	2,694
Balance at 30 June 2018	**(7,207)**	**(2,930)**	**(10,137)**
Amortisation expense	(198)	(106)	(304)
Transfer	-	(2,695)	(2,695)
Balance at 30 June 2019	**(7,405)**	**(5,731)**	**(13,136)**
CARRYING AMOUNTS			
Net book value as at 30 June 2018	**853**	**14,797**	**15,650**
Net book value as at 30 June 2019	**1,240**	**17,530**	**18,770**

Accumulated impairment included in the above is $4,851,000 (2018: $5,837,000).

Included in the reconciliation above is "capital work in progress" of $19,681,000 (2018: $8,108,000) comprising Easements and Resource consents $18,816,000 and Software $865,000.

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

In thousands of New Zealand dollars	Assets 2019	Assets 2018	Liabilities 2019	Liabilities 2018	Net 2019	Net 2018
Property, plant and equipment	10,810	11,594	(12,053)	(14,025)	(1,243)	(2,431)
Employee entitlements	2,327	2,015	-	-	2,327	2,015
Derivatives	120	-	-	(71)	120	(71)
Other items	224	218	(76)	(275)	148	(57)
Tax assets/(liabilities)	**13,481**	**13,827**	**(12,129)**	**(14,371)**	**1,352**	**(544)**

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 2017	Recognised in profit or loss	Recognised in equity	Balance 30 June 2018	Recognised in profit or loss	Recognised in equity	Balance 30 June 2019
Property, plant and equipment	(1,070)	(1,361)	-	(2,431)	872	-	(1,559)
Employee entitlements	2,574	(559)	-	2,015	312	-	2,327
Derivatives	17	-	(88)	(71)	-	191	120
Other items	(474)	417	-	(57)	521	-	464
Tax assets/(liabilities)	**1,047**	**(1,503)**	**(88)**	**(544)**	**1,705**	**191**	**1,352**

11. Trade and Other Receivables

In thousands of New Zealand dollars	2019	2018
Trade receivables (before impairment)	22,866	17,793
Provision for impairment	(181)	(65)
Trade and other receivables	**22,685**	**17,728**

From 1 July 2018, the Group are accounting for impairment provision in line with NZ IFRS 9. The Group have doubtful debt provisions on trade receivables which require application of the new standard. NZ IFRS 9 introduces an expected credit losses model, which assess losses on a forward-looking basis, taking into account historic loss experience and relevant macro-economic factors (compared with current 'incurred losses' approach). The application of the standard has had no impact on the financial statements.

Provision matrix for trade receivables, contract assets and lease receivables

	Not past due	Past due 0-30 days	Past due 31-60 days	Past due more than 60 days
Expected credit loss rate	0.21%	0.40%	1.42%	9.94%
Estimated total gross carrying amount at default	31	23	13	114
Trade receivables	**15,092**	**5,733**	**893**	**1,148**

12. Capital and Reserves

In thousands of New Zealand dollars	2019	2018
Share capital	21,457	21,457
Cash flow hedge reserve	(308)	182

At 30 June 2019 there were 102,261,279 shares on issue (2018: 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.

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
Dividends of $7.04m was paid by the Group during the year ended 30 June 2019 (2018: $8.61m).

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. The nature of the Group's business means that the top ten customers account for 67% of total Group revenue (2018: 69%). The Group is satisfied with the credit quality of these debtors and does not anticipate any non performance.

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

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.

The Group has an unsecured bank overdraft facility of $2m and unsecured bank loan facilities of $230m, the unused amount at 30 June 2019 is $197m.

NON CURRENT INTEREST BEARING BORROWINGS

To manage liquidity risk, the Group's treasury policy requires liquid assets and/or committed bank facilities to be in place to give headroom of at least $10 million over and above the maximum debt requirement as estimated for the next 6 months.

The current and non-current borrowings are unsecured. The Group borrows under a negative pledge arrangement which requires certain certificates and covenants. The negative pledge deed sets out a minimum interest cover requirement (2.25 times EBITDA), a maximum gearing ratio percentage requirement (45%) and minimum coverage ratio requirements of the Guaranteeing Group to the Consolidated Group (80% of EBITDA and 80% of Total Tangible Assets). There have been no breaches of this negative pledge during the financial year.

The Group has two bank loan facility agreements with Westpac New Zealand Limited and two bank loan facility agreements with China Construction Bank. Interest rates on the Group's loans are based on BKBM (bank bill bid settlement) rate plus a margin range of 0.72% to 0.96% per annum (2018: 0.72% to 0.84% per annum). The Group generally borrows funds on a 90 days term.

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 cash held 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), Euro (EUR) and Singapore dollars(SGD). 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 if core debt is in excess of $50m.

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.

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:

	2019		2018	
In thousands of New Zealand dollars	Gross receivable	Individually impaired	Gross receivable	Individually impaired
Not past due	15,092	31	11,840	-
Past due 1-60 days	6,626	23	4,398	-
Past due 61-90 days	317	13	630	-
Past due more than 90 days	831	114	925	65
Total	**22,866**	**181**	**17,793**	**65**

No trade and other receivables that were either past due or 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
2019							
Trade and other payables	18,153	18,153	18,153	-	-	-	-
Bank loans	35,000	38,421	446	446	893	36,636	-
Non-derivative liabilities total	**53,153**	**56,574**	**18,599**	**446**	**893**	**36,636**	**-**
Forward exchange contracts - current	176	176	176	-	-	-	-
Forward exchange contracts - non current	252	252	-	-	252	-	-
Total	**53,581**	**57,002**	**18,775**	**446**	**1,145**	**36,636**	**-**
2018							
Trade and other payables	15,033	15,033	15,033	-	-	-	-
Bank loans	-	-	-	-	-	-	-
Non-derivative liabilities total	**15,033**	**15,033**	**15,033**	**-**	**-**	**-**	**-**
Forward exchange contracts - current	(260)	18,486	14,953	3,533	-	-	-
Forward exchange contracts - non current	8	10,423	-	-	5,690	4,733	-
Total	**14,781**	**43,942**	**29,986**	**3,533**	**5,690**	**4,733**	**-**

(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
2019						
Cash and cash equivalents	9,499	9,499	-	-	-	-
Short term deposits	-	-	-	-	-	-
Bank loans	(35,000)	(35,000)	-	-	-	-
Total	**(25,501)**	**(25,501)**	**-**	**-**	**-**	**-**
2018						
Cash and cash equivalents	16,911	16,911	-	-	-	-
Short term deposits	63,000	63,000	-	-	-	-
Bank loans	-	-	-	-	-	-
Total	**79,911**	**79,911**	**-**	**-**	**-**	**-**

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 2019 it is estimated that an increase of 1.0% in interest rates would decrease the Group's profit before income tax by approximately $0.3m (2018: increase of $1.0 m).

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 2019 was a net liability of $428,000 (2018: Net asset of $252,000), comprising assets of $Nil (2018: $260,000) and liabilities of $428,000 (2018: $8,000).

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 cash flow 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	2019	2018
Less than one year	1,830	798
Between one and five years	6,562	6,741
More than five years	17,426	19,052
Total	**25,818**	**26,591**

During the year ended 30 June 2019 the Group recognised $0.8m as an expense in the Statement of Comprehensive Income in respect of operating leases (2018: $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	2019	2018
Less than one year	7,355	4,442
Between one and five years	27,697	21,143
More than five years	22,026	16,578
Total	**57,078**	**42,163**

15. Capital Commitments

In thousands of New Zealand dollars	2019	2018
Commitments for the purchase of property, plant & equipment	74,387	86,723

The Directors are of the view that the Group is committed to capital expenditure as outlined in the Statement of Corporate Intent.

16. Reconciliation of Net Profit for the Year with Net Cash from Operating Activities

In thousands of New Zealand dollars	2019	2018
Profit for the year	**42,170**	**12,216**
ADJUSTMENTS FOR:		
Depreciation and amortisation	16,046	13,030
Net loss on sale of property, plant and equipment	(65)	257
Provision for Doubtful debt movement	(116)	230
Deferred tax charge	(1,706)	1,503
Non-current liability	(46)	-
Capital creditors	(1,831)	(1,490)
Non-current prepayments	75	240
	12,357	**13,770**
ADD/(LESS) MOVEMENTS IN WORKING CAPITAL ITEMS:		
Change in tax payable	(1,598)	2,342
Change in inventories	38	150
Change in trade and other receivables	(4,441)	(1,504)
Change in interest receivable	615	1,003
Change in prepayments	(76)	(2,083)
Change in trade and other payables (including employee entitlements)	2,631	924
Change in interest payable	179	
	(2,653)	**832**
Net cash flow from operating activities	**51,875**	**26,818**

17. Contingent Liabilities

The Directors are aware of some interpretation issues relating to the Group's collective agreements with its employees. The Group disputes the validity of these interpretation issues. No formal claims have yet been made and only preliminary legal advice has been obtained. There are a number of future events not wholly within the control of the Group which will determine whether any liability exists. The Directors will continue to monitor these issues and recognise a liability if the appropriate criteria is met.

18. Related Parties

PARENT AND ULTIMATE CONTROLLING ENTITY

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

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Key management personnel compensation comprised:

In thousands of New Zealand dollars	2019	2018
Short-term employee benefits	2,734	2,716
Long-term incentives	158	186

The Group does not provide any non-cash benefits to Directors and executive officers other than Directors fees or salaries.

TRANSACTIONS WITH CONTROLLING SHAREHOLDER AND OTHER COMPANIES IN THE GROUP

In thousands of New Zealand dollars	2019	2018
Transactions with CCC		
Sales	19	6
Purchases	(10)	(148)
Rates	(816)	(744)
Subvention payment	(3,429)	(2,627)
Accounts payable	(75)	(3)
Accounts receivable	5	-
Transactions with CCHL		
Dividend	(7,036)	(8,610)
Transactions with other Group entities		
Sales	3	6
Purchases	(843)	(967)
Subvention payments	(2,000)	(4,698)
Accounts payable	(22)	(31)

19. Group Entities

In thousands of New Zealand dollars	Country	2019	2018
NZ Express (2005) Limited	New Zealand	100	100
Curries Proprietary Limited	New Zealand	100	100

20. Subvention Payments

During the year, subvention payments were made to the entities listed below. LPC is a member of the CCC Tax Group and pays subvention payments to other members of the CCC Group. It is LPC's policy, as a subsidiary of the CCC tax group, to treat the subvention payments as though they were payments of income tax with a corresponding reduction to taxation receivable/(payable).

	2019	2018
CCC	$3,428,526	$2,626,687
CHCH NZ	NIL	$31,120
Enable Services	$2,000,000	$4,667,560

21. Subsequent Events

On the 22nd of August the Board declared a dividend of 4.339 cents per share. This is to be paid on the 20th September 2019.

Independent Auditor's Report

2018–2019

Independent Auditor's Report

KPMG

KPMG

TO THE READERS OF LYTTELTON PORT COMPANY LIMITED'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

The Auditor-General is the auditor of Lyttelton Port Company Limited (the company). 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 company on his behalf.

OPINION

We have audited the financial statements of the company on pages 48 to 70, that comprise the statement of financial position as at 30 June 2019, 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 company:

- present fairly, in all material respects:
  - its financial position as at 30 June 2019; and
  - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards.

Our audit was completed on 19 September 2019. This is the date at which our opinion is expressed.

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

BASIS FOR OUR OPINION

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

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

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

RESPONSIBILITIES OF THE BOARD OF DIRECTORS FOR THE FINANCIAL STATEMENTS

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

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

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

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

RESPONSIBILITIES OF THE AUDITOR FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

Our responsibilities arise from the Public Audit Act 2001.

OTHER INFORMATION

The Board of Directors is responsible for the other information. The other information comprises the information included on page 47, but does not include the financial statements, and our auditor's report thereon.

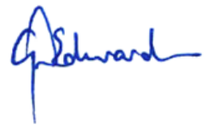
Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

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

INDEPENDENCE

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

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



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

Corporate Governance

2018–2019

Lyttelton Port Company strives for Best Practice in Corporate Governance

In 2018, the Board updated its Code of Corporate Governance ("the Code") to ensure it was in line with best practice guidance from the Institute of Directors and the Financial Markets Authority (FMA). The Code can be found on the LPC website (lpc.co.nz).

The key points from the Code are contained on the following pages.

LPC's Code has adopted eight key principles:

1. Ethical Standards
2. Board Composition and Performance
3. Board Committees
4. Reporting and Disclosure
5. Remuneration
6. Strategy and Risk Management
7. Auditors
8. Shareholder Relations and Stakeholder Interests

PRINCIPLE 1 – ETHICAL STANDARDS

LPC has adopted a written code of ethics for the Company entitled Guidelines for Conduct ("the Guidelines"). This is a statement of our core values. The Guidelines set out explicit expectations for ethical decision-making and personal behaviour for Directors and employees. Key areas it covers include:

- Acting honestly and with high standards of personal and professional integrity
- Dealing with conflicts of interest, including any circumstances where a Director may/may not participate in a Board discussion, and voting on matters in which a Director has a personal interest
- Proper use of an entity's property and/or information, including not taking advantage of the entity's property or information for personal gain, except as permitted by law
- Not participating in illegal or unethical activity
- Fair dealing with customers, the Shareholder, clients, employees, suppliers, competitors and other stakeholders
- Guidelines on giving and receiving gifts and koha
- Guidelines to prevent and address improper payments (e.g. facilitation payments and bribes)
- Complying with applicable laws and regulations
- Reporting unethical decision-making and/or behaviour
- Conduct expected of Management and the Board for responding to and supporting whistle-blowing.

LPC communicates the Guidelines to our employees at the time of their initial employment, and supports their compliance with training and clear procedures.

LPC publishes the Guidelines on the LPC website and serious breaches are reported to the Board.

The LPC Board reviews the Guidelines for Conduct every two years. The Board ensures Directors, Executives and other personnel, are held accountable for ethical behaviour.

PRINCIPLE 2 – BOARD COMPOSITION AND PERFORMANCE

LPC Directors are selected and appointed by our sole Shareholder, Christchurch City Holdings Limited (CCHL).

All LPC Directors are expected to, except as permitted by law and disclosed to the Shareholder or by the Company's constitution, act in the entity's best interests.

The Chair of the LPC Board is responsible for fostering a constructive governance culture and ensuring Directors and Management apply appropriate governance principles.

The LPC Board expects Directors to make the necessary time commitment to be effective in their role.

The LPC Board allocates time and resources for Directors to gain and retain a sound understanding of their responsibilities. New appointees have a comprehensive induction, and all Directors have ongoing training as required.

The LPC Board has rigorous formal processes for evaluating their performance and that of Board Committees, individual Directors and the Chair. This includes a formal, regular review of the Chair.

The LPC website includes a profile of each Director.

PRINCIPLE 3 – BOARD COMMITTEES

The LPC Board Committees have a clear, formal term of reference setting out their role and delegated responsibilities. Those terms of reference make clear the function of the Committee is not to replace the ultimate decision-making authority of the full Board.

The terms of reference and membership of each Board Committee are available on LPC's website.

Committee proceedings are reported back to the Board to allow other Directors to question Committee members, and any Board members are allowed to attend Committee meetings.

LPC currently has two Committees, Audit and Finance and Remuneration. LPC also has a Governance Health and Safety Committee which is not a Board Committee, but has one Director sitting on the Committee.

PRINCIPLE 4 – REPORTING AND DISCLOSURE

The LPC Board has a rigorous process to ensure the quality and integrity of financial statements and nonfinancial reporting.

LPC's financial reporting and Annual Report (in addition to all information required by law) includes sufficient meaningful information to enable CCHL and stakeholders to be well informed. We strive to make our financial reports clear, concise and effective, while meeting the requirements of financial reporting standards.

The LPC Board determines the appropriate level of nonfinancial reporting, considering the interests of their stakeholders and material exposure to environmental, social and governance (ESG) factors. The Company maintains an effective system of internal control for reliable financial and non-financial reporting and accounting records.

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 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 provides timely and adequate disclosure of information on matters of material impact to the Shareholder through its quarterly and annual reporting, as well as through its Statement of Corporate Intent (SOI). The Board consults with the Shareholder at all reasonable times on any particular material matter relating to the affairs of the Company when asked to do so by the Shareholder (when notified in writing to the Board by the Shareholder from time to time).

LPC makes its Guidelines for Conduct, Board Committee Terms of Reference, ESG reporting and other governance documents readily available to stakeholders on the LPC website.

PRINCIPLE 5 – REMUNERATION

The LPC Board has a clear policy for setting Executive remuneration. Remuneration is fair and reasonable, and competitive in the market for the skills, knowledge and experience required. The Company believes all employees should have the opportunity to reach their potential and thrive in an inclusive and diverse workplace. The Board monitors established reporting and trend analysis on age profile, gender profile and employment tenure.

The Board is committed to a policy that the remuneration of Directors and Management be transparent, fair and reasonable. The Company is conscious of its public responsibilities in the setting of remuneration for Senior Executives, which is closely managed by the Board and made publically available via the annual report. No Executives decide their own remuneration.

LPC's Remuneration Committee recognises that market forces necessarily influence remuneration practices and it strongly believes the fundamental driver of remuneration outcomes should be business performance. It also believes that overall remuneration should be both fair to the individual, such that remuneration levels accurately reflect Executives' responsibilities and contributions. The positioning and relativities of pay and employment conditions across the wider workforce will also be taken into consideration.

LPC's Rewarding Performance remuneration strategy recognises the importance of health and safety, upon which the Remuneration Committee places great emphasis on the determination of performance-based remuneration outcomes for Management and the general workforce. The Committee is guided by LPC's purpose, its strategy and how the Company measures success. It aims to support LPC's Executives in taking a long term approach to decision-making in order to build a sustainable and value-adding business.

The Board recognises the importance of full, fair and transparent disclosure of the Chief Executive's (CE) salary. The CE's remuneration is made up of a base salary and incentive related payments. A full analysis of the CE's salary is disclosed in this Report.

The Executive Management team remuneration is made up of a base salary and usually comprises a performance incentive related payment which is dependent on the performance of the Company and attainment of agreed objectives.

The Shareholder by ordinary resolution from time to time sets a total maximum aggregate 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 this Report.

Chief Executive Remuneration
The Board, through the Remuneration Committee, sets the remuneration structure for the Chief Executive (CE). His total remuneration is made up of a mixture of:

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

Fixed Remuneration

Fixed Remuneration is assessed by independent advisors and is comparable for similar companies in terms of size, industry sector and performance. It includes all benefits, allowances and deductions, as set out in the Individual Employment Agreement. Annual adjustments are not automatic but determined by performance.

Long Term Incentive

The Board agreed a LTI scheme with the CE. The key criteria were:

- Profitable Company performance,
- CE remains employed by the Company until 31 December 2019,
- CE is of 'good standing' with the Company at 31 December 2019, and
- Payable after 31 December 2019.

Chief Executive Remuneration

The table below summarises the Chief Executive's remuneration earned over the accounting period to 30 June for each year. The timing of remuneration payments will vary in line with the terms of the LTI and STI schemes.

Any one off back payment for holiday pay has been excluded from this table.

In thousands of New Zealand Dollars	2019 Actual
Earned in Year	
Fixed Remuneration	631
Short term Incentive Scheme	202
Long Term Incentive Scheme	158
Total	**991**

These amounts include remuneration earned during the year. This excludes any back-pay relating to holiday pay.

During the 2019 financial year the CE gave notice of his intention to retire on 31 December 2019. The remuneration of his contract for financial year 2020 remains consistent to 2019 year.

Directors' Remuneration

Director's Fees In thousands of New Zealand Dollars	**2019**	**2018**
B Dwyer	49,960	49,245
B Wood	55,421	52,877
D Elder	53,305	51,666
G Gilfillan	51,188	50,455
J Quinn	50,085	49,245
M Devlin	77,184	6,004
M Johns	50,850	35,610
T Burt	25,237	89,232
Total	**413,230**	**384,334**

No Director had transactions or share dealing with the Company throughout the year.

Employee Remuneration

Salary Banding In thousands of New Zealand Dollars	**2019**	**2018**
100-110	54	71
110-120	70	48
120-130	43	30
130-140	31	15
140-150	15	12
150-160	9	9
160-170	9	1
170-180	2	4
180-190	2	3
190-200	1	3
200-210	1	3
210-220	5	4
220-230	-	1
230-240	-	-
240-250	1	-
250-260	-	-
260-270	-	-
270-280	1	-
280-290	-	-
290-300	-	1
300-310	1	
310-320	-	-
320-330	1	1
330-340	-	2
340-350	1	-
980-990	-	1
990-1,000	1	-
Total	**248**	**209**

These amounts include remuneration earned during the year. This excludes any back-pay relating to holiday pay.

PRINCIPLE 6 – RISK MANAGEMENT

The LPC Board actively contributes to the formulation of the business strategy and tracks progress against it.

The LPC Board ensures there are rigorous risk management processes and internal controls in place.

The Board receives and reviews reports about the risk management framework and internal control processes throughout the year via the Audit and Finance Committee. Material risks are formally communicated to the Board every six months or more regularly if required.

Board reports include a copy of LPC's risk register and highlight the main risks to LPC's performance and the steps being taken to manage them.

PRINCIPLE 7 – AUDITORS

The LPC Board has a good working knowledge of the responsibilities of the external auditors. By law, the auditors of LPC are the Office of the Auditor General (OAG). The OAG then has the ability to contract that work out to an appropriately qualified and experienced audit firm. Where this happens, the Chair of the Audit and Finance Committee works with the OAG in the selection and appointment process following the relevant guidelines. This process is rigorous and based on professional merit.

The Board ensures that there is no relationship between the auditor and LPC (or any related person) that could compromise the auditor's independence.

The Board facilitates regular and full dialogue between its Audit and Finance Committee, external auditors and Management. The Audit and Finance Committee has time set aside each year with the external auditors to discuss the performance of Management.

The Board ensures that the annual external audit is not led by the same audit partner for more than seven consecutive years.

Negotiations for the annual audit fee are managed by the Chair of the Audit and Finance Committee and the OAG. There is input from LPC's Management but the final decision is made by the Board and the OAG.

The Board prepares and files financial reports as required under relevant legislation. The Board reports in its Annual Report, the fees paid to their audit firm. This report differentiates between audit fees and fees for individually identified non-audit work (if applicable).

PRINCIPLE 8 – SHAREHOLDER RELATIONS AND STAKEHOLDER INTEREST

LPC maintains a positive and proactive relationship with CCHL. As part of the Company's annual SOI, the Board includes clear policies for the Company's communications and interactions with CCHL. The Board endeavours to ensure CCHL is informed of all major developments affecting the Company's state of affairs, while at the same time recognising commercial sensitivity may preclude certain information from being made public. Information is communicated to CCHL through a "no surprises" policy on issues of importance as they may arise, as well as through formal communications discussed further below.

Formal communication with CCHL includes:

Annual Report
The Annual Report is provided directly to the Shareholder and it includes audited financial statements and other details which are required to permit an informed assessment of LPC's performance and financial position during the reporting period.

Half Year and Quarterly Reporting
The half year and quarterly reporting contains unaudited information.

Statement of Intent
The SOI is prepared based on the requirements within the Port Companies Act 1988 and the Company's Constitution. The Directors include any other information they consider appropriate.

Briefings
The Company provides briefings to CCHL and its Board, and others as required.

CCHL Bonds
LPC acknowledges its responsibilities under the continuous disclosure regime in relation to CCHL's bonds and has implemented a policy to manage those disclosure requirements.

LPC has a clear focus on the needs of our key stakeholders (including customers, employees, the public, the Council and Government) and recognises it is critical to meet their needs to ensure we have a successful business.

Statement of Corporate Intent – Performance Reporting

KEY PERFORMANCE MEASURES FINANCIAL YEAR 2019

Objectives	Key Performance Measures	2019	Target 2019
Health, Safety and Wellbeing	Significant Incidents frequency rate (per 200,000 hours)	3.36	7.1
	Critical Risk: Performing monitoring activities	100%	100%
Operational	Gross Crane Rate (Containers per hour per crane)	24.1	27
	Ship Rate (TEU per hour per ship)	61.4	65
	Coal load out rate (tonnes per day)	26,229	25,000
Financial	Revenue ($m)	130.24	128.32
	Net Profit ($m)	40.8	10.9
	Shareholder Funds to Total Assets	87%	89%
	Cash Dividend Paid ($m)	7.04	6.40
Environmental	Straddle fleet that is a electric/diesel hybrid	57%	50%
	Number of trucks removed off the Rolleston-Christchurch route	45,378	30,000
	Electrical Car Charges available for use by the public	2	1

KEY PERFORMANCE TARGETS

Objectives	Key Performance Measures	Final Targets		
		2020	2021	2022
Health, Safety and Wellbeing	Critical Risk: Performing monitoring activities	100%	100%	100%
	Significant Incidents frequency rate (per 200,000 hours)	6.4	5.6	4.5
Operational	Gross Crane Rate (as measured by Ministry of Transport)	27	27	27
	Ship Rate (as measured by Ministry of Transport)	65.0	65.0	65.0
	Coal load out rate (tonnes per day)	25,000	25,000	25,000
Financial	Revenue ($m)	133	152	159
	Net Profit After Tax ($m)	11	18	18
	Shareholder Funds to Total Assets	70%	68%	67%
	Interest cover ratio	6	5	5
	Debt ($m)	193	216	227
	Dividend Proposed ($m)	7.0	8.2	9.0
Environmental	Straddle fleet that is a electric/diesel hybrid	65%	75%	75%
	Ratio of rail containers through gate	11.70%	12.10%	12.5%
	Percentage of resource consent compliance monitoring events achieving full compliance	100%	100%	100%
	Electrical Car Charges available for use by the public	2	2	2

Register of Directors' Interests

MARGARET DEVLIN

Director from 16 May 2018, Chair from 10 October 2018

Aurora Energy
Director, and Chair of the Audit and Risk Committee

Harrison Grierson Holdings Ltd
Chair

Hospice Waikato
Chair

Infrastructure New Zealand
Director

Institute of Directors
Chartered Fellow and Waikato Branch Committee member

IT Partners Group
Director

Meteorological Services of New Zealand Ltd
Chair of People and Culture Committee

National Infrastructure Advisory Board
Member

Titanium Park Ltd
Chair

Waikato District Council
External appointment and Chairman of Audit and Risk Committee

Waikato Regional Airport Ltd
Director and member of Audit Committee

Waikato University
Member of Audit and Risk Committee, Councillor

Watercare Services Ltd
Chair, member of Audit and Risk Committee, People, Remuneration and Appointments Committee and Major Capital Projects Committee

WINTEC
Councillor, and Chair of the People and Culture Committee

Women in Infrastructure Network
Chair

BRIAN WOOD

From 1 June 2011

Buller Holdings Ltd
Chairman

Buller Recreation Ltd
Chairman

Canterbury Linen Services Ltd
Chairman

Delta Utility Services Ltd
Chairman

E-Spatial Ltd
Director

Harrison Grierson Holdings Ltd
Director

Invercargill City Holdings Ltd
Chair

Invercargill City Property Ltd
Director

Mainpower NZ Ltd
Director

The Oversight Group for the Reinstatement of the South Island Transport Corridors – Ministry of Transport
Chairman

Westreef Services Ltd
Chairman

JIM QUINN

From 31 March 2014

ComplyPro Ltd and related entities
Chair

Go Bus and related entities
Director

Payments New Zealand
Chairman

Q Services Ltd
Director and Shareholder

Smart Co Ltd
Chair

Tubman Heating Ltd
Chairman

BILL DWYER

From 19 August 2015

Development Christchurch Ltd
Chairman

Ohinetahi Charitable Trust
Trustee

Regenerate Christchurch
Director

Tavendale and Partners
Consultant

Turley Farms Ltd
Director

And assorted Trusts

GRANT GILFILLAN

From 3 February 2016

Australian Cruise Association
Chairman

Ports Australia
Chair

Port Authority of New South Wales
CE and Director

DON ELDER

From 13 October 2016

Alpine Energy
Director
– **Infratec Ltd** Director
– **Infratec Renewables (Rarotonga) Ltd** Director

Aoraki Holdings (No 2) Ltd
Director

Aoraki Partners Holdings Ltd
Director

Aoraki Services Ltd
Director

Bras D'Or Investments Ltd
Director

Bras D'Or Services Ltd
Director

Canterbury Seismic Instruments Ltd
Director

Family Help Trust
Chairman and Trustee

The Loft
Trustee

MALCOLM JOHNS

From 11 October 2017

Christchurch International Airport Ltd
Chief Executive

St. Andrews College Board of Governors
Member

Directory

BOARD OF DIRECTORS

Margaret Devlin
Chair

Brian Wood

Jim Quinn

Bill Dwyer

Grant Gilfillan

Don Elder

Malcolm Johns

EXECUTIVE MANAGEMENT TEAM

Peter Davie
Chief Executive

Jonathan Gardiner
Chief Financial Officer

Phil de Joux
Strategic Engagement Manager

Paul Monk
Operations Manager

Simon Munt
Marketing Manager

Mike Simmers
Infrastructure Manager

Glen Johnson
Senior Health Safety and Wellbeing Manager

Kirstie Gardener
General Manager Human Resources

REGISTERED OFFICE

Lyttelton Port Company Limited
Waterfront House
37-39 Gladstone Quay, Lyttelton
Christchurch, New Zealand 8082
Private Bag 501, Lyttelton 8841

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

WEBSITE

www.lpc.co.nz

BANKERS

China Construction Bank Limited
Westpac Banking Corporation

AUDITORS

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

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Registered Office

Lyttelton Port Company Limited
Waterfront House
37-39 Gladstone Quay, Lyttelton
Christchurch, New Zealand 8082
Private Bag 501, Lyttelton 8841

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

Lyttelton
Port
Company