PORT OTAGO LIMITED

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Annual Report 2014

Port Otago Limited Annual Report 2014

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OVERVIEW OF GROUP RESULTS

	2014 $million	2013 $million
Revenue	77.3	78.0
Operating profit before income tax	21.0	21.3
Profit for the year	31.8	38.1
Total assets	494.4	443.0
Shareholders' equity	344.8	314.3
Equity ratio	70%	71%
Net asset backing per share	$17.24	$15.72

Trade

	2014	2013
Container throughput (teu)	181,000	195,000
Conventional cargo volume (000's tonnes)	1,326	1,312
Number of vessel arrivals	501	511

FIVE YEAR SUMMARY

Trade analysis	2014	2013	2012	2011	2010
Number of ships	501	511	524	505	502
Cargo throughput (000's tonnes)	3,886	3,920	3,532	3,623	3,284

Financial comparisons	2014 $000	2013 $000	2012 $000	2011 $000	2010 $000
Revenue #	77,273	78,026	70,148	74,213	70,295
EBITDA from operations #	33,950	34,439	30,069	32,442	30,295
Surplus from operations (EBIT) #					
Port operations	14,767	15,939	11,791	15,955	14,105
Investment property	11,378	10,944	10,560	9,157	9,184
Total group EBIT #	26,145	26,883	22,351	25,112	23,289
Unrealised net change in value of investment property	14,977	23,545	2,361	(5,178)	3,198
Profit for the year	31,824	38,092	12,789	9,400	12,378
Dividends for financial year *	7,100	12,000	11,750	12,250	7,000
Shareholders' equity	344,838	314,309	272,340	276,444	272,498
Total assets					
Port operations	176,518	167,778	159,947	164,937	161,571
Shares in listed companies	50,642	45,103	31,649	36,871	36,713
Investment property	267,220	230,167	205,548	200,076	209,638
Total group	494,380	443,048	397,144	401,884	407,922
Shareholders' equity	70%	71%	69%	69%	67%
Net asset backing per share	$17.24	$15.72	$13.62	$13.82	$13.62
Earnings per share (cents)	159.1	190.0	63.9	47.0	61.9
Dividends per share (cents) *	35.5	60.0	58.8	61.3	35.0
**Return on equity ** **					
Before unrealised revaluations	5.3%	4.8%	3.7%	5.3%	4.0%
After unrealised revaluations	9.7%	13.0%	4.6%	3.4%	5.2%
EBIT return on assets #					
Port operations	8.5%	9.7%	7.2%	9.8%	8.6%
Investment property	4.6%	5.0%	5.2%	4.5%	4.4%
Total group	5.6%	6.4%	5.6%	6.2%	5.7%

* Includes the final dividend for the financial year declared after balance date, as disclosed in Note 28.
** Profit, divided by average shareholders' equity.
\# Excludes gain on disposal.

CHAIRMAN AND CHIEF EXECUTIVE'S REVIEW

The Port Otago Group achieved an excellent result for the financial year to 30 June 2014 with all divisions within the Group trading in line with expectations.

The Group profit for the year of $31.8 million included a $14.7 million increase in the valuation of the investment property portfolio. This compares with the previous year's result of $38.1 million which included a $23.5 million increase in the value of investment property.

The operating profit before unrealised revaluations and tax was in line with the previous year's result at $21.0 million.

Highlights

In addition to the strong financial performance, the highlights during the year include:

- Continuous focus on improving health and safety performance
- 181,300 teu handled
- Record log volume of 789,000 tonnes
- Upgrade of the Dunedin log storage area
- Successful delivery of the new tug, Taiaroa, just after year-end
- Record trading result by Chalmers Properties
- New $27 million acquisition by Chalmers Properties within the Auckland market
- First sales in Hamilton from the Te Rapa joint venture land development.

Health and Safety

The Port industry is a hazardous one and our continued absolute commitment is required to ensure all staff and contractors on our sites return home each day unharmed. The Board and Management place considerable importance on improving the Company's health and safety performance through a focus on continuous improvement based around a zero harm strategy.

As part of this strategy the Board has formed a separate Health & Safety Committee, which includes all Directors with Paul Rea as Chair. This enables the Board to participate more directly in the health and safety area and it reflects the Board's strong commitment.

A decision was made during the year to improve the Company's health and safety systems in order to achieve full compliance with the Australian / New Zealand standard AS/NZ 4804:2001. This is a higher threshold than the ACC workplace safety programme and it is part of the strategy of continuous improvement.

Port Otago has also maintained its ACC tertiary workplace safety rating.

After recording a 20 month period in 2012 and 2013 without a single Lost Time Injury (LTI) this financial year's performance of 6 LTIs, at a frequency rate of 11 per million hours worked, is not as good as the previous year. On a more positive note, the number of medical treatment injuries (MTIs) continues to reduce with a 50% reduction in the current year. Most of the MTIs are for physiotherapy treatment. The Company takes a proactive approach to back and neck issues, referring the staff member to physiotherapy at an early stage. There were 12 MTIs during the year at a frequency rate of 21.8 per million hours worked.

Kotahi and Shipping Industry Changes

Announcements by Kotahi, Maersk Line and the Port of Tauranga highlight the continuing changes in the container shipping market, as shipping lines and ports position their activities to maximise opportunities. Maersk Line's decision to re-establish a call at the Port of Timaru will see a small volume of cargo from this region, which previously transited through Port Otago, reverting to a Port of Timaru loading. With this exception, the recent announcements will have little effect on container volumes through the Port Chalmers Container Terminal.

CHAIRMAN AND CHIEF EXECUTIVE'S REVIEW

Port Otago remains committed to maintaining its rail service from Timaru to provide a competitive offering for shipping lines and exporters from the South Canterbury region.

Channel Deepening and Port Development

It is inevitable that larger container vessels will call on the New Zealand coast, both from Maersk Line vessels, with the extra volume provided from the agreement from Kotahi, and, potentially, other Lines, as various trades consolidate to retain competitiveness. As an infrastructure provider, it is important that Port Otago continues to invest in and upgrade its port facilities accordingly.

Port Otago is very well positioned to meet this challenge in a cost effective way. The shipping channel to Port Chalmers is already 13 metres deep at low tide (chart datum), with half the channel at 14 metres.

Planning continues to deepen the Otago Harbour channel in line with commercial demand. The total cost to fully deepen to 14 metres is estimated to be less than $10 million, which is significantly less than cost estimates for other New Zealand ports to deepen. In addition there are no tidal restrictions on vessel arrivals or departures at Port Chalmers, which gives it the widest operating window of any port in New Zealand.

Port Otago's suction dredge, the New Era, is currently undertaking an out-of-port contract, but will be available before the calendar year end. By then, we expect to have finalised the dredging plan to deepen the shipping channel to 14 metres.

Port Otago's suction dredge the *New Era*

Financial Results

Operating profit, before unrealised revaluations and tax, of $21.0 million compares to $21.3 million for last year. Lower port operating revenue was offset by increased investment property rentals, a gain on the sale of an Auckland investment property and gain on the sale of the first sections of our land development project in Hamilton. Operating expenses were in line with the previous year at $51.5 million.

Dividends

Dividends of $7.1 million have been paid or declared for the year ended 30 June 2014. This is an increase from last year's ordinary dividend of $7.0 million.

Port Operations

Operating profit before tax of $10.8 million, from the port operating business, was 8% lower than the previous year. Less container revenue was offset by reduced fuel, electricity and staff costs.

EBITDA from port operations was $22.5 million, which compares to $23.4 million last year.

Trade

Container throughput of 181,300 teu (twenty foot equivalent units) was 7% lower than the previous year, with the reduction principally due to less empty container moves and a lower level of tranships. Full import/export container volumes were down by 2%.

Shipping Lines began the season with lower empty container inventories and endeavoured to operate a more just-in-time approach to container supply. The Port's core direct cargo volume remains solid and the future outlook is positive with expansion in dairy and timber processing occurring within our cargo hinterland.

CHAIRMAN AND CHIEF EXECUTIVE'S REVIEW

The lower tranship volumes were mainly due to there being one vessel exchange in the current year compared with two in the previous year. The vessel exchanges have occurred where vessels are changing their trade lanes and the entire container volume from one vessel is off-loaded and re-loaded on to another vessel.

Log exports were up 10% to 789,000 tonnes, which was 60% of the total conventional tonnage. This is up from 55% in the previous year. Paving of the Dunedin log storage area was completed during the year and has provided improved facilities and productivity for log exporters.

There were 501 vessel arrivals during the year compared to 511 vessel arrivals the previous year. Port Otago hosted 78 cruise vessels with 7 visits cancelled due to adverse weather in Otago and other parts of the country. Dunedin is well-positioned on the east coast as a stopover for cruise vessels either coming from or going to Fiordland. Our subsidiary company, Fiordland Pilot Services Limited (FPSL) continues to pilot over 50% of the cruise ships visiting Fiordland. FPSL also maintains a pilot launch at Milford Sound which is made available to all pilot service providers operating in the Fiordland area. The pilot launch is currently being re-engined and upgraded to ensure that the vessel is maintained to a high standard. This represents a $250,000 investment into this part of the business.

Port Infrastructure

Capital expenditure for the year was $15.7 million. Included in this amount were progress build payments on our new tug, the Taiaroa, which arrived during July 2014. The Taiaroa has now been successfully integrated into the Port's towage operation and it will provide additional capacity as vessel sizes increase. The two older tugs, Rangi and Karetai, are currently being prepared for sale which will bring to an end their 40 years of invaluable service on the Otago harbour.

Taiaroa's arrival in Port Chalmers

The strategy of maintaining a mixed age straddle fleet has continued with the purchase of two new 4-over-3 diesel electric straddle carriers. These new technology diesel electric straddles generate less noise and provide a 30% reduction in fuel usage compared to the rest of the fleet.

Chalmers Properties Limited (CPL)

Rental income was $13.7 million for the year, an increase of 8% from the previous year. This revenue increase was driven by the purchase of a Bunnings warehouse in Auckland for $27 million. An existing Auckland property was sold for $6 million, which realised a $0.4 million gain over the 30 June 2013 carrying value.

Bunnings Warehouse, Glenfield Auckland, acquired October 2013

CHAIRMAN AND CHIEF EXECUTIVE'S REVIEW

The CPL investment property portfolio increased in value from $226 million to $265 million during the year. This included a $24 million increase from new investment in Auckland and Hamilton with the balance of $15 million coming from the increase in the valuation of the portfolio.

The following table highlights the growth in both the Auckland and Dunedin segments of the portfolio:

	2014 $m	2013 $m	% Increase
Auckland	95	72	32%
Hamilton	28	28	0%
Dunedin	142	126	13%
	265	226	17%


Arthur Porter Drive, Te Rapa Gateway Industrial Development, Hamilton

The weighted average lease term of the Auckland investment properties has increased to 7.4 years from 5.2 years at the start of the year, which is a reflection of the 15 year lease on the Bunnings property.

Stage 1 of the Hamilton industrial land subdivision, which is held through various joint operations, was completed during the period. Three sales, totalling 2.2 hectares were completed during the period. Marketing for the sale of the 9.5 hectares of land developed so far is on-going. The development is adjacent to the recently competed Te Rapa by-pass in Hamilton with the timing of future stages determined by sales of stage 1.

Two Dunedin ground leases were also sold during the year with settlement to occur in 2015. Our current sales strategy of the Dunedin ground lease portfolio is that any market value offer will be considered, particularly when the sale supports redevelopment opportunities and encourages employment within Dunedin.

Community Relations

Our on-going commitment to the Port Environment Liaison Committee has again provided a vital link with the Port Chalmers and Careys Bay communities. The Committee is chaired by Port Otago Director, Paul Rea.

A significant milestone has been achieved this year with the completion of the acoustic treatment of all but two properties within the red zone receiving noise at above 65dba. There remains two properties, out of the 25 in the red zone, that cannot be acoustically treated within the formula set out in the Dunedin City District Plan and Port Otago will purchase these properties at a time when the owner wishes to sell.

Shareholding in Lyttelton Port Company Limited (LPC)

Port Otago purchased its shareholding in LPC in 2006. At the time of the purchase a number of New Zealand ports were considering opportunities for merger and rationalisation of their activities. In 2008

CHAIRMAN AND CHIEF EXECUTIVE'S REVIEW

Port Otago and LPC entered into a Memorandum of Understanding to investigate a merger between the two companies. The merger discussions ended following the September 2010 earthquake.

Settlement, in December 2013, by LPC of their insurance claim associated with the earthquakes has enabled LPC to proceed with its rebuild and to continue with its expansion plans. This has created more certainty for shareholders over the valuation of LPC as an ongoing business.

Following a review the Board concluded the shareholding in LPC was no longer of the strategic importance that applied at the time of purchase. On 1 August 2014, Port Otago entered into a lock-up agreement with Christchurch City Holdings Limited to sell its 15.48% shareholding in LPC for $3.95 per share subject to a $0.20 dividend declared and paid by LPC.

The $65.7 million proceeds from the share sale will initially be used to repay debt and it better positions the Group to evaluate other investment opportunities as they arise.

Staff

The Board acknowledges the efforts during the year of management and staff to deliver superior standards of customer service, which continues to be a key factor in the Port's success.

Outlook

There is strong demand from the region's exporters for competitive shipping options continuing to be available at Port Chalmers. We are well-positioned to meet this need through the investment to date in the port and future investment. This will ensure the facilities required by all customers are in place to efficiently handle the growing export cargo from the region.

Chalmers Properties will continue to seek investment property opportunities which complement the existing property portfolio.

For and on behalf of the Board

David Faulkner
Chairman

Geoff Plunket
Chief Executive

PERFORMANCE TARGETS

Performance targets

A comparison of actual performance with the targets in the Statement of Corporate Intent is as follows:

	Actual	Target	Outcome
Trade			
Container throughput	181,000 teu^Ø	197,000 teu^Ø	Target not achieved
Conventional cargo throughput	1.326 million tonnes	1.300 million tonnes	Target achieved
Number of vessel arrivals	501 vessels	534 vessels	Target not achieved
Environmental			
Incidents leading to pollution of harbour	Nil	Nil	Target achieved
Full compliance with all resource consent conditions	Nil breaches of resource consent conditions	Nil breaches of resource consent conditions	Target achieved
Health & Safety			
Frequency rate (lost time accidents per 100,000 work hours)	1.09	0.00	Target not achieved

Financial performance

	Port Otago Group		
	Actual	Target	Outcome
EBIT* return on assets	5.6%	6.5%	Target not achieved
Return on shareholders' funds	9.7%	5.0%	Target achieved
Equity ratio	70%	69%	Target achieved
Debt servicing ratio (times)	4.3	4.6	Target not achieved

	Port operations and share investments		
	Actual	Target	Outcome
EBIT* return on assets	6.8%	8.0%	Target not achieved
Return on shareholders' funds	9.3%	10.0%	Target not achieved
Equity ratio	61%	60%	Target achieved
Debt servicing ratio (times)	3.5	4.2	Target not achieved

	Chalmers Properties Limited		
	Actual	Target	Outcome
EBIT* return on assets	4.6%	5.0%	Target not achieved
Return on shareholders' funds	11.6%	3.4%	Target achieved
Equity ratio	78%	82%	Target not achieved
Debt servicing ratio (times)	6.0	5.3	Target achieved

^Ø teu = twenty foot equivalent units
*EBIT = Earnings before interest and taxation

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2014

	Notes	Group		Parent Company	
		2014 $000	2013 $000	2014 $000	2013 $000
Revenue					
Port operations		63,281	65,318	62,968	64,853
Investment property rental		13,675	12,708	-	-
Dividend income		317	-	4,547	9,245
Gain on disposal		628	-	4	-
Total revenue		**77,901**	**78,026**	**67,519**	**74,098**
Expenses	3				
Staff costs		(25,671)	(25,779)	(25,038)	(25,306)
Restructuring costs		-	(231)	-	(231)
Fuel and electricity		(3,300)	(3,556)	(3,166)	(3,429)
Purchased materials and services		(14,856)	(14,496)	(13,475)	(13,370)
Depreciation and amortisation		(7,655)	(7,448)	(7,540)	(7,298)
Operating expenses		(51,482)	(51,510)	(49,219)	(49,634)
Operating profit before finance costs, unrealised revaluations and income tax		**26,419**	**26,516**	**18,300**	**24,464**
Net financing costs	4	(5,627)	(5,442)	(4,016)	(4,340)
Share of profit from equity accounted investment	17	250	259	-	-
Operating profit before unrealised revaluations and income tax		**21,042**	**21,333**	**14,284**	**20,124**
Non-operating income and expenses					
Subvention payment	26(a)	(103)	(3,072)	(103)	(2,270)
Unrealised net change in the value of investment property	10,12	15,574	24,045	-	-
Impairment of investment property inventory	11	(597)	(500)	-	-
Future sales value contract adjustment	8	(260)	-	-	-
Unrealised net change in value of interest rate swaps		1,665	(688)	1,176	(605)
		16,279	19,785	1,073	(2,875)
Profit before income tax		**37,321**	**41,118**	**15,357**	**17,249**
Income tax expense	5(a)	(5,497)	(3,026)	(2,987)	(637)
Profit for the year		**31,824**	**38,092**	**12,370**	**16,612**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2014

	Notes	Group		Parent Company	
		2014 $000	2013 $000	2014 $000	2013 $000
Profit for the year		31,824	38,092	12,370	16,612
Other comprehensive income					
Available-for-sale financial assets					
Unrealised increase/(decrease) in the value of share investments		5,539	13,454	5,539	13,454
Cash flow hedges					
Unrealised movement in hedging interest rate swaps and forward exchange contracts (net of tax)		266	2,423	303	2,027
Total comprehensive income for the year		**37,629**	**53,969**	**18,212**	**32,093**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2014

	Notes	Group		Parent Company	
		2014 $000	2013 $000	2014 $000	2013 $000
Equity at the beginning of the year		314,309	272,340	131,044	110,951
Total comprehensive income for the year		37,629	53,969	18,212	32,093
Distribution to owners					
Dividends paid	28	(7,100)	(12,000)	(7,100)	(12,000)
Equity at the end of the year		**344,838**	**314,309**	**142,156**	**131,044**

The accompanying notes form part of these financial statements

CONSOLIDATED BALANCE SHEET

As at 30 June 2014

	Notes	Group		Parent Company	
		2014 $000	2013 $000	2014 $000	2013 $000
Current assets					
Cash and cash equivalents		568	1,230	18	260
Trade and other receivables	6	10,328	10,410	8,775	8,099
Inventories		739	674	739	674
Property held for sale	12	17,518	1,570	-	-
Investment property inventories	11	6,294	6,150	-	-
Finance leases	7	171	154	-	-
		35,618	20,188	9,532	9,033
Non-current assets					
Property, plant and equipment	9	159,879	153,034	159,728	152,911
Investment property	10	232,659	217,210	-	-
Property held for sale	12	8,023	1,420	-	-
Equity accounted investments	17	1,159	1,039	685	685
Shares in listed companies	21(a)	50,642	45,103	50,642	45,103
Investment in subsidiaries		-	-	7,000	7,000
Derivative financial instruments	21(a)	205	-	-	-
Other financial assets		90	36	90	36
Finance leases	7	344	515	-	-
Intangible assets	13	5,761	4,503	5,761	4,500
		458,762	422,860	223,906	210,235
Total assets		**494,380**	**443,048**	**233,438**	**219,268**
Current liabilities					
Trade and other payables	14	6,177	6,105	3,988	4,682
Borrowings (secured)	16	11,852	762	-	-
Employee entitlements	15	3,577	3,731	3,537	3,699
Derivative financial instruments	21(a)	772	1,463	648	1,163
Provisions	8	260	-	-	-
Income tax		1,241	2,037	506	1,185
		23,879	14,098	8,679	10,729
Non-current liabilities					
Borrowings (secured)	16	107,730	94,830	69,380	63,010
Employee entitlements	15	1,124	1,524	886	945
Derivative financial instruments	21(a)	45	1,185	45	1,128
Deferred tax liabilities	5(c)	16,764	17,102	12,292	12,412
		125,663	114,641	82,603	77,495
Total liabilities		149,542	128,739	91,282	88,224
Equity					
Share capital	19	20,000	20,000	20,000	20,000
Reserves	20	324,838	294,309	122,156	111,044
Total equity		344,838	314,309	142,156	131,044
Total equity and liabilities		**494,380**	**443,048**	**233,438**	**219,268**

For and on behalf of the Board of Directors

D J Faulkner
Chairman

E J Harvey
Director

The accompanying notes form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2014

	Notes	Group		Parent Company	
		2014 $000	2013 $000	2014 $000	2013 $000
Cash flows from operating activities					
Cash was provided from:					
Receipts from port operations		62,611	63,989	62,294	63,520
Rental income		14,437	12,386	-	-
Dividends received		317	95	4,547	9,245
Interest received		487	47	4	2
Cash was disbursed to:					
Payments to employees and suppliers		(44,529)	(42,054)	(42,897)	(40,710)
Net GST received/(paid)		260	(169)	257	(154)
Interest paid		(6,105)	(5,510)	(4,019)	(4,347)
Subvention payments		(103)	(3,072)	(103)	(2,270)
Income tax paid		(6,736)	(4,569)	(3,905)	(2,490)
Net cash flows from operating activities	22	**20,639**	**21,143**	**16,178**	**22,796**
Cash flows from investing activities					
Cash was provided from:					
Sale of property, plant and equipment		183	-	187	-
Sale of investment property		9,566	-	-	-
Property deposits received		-	514	-	-
Secured advances repaid		-	1,500	-	-
Repayment of lessee improvements		154	139	-	-
Cash was applied to:					
Purchase of property, plant and equipment		(15,719)	(13,464)	(15,658)	(13,415)
Purchase and improvements to investment property		(31,748)	(1,347)	-	-
Advances (to)/from subsidiaries		(188)	-	(35)	7
Interest capitalised	4	(582)	(584)	(184)	(73)
Net cash flows used in investing activities		**(38,334)**	**(13,242)**	**(15,690)**	**(13,481)**
Cash flows from financing activities					
Cash was provided from:					
Proceeds from borrowings		49,747	19,950	18,670	10,910
Cash was applied to:					
Repayment of borrowings		(25,614)	(15,300)	(12,300)	(8,200)
Dividends paid	28	(7,100)	(12,000)	(7,100)	(12,000)
Net cash flows from (to) financing activities		**17,033**	**(7,350)**	**(730)**	**(9,290)**
Increase (decrease) in cash held		**(662)**	**551**	**(242)**	**25**
Cash held at beginning of period		1,230	679	260	235
Cash held at end of period		**568**	**1,230**	**18**	**260**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. General information

Port Otago Limited ("the Company") is a limited company incorporated and domiciled in New Zealand. The address of its registered office and principal place of business is disclosed in the directory of the annual report.

Port Otago Limited operates a full service container port at Port Chalmers and provides wharf facilities in Dunedin. The principal activities of the Company, its subsidiaries, associates and share of joint ventures and joint operations ("the Group") are further described in note 23. The consolidated financial statements presented are those of Port Otago Limited, its subsidiaries, and share of joint ventures and joint operations ("the Group"). The ultimate parent of the Group is the Otago Regional Council.

These financial statements have been prepared to comply with the Companies Act 1993, the Financial Reporting Act 1993 and the Port Companies Act 1988. The financial statements of Port Otago Limited are for the year ended 30 June 2014. The financial statements were authorised for issue by the Board on 17 September 2014.

2. Summary of significant accounting policies

Basis of preparation

These financial statements of Port Otago Limited have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand.

Accounting policies applied in these financial statements comply with NZ IFRS standards issued and are effective as at the time of preparing these statements (August 2014) as applicable to Port Otago Limited as a profit-oriented entity. In complying with NZ IFRS Port Otago Limited is simultaneously in compliance with International Financial Reporting Standards (IFRS).

The Minister of Commerce has approved a new Accounting Standards Framework developed by the External Reporting Board (XRB). This new Accounting Standards Framework is effective for periods beginning on or after 1 July 2013 for profit orientated entities. Under this Accounting Standards Framework, the Company has elected to report as a Tier 1 entity for group reporting purposes.

The preparation of financial statements in accordance with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

Measurement base

These annual financial statements have been prepared under the historical cost convention except for the revaluation of certain assets and the recognition at fair value of certain financial instruments (including derivative instruments).

The following specific accounting policies have a significant effect on the measurement of results and financial position:

Basis of consolidation

The consolidated financial statements include those of Port Otago Limited (the Parent Company) and its subsidiaries and joint operations accounted for by line aggregation of assets, liabilities, revenues, expenses and cash flows that are recognised in the financial statements.

Joint ventures are accounted for using the equity method. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits and losses and movements in other comprehensive income.

All inter-company transactions are eliminated on consolidation.

Subsidiaries

Subsidiaries are entities that are controlled, either directly or indirectly, by the Company. The results of subsidiaries acquired or disposed of during the period are included in the Income Statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

NOTES TO THE FINANCIAL STATEMENTS continued

Joint arrangements

The Group has applied NZ IFRS 11 to all joint arrangements as of 1 July 2013. Under NZ IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. A joint venture is a joint arrangement whereby the parties have rights to the net assets of the arrangement.

A joint operation is a joint arrangement whereby the parties have rights to the assets, and obligations for the liabilities, relating to the arrangement. With these entities the assets, liabilities, revenues and expenses of the joint operation are accounted for on a proportionate basis.

Foreign currencies

(a) Functional presentation currency

The consolidated financial statements are presented in New Zealand dollars, which is the Company's functional currency.

(b) Transactions and balances

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance date are translated to New Zealand dollars at the foreign exchange rate ruling at that date. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at the balance date exchange rate of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement.

Property, plant and equipment

Property, plant and equipment is stated at cost, less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant, interest costs incurred during the period required to construct an item of property, plant and equipment are capitalised as part of the asset's total cost.

Property is classified as property, plant and equipment rather than investment property if the property is held for any of the following reasons:

- to meet the strategic purposes of the port, or
- to form part of buffer zones to port activity, or
- to assist the provision of port services, or
- to promote or encourage the import or export of goods through the port.

Depreciation

Property, plant and equipment are depreciated on a straight-line basis so as to allocate the costs of assets over their estimated useful lives as follows:

Land	nil
Land improvements and buildings	10-50 years
Wharves, paving and dredging	15-70 years
Vessels and floating plant	5-30 years
Plant, equipment and vehicles	3-30 years

Investment property

Investment property, which is property held to earn rentals and/or capital appreciation, is stated at its fair value at the balance sheet date. On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in the Income Statement for the period in which they arise. Independent investment property valuers are appointed on a 3 yearly rotational basis.

Other intangible assets

The cost of acquiring an intangible asset is amortised from the date the asset is ready for use on a straight-line basis over the periods of expected benefit. For computer software the amortisation periods range from 1 to 5 years. For resource consents the amortisation periods range from 10 to 25 years. Where the periods of expected benefit or recoverable values have diminished, due to technological change or market conditions, amortisation is accelerated or the carrying value is written down.

Impairment

Assets are reviewed at each balance sheet date for impairment or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If an indication of

NOTES TO THE FINANCIAL STATEMENTS continued

impairment exists then the asset's recoverable amount is estimated. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised whenever the carrying amount of the asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the Income Statement.

Leases – Finance leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Amounts due from lessees under finance leases are recorded as receivables. Finance lease receivables are initially recognised at amounts equal to the present value of the minimum lease payments receivable plus the present value of any unguaranteed residual value expected to accrue at the end of the lease term. Finance lease payments are allocated between interest revenue and reduction of the lease receivable over the term of the lease in order to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

Leases – Operating leases

Leases under which the lessor substantially retains all the risks and benefits of ownership are classified as operating leases. Operating lease payments are recognised as an expense in the periods the amounts are payable.

Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of stores, materials and maintenance spares are determined on a weighted average basis. The carrying amount of inventories includes appropriate allowances for obsolescence and deterioration.

Property held for sale

Property classified as held for sale is measured at:

- fair value for investment property held for sale (NZ IAS 40); and
- fair value less estimated costs of disposal, measured at the time of transfer, for items transferred from property, plant and equipment (NZ IFRS 5).

Property is classified as held for sale if the carrying amount will be recovered through a sales transaction rather than through continuing use. Property is not depreciated or amortised while it is classified as held for sale.

Investment property inventories

Investment property inventories are accounted for as inventory under NZ IAS 2 and initially recognised at deemed cost represented by the fair value at the time of commencement of the development. Further costs directly incurred through development activities are capitalised to the cost of the investment property inventories.

Investment property inventories are valued annually and are measured at the lower of cost and net realisable value. Where costs exceed the net realisable value of the investment property inventories the resulting impairments are included in Income Statement in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition and/or construction of plant and equipment and long term investment property development projects, are capitalised as part of the cost of those assets. Other borrowing costs are expensed in the period in which they are incurred.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less. Bank overdrafts form an integral part of the Group's cash management and are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's Balance Sheet when the Group becomes a party to the contractual provisions of the instrument.

(a) Trade and other receivables including advances

Trade and other receivables, including advances, are recognised initially at fair value and

NOTES TO THE FINANCIAL STATEMENTS continued

subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is expensed in the Income Statement.

(b) Investments

Share investments held by the Group are classified as available-for-sale and are stated at fair value less impairment. Gains and losses arising from changes in fair value are recognised directly in equity, until the investment is disposed of or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in profit or loss for the period. Investments in listed companies are valued at selling price as at balance date.

When parent company accounts are presented as part of annual financial reporting, investments in subsidiaries and associates are measured at cost.

(c) Borrowings

Borrowings are recognised initially at fair value. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Income Statement over the period of the borrowings, using the effective interest method.

(d) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently measured at amortised cost, using the effective interest method.

(e) Derivative financial instruments

1. Managing financial risk

   The Group's activities expose it primarily to the financial risks of changes in credit risk, interest rates and foreign exchange rates. The Group uses derivative financial instruments to minimise potential adverse effects from certain risk exposures.

   - Interest rate risk

     Borrowings at variable interest rates expose the Group to interest rate risk. The Group manages its interest rate risk by using floating-to-fixed interest rate swaps with a range of terms. These interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates.

   - Foreign exchange risk

     The Group is exposed to foreign exchange risk when purchasing major items of plant and equipment with payment denominated in a foreign currency. Foreign currency forward purchase contracts are used to limit the Group's exposure to movements in exchange rates on foreign currency denominated liabilities and purchase commitments.

   - Market risk

     The fair value of shares in listed companies will fluctuate as a result of changes in market prices. Market prices for a particular share may fluctuate due to factors specific to the individual share or its issuer, or factors affecting all shares traded in the market.

   - Credit risk

     In the normal course of business the Group incurs credit risk from trade receivables. Reflecting the nature of the business, a concentration of credit risk occurs due to a small number of shipping line and warehousing clients comprising a majority amount of port trade receivables. Regular monitoring of trade receivables is undertaken to ensure that the credit exposure remains within the Group's normal terms of trade.

2. Accounting for derivative financial instruments

   Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are remeasured at their fair value at subsequent reporting dates. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

NOTES TO THE FINANCIAL STATEMENTS continued

The Group designates hedges of highly probable forecast transactions as cash flow hedges. Changes in the fair value of derivatives qualifying as cash flow hedges are recognised in other comprehensive income and transferred to the cash flow hedge reserve in equity. The ineffective component of the fair value changes on the hedging instrument is recorded directly in the Income Statement.

When a hedging instrument expires or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Income Statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Income Statement. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the Income Statement.

For qualifying hedge relationships, the Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The net differential paid or received on interest rate swaps is recognised as a component of interest expense over the period of the swap agreement.

(f) Fair value estimation

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the reporting date, taking into account current interest rates. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance date.

The fair value of listed shares traded actively on the Stock Exchange is based on quoted market prices at the balance date.

Employee benefits

Provision is made for benefits accruing to employees in respect of salaries and wages, annual leave, sick leave, long service leave, retiring allowances, superannuation contributions, profit sharing and bonus plans when it is probable that settlement will be required.

(a) Short term employee benefits

Provisions made in respect of employee benefits expected to be settled within 12 months are measured at undiscounted amounts based on remuneration rates that the Group expects to pay.

(b) Long term employee benefits

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to the reporting date. These provisions are affected by a number of estimates including projected interest rates, the expected length of service of employees and future levels of employee earnings.

Provisions

A provision is recognised in the Balance Sheet when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are calculated by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money.

Revenue recognition

(a) Provision of services

Revenue from port services is recognised in the accounting period in which the actual service is provided to the customer.

(b) Rental income

Rental income is recognised on a straight-line basis over the term of the relevant lease. Initial

NOTES TO THE FINANCIAL STATEMENTS continued

direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

(c) Interest income
Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the asset to that asset's net carrying amount.

(d) Dividend income
Dividend income is recognised when the right to receive payment is established, being the declaration date of the dividend.

(e) Sale of investments, investment property and property held for sale
Net gains or losses on the sale of investments, investment property and property held for sale are recognised when an unconditional contract is in place and it is probable that the Group will receive the consideration due and significant risks and rewards of ownership of assets have been transferred to the buyer.

Taxation
Income tax expense represents the sum of the tax currently payable and deferred tax, except to the extent that it relates to items recognised directly in equity, in which case the tax expense is also recognised in equity.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using the tax rates that have been enacted by the balance date.

Deferred income tax is provided in full, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the balance date and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Goods and services tax (GST)
The Income Statement and Statement of Cash Flows have been prepared so that all components are stated exclusive of GST. All items in the Balance Sheet are stated net of GST with the exception of receivables and payables, which include GST invoiced.

Critical estimates and assumptions
The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will seldom, by definition, equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimate of fair value of investment property
At each balance date the Group obtains annual valuations of investment property, determined by registered independent valuers, in accordance with the accounting policy stated in the statement of accounting policies.

The best evidence of fair value is current prices in an active market for similar properties. In the absence of such information recent sales prices of similar properties in less active markets are used, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

NOTES TO THE FINANCIAL STATEMENTS continued

Changes in property market values, including changes arising from alterations to proposed and existing planning rules, may result in the fair values of investment property being different from previous estimates. The carrying amount of investment property is detailed in note 10.

Property, plant and equipment
At each balance date, the Group reviews the useful lives and residual values of its property, plant and equipment. Assessing the appropriateness of useful lives and residual value estimates of property, plant and equipment requires the Group to consider a number of factors such as the physical condition of the asset, expected period of use of the asset by the Group, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life of residual value will impact on the depreciable amount of an asset, therefore impacting on the depreciation expense recognised in the Income Statement, and carrying amount of the asset in the Balance Sheet. The Group minimises the risk of this estimation uncertainty by:

- physical inspection of assets
- asset replacement programmes
- analysis of prior asset sales.

The Group has not made significant changes to past assumptions concerning useful lives and residual values. The carrying amount of plant and equipment is disclosed in note 9.

Comparatives
Certain prior period revenue and expenditure has been reclassified between functional categories for consistency with the current period.

New standards first applied in the period
The company has adopted NZ IFRS 10 Consolidated Financial Statements, NZ IFRS 11 Joint Arrangements and NZ IFRS 12 Disclosures of Interests in Other Entities which have not had a material impact on the balances disclosed in the financial statements but have increased the level of disclosures required for interests in other entities and fair value assessments. NZ IFRS 13 Fair value Measurement has also been adopted which does have an effect on measurement but is immaterial.

Standards, amendments and interpretations issued but not yet effective
At the date of authorisation of these financial statements the following standards and interpretations were in issue but not yet effective, which are not expected to have a material impact but may affect presentation and disclosure:

NZ IFRS 9 Financial Instruments (effective for accounting period beginning 1 July 2017).

The Group does not intend to early adopt this standard.

Other standards and interpretations in issue but not yet effective are not expected to have an impact in the financial statements of the company in the period of initial application.

The Group did not early adopt any new or amended standards in 2014.

NOTES TO THE FINANCIAL STATEMENTS continued

3. Operating expenses

Expenses incurred in the financial year of $51.5 million for the Group (Parent: $49.2 million) include the following:

	Notes	Group		Parent Company	
		2014 $000	2013 $000	2014 $000	2013 $000
Auditors' remuneration					
Audit services – Audit New Zealand		114	103	87	77
Audit services – PricewaterhouseCoopers		10	32	-	20
Total auditors' remuneration		**124**	**135**	**87**	**97**
Bad and doubtful debts					
Bad debts recovered		-	(5)	-	(5)
Bad debts written off		-	1	-	1
Total bad and doubtful debts		**-**	**(4)**	**-**	**(4)**
Directors' remuneration		343	294	247	214
Donations and community sponsorship		24	26	24	26
Loss on disposal of assets		42	-	42	-
Operating leases		895	831	1,005	855
Staff costs					
Wages and salaries		24,507	24,666	23,890	24,205
Defined contribution plan employer contributions		1,164	1,113	1,148	1,101
Total staff costs		**25,671**	**25,779**	**25,038**	**25,306**
Depreciation and amortisation					
Depreciation of property, plant and equipment	9	7,296	7,013	7,263	6,985
Amortisation of intangibles	13	272	337	269	308
Amortised leasing costs		87	98	8	5
Total depreciation and amortisation		**7,655**	**7,448**	**7,540**	**7,298**

4. Financing costs

	Notes	Group		Parent Company	
		2014 $000	2013 $000	2014 $000	2013 $000
Interest income		496	47	4	2
Interest expense and bank facility fees		(6,713)	(6,050)	(4,212)	(4,392)
Foreign exchange gain/(loss)		8	(23)	8	(23)
Capitalised borrowing costs	18	582	584	184	73
		(5,627)	**(5,442)**	**(4,016)**	**(4,340)**

NOTES TO THE FINANCIAL STATEMENTS continued

5. Income taxes

(a) The total charge for the year can be reconciled to the accounting profit as follows:

	Group		Parent Company	
	2014 $000	2013 $000	2014 $000	2013 $000
Profit before tax	**37,321**	**41,118**	**15,357**	**17,249**
Imputation credits	174	36	174	36
	37,495	41,154	15,531	17,285
Prima facie tax expense at 28%	(10,499)	(11,523)	(4,348)	(4,840)
Non-deductible items	(505)	(1,799)	(766)	(1,427)
Non assessable income	147	46	1,148	2,562
Unrealised change in investment property	4,329	6,286	-	-
Tax loss offset (via subvention payment)	103	3,073	103	2,270
Prior year adjustment	52	-	-	-
Deferred tax expense relating to the origination and reversal of temporary differences	702	855	702	762
Benefit of imputation credits	174	36	174	36
Income tax expense	**(5,497)**	**(3,026)**	**(2,987)**	**(637)**
Allocated between:				
Current tax	(6,135)	(4,112)	(3,328)	(3,668)
Prior period adjustments to current tax	103	803	103	2,269
Deferred tax	535	283	238	762

(b) Imputation credits available for use in subsequent periods:

	Group	
	2014 $000	2013 $000
Balance at end of year	**19,841**	**16,551**

Port Otago Limited is part of a consolidated tax group including its subsidiary, Chalmers Properties Limited.

No adjustment has been made for credits associated with tax payable due to the uncertainty regarding loss transfers.

NOTES TO THE FINANCIAL STATEMENTS continued

5. Income taxes (continued)

(c) The following are the major deferred tax liabilities and assets and the movements thereon during the current and prior reporting periods.

Group	Property, plant and equipment $000	Investment property $000	Financial instruments $000	Other $000	Total $000
Balance 1 July 2013	14,895	4,760	(737)	(1,816)	17,102
Charged / (credited) to hedging reserve direct to equity	-	-	104	-	104
Charged / (credited) to income statement	(615)	(394)	479	88	(442)
Balance at 30 June 2014	**14,280**	**4,366**	**(154)**	**(1,728)**	**16,764**
Balance 1 July 2012	15,370	4,180	(1,486)	(1,621)	16,443
Charged / (credited) to hedging reserve direct to equity	-	-	942	-	942
Charged / (credited) to income statement	(475)	580	(193)	(195)	(283)
Balance at 30 June 2013	**14,895**	**4,760**	**(737)**	**(1,816)**	**17,102**

Parent Company	Property, plant and equipment $000	Investment property $000	Financial instruments $000	Other $000	Total $000
Balance 1 July 2013	14,895	-	(641)	(1,842)	12,412
Charged / (credited) to hedging reserve direct to equity	-	-	118	-	118
Charged / (credited) to income statement	(614)	-	330	46	(238)
Balance at 30 June 2014	**14,281**	**-**	**(193)**	**(1,796)**	**12,292**
Balance 1 July 2012	15,370	-	(1,260)	(1,724)	12,386
Charged / (credited) to hedging reserve direct to equity	-	-	788	-	788
Charged / (credited) to income statement	(475)	-	(169)	(118)	(762)
Balance at 30 June 2013	**14,895**	**-**	**(641)**	**(1,842)**	**12,412**

NOTES TO THE FINANCIAL STATEMENTS continued

6. Trade and other receivables

	Group		Parent Company	
	2014 $000	2013 $000	2014 $000	2013 $000
Trade receivables	9,568	9,835	8,149	7,535
Amount owing by subsidiaries and related parties	175	-	88	54
Prepayments	585	575	538	510
Balance at end of year	**10,328**	**10,410**	**8,775**	**8,099**

7. Finance leases

	Minimum future lease payments Group		Present value of minimum future lease receivables Group	
	2014 $000	2013 $000	2014 $000	2013 $000
Repayments due:				
No later than 1 year	214	214	171	154
Later than 1 year and not later than 5 years	374	587	344	515
Later than 5 years	-	-	-	-
Minimum future lease payments	588	801	515	669
Gross finance lease receivables	588	801	515	669
Less unearned finance income	(73)	(132)	-	-
Present value of minimum lease payments	**515**	**669**	**515**	**669**
Included in the financial statements as:				
Current			171	154
Non-current			344	515
			515	**669**

The finance lease receivable relates to the Group funding of tenant improvements to an investment property. A lease commenced in April 2007 for an initial period of 10 years and the finance lease receivable will be recovered over this period. The pre-tax interest rate applicable to the finance lease receivable is 10.2%. Interest income is recognised on a consistent basis to produce a constant rate of return on the net investment.

8. Provisions

	Group		Parent Company	
	2014 $000	2013 $000	2014 $000	2013 $000
Balance at beginning of the year	-	-	-	-
Provision for future sales contract	260	-	-	-
Balance at end of year	**260**	**-**	**-**	**-**

A joint operation in which the Group has a 50% share has entered into a long-term unconditional contract for the sale of 9.2 hectares of bare land which is further detailed in note 12(c). At 30 June 2014, the investment property has been fair valued which results in a provision for the difference between the present value of the sales price and the fair value.

NOTES TO THE FINANCIAL STATEMENTS continued

9. Property, plant and equipment

Group

Current period to 30 June 2014

	Land $000	Buildings and improvements $000	Wharves and berth dredging $000	Plant, equipment and vehicles $000	Capital work in progress $000	Total $000
Cost						
Balance 1 July 2013	34,304	38,914	51,680	80,316	11,116	216,330
Additions	-	7,258	2,973	4,476	-	14,707
Disposals	(82)	(191)	-	(3,104)	-	(3,377)
Transfers	-	648	224	11	(317)	566
Cost at 30 June 2014	**34,222**	**46,629**	**54,877**	**81,699**	**10,799**	**228,226**
Accumulated depreciation						
Balance 1 July 2013	-	10,726	12,297	40,273	-	63,296
Depreciation for period	-	1,654	1,591	4,051	-	7,296
Disposals	-	(49)	-	(3,079)	-	(3,128)
Transfers	-	648	224	11	-	883
Depreciation at 30 June 2014	**-**	**12,979**	**14,112**	**41,256**	**-**	**68,347**
Net book value						
At 30 June 2013	34,304	28,188	39,383	40,043	11,116	153,034
At 30 June 2014	**34,222**	**33,650**	**40,765**	**40,443**	**10,799**	**159,879**

Comparative period to 30 June 2013

	Land $000	Buildings and improvements $000	Wharves and berth dredging $000	Plant, equipment and vehicles $000	Capital work in progress $000	Total $000
Cost						
Balance 1 July 2012	33,992	37,682	49,814	79,590	2,539	203,617
Additions	312	1,232	1,866	727	13,450	17,587
Disposals	-	-	-	(1)	-	(1)
Transfers	-	-	-	-	(4,873)	(4,873)
Cost at 30 June 2013	**34,304**	**38,914**	**51,680**	**80,316**	**11,116**	**216,330**
Accumulated depreciation						
Balance 1 July 2012	-	9,346	10,811	36,126	-	56,283
Depreciation for period	-	1,380	1,486	4,147	-	7,013
Disposals	-	-	-	-	-	-
Depreciation at 30 June 2013	**-**	**10,726**	**12,297**	**40,273**	**-**	**63,296**
Net book value						
At 30 June 2012	33,992	28,336	39,003	43,464	2,539	147,334
At 30 June 2013	**34,304**	**28,188**	**39,383**	**40,043**	**11,116**	**153,034**

NOTES TO THE FINANCIAL STATEMENTS continued

9. Property, plant and equipment (continued)

Parent Company

Current period to 30 June 2014

	Land $000	Buildings and improvements $000	Wharves and berth dredging $000	Plant, equipment and vehicles $000	Capital work in progress $000	Total $000
Cost						
Balance 1 July 2013	34,304	38,914	51,680	80,030	11,106	216,034
Additions	-	7,250	2,973	4,416	-	14,639
Disposals	(82)	(191)	-	(3,067)	-	(3,340)
Transfers	-	648	224	11	(335)	548
Cost at 30 June 2014	**34,222**	**46,621**	**54,877**	**81,390**	**10,771**	**227,881**
Accumulated depreciation						
Balance 1 July 2013	-	10,726	12,297	40,100	-	63,123
Depreciation for period	-	1,653	1,591	4,019	-	7,263
Disposals	-	(49)	-	(3,067)	-	(3,116)
Transfers	-	648	224	11	-	883
Depreciation at 30 June 2014	**-**	**12,978**	**14,112**	**41,063**	**-**	**68,153**
Net book value						
At 30 June 2013	34,304	28,188	39,383	39,930	11,106	152,911
At 30 June 2014	**34,222**	**33,643**	**40,765**	**40,327**	**10,771**	**159,728**

Comparative period to 30 June 2013

	Land $000	Buildings and improvements $000	Wharves and berth dredging $000	Plant, equipment and vehicles $000	Capital work in progress $000	Total $000
Cost						
Balance 1 July 2012	33,992	37,682	49,814	79,344	2,537	203,369
Additions	312	1,232	1,866	686	13,442	17,538
Disposals	-	-	-	-	-	-
Transfers	-	-	-	-	(4,873)	(4,873)
Cost at 30 June 2013	**34,304**	**38,914**	**51,680**	**80,030**	**11,106**	**216,034**
Accumulated depreciation						
Balance 1 July 2012	-	9,346	10,811	35,981	-	56,138
Depreciation for period	-	1,380	1,486	4,119	-	6,985
Disposals	-	-	-	-	-	-
Depreciation at 30 June 2013	**-**	**10,726**	**12,297**	**40,100**	**-**	**63,123**
Net book value						
At 30 June 2012	33,992	28,336	39,003	43,363	2,537	147,231
At 30 June 2013	**34,304**	**28,188**	**39,383**	**39,930**	**11,106**	**152,911**

NOTES TO THE FINANCIAL STATEMENTS continued

10. Investment property

	Notes	Group 2014 $000	Group 2013 $000
Balance at beginning of year		217,210	199,297
Property purchased		27,358	-
Property improvements during the period		1,479	364
Property sold		(5,300)	-
Net movement in prepaid leasing costs		61	28
Net movement in incentives		122	179
Capitalised borrowing costs	18	214	406
Unrealised change in the value of investment property		13,366	24,095
Transfer (to) from investment property inventories	11	455	(5,539)
Transfer to property held for sale	12	(22,306)	(1,620)
Balance at end of year		**232,659**	**217,210**
Comprising:			
Property portfolio at cost		80,973	73,388
Revaluation		151,686	143,822
		232,659	**217,210**
Valued at 30 June balance date as determined by:			
At discounted contract selling price		-	1,860
Colliers International NZ Limited		156,170	197,038
CBRE Limited		58,416	-
Seagar and Partners (Manukau) Limited		18,073	18,312
Property recorded at fair value		**232,659**	**217,210**

The Group's investment properties are valued annually at fair value effective 30 June. Fair value reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of the current market conditions.

All valuations were completed by registered independent valuers who conform to the New Zealand Property Institute Practice Standards. The valuers have extensive market knowledge in the types of investment properties owned by the Group.

All investment properties were valued based on open market evidence including market rentals, land sales and yield information available to the valuers.

Included within the gross values for investment properties are capitalised leasing costs. These costs represent expenditure incurred by the Group in relation to letting of property. These costs are initially recorded as an asset and amortised over the life of the lease they relate to. At balance date $302,000 (last year: $241,000) of capitalised leasing costs are included in the gross balance of investment properties.

There were no significant contractual obligations of a capital and/or maintenance nature relating to the current investment property portfolio at balance date (last year: nil).

NOTES TO THE FINANCIAL STATEMENTS continued

10. Investment property (continued)

The potential future cash flows have been capitalised using the following ranges:

	Group 2014 $000	Group 2013 $000
Otago Region		
Lease term	0-21 years	0-21 years
Capitalisation rate	0% to 9.5%	0% to 9.3%
Occupancy rate	0% to 100%	16% to 100%
Auckland Region		
Lease term	3-14 years	1-12 years
Capitalisation rate	6.3% to 9.5%	6.3% to 9.3%
Occupancy rate	78% to 100%	83% to 100%

11. Investment property inventories

	Notes	Group 2014 $000	Group 2013 $000
Balance at beginning of year		6,150	-
Transfer (to) from investment property	10	(455)	5,539
Property sold		(1,734)	-
Development costs		2,747	1,007
Capitalised borrowing costs	18	183	104
Impairment of inventory		(597)	(500)
Balance at end of year		**6,294**	**6,150**
Property portfolio cost component		6,488	4,864
Property revaluation component		(194)	1,286
Total		**6,294**	**6,150**

Impairment adjustments

During the year inventories were written down for impairment by $597,000 (2013: $500,000). This impairment was to record the inventories at their net realisable value which was lower than the inventories cost.

Developed land for sale

The Group holds a 50% interest in The Hamilton Joint Venture (HJV) and a 33.3% interest in the Hamilton Porter JV (HPJV). During the year the development works for the first stage of an industrial subdivision was completed within the respective joint operations.

In HJV, upon completion, 5.6 hectares of developed land for sale was generated from the subdivision. A sale of 1.3 hectares was settled during June 2014. The balance of the land totalling 4.3 hectares is being actively marketed by the joint operation. The carrying value of the land of $5.79 million (Group 50% share $2.9 million) reflects a net realisable value based upon $135/m2 as determined by Seagars and Partners in their June 2014 valuation.

In HPJV, upon completion, 6.0 hectares of developed land for sale was generated from the subdivision. A sale of 0.8 hectares was settled during June 2014. The balance of the land totalling 5.2 hectares is being actively marketed by the joint operation. The carrying value of the land of $7.07 million (Group 33.3% share $2.4 million) reflects a net realisable value based upon $135/m2 as determined by Seagars and Partners in their June 2014 valuation.

NOTES TO THE FINANCIAL STATEMENTS continued

11. Investment property inventories (continued)

Land in development

During the previous year, HJV and HPJV commenced development activities for stage 1 of the industrial subdivision. The development has realised 11.6 hectares of developed land. At balance date the carrying value represents 2.4 hectares of land which is subject to further works prior to its completion. All costs to completion have been accrued. Once complete a further 1.9 hectares of land will be available for sale.

In their valuation at 30 June 2014 the Seagar and Partners valuation of the investment property in development is based on $135/m2 (30 June 2013: $84/m2).

12. Property held for sale

	Notes	Group	
		2014	2013
		$000	$000
Balance at beginning of year		2,990	1,420
Transfer from investment property	10	22,306	1,620
Development costs		4	-
Property sold		(1,967)	-
Unrealised change in the value of property held for sale		2,208	(50)
Balance at end of year		**25,541**	**2,990**
Comprising:			
Property held for sale - at cost		17,478	912
Property held for sale - valuation component at the time of transfer		8,063	2,078
		25,541	**2,990**
Analysed as:			
Current		17,518	1,570
Non-current		8,023	1,420
		25,541	**2,990**

Property held for sale comprises:

a) Sale of 10% of the original Newby 1 block to the former CPL Chief Executive

The Group holds a 50% interest in The Hamilton Joint Venture (HJV) which has contracted to sell 10% of the original Newby 1 block to a related party. Note 26(b) contains details of the contract terms. This land is classified as property held for sale since the land is to be sold in the ordinary course of business.

During the year settlement for 1.0 hectares of the land was concluded. The balance remaining of $1.02 million (2013: $1.42 million) is expected to be recovered in more than 12 months after 30 June 2014.

b) Sale of land to Hamilton City Council

The Group holds a 50% interest in HJV which holds a 1.3 hectare area of land that is to vest as road and be acquired by Hamilton City Council. The selling price of the land has been agreed to be $0.85 million. The group's 50% share of the sales proceeds is $0.42 million. Settlement of this transaction is anticipated to occur during August 2014.

c) Sale of land to Tainui Development Limited

The Group holds a 50% interest in the Hamilton JV N3 (HJVN3). During June 2013 the joint operation entered into an unconditional sales and purchase agreement for the sale of 10.2 hectares of land. This was subsequently reduced to 9.2 hectares after completion of a survey as required by the agreement.

The investment property held for sale has been fair valued at $45/m^2, with a provision for loss on contract of $0.52 million (Group 50% share $0.26 million, of which is the difference between the present value of the sales price ($3.63 million – Group 50% share $1.81 million) and the fair value ($4.15 million – Group 50% share $2.07 million). The contracted sales price is $3.69 million (Group 50% share $1.84 million) equates to $40/m2. Settlement is to occur on 31 October 2014 (2013: 20 June 2015).

d) Sale of 11 Dalgety Drive, Wiri, Auckland

During June 2014 a marketing campaign for the sale of the Auckland investment property at 11 Dalgety Drive was commenced by way of a deadline sales campaign which was due to close on 23 July 2014.

NOTES TO THE FINANCIAL STATEMENTS continued

The property was valued on 30 June 2014 by Colliers International NZ Limited at a fair value of $12.85 million which included capital works in progress at balance date. The carrying value of $12.4 million is net of expected selling costs.

e) Sale of Dunedin ground lease
During May 2014 Chalmers Properties Limited entered into 2 unconditional sales and purchase agreements, with 2 separate parties for the sale of land within the Dunedin ground lease portfolio. The sales of the blocks of 0.5 hectares and 1.4 hectares respectively will be sold for a total agreed sales price of $9.85 million. The carrying value for the 2 land blocks of $9.58 million reflects the fair value as determined by Colliers International NZ Limited.

Settlement in respect of the sales transactions are expected to occur within the period 31 March 2015 and 1 August 2015.

13. Intangible assets

Group

Current period to 30 June 2014

	Notes	Computer software $000	Resource consents $000	Total $000
Cost				
Balance 1 July 2013		5,561	3,905	9,466
Additions		232	1,298	1,530
Disposals		(644)	-	(644)
Balance at 30 June 2014		**5,149**	**5,203**	**10,352**
Accumulated amortisation				
Balance 1 July 2013		4,963	-	4,963
Amortisation expense	3	272	-	272
Disposals		(644)	-	(644)
Balance at 30 June 2014		**4,591**	**-**	**4,591**
Net book value				
At 30 June 2013		598	3,905	4,503
At 30 June 2014		**558**	**5,203**	**5,761**

Group

Comparative period to 30 June 2013

	Notes	Computer software $000	Resource consents $000	Total $000
Cost				
Balance 1 July 2012		5,351	3,297	8,648
Additions		210	608	818
Disposals		-	-	-
Balance at 30 June 2013		**5,561**	**3,905**	**9,466**
Accumulated amortisation				
Balance 1 July 2012		4,626	-	4,626
Amortisation expense	3	337	-	337
Disposals		-	-	-
Balance at 30 June 2013		**4,963**	**-**	**4,963**
Net book value				
At 30 June 2012		725	3,927	4,022
At 30 June 2013		**598**	**3,905**	**4,503**

NOTES TO THE FINANCIAL STATEMENTS continued

13. Intangible assets (continued)

Parent Company

Current period to 30 June 2014

	Notes	Computer software $000	Resource consents $000	Total $000
Cost				
Balance 1 July 2013		5,424	3,905	9,329
Additions		232	1,298	1,530
Disposals		(644)	-	(644)
Balance at 30 June 2014		**5,012**	**5,203**	**10,215**
Accumulated amortisation				
Balance 1 July 2013		4,829	-	4,829
Amortisation expense	3	269	-	269
Disposals		(644)	-	(644)
Balance at 30 June 2014		**4,454**	**-**	**4,454**
Net book value				
At 30 June 2013		595	3,905	4,500
At 30 June 2014		**558**	**5,203**	**5,761**

Parent Company

Comparative period to 30 June 2013

	Notes	Computer software $000	Resource consents $000	Total $000
Cost				
Balance 1 July 2012		5,214	3,297	8,511
Additions		210	608	818
Disposals		-	-	-
Balance at 30 June 2013		**5,424**	**3,905**	**9,329**
Accumulated amortisation				
Balance 1 July 2012		4,521	-	4,521
Amortisation expense	3	308	-	308
Disposals		-	-	-
Balance at 30 June 2013		**4,829**	**-**	**4,829**
Net book value				
At 30 June 2012		693	3,297	3,990
At 30 June 2013		**595**	**3,905**	**4,500**

NOTES TO THE FINANCIAL STATEMENTS continued

13. Intangible assets (continued)

Computer software

Computer software assets are stated at cost, less accumulated amortisation and impairment.

Resource consents

Resource consents relate to the granting of the Next Generation consents which will allow Port Otago to deepen and widen the channel in Otago Harbour so larger ships will be able to call at Port Chalmers. Consents were granted in January 2013 and were not activated as at 30 June 2014. Amortisation of the carrying amounts will commence on the activation of the consents and will be amortised over the life of the consents which vary from 10 and 20 years.

14. Trade and other payables

	Group		Parent Company	
	2014 $000	2013 $000	2014 $000	2013 $000
Accounts payable	4,243	4,779	2,919	3,529
Other accrued charges	1,285	1,326	1,069	1,153
Property deposits received	649	-	-	-
Balance at end of year	**6,177**	**6,105**	**3,988**	**4,682**

At balance date all accounts payable were current and payable within 30 days.

15. Employee entitlements

	Notes	Group		Parent Company	
		2014 $000	2013 $000	2014 $000	2013 $000
Accrued wages, salaries and other benefits		472	483	432	451
Annual leave		3,057	3,183	3,057	3,183
Long service leave		731	716	731	716
Retiring allowances		154	229	154	229
Sick leave		49	65	49	65
Related party incentive	26(b)	238	579	-	-
Balance at end of year		**4,701**	**5,255**	**4,423**	**4,644**
Analysed as:					
Current		3,577	3,731	3,537	3,699
Non-current		1,124	1,524	886	945
		4,701	**5,255**	**4,423**	**4,644**

NOTES TO THE FINANCIAL STATEMENTS continued

16. Borrowings

	Group		Parent Company	
	2014 $000	2013 $000	2014 $000	2013 $000
Bank borrowings	**119,582**	**95,592**	**69,380**	**63,010**
Analysed as:				
Current	11,852	762	-	-
Non-current	107,730	94,830	69,380	63,010
	119,582	**95,592**	**69,380**	**63,010**

(a) Port Otago Group facility

The Group has a $130 million (last year: $110 million) committed facility with ANZ Bank New Zealand Limited. The Group may draw funding for terms ranging from call to the termination of the agreement, which is 31 December 2016.

The security for advances is a cross guarantee between Port Otago Limited and Chalmers Properties Limited in favour of the lender, general security agreement over the assets of the Group and registered first-ranking mortgages over land.

(b) The Hamilton Joint Venture facility

The Group has a 50% interest in The Hamilton Joint Venture (HJV) which has an $18 million (last year: $18 million) committed facility with ANZ Bank New Zealand Limited at an effective interest rate of 5.19% per annum (last year: 5.21%). HJV may draw funding for terms ranging from call to the termination of the facility, which is 31 December 2014. At 30 June 2014, HJV had drawn $18 million under its facility (last year: $18 million), with the Group's 50% share amounting to $9 million (last year: $9 million).

Security for bank advances under the HJV facility is as follows:

- A first registered mortgage over various joint venture land holdings
- A general security agreement over the assets of both joint venture participants. Perpetual Property Limited is the Group's joint venture participant.
- Guarantees (each limited to $21 million) from the owners of both joint operation participants. Chalmers Properties Limited is the owner of the Group's joint operation participant.

(c) Hamilton Porter Joint Venture facility

The Group has a 33.3% interest in the Hamilton Porter Joint Venture (HPJV) which has a $7.5 million (last year: $7.5 million) committed facility with ANZ Bank New Zealand Limited at an effective interest rate of 5.71% per annum (last year: 4.71%). HPJV may draw funding for terms ranging from call to the termination of the facility, which is 31 December 2014. At 30 June 2014 HPJV had drawn $7.5 million under its facility (last year: $7.5 million), with the Group's 33.3% share amounting to $2.5 million (last year: $2.5 million).

In addition, HPJV has a $6.5 million short term advances facility with the ANZ Bank New Zealand Limited. The joint operation was previously able to draw against the facility based upon development expenditure incurred as part of the industrial subdivision development being undertaken by HPJV and HJV. At 30 June 2014, HPJV had drawn $1.06 million (last year: $1.86 million) of the short term advances facility, with the Group share amounting to $0.352 million. The termination date of the facility is 20 November 2014.

Security for bank advances under the HPJV facility is as follows:

- A first registered mortgage over various joint operation land holdings
- A general security agreement over the assets of the joint operation participants. Perpetual Property Limited is the Group's joint operation participant.
- Guarantees (each limited to $15 million) from the owners of the joint operation participants. Chalmers Properties Limited is the owner of the Group's joint operation participant.

The carrying amount of borrowings reflects fair value as the borrowing finance rates approximate market rates.

NOTES TO THE FINANCIAL STATEMENTS continued

17. Equity accounted investments

	Group		Parent Company	
	2014 $000	2013 $000	2014 $000	2013 $000
Ordinary shares at cost			685	685
Balance at beginning of year	1,039	875	-	-
Share of profit from joint ventures recognised in the Income Statement	250	259	-	-
Distributions from joint ventures	(130)	(95)	-	-
Balance at end of year	**1,159**	**1,039**	**685**	**685**

Port Otago Limited has a 50% shareholding in Icon Logistics Limited (2013: 50%) with Harbour Logistics Limited, holding the remaining 50%. Note 23a includes summarised financial information of the joint venture.

18. Capitalised borrowing costs

	Notes	Group		Parent Company	
		2014 $000	2013 $000	2014 $000	2013 $000
Borrowing costs capitalised during the year	4	582	584	184	73
Weighted average capitalisation rate on funds borrowed		5.59%	5.69%	5.78%	6.85%

19. Share capital

	Group		Parent Company	
	2014 $000	2013 $000	2014 $000	2013 $000
Issued and paid up capital 20,000,000 shares	20,000	20,000	20,000	20,000

All shares carry equal voting rights and the right to share in any surplus on the winding up of the Group.

20. Reserves

Retained earnings reserve

The purpose of the retained earnings reserve is to hold funds for future investment or returns to the shareholder.

Property revaluation reserve

The revaluation reserve relates to the revaluation of investment property.

Hedging reserve

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

Available-for-sale revaluation reserve

The available-for-sale revaluation reserve arises on the revaluation of shares in listed companies. Where a financial asset is sold that portion of the reserve which relates to that financial asset and is effectively realised is recognised in the Income Statement. Where a financial asset is impaired that portion of the reserve which relates to that financial asset is recognised in the Income Statement.

The available-for-sale revaluation reserve has a credit balance of $13,698,000 (last year: credit balance $8,159,000). This reflects the difference at balance date between the market price of listed shares and their cost.

NOTES TO THE FINANCIAL STATEMENTS continued

20. Reserves (continued)

Capital management strategy

The Company's capital is its equity, which comprises retained earnings noted above. Equity is represented by net assets.

The owners of the Company require the Board to manage its reserves, expenses, assets and liability transactions prudently. The Company's equity is therefore managed as a by-product of these prudent transactions.

The objective of managing the Company's equity is to ensure that the Company effectively achieves its objectives while providing a financial return to the owners.

The Company manages capital on the basis of the equity ratio with a target range of 65% to 75%.

	Notes	Group		Parent Company	
		2014 $000	2013 $000	2014 $000	2013 $000
Retained earnings					
Balance at beginning of year		140,251	137,704	104,253	99,641
Profit for the year		31,824	38,092	12,370	16,612
Less dividends paid	28	(7,100)	(12,000)	(7,100)	(12,000)
Transfers (to)/from property revaluation reserve:					
Realised on property sold		2,609	-	-	-
Unrealised change in the value of investment property	10,11,12	(14,977)	(23,545)	-	-
Balance at end of year		**152,607**	**140,251**	**109,523**	**104,253**
(a) Property revaluation reserve:					
Balance at beginning of year		147,187	123,642	-	-
Transfers from/(to) retained earnings:					
Realised on property sold		(2,609)	-	-	-
Change in value of investment property	10,11,12	14,977	23,545	-	-
Balance at end of year		**159,555**	**147,187**	**-**	**-**
(b) Available-for-sale revaluation reserve – shares in listed companies:					
Balance at beginning of year		8,159	(5,295)	8,159	(5,295)
Valuation gain recognised		5,539	13,454	5,539	13,454
Balance at end of year		**13,698**	**8,159**	**13,698**	**8,159**
(c) Hedging reserve:					
Balance at beginning of year		(1,288)	(3,711)	(1,368)	(3,395)
Change in fair value of interest rate swaps and forward exchange contracts		370	3,365	421	2,815
Deferred tax arising on fair value movement		(104)	(942)	(118)	(788)
Balance at end of year		**(1,022)**	**(1,288)**	**(1,065)**	**(1,368)**
Total Reserves		**324,838**	**294,309**	**122,156**	**111,044**

NOTES TO THE FINANCIAL STATEMENTS continued

21. Financial instruments

(a) **Financial instrument categories**

The accounting policies for financial instruments have been applied to the line items below which illustrate the potential profit and equity (excluding retained earnings) impact for reasonably possible market movements where the impact is significant.

Group 2014	Designated at fair value $000	Loans and receivables $000	Other amortised cost $000	Total carrying amount $000
Assets				
Cash and cash equivalents	-	568	-	568
Trade and other receivables	-	10,328	-	10,328
Finance leases	-	171	-	171
Total current assets	-	11,067	-	11,067
Listed shares	50,642	-	-	50,642
Derivative financial instruments	205	-	-	205
Finance leases	-	344	-	344
Total non-current assets	50,847	344	-	51,191
Total assets	**50,847**	**11,411**	**-**	**62,258**
Liabilities				
Trade and other payables	-	-	6,177	6,177
Secured loans	-	-	11,852	11,852
Derivative financial instruments	772	-	-	772
Total current liabilities	772	-	18,029	18,801
Secured loans	-	-	107,730	107,730
Derivative financial instruments	45	-	-	45
Total non-current liabilities	45	-	107,730	107,775
Total liabilities	**817**	**-**	**125,759**	**126,576**

Group 2013	Designated at fair value $000	Loans and receivables $000	Other amortised cost $000	Total carrying amount $000
Assets				
Cash and cash equivalents	-	1,230	-	1,230
Trade and other receivables	-	10,410	-	10,410
Finance leases	-	154	-	154
Total current assets	-	11,794	-	11,794
Listed shares	45,103	-	-	45,103
Finance leases	-	515	-	515
Total non-current assets	45,103	515	-	45,618
Total assets	**45,103**	**12,309**	**-**	**57,412**
Liabilities				
Trade and other payables	-	-	6,105	6,105
Secured loans	-	-	762	762
Derivative financial instruments	1,463	-	-	1,463
Total current liabilities	1,463	-	6,867	8,330
Secured loans	-	-	94,830	94,830
Derivative financial instruments	1,185	-	-	1,185
Total non-current liabilities	1,185	-	94,830	96,015
Total liabilities	**2,648**	**-**	**101,697**	**104,345**

NOTES TO THE FINANCIAL STATEMENTS continued

21. Financial instruments (continued)

(a) Financial instrument categories (continued)

The accounting policies for financial instruments have been applied to the line items below which illustrate the potential profit and equity (excluding retained earnings) impact for reasonably possible market movements where the impact is significant.

Parent 2014	Designated at fair value $000	Loans and receivables $000	Other amortised cost $000	Total carrying amount $000
Assets				
Cash and cash equivalents	-	18	-	18
Trade and other receivables	-	8,775	-	8,775
Total current assets	-	8,793	-	8,793
Listed shares	50,642	-	-	50,642
Total non-current assets	50,642	-	-	50,642
Total assets	**50,642**	**8,793**	**-**	**59,435**
Liabilities				
Trade and other payables	-	-	3,988	3,988
Derivative financial instruments	648	-	-	648
Total current liabilities	648	-	3,988	4,636
Secured loans	-	-	69,380	69,380
Derivative financial instruments	45	-	-	45
Total non-current liabilities	45	-	69,380	69,425
Total liabilities	**693**	**-**	**73,368**	**74,061**

Parent 2013	Designated at fair value $000	Loans and receivables $000	Other amortised cost $000	Total carrying amount $000
Assets				
Cash and cash equivalents	-	260	-	260
Trade and other receivables	-	8,099	-	8,099
Total current assets	-	8,359	-	8,359
Listed shares	45,103	-	-	45,103
Total non-current assets	45,103	-	-	45,103
Total assets	**45,103**	**8,359**	**-**	**53,462**
Liabilities				
Trade and other payables	-	-	4,682	4,682
Derivative financial instruments	1,163	-	-	1,163
Total current liabilities	1,163	-	4,682	5,845
Secured loans	-	-	63,010	63,010
Derivative financial instruments	1,128	-	-	1,128
Total non-current liabilities	1,128	-	63,010	64,138
Total liabilities	**2,291**	**-**	**67,692**	**69,983**

NOTES TO THE FINANCIAL STATEMENTS continued

21. Financial instruments (continued)

(b) Credit quality of financial assets

The maximum credit exposure for each class of financial asset is as follows:

	Group		Parent Company	
	2014 $000	2013 $000	2014 $000	2013 $000
Cash at bank and term deposits (Credit rating AA-)	568	1,230	18	260
Debtors and other receivables (Non-rated - nil defaults)	10,328	10,410	8,775	8,099
Finance leases (Non-rated - nil defaults)	515	669	-	-
Total credit risk	**11,411**	**12,309**	**8,793**	**8,359**

Debtors and other receivables mainly arise from the Group's principal activities and procedures are in place to regularly monitor trade receivables to ensure that the credit exposure remains within the Group's normal terms of trade.

Regular monitoring of other financial assets is undertaken to ensure the credit exposure is appropriate for that class of asset.

Liquidity risk

Management of 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 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. No trade receivables were individually impaired.

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:

	Group		Parent Company	
	2014 Gross receivable $000	2013 Gross receivable $000	2014 Gross receivable $000	2013 Gross receivable $000
Not past due	8,394	8,562	6,869	6,311
Past due 30-60 days	1,485	1,364	1,474	1,314
Past due 61-90 days	342	29	341	24
Past due more than 90 days	107	455	91	450
Total	**10,328**	**10,410**	**8,775**	**8,099**

NOTES TO THE FINANCIAL STATEMENTS continued

21. Financial instruments (continued)

(c) Contractual maturity analysis of financial instruments

Financial assets

The table below analyses financial assets into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date.

	Weighted average effective interest rate	Carrying amount $000	Contractual cash flows $000	Less than 1 Year $000	2-5 years $000	Greater than 5 years $000
Group 2014						
Cash and cash equivalents	-	568	568	568	-	-
Debtors and other receivables	-	10,328	10,328	10,328	-	-
Finance leases	12.0%	515	588	214	374	-
Total	-	**11,411**	**11,484**	**11,110**	**374**	-
Parent Company 2014						
Cash and cash equivalents	-	18	18	18	-	-
Debtors and other receivables	-	8,775	8,775	8,775	-	-
Total	-	**8,793**	**8,793**	**8,793**	-	-
Group 2013						
Cash and cash equivalents	-	1,230	1,230	1,230	-	-
Debtors and other receivables	-	10,410	10,410	10,410	-	-
Finance leases	12.0%	669	801	214	587	-
Total	-	**12,309**	**12,441**	**11,854**	**587**	-
Parent Company 2013						
Cash and cash equivalents	-	260	260	260	-	-
Debtors and other receivables	-	8,099	8,099	8,099	-	-
Total	-	**8,359**	**8,359**	**8,359**	-	-

Financial liabilities

The table below analyses financial liabilities into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date. Future interest payments on floating rate debt are based on the floating rate of the instrument at the balance date. The amounts disclosed are the contractual undiscounted cash flows.

	Weighted average effective interest rate	Carrying amount $000	Contractual cash flows $000	Less than 1 Year $000	2-5 years $000	Greater than 5 years $000
Group 2014						
Creditors and other payables	-	(6,177)	(6,177)	(6,177)	-	-
Net settled derivative liabilities	-	(612)	(715)	(944)	192	38
Secured loans	5.4%	(119,582)	(129,205)	(63,803)	(60,087)	(5,316)
Total	-	**(126,371)**	**(136,097)**	**(70,924)**	**(59,895)**	**(5,278)**
Parent Company 2014						
Creditors and other payables	-	(3,988)	(3,988)	(3,988)	-	-
Net settled derivative liabilities	-	(693)	(800)	(795)	(43)	38
Secured loans	5.7%	(69,380)	(76,958)	(23,340)	(48,302)	(5,316)
Total	-	**(74,061)**	**(81,746)**	**(28,123)**	**(48,345)**	**(5,278)**
Group 2013						
Creditors and other payables	-	(6,105)	(6,105)	(6,105)	-	-
Net settled derivative liabilities	-	(2,648)	(3,006)	(1,814)	(1,425)	233
Secured loans	5.4%	(95,592)	(109,141)	(20,924)	(72,889)	(15,328)
Total	-	**(104,345)**	**(118,252)**	**(28,843)**	**(74,314)**	**(15,095)**
Parent Company 2013						
Creditors and other payables	-	(4,682)	(4,682)	(4,682)	-	-
Net settled derivative liabilities	-	(2,291)	(2,629)	(1,476)	(1,330)	177
Secured loans	5.7%	(63,010)	(73,581)	(14,180)	(48,346)	(11,055)
Total	-	**(69,983)**	**(80,892)**	**(20,338)**	**(49,676)**	**(10,878)**

NOTES TO THE FINANCIAL STATEMENTS continued

21. Financial instruments (continued)

(d) Sensitivity analysis of financial instruments

The tables below illustrate the potential profit and equity (excluding retained earnings) impact for reasonably possible market movements where the impact is significant.

Group	2014				2013			
	-100bps		+100bps		-100bps		+100bps	
	Profit $000	Other equity $000	Profit $000	Other equity $000	Profit $000	Other equity $000	Profit $000	Other equity $000
Interest rate risk								
Financial liabilities								
Derivatives								
- hedge accounted	-	(1,105)	-	25	-	(1,424)	-	811
- non-hedge accounted	(386)	-	378	-	(346)	-	338	-
Borrowings	1,196	-	(1,196)	-	955	-	(955)	-
Total sensitivity to interest rate risk	**810**	**(1,105)**	**(818)**	**25**	**609**	**(1,424)**	**(617)**	**811**

	-10%		+10%		-10%		+10%	
	Profit	Other equity	Profit	Other equity	Profit	Other equity	Profit	Other equity
Equity price risk								
Financial assets								
Shares in listed companies	-	(5,064)	-	5,064	-	(4,510)	-	4,510
Total sensitivity to equity price risk	**-**	**(5,064)**	**-**	**5,064**	**-**	**(4,510)**	**-**	**4,510**

Parent Company	2014				2013			
	-100bps		+100bps		-100bps		+100bps	
	Profit $000	Other equity $000	Profit $000	Other equity $000	Profit $000	Other equity $000	Profit $000	Other equity $000
Interest rate risk								
Financial liabilities								
Derivatives								
- hedge accounted	-	(851)	-	815	-	(1,562)	-	203
- non-hedge accounted	(322)	-	315	-	(208)	-	1,358	-
Borrowings	694	-	(694)	-	630	-	(630)	-
Total sensitivity to interest rate risk	**372**	**(851)**	**(379)**	**815**	**422**	**(1,562)**	**728**	**203**

	-10%		+10%		-10%		+10%	
	Profit	Other equity	Profit	Other equity	Profit	Other equity	Profit	Other equity
Equity price risk								
Financial assets								
Shares in listed companies	-	(5,064)	-	5,064	-	(4,510)	-	4,510
Total sensitivity to equity price risk	**-**	**(5,064)**	**-**	**5,064**	**-**	**(4,510)**	**-**	**4,510**

NOTES TO THE FINANCIAL STATEMENTS continued

21. Financial instruments (continued)

(e) Fair value measurements recognised in the Statement of Comprehensive Income

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

• Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

• Level 2 - fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

• Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial instruments at fair value	Group 2014				Group 2013			
	Level 1 $000	Level 2 $000	Level 3 $000	Total $000	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Financial assets at fair value								
Shares in listed companies	50,642	-	-	50,642	45,103	-	-	45,103
Investment property inventories	-	-	6,294	6,294	-	-	6,150	6,150
Property held for sale	-	-	25,541	25,541	-	-	2,990	2,990
Investment property	-	-	232,659	232,659	-	-	217,210	217,210
Derivative financial instruments	-	205	-	205	-	-	-	-
Total financial assets at fair value	**50,642**	**205**	**264,494**	**315,341**	**45,103**	**-**	**226,350**	**271,453**
Financial liabilities at fair value								
Provision for future sales contract	-	-	260	260	-	-	-	-
Derivative financial instruments	-	817	-	817	-	2,648	-	2,648
Total financial liabilities fair value	**-**	**817**	**260**	**1,077**	**-**	**2,648**	**-**	**2,648**

NOTES TO THE FINANCIAL STATEMENTS continued

21. Financial instruments (continued)

(e) Fair value measurements recognised in the Statement of Comprehensive Income (continued)

Financial instruments at fair value	Parent Company 2014				Parent Company 2013			
	Level 1 $000	Level 2 $000	Level 3 $000	Total $000	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Financial assets at fair value								
Shares in listed companies	50,642	-	-	50,642	45,103	-	-	45,103
Total financial assets at fair value	**50,642**	**-**	**-**	**50,642**	**45,103**	**-**	**-**	**45,103**
Financial liabilities at fair value								
Derivative financial instruments	**-**	**693**	**-**	**693**	**-**	**2,291**	**-**	**2,291**
Total financial liabilities at fair value	-	**693**	**-**	**693**	**-**	**2,291**	**-**	**2,291**

Level 3 fair value measurements	Group 2014 $000	Group 2013 $000
Balance at beginning of year	226,350	200,717
Unrealised net change in the value of investment property		
Investment property	13,366	24,095
Investment property inventories	(597)	(500)
Property held for sale	2,208	(50)
Purchases		
Investment property	29,234	977
Investment property inventories	2,930	1,111
Property held for sale	4	-
Sales		
Investment property	(5,300)	-
Investment property inventories	(1,734)	-
Property held for sale	(1,967)	-
Provision for future sales		
Property held for sale	(260)	-
Balance at the end of the year	**264,234**	**226,350**

The fair values of financial assets and financial liabilities are determined as follows:

• Level 1 - the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices. Financial assets in this category include shares in listed companies.

• Level 2 - the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

• Level 3 - the fair value of investment property is determined by registered independent valuers who conform with the New Zealand Property Institute Practice Standards.

NOTES TO THE FINANCIAL STATEMENTS continued

21. Financial instruments (continued)

(e) Fair value measurements recognised in the Statement of Comprehensive Income (continued)

The Group carried its investment in a listed entity at its quoted price on the NZX. The investment in Lyttelton Port Company Limited was included in Level 1 of the fair value measurement hierarchy.

The Group carries interest rate derivatives (derivative financial instruments) at fair value. These instruments are included in Level 2 of the fair value measurement hierarchy. Interest rate derivative fair values are valued and are calculated using a discounted cash flow model using FRA rates provided by ANZ Bank New Zealand Limited based on the reporting date of 30 June 2014.

The Group's total property portfolio was valued by external valuation on the basis of fair value, in accordance with international and Property Institute of New Zealand (PINZ) Valuation Standards. The fair values presented are based on market values. In determining the value for an investment property and property held for sale where income is receivable for a reasonable term from secure tenants, the direct capitalisation of passing income method is used. For other investment property, property held for sale and the provision for future sales contract, the contract income approach, market income approach and discounted cash flow ("DCF") methods are used. Investment property in development uses the DCF method.

Property valuation is inherently subjective as they are made on the basis of assumptions made by the valuers which may not prove to be accurate. For these reasons, we have classified the valuations of our property portfolio as Level 3. There is a policy of rotation of independent investment property valuers. The terms of rotation are investment properties, every three years and ground leases, every four years. Valuations are reviewed by senior management at the Group level and only finalised when senior management have given approval.

The key inputs used to measure fair values of property portfolio are as follows:

		Fair value measurement sensitivity to significant		
Significant input	**Description**	**Increase in input**	**Decrease in input**	**Valuation method**
Discount rate	The rate applied to future cash flows ,it reflects transactional evidence from similar types of property, comparable sales and consideration of the long term bond rate	Decrease	Increase	Capitalisation, Market Income & DCF Approach
Rental growth rate	The rate applied to the market rental over the 10 cash flow projection	Increase	Decrease	Capitalisation, Market Income & DCF Approach
Terminal capitalisation rate	The rate used to determine the terminal value of the property	Decrease	Increase	Capitalisation, Market Income & DCF Approach
Cash flow term	The term of Project Cash Flows measure in years (10 years)	Increase	Decrease	Capitalisation, Market Income & DCF Approach
Profit & risk profile	Risk Assessment rate for investment property in development	Decrease	Increase	Capitalisation Approach
Market capitalisation rate	The capitalisation rate applied to the market rental to assess a property's fair value. Derived from similar transaction evidence taking into account location, weighted average lease term, customer covenant, size and quality of property.	Decrease	Increase	Capitalisation Approach
Undiscounted sales rate	The hypothetical sales rate per m^2	Increase	Decrease	Capitalisation, Market Income & DCF Approach
Development deferment years	Years assumed in which development will occur	Decrease	Increase	Capitalisation, Market Income & DCF Approach

NOTES TO THE FINANCIAL STATEMENTS continued

21. Financial instruments (continued)

(e) Fair value measurements recognised in the Statement of Comprehensive Income (continued)

The following table discloses the quantitative information by asset class of the key significant inputs disclosed on the previous page:

Asset class	Fair value $000	Significant inputs	
Investment property inventories			
Hamilton	$6,294	6.5%	Discount rate
		20% - 25%	Profit and risk profile
		$225/m^2	Undiscounted sales rate/m^2
Property held for sale			
Hamilton	$3,521	17.5% - 45%	Profit and risk profile
		$45/m2 - $68/m^2	Undiscounted sales rate/m^2
Auckland	$12,439	10.75%	Discount rate
		2.46%	Rental growth rate
		10.75%	Terminal growth rate
		10 years	Cash flow term
Dunedin	$9,581	5.5% - 5.85%	Market capitalisation rate
Investment property			
Dunedin ground leases	$128,670	0% - 9.5%	Market capitalisation rate
Dunedin investment property	$3,715	2% - 2.5%	Rental growth rate
		9% - 9.25%	Terminal capitalisation rate
		10 years	Cash flow term
Auckland investment property	$82,201	8.5% - 10.75%	Discount rate
		2.69%	Rental growth rate
		6.5% - 10.75%	Terminal capitalisation rate
		10 years	Cash flow term
Hamilton investment property	$18,073	6.5%	Discount rate
		$45/m^2 - $225/m^2	Undiscounted sales rate/m^2
		3 – 8 years	Development deferment years

NOTES TO THE FINANCIAL STATEMENTS continued

22. Reconciliation of consolidated operating cash flows

	Group		Parent Company	
	2014 $000	2013 $000	2014 $000	2013 $000
The reconciliation between profit and the cash flow from operations is:				
Profit for the year	31,824	38,092	12,370	16,612
Plus/(less) non cash items:				
Unrealised net change in the value of investment property	(14,977)	(23,545)	-	-
Depreciation and amortisation	7,655	7,448	7,540	7,298
Movement in the fair value of interest rate swaps and forward exchange contracts	(1,665)	688	(1,176)	605
Movement in non-current employee entitlements	(400)	121	(59)	38
Movement in deferred tax	(442)	(283)	(239)	(762)
Plus/(less) items classified as investing activities:				
Loss on sale of property, plant and equipment	42	-	37	-
Gain on disposal of investment property	(628)	-	-	-
Share of surpluses retained by joint ventures	(120)	(164)	-	-
Movement in working capital items:				
Trade and other receivables	(94)	(1,710)	(730)	(1,347)
Trade and other payables	189	2,214	(694)	1,319
Current employee entitlements	(154)	228	(162)	196
Income tax	(796)	(1,260)	(679)	(1,091)
Inventories	(65)	(29)	(65)	(28)
Movement in working capital items classified as investing activities	270	(657)	35	(44)
Net cash flows from operating activities	**20,639**	**21,143**	**16,178**	**22,796**

23. Investment in subsidiaries, joint ventures and joint operations

Port Otago Limited operates a full service container port at Port Chalmers and provides wharf facilities at Dunedin. The following tables detail the principal activities of the company's subsidiaries, joint ventures and joint operations.

(a) **Joint venture investments accounted for using the equity method**

Set out below is the summarised financial information for Icon Logistics Limited in which Port Otago Limited has a 50% ownership interest and has been accounted for using the equity method. Icon Logistics Limited provides container transport and warehousing services in Dunedin which are strategic to the port operating activities of the Parent. Icon Logistics Limited has a 30 June balance date and there are no contingent liabilities relating to the Group's interest in the joint venture.

The contractual terms of the arrangement specify that all parties are only liable to the extent of their respective investment or to contribute any unpaid or additional capital to the arrangement. Unanimous consent of all the parties to the arrangement is required for all capital and material decisions to the extent its impact is in excess of $50,000. Shareholders are restricted from selling, transferring or disposing of any shares without first offering for sale to the other shareholders.

NOTES TO THE FINANCIAL STATEMENTS continued

23. Investment in subsidiaries, joint ventures and joint operations (continued)

(a) Joint venture investments accounted for using the equity method (continued)

The information below reflects the amounts presented in the financial statements of Icon Logistics Limited, and not the Group's share of those amounts which is disclosed in note 17.

Summarised Balance Sheet

	Icon Logistics Limited 100% 2014 $000	Icon Logistics Limited 100% 2013 $000
Cash and cash equivalents	605	472
Other current assets	926	838
Total current assets	1,531	1,310
Non-current assets	1,586	1,358
Total assets	3,117	2,668
Current liabilities	(799)	(590)
Net assets	**2,318**	**2,078**

Summarised Statement of Comprehensive Income

	Icon Logistics Limited 100% 2014 $000	Icon Logistics Limited 100% 2013 $000
Operating revenue	6,556	6,214
Interest revenue	8	12
Interest expense	(2)	(3)
Profit before tax from continuing activities	700	746
Income tax expense	(200)	(227)
Total comprehensive income	**500**	**519**

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

	Icon Logistics Limited 100% 2014 $000	Icon Logistics Limited 100% 2013 $000
Opening net assets	2,078	1,749
Total comprehensive income for the period	500	519
Less shareholder distributions	(260)	(190)
Closing net assets	2,318	2,078
Interest in joint venture (50%)	**1,159**	**1,039**

NOTES TO THE FINANCIAL STATEMENTS continued

23. Investment in subsidiaries, joint ventures and joint operations (continued)

(b) Joint operation investments accounted for on a proportionate consolidation basis

Set out below are the joint operations of the Group as at 30 June 2014, which have been accounted for on a proportionate consolidation basis. All the joint operations have a 30 June balance date.

All the parties to the following joint arrangements have joint control, that is, decisions require the unanimous consent of all the parties sharing control. The contractual terms of the arrangements specify that all parties to the arrangements share all liabilities, obligations, costs and expenses in proportion to the parties' ownership interest. Guarantees provided to the joint operations are disclosed in note 16(a) and 16(b).

Nature of investment in joint operation

Name	% of ownership Interest	Principal activity	Principal place of business
HarbourCold Dunedin	50%	Cold store operation	Dunedin
The Hamilton Joint Venture	50%	Property investment	Hamilton
Hamilton JV (N3)	50%	Property investment	Hamilton
Hamilton Porter Joint Venture	33.3%	Property investment	Hamilton
Ormiston Road Joint Venture	50%	Property investment	Auckland

The investment in HarbourCold Dunedin is strategic to the port operating activities. The property investments detailed above provide geographical diversification of the investment property portfolio. Any capital commitments and contingent liabilities arising from the Group's interest in the joint operations are disclosed in notes 24 and 25 respectively.

The following summarised financial information reflects the amounts presented in the financial statements of the individual joint operations, and not the Group's share of those amounts:

Current period to 30 June 2014

	100% The Hamilton Joint Venture	100% The Hamilton Porter Joint Venture	100% The Hamilton Joint Venture (N3)	100% Ormiston Road Joint Venture	100% HarbourCold Dunedin	Total
	$000	$000	$000	$000	$000	$000
Cash and cash equivalents	112	80	547	-	83	822
Other current assets	16,807	10,213	4,168	-	203	31,391
Total current assets	16,919	10,293	4,715	-	286	32,213
Non-current assets	21,877	8,766	8,442	-	39	39,124
Total assets	**38,796**	**19,059**	**13,157**	**-**	**325**	**71,337**
Current debt	(18,000)	(8,557)	(7,033)	-	-	(33,590)
Other current liabilities	(837)	(1,610)	(1,350)	-	(65)	(3,862)
Non-current debt	-	-	-	-	-	-
Non-current liabilities	(476)	-	-	-	-	(476)
Total liabilities	(19,313)	(10,167)	(8,383)	-	(65)	(37,928)
Net assets	**19,483**	**8,892**	**4,774**	**-**	**260**	**33,409**
Operating revenue	26	-	8	-	1,765	1,799
Interest revenue	400	121	12	-	1	534
Interest expense	(1,256)	(630)	(390)	-	-	(2,276)
Profit before tax from continuing activities	(1,127)	(1,983)	75	(17)	266	(2,786)
Income tax expense	-	-	-	-	-	-
Total comprehensive income	**(1,127)**	**(1,983)**	**75**	**(17)**	**266**	**(2,786)**

NOTES TO THE FINANCIAL STATEMENTS continued

23. Investment in subsidiaries, joint ventures and joint operations (continued)

(b) Joint operation investments accounted for on a proportionate consolidation basis (continued)

Comparative period to 30 June 2013

	100% The Hamilton Joint Venture	100% The Hamilton Porter Joint Venture	100% The Hamilton Joint Venture (N3)	100% Ormiston Road Joint Venture	100% HarbourCold Dunedin	Total
	$000	$000	$000	$000	$000	$000
Cash and cash equivalents	208	152	898	14	239	1,511
Other current assets	17,197	8,909	7	3,140	232	29,485
Total current assets	17,405	9,061	905	3,154	471	30,996
Non-current assets	21,677	9,808	12,144	-	27	43,656
Total assets	**39,082**	**18,869**	**13,049**	**3,154**	**498**	**74,652**
Current debt	-	(1,860)	(7,033)	-	-	(8,893)
Other current liabilities	(1,379)	(229)	(889)	(158)	(144)	(2,799)
Non-current debt	(18,000)	(7,500)	-	-	-	(25,500)
Other non-current liabilities	(1,157)	-	-	-	-	(1,157)
Total liabilities	(20,536)	(9,589)	(7,922)	(158)	(144)	(38,349)
Net assets	**18,546**	**9,280**	**5,127**	**2,996**	**354**	**36,303**
Operating revenue	39	2	8	-	2,078	2,127
Interest revenue	166	10	-	-	3	179
Interest expense	(1,072)	(398)	(384)	-	-	(1,854)
Profit before tax from continuing activities	413	657	151	(125)	362	(1,458)
Income tax expense	-	-	-	-	-	-
Total comprehensive income	**413**	**657**	**151**	**(125)**	**362**	**(1,458)**

The following summarised financial information reflects the amounts presented in the financial statements of the Group:

Current period to 30 June 2014

	50% The Hamilton Joint Venture	33.3% The Hamilton Porter Joint Venture	50% The Hamilton Joint Venture (N3)	50% Ormiston Road Joint Venture	50% HarbourCold Dunedin	Total
	$000	$000	$000	$000	$000	$000
Cash and cash equivalents	56	27	274	-	42	399
Other current assets	8,404	3,401	2,084	-	101	13,990
Total current assets	8,460	3,428	2,358	-	143	14,389
Non-current assets	10,939	2,919	4,221	-	20	18,099
Total assets	**19,399**	**6,347**	**6,579**	**-**	**163**	**32,488**
Current debt	(9,000)	(2,849)	(3,517)	-	-	(15,366)
Other current liabilities	(419)	(537)	(675)	-	(33)	(1,664)
Non-current debt	-	-	-	-	-	-
Other non-current liabilities	(238)	-	-	-	-	(238)
Total liabilities	(9,657)	(3,386)	(4,192)	-	(33)	(17,268)
Net assets	**9,742**	**2,961**	**2,387**	**-**	**130**	**15,220**
Operating revenue	13	-	4	-	883	900
Interest revenue	200	40	6	-	1	247
Interest expense	(628)	(210)	(195)	-	-	(1,033)
Profit before tax from continuing activities	(564)	(660)	38	(9)	133	(1,062)
Income tax expense	-	-	-	-	-	-
Total comprehensive income	**(564)**	**(660)**	**38**	**(9)**	**133**	**(1,062)**

NOTES TO THE FINANCIAL STATEMENTS continued

23. Investment in subsidiaries, joint ventures and joint operations (continued)

(b) Joint operation investments accounted for on a proportionate consolidation basis (continued)

Comparative period to 30 June 2013

	50% The Hamilton Joint Venture $000	33.3% The Hamilton Porter Joint Venture $000	50% The Hamilton Joint Venture (N3) $000	50% Ormiston Road Joint Venture $000	50% HarbourCold Dunedin $000	Total $000
Cash and cash equivalents	104	50	449	7	120	730
Other current assets	8,599	2,967	4	1,570	116	13,256
Total current assets	8,703	3,017	453	1,577	236	13,986
Non-current assets	10,839	3,266	6,072	-	14	20,191
Total assets	**19,542**	**6,283**	**6,525**	**1,577**	**250**	**34,177**
Current debt	-	(619)	(3,517)	-	-	(4,136)
Other current liabilities	(690)	(76)	(444)	(79)	(72)	(1,361)
Non-current debt	(9,000)	(2,498)	-	-	-	(11,498)
Other non-current liabilities	(579)	-	-	-	-	(579)
Total liabilities	(10,269)	(3,193)	(3,961)	(79)	(72)	(17,574)
Net assets	**9,273**	**3,090**	**2,564**	**1,498**	**178**	**16,603**
Operating revenue	20	1	4	-	1,039	1,064
Interest revenue	83	3	-	-	2	88
Interest expense	(536)	(133)	(192)	-	-	(861)
Profit before tax from continuing activities	207	219	76	(63)	181	620
Income tax expense	-	-	-	-	-	-
Total comprehensive income	**207**	**219**	**76**	**(63)**	**181**	**620**

(c) Principal subsidiaries

The Group had the following subsidiaries at 30 June 2014. All subsidiaries have a 30 June balance date.

Name	% of ownership interest	Principal activity
Chalmers Properties Limited	100%	Property investment
Perpetual Property Limited	100%	Property investment
Fiordland Pilot Services Limited	100%	Shipping services

There are no significant restrictions to the Company settling the liabilities of the subsidiaries or the Company's access to the assets, except for the general security agreement and registered first-ranking mortgages over land as detailed in note 16. There has been no significant change in the risks associated with these interests.

Chalmers Properties Limited has provided an advance to Perpetual Property Limited to fund its share of land acquisition and development expenditure. Various joint operation loans, in which Perpetual Property Limited has an interest in mature during the next 12 months. Chalmers Properties has ready access to financial resources to advance its share of the loans should the loans not be renewed or extended.

The current intention of Chalmers Properties Limited is to provide ongoing financial support to Perpetual Property Limited.

Port Otago Limited, Chalmers Properties Limited and Fiordland Pilot Services Limited have a $300,000 overdraft offset facility arrangement which is included in the Group debt facility detailed in note 16(a). The purpose of this arrangement is to minimise any interest costs to the three entities.

NOTES TO THE FINANCIAL STATEMENTS continued

23. Investment in subsidiaries, joint ventures and joint operations (continued)

(c) Principal subsidiaries (continued)

The following summarised financial information reflects the amounts presented in the financial statements of the Group. The amounts disclosed represent Port Otago's interest in the subsidiaries as there are no non-controlling interests which impact on the subsidiaries activities or cash flows.

Current period to 30 June 2014

	Chalmers Properties Limited $000	Perpetual Property Limited $000	Fiordland Pilot Services Limited $000	Total $000
Cash and cash equivalents	(94)	9	280	195
Other current assets	24,850	-	6	24,856
Total current assets	24,756	9	286	25,051
Non-current assets	222,189	8,325	93	230,607
Total assets	**246,945**	**8,334**	**379**	**255,658**
Current liabilities	(2,128)	(8,206)	(59)	(10,393)
Non-current liabilities	(40,046)	(2,778)	-	(42,824)
Total liabilities	(42,174)	(10,984)	(59)	(53,217)
Net assets	**204,771**	**(2,650)**	**320**	**202,441**
Operating revenue	14,018	806	733	15,557
Interest revenue	610	-	6	616
Interest expense	(1,723)	(441)	-	(2,164)
Profit before tax from continuing activities	27,245	346	354	27,945
Income tax expense	(2,754)	343	(99)	(2,510)
Total comprehensive income	**24,491**	**689**	**255**	**25,435**

Comparative period to 30 June 2013

	Chalmers Properties Limited $000	Perpetual Property Limited $000	Fiordland Pilot Services Limited $000	Total $000
Cash and cash equivalents	128	7	224	359
Other current assets	10,351	-	11	10,362
Total current assets	10,479	7	235	10,721
Non-current assets	197,595	7,659	79	205,333
Total assets	**208,074**	**7,666**	**314**	**216,054**
Current liabilities	(1,911)	(7,884)	(49)	(9,844)
Non-current liabilities	(21,946)	(3,121)	-	(25,067)
Total liabilities	(23,857)	(11,005)	(49)	(34,911)
Net assets	**184,217**	**(3,339)**	**265**	**181,143**
Operating revenue	12,694	26	769	13,489
Interest revenue	536	-	5	541
Interest expense	(1,078)	(302)	-	(1,380)
Profit before tax from continuing activities	32,385	(328)	359	32,416
Income tax expense	(2,246)	(43)	(101)	(2,390)
Total comprehensive income	**30,139**	**(371)**	**258**	**30,026**

NOTES TO THE FINANCIAL STATEMENTS continued

24. Capital expenditure commitments

At 30 June 2014 the Group had commitments/approvals for capital expenditure of $4.42 million (last year: $12.35 million) which relates to purchases and refurbishments of port assets.

Operating lease commitments as lessor

The Company has entered into commercial property leases. These non-cancellable leases have remaining non-cancellable lease terms of up to 21 years.

Future minimum rentals receivable under non-cancellable operating leases as at 30 June are as follows:

	Group		Parent Company	
	2014 $000	2013 $000	2014 $000	2013 $000
Rentals receivable				
Within one year	14,662	13,128	1,406	1,647
After one year but not more than five years	45,275	40,287	4,361	3,076
More than five years	77,410	63,796	5,585	6,330
Minimum future lease receivable	**137,347**	**117,211**	**11,352**	**11,053**

25. Contingent liabilities

Apart from the matters noted below, there are no contingent liabilities at 30 June 2014 (30 June 2013: nil) other than those arising in the normal course of business.

Guarantees

The Group has a 50% interest in The Hamilton Joint Venture (HJV). As part of funding arrangements the Group has guaranteed joint operation borrowings from ANZ Bank New Zealand Limited to a limit of $21 million. Note 16(b) contains further details.

The Group has a 33.3% interest in the Hamilton Porter Joint Venture (HPJV). As part of funding arrangements the Group has guaranteed joint operation borrowings from ANZ Bank New Zealand Limited to a limit of $15 million. Note 16(c) contains further details.

Tax deductibility of acoustic treatment expenditure

Port Otago incurs expenditure to acoustically treat residential properties in Port Chalmers to comply with obligations under the Port Noise Mitigation Plan. This expenditure has been claimed as deductible for income tax purposes as the on-going programme minimises the environmental impact of the existing port activity on the local community. Port Otago has obtained professional taxation advice to support the deductibility of the expenditure.

The Inland Revenue Department has indicated it considers the expenditure to be capital in nature. Assuming the Inland Revenue Department maintains this view and Port Otago is not successful following a formal dispute resolution process, an estimated additional income tax of $250,000 excluding interest and penalties, if any, would be payable.

Dredging and reclamation works performance security bond

Port Otago has entered into a contract to provide dredging services to Lyttelton Port Company Limited for a five year period. A $300,000 performance bond has been provided by Port Otago Limited, the principal, to Lyttelton Port Company Limited, the beneficiary, for the due performance of all obligations and liabilities under the contract. The expiry date of the performance bond is 21 December 2017. As at 30 June 2014, no claim under this bond has been received by the Guarantor, ANZ Bank New Zealand Limited.

NOTES TO THE FINANCIAL STATEMENTS continued

26. Transactions with related parties

(a) Transactions within the Group and with Otago Regional Council

Related party revenue/(expenditure) transactions during the year:

	Group		Parent Company	
	2014 $000	2013 $000	2014 $000	2013 $000
• **Otago Regional Council**				
Contribution towards operation of Harbour Control Centre	60	60	60	60
Property rental	7	7	7	7
Rates expense	(36)	(34)	(36)	(34)
Supplier of goods and services	(2)	2	(2)	2
Capital expense	(18)	(60)	(18)	(60)
• **Chalmers Properties Limited Group**				
Administration services provided	-	-	275	250
Interest expense	-	-	(16)	(7)
Interest revenue	-	-	2	1
Rental costs	-	-	(110)	(46)
• **Harbourcold Dunedin**				
Property rental	-	-	551	551
Supplier of goods and services	-	-	(2)	(46)
• **Fiordland Pilot Services Limited**				
Administration fee	-	-	35	30
Pilot fee	-	-	97	102
Interest expense	-	-	(6)	-
• **Icon Logistics Limited**				
Property rental	186	177	186	177
Supplier of goods and services	(53)	(346)	(53)	(346)
Sales of goods and services	100	101	100	101

Amounts receivable from related parties are included in note 6.

During the year the Group and its shareholder, the Otago Regional Council (ORC), entered into an agreement for the ORC to transfer 2013 tax year losses to the Group. In conjunction with the tax loss transfer of $265,307 (2013 tax year: $7,899,958), by way of a tax loss offset, the Group made a subvention payment of $103,175 (2013 tax year: $3,072,206) to the ORC. The consequence of the tax loss transfer and the subvention payment was a $103,175 reduction in income tax payments in the current year (2013: $3,072,206).

Tax losses from Perpetual Property Limited are offset against the taxable income of Chalmers Properties Limited, both subsidiaries of the Company. A tax loss of $332,000 is to be offset for the 2014 year (2013: $1,060,000).

(b) Financial arrangement – The Hamilton Joint Venture

During the year ended 30 June 2008 The Hamilton Joint Venture agreed to sell 10% (of which the Group's half share amounts to 5%) of a 43.7 hectare gross block of joint operation land to Mr Andrew Duncan, who ceased employment with the Group during 2012.

NOTES TO THE FINANCIAL STATEMENTS continued

26. Transactions with related parties (continued)

(b) Financial arrangement – The Hamilton Joint Venture (continued)

The terms of the transaction with Mr Duncan are as follows:
- Sale price of $2.84 million (plus GST if any) with deposits totalling $0.28 million payable when certain conditions are met and the balance payable on the vendor providing title.
- The Hamilton Joint Venture participants will pay land development costs up to a maximum of $0.84 million plus tax, which amounts to $1.25 million after payroll taxes are added (the Group's share is $0.63 million) with $0.991 million incurred in the 2014 financial year (the Group's share: $0.495 million).

During the year the sale of the first tranche of net developed land from this agreement was settled. The sale concluded the first 0.98 hectares of the total 3.5 hectares per this contract leaving 2.52 hectares remaining to be settled.

At 30 June 2014 a balance sheet provision (refer Note 15) reflects the Group's share of:
- the difference between the $2.02 nominal sale proceeds and the present value of the sales proceeds, and;
- the earned portion of the net present value of incentives to be reimbursed by The Hamilton Joint Venture participants. The discounted incentives are recognised as earned on a straight-line basis over the period from February 2008 to March 2016 (last year: February 2008 to March 2016).

(c) Other related party transactions

Director(s)	Related party	Nature of relationship
D J Faulkner	Director of Gough Holdings Limited	Supplier to the Group
D R Black	Director of Farra Engineering Limited	Supplier to the Group Lease of property from Group
E J Harvey	Chairman of Kathmandu Holdings Limited	Lease of property from Group
E G Johnson	Director of National Institute of Water and Atmospheric Research Limited	Supplier to the Group
V H Pooch	Director of Dynes Transport Tapanui Limited	Supplier to the Group

Related party revenue/(expenditure) transactions during the year:

	Group		Parent Company	
	2014	2013	2014	2013
	$000	$000	$000	$000
• **Farra Engineering Limited**				
Property rental	44	43	-	-
Capital expenditure	(18)	-	(18)	-
Maintenance expense	(20)	(35)	(20)	(35)
• **Gough Holdings Limited** (and it's wholly owned subsidiaries)				
Maintenance expense	(381)	(132)	(381)	(132)
Capital expenditure	(479)	(36)	(479)	(36)
• **Kathmandu Holdings Limited**				
Property rental	238	230	-	-
• **National Institute of Water and Atmospheric Research Limited**				
Capital expenditure	(136)	(59)	(136)	(59)
• **Dynes Transport Tapanui Limited**				
Supplier of goods and services	(126)	(16)	(126)	(16)

NOTES TO THE FINANCIAL STATEMENTS continued

26. Transactions with related parties (continued)

(c) Other related party transactions (continued)

Related party receivable/(payable) at year end:

	Group		Parent Company	
	2014 $000	2013 $000	2014 $000	2013 $000
• **Otago Regional Council**				
Accounts payable	-	-	-	-
Trade receivable	17	17	17	17
• **HarbourCold Dunedin**				
Accounts payable	-	-	-	-
Trade receivable	6	6	3	6
• **Icon Logistics Limited**				
Accounts payable	(3)	-	(3)	-
Trade receivable	28	-	28	-
• **Farra Engineering Limited**				
Accounts payable	-	(31)	-	(31)
Trade receivable	-	12	-	-
• **Gough Holdings Limited** (and it's wholly owned subsidiaries)				
Accounts payable	(45)	(18)	(45)	(18)
Trade receivable	2	-	2	-
• **Dynes Transport Tapanui Limited**				
Accounts payable	(46)	-	(46)	-
Trade receivable	-	-	-	-

All related party transactions are conducted by the management of the respective companies on a commercial and arms length basis.

The amounts owing to/(from) related parties are payable in accordance with the Company's normal terms of trade. No related party debts have been written off or forgiven during the year.

27. Key management personnel compensation

The gross remuneration of Directors and key management personnel during the year was as follows:

	Group		Parent Company	
	2014 $000	2013 $000	2014 $000	2013 $000
Directors' fees	343	294	247	214
Salaries and other short-term employee benefits	1,766	1,896	1,496	1,690
	2,109	**2,190**	**1,743**	**1,904**

NOTES TO THE FINANCIAL STATEMENTS continued

28. Dividends – Group and Parent Company

	Notes	2014 $000	2013 $000
Declared and proposed in respect of the current financial year:			
Interim dividend		2,500	2,500
Second interim dividend		2,700	2,600
Special dividend		-	5,000
Final dividend		1,900	1,900
Dividends for the financial year		**7,100**	**12,000**
Adjust for dividends declared after year end:			
2014 Final dividend declared September 2014	30	(1,900)	-
2013 Final dividend declared September 2013		1,900	(1,900)
2012 Final dividend declared September 2012		-	1,900
Dividend distributed to owners as disclosed in the Consolidated Statement of Changes in Equity		**7,100**	**12,000**
Dividends per share (cents)		35.5	60.0

29. Operating leases - Group and Parent Company

The future minimum lease payments to be paid under non-cancellable operating leases are as follows:

	2014 $000	2013 $000
Minimum rental commitments for all non-cancellable operating leases are:		
Payable within one year	127	100
Payable within one to two years	27	100
Payable within two to five years	38	-
	192	**200**

30. Significant events after balance date

Dividends

On 17 September 2014 the Directors declared a final dividend of $1.9 million for the year ended 30 June 2014. As the final dividend was approved after balance date, the financial effect of the dividend payable of $1.9 million has not been recognised in the Balance Sheet.

Shareholding in Lyttelton Port Company Limited (LPC)

On 1 August 2014, Port Otago entered into a lock-up agreement with Christchurch City Holdings Limited (CCHL) to sell its 15.48% shareholding in LPC for $3.95 per share subject to a $0.20 dividend declared and paid by LPC. On completion of the transaction, $65.7 million will be received.

AUDIT REPORT

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

**To the readers of
Port Otago Limited and group's
financial statements
for the year ended 30 June 2014**

The Auditor-General is the auditor of Port Otago Limited (the company) and group. The Auditor-General has appointed me, Andy Burns, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the company and group on her behalf.

We have audited the financial statements of the company and group on pages 9 to 54, that comprise the consolidated balance sheet as at 30 June 2014, the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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.

Opinion

Financial statements

In our opinion the financial statements of the company and group on pages 9 to 54:

- comply with generally accepted accounting practice in New Zealand; and
- give a true and fair view of the company and group's:
  - financial position as at 30 June 2014; and
  - financial performance and cash flows for the year ended on that date.

Other legal requirements

In accordance with the Financial Reporting Act 1993 we report that, in our opinion, proper accounting records have been kept by the company and group as far as appears from an examination of those records.

Our audit was completed on 17 September 2014. This is the date at which our opinion is expressed.

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

AUDIT REPORT continued

Basis of opinion

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

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

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the company and group's financial statements that give a true and fair view of the matters to which they relate. We consider internal control 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 and group's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of all disclosures in the financial statements; and
- the overall presentation of the financial statements.

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

In accordance with the Financial Reporting Act 1993, we report that we have obtained all the information and explanations we have required. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board of Directors

The Board of Directors is responsible for preparing financial statements that:

- comply with generally accepted accounting practice in New Zealand; and
- give a true and fair view of the company and group's financial position, financial performance and cash flows.

AUDIT REPORT continued

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

The Board of Directors' responsibilities arise from the Financial Reporting Act 1993 and the Port Companies Act 1988.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and section 19 of the Port Companies Act 1988.

Independence

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

Other than the audit, we have no relationship with or interests in the company or any of its subsidiaries.

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

STATUTORY DISCLOSURE

The following disclosures are made pursuant to the Companies Act 1993 in respect of the financial year ended 30 June 2014.

Group activities

Port Otago Limited provides a full range of port facilities, cargo handling and warehousing services at the Port of Otago.

Chalmers Properties Limited, a wholly owned subsidiary, manages the Group's investment property portfolio.

Financial results

The Group recorded a profit for the year of $31.82 million, compared to $38.09 million last year.

Dividends

A final dividend of $1.9 million will be paid on 18 September 2014, which brings total dividends for the year to $7.1 million.

Changes in accounting policies

Accounting policies have been applied on a consistent basis with the prior year.

Directors

In accordance with the Company's constitution at least one third of the Directors retire by rotation at each Annual Meeting. The Directors who retire in each year are those who have been longest in office since their last election or appointment.

At the Company's last Annual Meeting, held on 11 December 2013, Mr D J Faulkner and Mr E G Johnson retired by rotation and were reappointed.

Directors' remuneration

Remuneration paid by the Port Otago Group to Directors during the year was:

	Port Otago Limited $000	Chalmers Properties Limited $000	Total Group $000
D J Faulkner (Chairman)	67	31	98
D R Black (Deputy Chairman)	38	13	51
E J Harvey	35	13	48
E G Johnson	34	13	47
V H Pooch	34	13	47
P F Rea	39	13	52
	247	**96**	**343**

STATUTORY DISCLOSURE continued

Directors' interests

The Directors have disclosed the following general interests for the year ended 30 June 2014 in accordance with Section 140 of the Companies Act 1993:

Director	Entity	Relationship
D J Faulkner	Brightwater Engineering Limited (resigned May 2014)	Director
	Gough Holdings Limited (and its wholly owned subsidiaries)	Director
	Hawkes Bay Regional Investment Company Limited	Director
	Solar City Limited	Chairman
D R Black	Farra Engineering Limited	Chairman
	Forests Otago Limited	Chairman
	Healthcare Otago Charitable Trust (retired December 2013)	Chairman
	Otago Rescue Helicopter Trust	Chairman
E J Harvey	Ballance Agri-Nutrients Limited	Director
	DNZ Property Fund Limited	Director
	Heartland Bank Limited	Director
	Kathmandu Holdings Limited	Director
	New Zealand Opera Limited	Director
	Pomare Investments Limited	Director
E G Johnson	ECL Group Limited (and its wholly owned subsidiaries)	Director
	Goldpine Group Limited (and its wholly owned subsidiaries)	Chairman
	Indevin Group Limited (and its wholly owned subsidiaries)	Chairman
	National Institute of Water and Atmospheric Research Limited (and its wholly owned subsidiaries)	Director
	Port Marlborough New Zealand Limited (and its wholly owned subsidiaries)	Chairman
	Stone Farm Holdings Limited	Director
V H Pooch	Dynes Transport Tapanui Limited	Director
	Key Business Partners Limited	Director
	Number Power Limited	Director
	Southern Hospitality Limited (resigned January 2014)	Chairman
	TD Haulage Limited (and its wholly owned subsidiaries)	Chairman

STATUTORY DISCLOSURE continued

Employee remuneration

During the year, the number of employees of Port Otago Limited and its subsidiaries who received total remuneration in excess of $100,000 are:

Remuneration range ($)	Number of employees
990,001 – 1,000,000	1 *
440,001 – 450,000	1
270,001 – 280,000	1
230,001 – 240,000	1
200,001 – 210,000	2
190,001 – 200,000	6
180,001 – 190,000	1
170,001 – 180,000	1
160,001 – 170,000	1
150,001 – 160,000	2
130,001 – 140,000	4
120,001 – 130,000	2
110,001 – 120,000	11
100,001 – 110,000	14

Remuneration includes salary, bonuses, motor vehicles and other sundry benefits received in the person's capacity as an employee. Bonus payments are paid in the following financial year to which they relate.

* The Hamilton Joint Venture entered into an agreement in 2008 with the CEO of Chalmers Properties Limited to sell him 3.5 hectares of net developed land. The CEO left the Group's employment in the 2012 financial year. As part of the agreement, the Group paid bonuses which offset the Hamilton Joint Ventures share of land development costs. The Hamilton Joint Ventures total commitment over the term of the contract is $1.25 million of which $0.991 million was incurred in the 2014 financial year (Group share: $0.495 million). Further details of the agreement are set out in note 26(b).

Directors of subsidiary companies

Directors' fees for Chalmers Properties Limited are shown under Directors' remuneration. No Directors' fees were paid by Fiordland Pilot Services Limited, Perpetual Property Limited and South Freight Limited.

The following persons held office as Directors of subsidiary companies at 30 June 2014:

Company	Director
Chalmers Properties Limited	D J Faulkner, D R Black, E J Harvey, E G Johnson, V H Pooch, P F Rea
Fiordland Pilot Services Limited	D J Faulkner, D R Black, E J Harvey, E G Johnson, V H Pooch, P F Rea
Perpetual Property Limited	D J Faulkner, D R Black, E J Harvey, E G Johnson, V H Pooch, P F Rea
South Freight Limited	D J Faulkner

Directors' insurance

The Group provides insurance cover for Directors under the following policies:

(a) Directors' liability insurance which ensures that generally Directors will incur no monetary loss as a result of action undertaken by them as Directors.

(b) Personal accident insurance which covers Directors while travelling on company business.

Use of company information

There were no notices received from Directors of the Company requesting to use Company information received in their capacity as Director, which would not otherwise have been available to them.

Auditors

The Auditor-General continues as the Company's auditor in accordance with the Port Companies Act 1988. The Auditor-General has appointed Audit New Zealand to undertake the audit on its behalf.

The Group audit fee for the year ended 30 June 2014 was $107,000 (last year: $104,000).
The Parent audit fee for the year ended 30 June 2014 was $69,566 (last year: $68,850).

For and on behalf of the Board of Directors

D J Faulkner
Chairman
17 September 2014

E J Harvey
Director
17 September 2014

DIRECTORY

Directors

David Faulkner	Chairman
Ross Black	Deputy Chairman
John Harvey	Chairman Audit Committee
Ed Johnson	
Vincent Pooch	
Paul Rea	Chairman Health and Safety Governance Committee

Executive

Geoff Plunket	Chief Executive
Kevin Kearney	Container Terminal Manager
Craig Bramley	Marine Manager
Peter Brown	General Manager Commercial
Lincoln Coe	General Manager Infrastructure
David Chafer	General Manager Property
Lynn Smillie	General Manager Human Resources
Stephen Connolly	Chief Financial Officer

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Email	pol@portotago.co.nz
Website	www.portotago.co.nz

Bankers

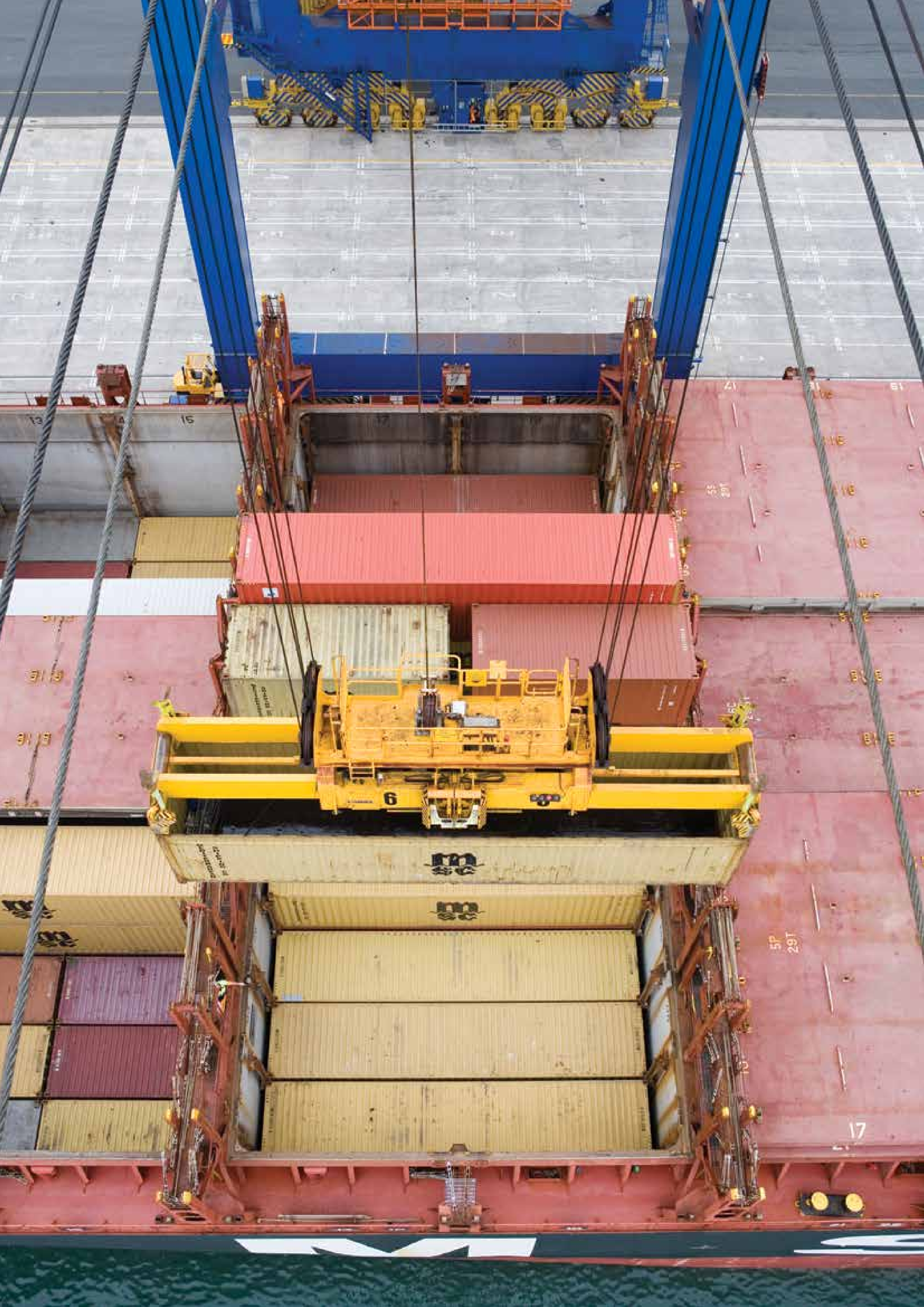
ANZ Bank New Zealand Limited

Solicitors

Anderson Lloyd

Auditors

Audit New Zealand on behalf of the Auditor-General



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PORT OTAGO LIMITED

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