

PORTS RETIREMENT PLAN

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2018**

PORTS RETIREMENT PLAN

Financial Statements

For the year ended 31 March 2018

INDEX

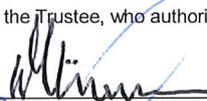
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PORTS RETIREMENT PLAN

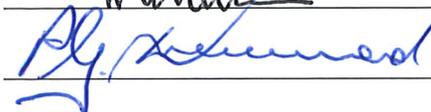
**Statement of Net Assets
As at 31 March 2018**

	Note	2018 \$	2017 \$
CURRENT ASSETS			
Cash at Bank		67,869	10,620
Contributions Receivable - Member		140,510	159,046
Contributions Receivable - Employer		83,524	97,132
Total Current Assets		<u>291,903</u>	<u>266,798</u>
FINANCIAL ASSETS - At Fair Value Through Profit & Loss			
	5		
Short Term Deposits		4,922,767	3,847,325
Fixed Interest - Onshore		11,242,875	10,728,981
Fixed Interest - Offshore		18,037,705	17,458,968
Equities - Trans Tasman		8,987,470	10,274,486
Equities - Offshore		25,640,978	25,807,270
Property Domestic		2,154,617	2,056,219
Property International		2,196,817	2,105,037
Global Infrastructure		2,898,944	3,002,885
Alternative Assets - Growth		2,284,092	2,105,220
Alternative Assets - Income		4,392,601	4,237,973
Forward Foreign Exchange		(166,750)	(128,624)
Total Investments		<u>82,592,116</u>	<u>81,495,740</u>
Total Assets		82,884,019	81,762,538
Less LIABILITIES			
Sundry Accounts Payable		144,886	131,888
Benefits payable		713,622	423,844
Taxation payable	8	411,099	133,657
Total Liabilities		<u>1,269,607</u>	<u>689,389</u>
NET ASSETS AVAILABLE FOR BENEFITS		<u>81,614,412</u>	<u>81,073,149</u>
LIABILITY FOR PROMISED BENEFITS			
<i>Represented By:</i>	3 & 4		
Member Accounts		52,991,881	52,261,305
Employer Accounts		28,622,531	28,811,844
		<u>81,614,412</u>	<u>81,073,149</u>

For and on behalf of the Trustee, who authorised the issue of these financial statements on:

Director:  _____

Date: 14.6.18

Director:  _____

Date: 14.6.18

This statement is to be read in conjunction with the notes on pages 4 to 12

PORTS RETIREMENT PLAN

Statement of Changes in Net Assets For the year ended 31 March 2018

INVESTMENT ACTIVITIES	Note	2018 \$	2017 \$
Investment revenue			
Gains on Financial Assets at Fair Value Through Profit or Loss	6	6,981,490	7,034,218
		<u>6,981,490</u>	<u>7,034,218</u>
Investment Expenses			
Gross Investment Management Fees		(570,445)	(563,055)
Investment Management Fee Rebates		101,610	101,373
Net Investment Revenue	7	6,512,655	6,572,536
 OTHER REVENUES			
Group Life Claims		-	108,841
Use of Money Interest	7	2,324	2,972
Total Other Revenue		<u>2,324</u>	<u>111,813</u>
 OTHER EXPENSES			
Administration and Investment Advisor Fees		(245,384)	(250,561)
Auditors' Remuneration - Audit of Financial Statements		(20,125)	(12,650)
Auditors' Remuneration - Custodian Controls		(17,122)	-
Auditors' Remuneration - Register of Members		-	(2,300)
Group Life Premiums		(199,968)	(185,009)
Trustees Remuneration		(48,277)	(44,579)
Auditors' Remuneration - Taxation Services Fees		(23,230)	(33,465)
Total Other Expenses		<u>(554,106)</u>	<u>(528,564)</u>
 Change in Net Assets Before Taxation and Membership Activities		<u>5,960,873</u>	<u>6,155,785</u>
 MEMBERSHIP ACTIVITIES			
Contributions			
Member Contributions		2,933,356	2,816,933
Employer Contributions		1,638,710	1,616,072
Total Contributions		<u>4,572,066</u>	<u>4,433,005</u>
 Benefits Paid			
Retirement		(5,175,703)	(4,989,494)
Withdrawals		(1,619,672)	(3,298,338)
Redundancy		-	(616,698)
Death and Permanent Incapacity		(22,229)	(835,001)
Resignation		(2,449,957)	(11,072)
Total Benefits Paid		<u>(9,267,561)</u>	<u>(9,750,603)</u>
 Income Tax Expense	8	(724,115)	(806,805)
Net Membership Activities		(5,419,610)	(6,124,403)
 Net Increase in Net Assets During Year		541,263	31,382
 Net Assets Available for Benefits at Beginning of Year		81,073,149	81,041,767
Net Assets Available for Benefits at End of Year		<u>81,614,412</u>	<u>81,073,149</u>

This statement is to be read in conjunction with the notes on pages 4 to 12

PORTS RETIREMENT PLAN

Statement of Cash Flows For the year ended 31 March 2018

	Note	2018 \$	2017 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Cash provided from</i>			
Member Contributions		2,951,892	2,825,716
Employer Contributions		1,652,318	1,621,914
Group Life Claims		-	108,841
		<u>4,604,210</u>	<u>4,556,471</u>
<i>Cash applied to</i>			
Benefits Paid		(8,977,783)	(9,326,759)
Other Administration Expenses		(292,863)	(336,203)
Taxation Paid		(444,349)	(600,000)
Insurance		(199,968)	(360,008)
Trustee Fees		(48,276)	(44,579)
		<u>(9,963,239)</u>	<u>(10,667,549)</u>
Net Cash Flows from Operating Activities	9	(5,359,029)	(6,111,078)
CASH FLOWS FROM INVESTING ACTIVITIES			
<i>Cash provided from</i>			
Sale of Investments		15,576,269	14,591,015
<i>Cash was applied to</i>			
Purchase of Investments		(10,159,991)	(8,546,177)
Net Cash Flows from Investing Activities		<u>5,416,278</u>	<u>6,044,838</u>
Net Increase/(Decrease) in Cash Held		57,249	(66,240)
Cash at Beginning of Year		10,620	76,860
Cash at End of Year		<u>67,869</u>	<u>10,620</u>

This statement is to be read in conjunction with the notes on pages 4 to 12

PORTS RETIREMENT PLAN

Notes to the Financial Statements For the year ended 31 March 2018

1. Plan Description

The purpose of the Ports Retirement Plan (the "Plan") is to provide employees of Port companies and certain other employers participating in the Plan with benefits on their retirement or otherwise ceasing employment.

The members and the employer companies both contribute to the Plan to fund the benefits.

The Plan's investment policy comprises one diversified strategy with a balanced asset allocation held through four investment managers. The objectives of the investment strategy are to provide an intermediate level of returns to members over the medium term, which are expected to be greater than cash and bonds over the long term but with less volatility than shares and property.

Funding arrangements

The Plan is a defined contribution Plan registered under the Financial Markets Conduct Act 2013 ("FMCA").

Members of the Plan can make regular contributions to the Plan at any rate in excess of 2% of their taxable earnings. The employer of a member contributes an equal amount to the Plan subject to a maximum as agreed to by the employer. Members may also suspend contributions or make additional contributions.

These funding arrangements are consistent with those of the previous period.

Retirement benefits

The retirement benefits are determined by contributions to the Plan together with investment earnings on these contributions over the period of membership.

Termination terms

The Trust Deed sets out the basis on which the Plan can be terminated.

Changes in the Plan

There were no amendments to the Trust Deed during the year ended 31 March 2018.

2. Summary of Significant Accounting Policies

Basis of preparation

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand and the requirements of the Financial Reporting Act 2013 and the FMCA.

Statement of compliance

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand. They comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The financial statements also comply with International Financial Reporting Standards (IFRS) as issued by The International Accounting Standards Board.

Measurement base

The measurement base adopted is that of historical cost modified by the revaluation of certain assets which are measured at fair values at balance date.

Presentational currency

These financial statements are presented in New Zealand dollars because that is the currency of the primary economic environment in which the Plan operates.

Classification of assets and liabilities

The Ports Retirement Plan operates as a superannuation scheme. As such, the assets and liabilities are disclosed in the Statement of Net Assets in an order that reflects their relative liquidity.

Investment Income

Interest, dividends and distributions from unitised investments are taken to income on a due and receivable basis.

Realised and unrealised gains and losses

Net realised and unrealised gains and losses are recognised in the Statement of Changes in Net Assets in the period in which they are earned.

Foreign currencies

Transactions in currencies other than NZ dollars are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance date, assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance date. Gains and losses arising on translation are included in Statement of Changes in Net Assets for the year.

Expenses

All expenses are accounted for on an accruals basis.

PORTS RETIREMENT PLAN

Notes to the Financial Statements (Cont'd)
For the year ended 31 March 2018

2. Summary of Significant Accounting Policies (Cont'd)

Taxation

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the balance date. The Trustees periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The Plan qualifies as and has elected to be a portfolio investment entity (PIE) for tax purposes. Under the PIE regime income is effectively taxed in the hands of the members and is therefore shown as part of Net Membership Activities in the Statement of Changes in Net Assets. The Plan itself has no tax expense.

Under the PIE regime, the Plan attributes the taxable income of the Plan to members in accordance with the proportion of their overall interest in the Plan. The income attributed to each member is taxed at the member's "prescribed investor rate" which is capped at 28%. The Plan accounts for tax on behalf of natural persons and undertakes any necessary adjustments to the members' interests in the assets of the Plan to reflect that the Plan pays tax at varying rates on behalf of members.

Financial instruments

Financial assets and financial liabilities are recognised on the Plan's Statement of Net Assets when the Plan becomes a party to the contractual provisions of the instrument. The Plan shall offset financial assets and financial liabilities if the Plan has a legally enforceable right to set off the recognised amounts and interests and intends to settle on a net basis.

Investments are recognised and derecognised on the trade date where a purchase or sale is under a contract whose terms require delivery within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Financial assets

Financial assets are classified into the following specified categories: financial assets designated as 'at fair value through profit or loss' and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at fair value through profit or loss

Financial assets are designated as at fair value through profit or loss at inception because they are managed on a fair value basis and are subsequently measured at fair value. Investments in units of pooled investment funds are valued at the closing price released by the relevant investment manager.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial assets the estimated future cash flows of the investment have been impacted.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. The impairment loss is recognised through the Statement of Changes in Net Assets.

If, in the subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Changes in Net Assets to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in the Statement of Changes in Net Assets. The net gain or loss recognised in the Statement of Changes in Net Assets incorporates any interest paid on the financial liability.

Other financial liabilities

Other payables are not interest-bearing and are stated at their amortised cost.

PORTS RETIREMENT PLAN

Notes to the Financial Statements (Cont'd)
For the year ended 31 March 2018

2. Summary of Significant Accounting Policies (Cont'd)

Derivative financial instruments

The Plan's activities expose it primarily to the financial risks of changes in foreign currency rates and interest rates. The Plan may use foreign exchange forward contracts and interest rate swap contracts to hedge these exposures. The Plan does not use derivative financial instruments for speculative purposes.

The use of financial derivatives is governed by the Plan's policies approved by the Trustees, which provide written principles on the use of financial derivatives.

Goods and services tax (GST)

The Plan is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.

Statement of Cash Flows

The cash flows of the Plan do not include those of the investment managers. The following are definitions of the terms used in the Statement of Cash Flows:

Cash - comprises cash balances held with banks in New Zealand and overseas.

Investing activities - comprise acquisition and disposal of investments. Investments include securities not falling within the definition of cash.

Operating activities - include all transactions and other events that are not investing activities.

Promised retirement benefits

The liability for promised benefits is calculated as the difference between the carrying amounts of all other assets and the carrying amounts of the liabilities as at balance date.

Contributions and withdrawals

Contributions and withdrawals are accounted for on an accrual basis.

Withdrawal includes payment in form of pensions and benefits payable on account of retirements and resignations.

Critical accounting estimates and judgements

The preparation of financial statements requires the Trustee to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. The Trustee has applied its judgement in selecting the accounting policy to designate financial assets at fair value through profit or loss upon initial recognition. This policy has a significant impact on the amounts disclosed in the financial statements. However, it is possible to determine the fair values of all financial assets as quoted unit prices from the Investment Manager, which are readily available. Therefore there are no material assumptions or major sources of estimation uncertainty that have a significant risk of causing material adjustments to the carrying amounts of assets at year end. However as with all investments their value is subject to variation due to market fluctuations. The Trustee has also used judgement in the categorisation of the Plan's financial assets and liabilities held at fair value through profit or loss in accordance with the fair value hierarchy under NZ IFRS13.

Changes in accounting policies

There have been no changes in accounting policies from the previous audited financial statements. The accounting policies have been applied consistently to all periods presented in these financial statements.

Standards and Interpretations on issue not yet adopted

At the date of authorisation of the financial report, a number of Standards and Interpretations were on issue but not yet effective. Initial application of the following standards and interpretations are not expected to have any material impact on the financial statements of the Plan.

		Effective from	Expected to be applied
NZ IFRS 9	Financial Instruments	1-Jan-18	1-Apr-18

NZ IFRS 9 'Financial Instruments' - was issued in September 2014 as a complete version of the standard. NZ IFRS 9 replaces the parts of NZ IAS 39 that relate to the classification and measurement of financial instruments, hedge accounting and impairment. NZ IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. All the Scheme's assets are held at fair value, which will continue under IFRS 9 meaning the only impact will be on disclosures and any change in valuation at the underlying unit investment levels (as this may be further impacted by IFRS 9). This standard is effective for reporting periods beginning on or after 1 January 2018. The Scheme's assessment of NZ IFRS 9's full impact has been done, and it was found that there was no impact.

PORTS RETIREMENT PLAN

Notes to the Financial Statements (Cont'd)
For the year ended 31 March 2018

3. Changes in promised benefits as at 31 March 2018:

	Member Account \$	Employer Account \$	Reserve Account \$	Total 2018 \$
Balance 1 April	52,261,305	28,811,844	-	81,073,149
Contributions	2,933,356	1,638,710	-	4,572,066
Benefits paid	(5,760,315)	(3,507,246)	-	(9,267,560)
Expenses	(657,909)	(362,708)	-	(1,020,617)
Other change in net assets after tax	4,215,444	2,041,931	-	6,257,374
Balance 31 March	<u>52,991,881</u>	<u>28,622,531</u>	-	<u>81,614,412</u>

Changes in promised benefits as at 31 March 2017:

	Member Account \$	Employer Account \$	Reserve Account \$	Total 2017 \$
Balance 1 April	52,303,957	28,737,810	-	81,041,767
Contributions	2,816,933	1,616,072	-	4,433,005
Benefits paid	(6,490,200)	(3,260,403)	-	(9,750,603)
Expenses	(566,936)	(311,497)	-	(878,433)
Other change in net assets after tax	4,197,551	2,029,862	-	6,227,413
Balance 31 March	<u>52,261,305</u>	<u>28,811,844</u>	-	<u>81,073,149</u>

Guaranteed Benefits

No guarantees have been made in respect of any part of the liability for promised benefits. (2017: Nil).

4. Vested Benefits

Vested benefits are benefits payable to members or beneficiaries under the conditions of the Trust Deed, on the basis of all members ceasing to be members of the Plan at balance date.

	2018 \$	2017 \$
Vested Benefits	<u>81,614,412</u>	<u>81,073,149</u>

5. Investments

AMP

AMP Capital NZ Fixed Interest Fund * ^	11,242,874	10,728,981
AMP Capital NZ Cash Fund	4,922,767	3,847,325
AMP Capital Listed Property Securities Fund	2,154,617	2,056,219
AMP Capital Global Property Securities Fund	2,196,817	2,105,037
AMP Capital Global Listed Infrastructure Fund	<u>2,898,944</u>	<u>3,002,885</u>
	23,416,019	21,740,447

ANZ

ANZ Wholesale International Aggregate Bond Fund * ^	8,880,258	8,563,203
ANZ W/Sale International Share Fund * ^	25,640,977	25,807,269
ANZ Wholesale Australian Share Fund	3,422,367	3,411,275
Forward Foreign Exchange	<u>(166,750)</u>	<u>(128,624)</u>
	37,776,852	37,653,123

Nikko

Nikko Option Fund	2,284,092	2,105,221
Nikko Wholesale Alternative Investment Fund * ^	4,392,601	4,237,973
Nikko Global Fixed Interest Fund * ^	<u>9,157,448</u>	<u>8,895,765</u>
	15,834,141	15,238,959

Harbour

Harbour Australian Equity Fund * ^	<u>5,565,104</u>	<u>6,863,211</u>
	5,565,104	6,863,211

Total Investments	<u>82,592,116</u>	<u>81,495,740</u>
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The funds marked with an (*) exceed 5% of the Plan's net assets as at 31 March 2018 (2017: The funds marked with an (^) exceed 5% of the Plan's net assets as at 31 March 2017).

PORTS RETIREMENT PLAN

Notes to the Financial Statements (Cont'd)
For the year ended 31 March 2018

6. Gains on Financial Assets at Fair Value Through Profit or Loss

	2018	2017
	\$	\$
Fixed Interest	1,180,362	1,001,840
Equities	5,325,279	5,977,544
Property	132,284	363,889
Alternative Assets	381,691	330,050
Forward Foreign Exchange	<u>(38,126)</u>	<u>(639,105)</u>
	<u>6,981,490</u>	<u>7,034,218</u>

7. Net operating revenue

Total operating revenue is calculated as the sum of net investment revenue and other revenue.

Net Investment Revenue	6,512,655	6,572,536
Group Life Recoveries	-	108,841
Use of Money Interest	<u>2,324</u>	<u>2,972</u>
	<u>6,514,979</u>	<u>6,684,349</u>

8. Income Tax

	2018	2017
	\$	\$
Current tax	<u>724,115</u>	<u>806,805</u>
Income Taxation Expense	<u>724,115</u>	<u>806,805</u>

The total charge for the year can be reconciled to the Change in Net Assets Before Membership Activities as follows:

Change in Net Assets before Tax and membership activities	<u>5,960,873</u>	<u>6,155,785</u>
Income Tax @ 28%	1,669,045	1,723,620
Tax effect of:		
Non Deductible Group Life Premiums	55,991	51,803
Non Assessable Group Life Claims	-	(30,475)
Non Assessable Investment Gains and Losses	(815,920)	(755,214)
Tax credits	(163,356)	(160,876)
Members with PIRs less than the maximum rate	(21,645)	(20,904)
Prior period adjustment	-	(1,149)
Income Taxation Expense	<u>724,115</u>	<u>806,805</u>
Balance Brought Forward	133,657	(70,176)
Tax (paid)	(446,673)	(602,972)
Current Year Tax	724,115	806,805
Transfer benefit transferred from the KiwiSaver Scheme	-	-
Tax Payable/(Receivable)	<u>411,099</u>	<u>133,657</u>

Deferred Tax (Asset)/Liability

The Plan has no deferred tax asset or liability and also has no unrecognised deferred tax assets.

As the Plan is a PIE, tax payable is determined with reference to an individual member's PIR rather than payable by the Plan at a flat rate of 28%.

9. Reconciliation of net cash flows from operating activities to net increase in net assets

	2018	2017
	\$	\$
Increase in Net Assets	541,259	31,382
Non-cash Items		
Gains on Financial Assets at Fair Value Through Profit or Loss	(6,981,485)	(7,034,218)
Investment Revenue	468,834	461,682
Movements in Other Working Capital Items		
Decrease in Contributions Receivable	32,144	14,625
Decrease in Benefits Payable	289,778	203,834
Decrease in Income Tax Payable	277,442	423,844
Increase/(Decrease) in Sundry Creditors	12,999	(220,227)
Decrease in Accrued Investment Income	-	8,000
Net Cash Flows from Operating Activities	<u>(5,359,029)</u>	<u>(6,111,078)</u>

PORTS RETIREMENT PLAN

Notes to the Financial Statements (Cont'd)
For the year ended 31 March 2018

10. Financial instruments

Significant accounting policies

The Plan is involved with a number of financial instruments in the course of its normal investing activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in the accounting policies.

The Trustee has approved a Statement of Investment Policies and Objectives ("SIPO") which establishes investment portfolio objectives and target asset allocations. Performance against these targets is reviewed at least quarterly by the Trustee and asset reallocations undertaken as required.

Categories of financial instruments 31 March 2018

	Loans and receivables	Financial assets / liabilities designated as at fair value through profit or loss	Amortised Cost	Total
Assets				
Cash at Bank		67,869	-	67,869
Short Term Deposits	-	4,922,767	-	4,922,767
Fixed Interest - Onshore	-	11,242,875	-	11,242,875
Fixed Interest - Offshore	-	18,037,705	-	18,037,705
Equities - Trans Tasman	-	8,987,470	-	8,987,470
Equities - Offshore	-	25,640,978	-	25,640,978
Property Domestic	-	2,154,617	-	2,154,617
Property International	-	2,196,817	-	2,196,817
Global Infrastructure	-	2,898,944	-	2,898,944
Alternative Assets - Growth	-	2,284,092	-	2,284,092
Alternative Assets - Income	-	4,392,601	-	4,392,601
Forward Foreign Exchange	-	(166,750)	-	(166,750)
Contributions Receivable - Member	140,510		-	140,510
Contributions Receivable - Employer	83,524		-	83,524
Total assets	224,034	82,659,985	-	82,884,019
Liabilities				
Benefits Payable	-	-	713,622	713,622
Sundry Accounts Payable	-	-	144,886	144,886
Total liabilities	-	-	858,508	858,508

31 March 2017

	Loans and receivables	Financial assets / liabilities designated as at fair value through profit or loss	Amortised Cost	Total
Assets				
Cash at Bank	-	10,620	-	10,620
Short Term Deposits	-	3,847,325	-	3,847,325
Fixed Interest - Onshore	-	10,728,981	-	10,728,981
Fixed Interest - Offshore	-	17,458,968	-	17,458,968
Equities - Trans Tasman	-	10,274,486	-	10,274,486
Equities - Offshore	-	25,807,270	-	25,807,270
Property Domestic	-	2,056,219	-	2,056,219
Property International	-	2,105,037	-	2,105,037
Global Infrastructure	-	3,002,885	-	3,002,885
Alternative Assets - Growth	-	2,105,220	-	2,105,220
Alternative Assets - Income	-	4,237,973	-	4,237,973
Forward Foreign Exchange	-	(128,624)	-	(128,624)
Contributions Receivable - Member	159,046		-	159,046
Contributions Receivable - Employer	97,132		-	97,132
Total assets	256,178	81,506,360	-	81,762,538
Liabilities				
Benefits Payable	-	-	423,844	423,844
Sundry Accounts Payable	-	-	131,888	131,888
Total liabilities	-	-	555,732	555,732

PORTS RETIREMENT PLAN

Notes to the Financial Statements (Cont'd)
For the year ended 31 March 2018

10. Financial instruments (Cont'd)

Financial risk management objectives

The Investment Managers provide services to the Plan, co-ordinate access to domestic and international financial markets, monitor and manage the financial risks relating to the operations of the Plan. The risk analysis conducted by the Investment Managers include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

Capital management

Net assets attributable to members are considered to be the Plan's capital for the purposes of capital management. The Plan does not have to comply with externally imposed capital requirements. The Plan's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns to its members and to maximise the Plan's members' value as well as ensuring its net assets attributable to members are sufficient to meet all present and future obligations.

Market risk

Market risk is the risk of change in the fair value of financial instruments from fluctuations in the foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk), whether such change in price is caused by factors specific to an individual financial instrument or its issuer or factors affecting all financial instruments traded in a market.

The Investment Managers determine the levels of market risk it accepts for the Plan by reviewing:

- what constitutes market risk for the Plan;
- the basis used to fair value financial assets and liabilities;
- asset allocation and portfolio limit structures;
- diversification benchmarks by type of instrument and geographical areas; and
- sets out reporting of market risk exposures and the monitoring thereof.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss. The maximum exposure to credit risk for the Plan is the carrying amount of its assets as disclosed in the Statement of Net Assets. The Plan has adopted a policy of only dealing with credit worthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Investment Managers maintain diversified investment portfolios in accordance with the portfolio mix adopted by the Trustee. The Trustee considers that the counterparties are financial institutions of high quality.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Trustee, who have built an appropriate liquidity risk management framework for the management of the Plan's short, medium and long term funding and liquidity management requirements. The Plan manages liquidity risk by continuously monitoring forecast and actual cash flows to enable benefits to be paid as they fall due.

Liquidity risk is the risk that the Plan will encounter difficulty in raising funds to meet its obligations to pay members. Due to the nature of the Plan, it is unlikely that a significant number of members would exit at the same time. However, to control liquidity risk, the Plan invests in financial instruments, which can be realised within 12 months. In addition, the Plan invests within established limits to ensure there is no concentration of risk.

Financial liabilities of the Plan consist of Net Assets Available For Benefits and Accounts Payable. Payables are typically settled within 30 days. Net assets available for benefits are payable on demand, providing certain Plan withdrawal conditions are satisfied.

Sensitivity analysis on unitised investments

A 10% movement in the unit prices of the Plan's investments would have an impact on the value of the Plan's assets and income of +/- \$8,259,212. (2017: \$8,149,574).

PORTS RETIREMENT PLAN

Notes to the Financial Statements (Cont'd)
For the year ended 31 March 2018

10. Financial instruments (Cont'd)

Interest rate risk

The Plan is exposed to interest rate risk in that future interest rate movements will affect cash flows and net market values of fixed interest assets and, indirectly, the valuation of investments in unithold products which invest in cash and fixed interest investments. As at balance date the Plan's investment carrying values with indirect exposure to interest rate risk was as follows:

	2018	2017
	\$	\$
AMP		
AMP Capital NZ Fixed Interest Fund	11,242,874	10,728,981
ANZ		
ANZ Wholesale International Aggregate Bond Fund	8,880,258	8,563,203
Nikko		
Nikko Global Fixed Interest Fund	9,157,448	8,895,765
Total	<u>29,280,580</u>	<u>28,187,949</u>

The sensitivities of the above investments has been considered as part of the overall price risk sensitivity on page 10.

Interest rate risk management activities are undertaken by the investment manager in accordance with the investment mandate set by the Trustees.

The Plan may use derivatives as part of its normal investment management procedures. Derivatives are principally used as a means to hedge against market movements. The most commonly used derivatives are swaps and foreign exchange contracts. The Plan did not use any interest rate swaps during the year (2017: Nil).

Derivatives held by the Plan are valued on a mark-to-market basis, which involves the calculation and recognition of unrealised gains and losses on all current positions. Accordingly, the balance sheet reflects all unrealised gains and losses on derivatives held by the Plan.

Foreign currency risk management

The Plan is indirectly exposed to currency risk in that future currency movements will affect the valuation of investments in unithold products which invest in foreign currency denominated investments. Risk management activities are undertaken by the Plan's investment managers to operate within the guidelines provided by the Trustee. The Global Bonds, Global Infrastructure and Global Property investment portfolios are 100% hedged. Global Equities and Australasian Equities are hedged between 0% and 100% at the discretion of the fund manager. The overall target position for the Plan is to have the foreign currency exposure of the international equities being 50% hedged back to the NZ dollar and international bonds being 100% hedged back to the NZ dollar.

The sensitivity of the Plan's investments with indirect exposure to foreign currency risk has been considered as part of the overall price risk sensitivity on page 10.

Fair value

The carrying amount of financial assets and financial liabilities recorded in the financial statements represent their respective fair values, determined in accordance with the Plan's accounting policies.

PORTS RETIREMENT PLAN

Notes to the Financial Statements (Cont'd)
For the year ended 31 March 2018

10. Financial instruments (Cont'd)

Hierarchy of fair value measurements

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).

31 March 2018

Description	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial Assets at Fair Value through Profit or Loss				
Short Term Deposits	-	4,922,767	-	4,922,767
Fixed Interest - Onshore	-	11,242,875	-	11,242,875
Fixed Interest - Offshore	-	18,037,705	-	18,037,705
Equities - Trans Tasman	-	8,987,470	-	8,987,470
Equities - Offshore	-	25,640,978	-	25,640,978
Property Domestic	-	2,154,617	-	2,154,617
Property International	-	2,196,817	-	2,196,817
Global Infrastructure	-	2,898,944	-	2,898,944
Alternative Assets - Growth	-	2,284,092	-	2,284,092
Alternative Assets - Income	-	4,392,601	-	4,392,601
Forward Foreign Exchange	-	(166,750)	-	(166,750)

31 March 2017

Description	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial Assets at Fair Value through Profit or Loss				
Short term deposits	-	3,847,325	-	3,847,325
Fixed Interest – Onshore	-	10,728,981	-	10,728,981
Fixed Interest – Offshore	-	17,458,968	-	17,458,968
Equities – Trans-Tasman	-	10,274,486	-	10,274,486
Equities – Offshore	-	25,807,270	-	25,807,270
Property – Domestic	-	2,056,219	-	2,056,219
Property – International	-	2,105,037	-	2,105,037
Property – International	-	3,002,885	-	3,002,885
Alternative Assets - Growth	-	2,105,220	-	2,105,220
Alternative Assets - Income	-	4,237,973	-	4,237,973
Forward Foreign Exchange Contracts	-	(128,624)	-	(128,624)

The scheme invests in managed funds. The fair value is based upon unit prices calculated by the Manager of the fund.

The fair value of units is based upon a net asset valuation using observable inputs of quoted security prices in active sharemarkets and/or interest rates or yield curves which are observable at specific time intervals. The net asset valuation of the fund may also include securities or derivatives which have inputs such as foreign exchange spot and forward rates and interest rate curves derived from quoted bond prices. The net asset valuation may also have adjustments to reflect fees associated with the fund.

For unit prices, significant inputs into the calculation are market observable and are included within level 2.

There were no transfers between level 1, 2 or 3 in the year.

11. Commitments and Contingent Liabilities

There were no commitments or contingent liabilities outstanding as at 31 March 2018. (2017: Nil).

12. Related Parties

The Plan holds no investments in any of the employer companies or any of its related parties and during the period had no related party transactions. (2017: Nil).

Payments were made to Directors of the Trustee of the Plan totalling \$48,276 (2017: \$44,579).

Directors of the Trustee, that are members of the Plan, contribute on the same basis and have the same rights as other members of the Plan.

13. Events After Balance Date

No events have happened after the balance date that have any impact on these financial statements.

Independent Auditor's Report

To the Members of Ports Retirement Plan

Opinion	<p>We have audited the financial statements of Ports Retirement Plan (the 'Plan'), which comprise the statement of net assets as at 31 March 2018, and the statement of changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.</p> <p>In our opinion, the accompanying financial statements, on pages 1 to 12, present fairly, in all material respects, the financial position of the Plan as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').</p>
Basis for opinion	<p>We conducted our audit in accordance with International Standards on Auditing ('ISAs') and International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the <i>Auditor's Responsibilities for the Audit of the Financial Statements</i> section of our report.</p> <p>We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.</p> <p>We are independent of the Plan in accordance with Professional and Ethical Standard 1 (Revised) <i>Code of Ethics for Assurance Practitioners</i> issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' <i>Code of Ethics for Professional Accountants</i>, and we have fulfilled our other ethical responsibilities in accordance with these requirements.</p> <p>Other than in our capacity as auditor, the provision of other assurance and taxation compliance services, we have no relationship with or interests in the Plan. These services have not impaired our independence as auditor of Plan.</p>
Other information	<p>The Trustee is responsible on behalf of the Plan for the other information. The other information comprises the information in the Annual Report that accompanies the financial statements and the audit report. The Annual Report is expected to be made available to us after the date of this auditor's report.</p> <p>Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.</p> <p>Our responsibility is to read the other information and consider whether it is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If so, we are required to report that fact. We have nothing to report in this regard.</p>
Trustee's responsibilities for the financial statements	<p>The Trustees are responsible on behalf of the Plan for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial statements, the Trustees are responsible on behalf of the Plan for assessing the Plan's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Plan or to cease operations, or have no realistic alternative but to do so.</p>
Auditor's responsibilities for the audit of the financial statements	<p>Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.</p> <p>A further description of our responsibilities for the audit of the financial statements is located on the External Reporting Board's website at:</p> <p>https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-6</p> <p>This description forms part of our auditor's report.</p>

Restriction on use

This report is made solely to the Plan's members, as a body. Our audit has been undertaken so that we might state to the Plan's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Plan's members as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte Limited

**Silvio Bruinsma, Partner
for Deloitte Limited**

Wellington, New Zealand
14 June 2018