

PORTS RETIREMENT PLAN

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2021**

PORTS RETIREMENT PLAN

**Financial Statements
For the year ended 31 March 2021**

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PORTS RETIREMENT PLAN

Statement of Net Assets As at 31 March 2021

	Note	2021 \$	2020 \$
CURRENT ASSETS			
Cash at Bank		92,332	490,173
Deferred Tax Asset		-	166,469
Contributions Receivable - Member		210,459	227,767
Contributions Receivable - Employer		119,570	129,403
Taxation Receivable	8	-	393,748
Total Current Assets		422,361	1,407,560
FINANCIAL ASSETS - At Fair Value Through Profit or Loss			
Short Term Deposits		3,806,387	1,916,870
Fixed Interest - Onshore		8,906,666	8,840,448
Fixed Interest - Offshore		20,067,794	19,878,014
Equities - Trans Tasman		10,897,603	8,502,075
Equities - Offshore		30,175,271	22,060,911
Property International		4,775,665	3,720,980
Global Infrastructure		3,787,673	3,095,428
Alternative Assets - Growth		1,545,842	1,427,032
Alternative Assets - Income		4,849,558	4,530,171
Forward Foreign Exchange		(527,660)	(155,581)
Total Investments	5	88,284,799	73,816,348
Total Assets		88,707,160	75,223,908
Less LIABILITIES			
Sundry Accounts Payable		134,645	138,739
Benefits payable		31,621	562,678
Taxation payable	8	1,132,951	-
Total Liabilities		1,299,217	701,417
NET ASSETS AVAILABLE FOR BENEFITS		87,407,943	74,522,491
LIABILITY FOR PROMISED BENEFITS			
<i>Represented By:</i>	3 & 4		
Member Accounts		56,366,293	48,349,653
Employer Accounts		31,041,650	26,172,838
		87,407,943	74,522,491

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

Director:  Date: 6 July 2021

Director:  Date: 6 July 2021

This statement is to be read in conjunction with the notes on pages 4 to 13

PORTS RETIREMENT PLAN

Statement of Changes in Net Assets For the year ended 31 March 2021

INVESTMENT ACTIVITIES	Note	2021	2020
		\$	\$
Investment revenue			
Gains/(Losses) on Financial Assets at Fair Value Through Profit or Loss	6	17,010,429	(2,943,810)
		17,010,429	(2,943,810)
Investment Expenses			
Gross Investment Management Fees		(498,279)	(571,056)
Investment Management Fee Rebates		71,416	108,791
Net Investment Revenue	7	16,583,566	(3,406,075)
OTHER REVENUES			
Group Life Claims	7	97,706	67,288
Total Other Revenue		97,706	67,288
OTHER EXPENSES			
Use of Money Interest		-	(471)
Administration and Investment Advisor Fees		(171,935)	(229,860)
Auditors' Remuneration - Audit of Financial Statements		(27,313)	(19,378)
Group Life Premiums		(252,396)	(222,052)
Trustees Remuneration		(44,609)	(51,096)
Auditors' Remuneration - Taxation Services Fees		(20,705)	(15,100)
Total Other Expenses		(516,958)	(537,957)
Change in Net Assets Before Taxation and Membership Activities		16,164,314	(3,876,744)
Income Tax (Expense)/Benefit	8	(1,327,508)	166,469
Change in Net Assets After Taxation and Before Membership Activities		14,836,806	(3,710,275)
MEMBERSHIP ACTIVITIES			
Contributions			
Member Contributions		2,975,348	2,989,412
Employer Contributions		1,654,235	1,722,195
Total Contributions		4,629,583	4,711,607
Benefits Paid			
Retirement		(1,801,476)	(1,646,360)
Withdrawals		(2,388,885)	(4,377,330)
Redundancy		(1,113,135)	(13,252)
First Home Withdrawals		(184,312)	-
Death and Permanent Incapacity		(139,004)	(631,992)
Resignation		(954,125)	(1,788,207)
Total Benefits Paid		(6,580,937)	(8,457,141)
Net Membership Activities		(1,951,354)	(3,745,534)
Net Increase/(Decrease) in Net Assets During Year		12,885,452	(7,455,809)
Net Assets Available for Benefits at Beginning of Year		74,522,491	81,978,300
Net Assets Available for Benefits at End of Year		87,407,943	74,522,491

This statement is to be read in conjunction with the notes on pages 4 to 13

PORTS RETIREMENT PLAN

Statement of Cash Flows For the year ended 31 March 2021

	Note	2021 \$	2020 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Cash provided from</i>			
Member Contributions		2,992,655	2,924,506
Employer Contributions		1,664,068	1,728,184
Group Life Claims		97,706	67,288
Income Tax Refunded		365,660	-
		<u>5,120,089</u>	<u>4,719,978</u>
<i>Cash applied to</i>			
Benefits Paid		(7,111,994)	(7,894,465)
Other Administration Expenses		(224,047)	(283,039)
Taxation Paid		-	(448,649)
Insurance		(252,397)	(222,053)
Use of Money Interest		-	(494)
Trustee Fees		(44,609)	(51,096)
		<u>(7,633,047)</u>	<u>(8,899,796)</u>
Net Cash used for Operating Activities	9	(2,512,958)	(4,179,818)
CASH FLOWS FROM INVESTING ACTIVITIES			
<i>Cash provided from</i>			
Sale of Investments		7,942,000	6,045,500
<i>Cash was applied to</i>			
Purchase of Investments		(5,826,883)	(1,418,217)
		<u>2,115,117</u>	<u>4,627,283</u>
Net Cash provided by Investing Activities		2,115,117	4,627,283
Net (Decrease)/Increase in Cash Held		(397,841)	447,465
Cash at Beginning of Year		490,173	42,708
Cash at End of Year		<u><u>92,332</u></u>	<u><u>490,173</u></u>

This statement is to be read in conjunction with the notes on pages 4 to 13

PORTS RETIREMENT PLAN

Notes to the Financial Statements For the year ended 31 March 2021

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 comprises two investment options being a balanced fund and a conservative fund with both asset allocations held through several external fund managers. The balanced fund is the default option for all members. The conservative fund is available to those members who are entitled to a benefit but who choose to leave it in the Plan.

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

During the year there were no amendments to Trust Deed.

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 Plan operates as a restricted workplace savings 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 2021

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 financial assets at amortised cost. 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 fund manager.

Financial assets at amortised cost

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'Financial asset at amortised cost'. These assets are measured at amortised cost using the effective interest method less impairment. The impairment allowance on receivables is assessed based on historical delinquency rates and losses. Bad debts are written off when identified.

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 2021

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.

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 fund 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 fund 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 IFRS 13.

Changes in accounting policies

During the year there were no changes in accounting policies.

PORTS RETIREMENT PLAN

Notes to the Financial Statements (Cont'd) For the year ended 31 March 2021

3. Changes in promised benefits as at 31 March 2021:

	Member Account \$	Employer Account \$	Total 2021 \$
Balance 1 April	48,349,653	26,172,838	74,522,491
Contributions	2,975,348	1,654,235	4,629,583
Benefits paid	(4,830,211)	(1,750,726)	(6,580,937)
Expenses	(548,953)	(297,162)	(846,115)
Other change in net assets after tax	10,420,456	5,262,465	15,682,921
Balance 31 March	56,366,293	31,041,650	87,407,943

Changes in promised benefits as at 31 March 2020:

	Member Account \$	Employer Account \$	Total 2020 \$
Balance 1 April	53,147,565	28,830,735	81,978,300
Contributions	2,989,412	1,722,195	4,711,607
Benefits paid	(5,609,787)	(2,847,354)	(8,457,141)
Expenses	(604,833)	(328,101)	(932,934)
Other change in net assets after tax	(1,572,704)	(1,204,637)	(2,777,341)
Balance 31 March	48,349,653	26,172,838	74,522,491

Guaranteed Benefits

No guarantees have been made in respect of any part of the liability for promised benefits. (2020: 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.

	2021 \$	2020 \$
Vested Benefits	87,407,943	74,522,491

5. Investments

AMP

AMP Capital NZ Fixed Interest Fund * ^	8,906,666	8,840,447
AMP Capital NZ Cash Fund	3,806,387	1,916,870
AMP Capital Global Property Securities Fund *	4,775,665	3,720,980
AMP Capital Global Listed Infrastructure Fund	3,787,673	3,095,428
	21,276,391	17,573,725

ANZ

ANZ W/S International Aggregate Bond Fund * ^	10,182,823	9,676,900
ANZ W/Sale International Share Fund * ^	30,175,271	22,060,912
ANZ W/S Australian Share Fund	3,860,876	2,573,611
Forward Foreign Exchange	(527,660)	(155,581)
	43,691,310	34,155,842

Nikko

Nikko AM Wholesale Option Fund	1,545,842	1,427,032
Nikko AM Wholesale Multi-Strategy Fund * ^	4,849,558	4,530,171
Nikko AM Wholesale Global Bond Fund * ^	9,884,971	10,201,114
	16,280,371	16,158,317

Harbour

Harbour Australian Equity Fund * ^	7,036,727	5,928,464
	7,036,727	5,928,464

Total Investments

	88,284,799	73,816,348
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The funds marked with an (*) exceed 5% of the Plan's net assets as at 31 March 2021 (2020: The funds marked with an (^) exceed 5% of the Plan's net assets as at 31 March 2020).

PORTS RETIREMENT PLAN

Notes to the Financial Statements (Cont'd) For the year ended 31 March 2021

6. Gains/(Losses) on Financial Assets at Fair Value Through Profit or Loss

	2021	2020
	\$	\$
Fixed Interest	1,222,774	1,356,827
Equities	13,895,775	(2,623,891)
Property	1,785,761	(1,112,512)
Alternative Assets	478,198	(679,731)
Forward Foreign Exchange	(372,079)	115,497
	<u>17,010,429</u>	<u>(2,943,810)</u>

7. Net investment and other revenue

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

Net Investment Revenue	16,583,566	(3,406,075)
Group Life Recoveries	97,706	67,288
	<u>16,681,272</u>	<u>(3,338,787)</u>

8. Income Tax

	2021	2020
	\$	\$
Current tax	1,327,508	(166,469)
Income Taxation Expense	<u>1,327,508</u>	<u>(166,469)</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>16,164,314</u>	<u>(3,876,744)</u>
Income Tax @ 28%	4,526,008	(1,085,488)
Tax effect of:		
Non Deductible Group Life Premiums	70,671	62,173
Non Assessable Investment Gains and Losses	(3,093,301)	890,248
Tax credits	(109,243)	(36,210)
Members with PIRs less than the maximum rate	(66,627)	2,807
Income Taxation Expense/(Benefit)	<u>1,327,508</u>	<u>(166,470)</u>
Balance Brought Forward	(393,747)	54,924
Tax (paid)	365,659	(448,649)
Current Year Tax	1,327,508	(166,468)
Use of Money Interest	-	(23)
Tax loss transferred to Deferred Tax	(166,469)	166,469
Tax Payable/(Receivable)	<u>1,132,951</u>	<u>(393,747)</u>
Deferred Tax (Asset)/Liability		
Balance Brought Forward	166,469	-
Current Year Charge	(166,469)	166,469
Closing Balance	<u>-</u>	<u>166,469</u>

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

	2021	2020
	\$	\$
Increase in Net Assets	12,885,452	(7,455,809)
Non-cash Items		
(Losses)/Gains on Financial Assets at Fair Value Through Profit or Loss	(17,010,429)	2,943,810
Investment Management Fees	426,863	462,265
Movements in Other Working Capital Items		
Decrease/(Increase) in Contributions Receivable	27,140	(58,919)
(Decrease)/Increase in Benefits Payable	(531,058)	562,678
Increase/(Decrease) in Income Tax Payable	1,526,699	(448,672)
Decrease in Sundry Creditors	(4,094)	(18,702)
Decrease/(Increase) in Deferred Tax Asset	166,469	(166,469)
Net Cash Flows from Operating Activities	<u>(2,512,958)</u>	<u>(4,179,818)</u>

PORTS RETIREMENT PLAN

Notes to the Financial Statements (Cont'd) For the year ended 31 March 2021

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. The latest SIPO is dated 31 March 2021.

Categories of financial instruments 31 March 2021

	Financial assets at amortised cost	Financial assets designated as at fair value through profit or loss	Financial liabilities at amortised cost	Total
Assets				
Cash at Bank	92,332	-	-	92,332
Short Term Deposits	-	3,806,387	-	3,806,387
Fixed Interest - Onshore	-	8,906,666	-	8,906,666
Fixed Interest - Offshore	-	20,067,794	-	20,067,794
Equities - Trans Tasman	-	10,897,603	-	10,897,603
Equities - Offshore	-	30,175,271	-	30,175,271
Property International	-	4,775,665	-	4,775,665
Global Infrastructure	-	3,787,673	-	3,787,673
Alternative Assets - Growth	-	1,545,842	-	1,545,842
Alternative Assets - Income	-	4,849,558	-	4,849,558
Forward Foreign Exchange	-	(527,660)	-	(527,660)
Contributions Receivable - Member	210,459	-	-	210,459
Contributions Receivable - Employer	119,570	-	-	119,570
Total assets	422,361	88,284,799	-	88,707,160
Liabilities				
Benefits Payable	-	-	31,621	31,621
Sundry Accounts Payable	-	-	134,645	134,645
Total liabilities	-	-	166,266	166,266

31 March 2020

	Financial assets at amortised cost	Financial assets designated as at fair value through profit or loss	Financial liabilities at amortised cost	Total
Assets				
Cash at Bank	490,173	-	-	490,173
Short Term Deposits	-	1,916,870	-	1,916,870
Fixed Interest - Onshore	-	8,840,448	-	8,840,448
Fixed Interest - Offshore	-	19,878,014	-	19,878,014
Equities - Trans Tasman	-	8,502,075	-	8,502,075
Equities - Offshore	-	22,060,911	-	22,060,911
Property International	-	3,720,980	-	3,720,980
Global Infrastructure	-	3,095,428	-	3,095,428
Alternative Assets - Growth	-	1,427,032	-	1,427,032
Alternative Assets - Income	-	4,530,171	-	4,530,171
Forward Foreign Exchange	-	(155,581)	-	(155,581)
Contributions Receivable - Member	227,767	-	-	227,767
Contributions Receivable - Employer	129,403	-	-	129,403
Total assets	847,343	73,816,348	-	74,663,691
Liabilities				
Benefits Payable	-	-	562,678	562,678
Sundry Accounts Payable	-	-	138,739	138,739
Total liabilities	-	-	701,417	701,417

PORTS RETIREMENT PLAN

Notes to the Financial Statements (Cont'd) For the year ended 31 March 2021

10. Financial instruments (Cont'd)

Financial risk management objectives

The fund 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 fund 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 fund 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
- the level of 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 credit worthiness of potential fund managers is included in the decision to appoint new mandates.

The fund 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 through their regular monitoring throughout the year.

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 expected 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 8% (2020: 3%) 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 +/- \$7,062,784. (2020: \$2,214,490).

PORTS RETIREMENT PLAN

Notes to the Financial Statements (Cont'd) For the year ended 31 March 2021

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 unitised 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:

	2021 \$	2020 \$
AMP		
AMP Capital NZ Fixed Interest Fund	8,906,666	8,840,447
ANZ		
ANZ W/S International Aggregate Bond Fund	10,182,823	9,676,900
Nikko		
Nikko AM Wholesale Global Bond Fund	9,884,971	10,201,114
Total	<u>28,974,460</u>	<u>28,718,461</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 fund 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 (2020: 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 unitised products which invest in foreign currency denominated investments. Risk management activities are undertaken by the Plan's fund 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 (net of tax for a member taxed at the highest PIR) back to the NZ dollar and international bonds being 100% hedged back to the NZ dollar.

	2021 \$	2020 \$
ANZ		
ANZ hedged international equities	13,515,575	11,391,354
ANZ unhedged international equities	16,659,696	10,669,555
Total	<u>30,175,271</u>	<u>22,060,910</u>

The sensitivity of the above investments 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 2021

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 2021

Description	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial Assets at Fair Value through Profit or Loss				
Short Term Deposits	-	3,806,387	-	3,806,387
Fixed Interest - Onshore	-	8,906,666	-	8,906,666
Fixed Interest - Offshore	-	20,067,794	-	20,067,794
Equities - Trans Tasman	-	10,897,603	-	10,897,603
Equities - Offshore	-	30,175,271	-	30,175,271
Property International	-	4,775,665	-	4,775,665
Global Infrastructure	-	3,787,673	-	3,787,673
Alternative Assets - Growth	-	1,545,842	-	1,545,842
Alternative Assets - Income	-	-	4,849,558	4,849,558
Forward Foreign Exchange	-	(527,660)	-	(527,660)

31 March 2020

Description	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial Assets at Fair Value through Profit or Loss				
Short term deposits	-	1,916,870	-	1,916,870
Fixed Interest – Onshore	-	8,840,448	-	8,840,448
Fixed Interest – Offshore	-	19,878,014	-	19,878,014
Equities – Trans-Tasman	-	8,502,075	-	8,502,075
Equities – Offshore	-	22,060,911	-	22,060,911
Property – International	-	3,720,980	-	3,720,980
Global Infrastructure	-	3,095,428	-	3,095,428
Alternative Assets - Growth	-	1,427,032	-	1,427,032
Alternative Assets - Income	-	-	4,530,171	4,530,171
Forward Foreign Exchange Contracts	-	(155,581)	-	(155,581)

The Plan 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 share markets 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.

For unit prices of investment, other than Nikko AM Wholesale Multi Strategy Fund, significant inputs into the calculation are market observable and are included within level 2.

All financial assets at fair value through profit or loss are classified as Level 2 fair value instruments, except for financial assets in the Nikko AM Wholesale Multi-Strategy Fund which are classified as Level 3 amounting to \$4,849,558.

As at 31 March 2020 part of the Nikko AM Wholesale Multi-Strategy Fund was being wound down due to the level of redemptions. This combined with the lack of liquidity at the time of the redemptions of the underlying assets contribute to the Level 3 classification. The units relating to this wound down were separated and since 31 March 2020 over 90% has been recovered and applied to new units that do not exhibit the same lack of liquidity. As at 31 March 2021 \$464,492 relating to the wind down of the old fund are still to be recovered. The investment manager has considered this in assessing the fair value of these units. There is a risk that some loss could be experienced of these units on collection.

PORTS RETIREMENT PLAN

Notes to the Financial Statements (Cont'd) For the year ended 31 March 2021

10. Financial instruments (Cont'd)

Hierarchy of fair value measurements (Cont'd)

Key Judgements and Estimates on the fair value of the investment in the Nikko AM Wholesale Multi-Strategy Fund ("the investment")

The Trustee evaluates the material accuracy of the valuations incorporated in the financial statements as they can involve a high degree of judgement and estimation in determining the carrying values of financial assets at balance date. The Plan uses the unit prices as provided by the investment manager as the only input to the valuation. The investment manager may use data that is not readily observable in current markets. If the investment manager uses unobservable market data, then they need to exercise more judgement to determine fair value depending on the significance of the unobservable input to the overall valuation.

Investment	Opening Balance 1 April 2020 (\$)	Purchase / (Sales) (\$)	Total Gains / (Losses) (\$)	Closing Balance 31 March 2021 (\$)	Sensitivity Analysis	
					10% increase in valuation (\$)	10% decrease in valuation (\$)
Nikko AM W/S Multi-Strategy Fund	4,530,171	(353,547)	208,442	4,385,066	438,507	(438,507)
Nikko AM W/S Multi-Strategy Fund-MAR20	-	353,547	110,945	464,492	46,449	(46,449)
Total	4,530,171	-	319,387	4,849,558	484,956	(484,956)

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 2021. (2020: 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. (2020: Nil).

Payments were made to Directors of the Trustee of the Plan totalling \$44,609 (2020: \$51,096).

Payments were made to the Rail and Maritime Union for Trustee meeting expenses and secretarial services totalling \$10,300 (2020: \$11,159).

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

There were no events after balance date (2020: The outbreak of the novel coronavirus (COVID-19) in early 2020 has affected business and economic activity around the world, including New Zealand. The Plan considers this outbreak to be a non adjusting balance sheet event as at 31 March 2020. Given the spread of the COVID-19, the range of potential outcomes for the global economy are difficult to predict at this point in time. Possible outcomes range from successful virus containment and minor short term impact, to a prolonged global contagion resulting in possible recession. At the same time, there are a number of policy and fiscal responses emerging across the globe intended to mitigate potential negative economic impacts. When it comes to the Plan, we are monitoring the COVID-19 outbreak closely, the directors follow guidance from the World Health Organization and abides by the requirements activated by local governments. The investments balance as at 30 April 2020 increased by \$4,395,472 compared to the balance as at 31 March 2020. The Trustee notes that the investment value is dependent upon the price of the underlying assets and the markets are volatile due to COVID-19 as discussed above.)

Independent Auditor's Report

To the Members of Ports Retirement Plan

Opinion

We have audited the financial statements of Ports Retirement Plan (the 'Plan'), which comprise the statement of net assets as at 31 March 2021, 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.

In our opinion, the accompanying financial statements, on pages 1 to 13, present fairly, in all material respects, the financial position of the Plan as at 31 March 2021, 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').

Basis for opinion

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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

We are independent of the Fund in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor and the provision of taxation services, we have no relationship with or interests in the Plan. These services have not impaired our independence as auditor of the Plan.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our report.

Other information

The Directors of the Trustees are 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.

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

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.

Directors of the Trustee's responsibilities for the financial statements

The Directors of the Trustee 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 Directors of the Trustee determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors of the Trustee 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 Directors of the Trustee either intend to liquidate the Plan or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue 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.

A further description of our responsibilities for the audit of the financial statements is located on the External Reporting Board's website at:

<https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-2>

This description forms part of our auditor's report.

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.

A stylized, handwritten-style signature of 'Deloitte Limited' in a dark grey or black ink.

**Silvio Bruinsma, Partner
for Deloitte Limited**
Wellington, New Zealand
6 July 2021