INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF PORT OF TAURANGA LIMITED GROUP
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

The Auditor-General is the auditor of Port of Tauranga Limited and its New Zealand domiciled subsidiaries and other controlled entities. The Auditor-General has appointed me, Glenn Keaney, using the staff and resources of KPMG, to carry out the audit of the financial statements of the group, consisting of Port of Tauranga Limited and its subsidiaries and other controlled entities (collectively referred to as 'the Group'), on her behalf.

Opinion

We have audited the financial statements of the Group on pages 64 to 109, that comprise the statement of financial position as at 30 June 2015, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

In our opinion, the financial statements of the Group:

- present fairly, in all material respects:
  - its financial position as at 30 June 2015; and
  - its financial performance and cash flows for the year then ended.
- comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with New Zealand equivalents to International Financial Reporting Standards.

Our audit was completed on 20 August 2015. 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.

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 shareholders' 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 Group's financial statements 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 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 the 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.

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 the preparation and fair presentation of financial statements for the Group that comply with generally accepted accounting practice in New Zealand.

The Board of Directors' responsibilities arise from the Port Companies Act 1988 and the Financial Markets Conduct Act 2013.

The Board of Directors is also 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.

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.

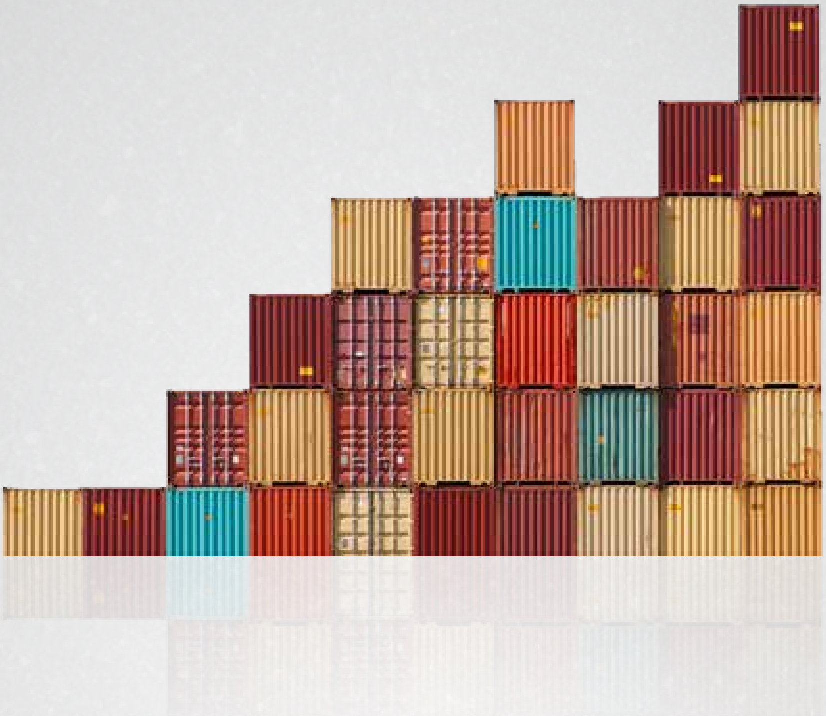
Independence

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

In addition to the audit we have carried out assignments in the areas of accounting advisory and payments data analysis which are compatible with those independence requirements. Other than the audit and these assignments, we have no relationship with or interests in the Group.

LGKeaney

Glenn Keaney
KPMG
On behalf of the Auditor-General
Tauranga, New Zealand



FINANCIAL STATEMENTS

For the Year Ended 30 June 2015 : Port of Tauranga Limited and Subsidiaries

INCOME STATEMENT

For the Year Ended 30 June 2015 : Port of Tauranga Limited and Subsidiaries

	Note	2015 NZ$000	2014 NZ$000
Revenue	9	**268,365**	266,273
Other income	9	**95**	265
Operating income		**268,460**	266,538
Contracted services for port operations		**(45,159)**	(43,369)
Contracted services for transport operations		**(6,648)**	(4,809)
Employee benefit expenses	10	**(42,662)**	(41,549)
Direct fuel and power expenses		**(10,032)**	(12,329)
Maintenance of property, plant and equipment		**(15,026)**	(14,605)
Other expenses	11	**(16,441)**	(17,605)
Operating expenses		**(135,968)**	(134,266)
Results from operating activities		**132,492**	132,272
Depreciation and amortisation	14, 15	**(23,238)**	(22,389)
Impairment of property, plant and equipment	14	**160**	(160)
Impairment of property, plant and equipment on revaluation	5	**(1,876)**	0
		(24,954)	(22,549)
Operating profit before finance costs and taxation		**107,538**	109,723
Finance income	12	**2,259**	1,124
Finance expenses	12	**(17,092)**	(15,406)
Net finance costs		**(14,833)**	(14,282)
Share of profit from Equity Accounted Investees	17	**10,298**	9,370
Net gain on disposal of investments	5	**8,609**	0
Impairment of goodwill	5, 15	**(6,221)**	0
		12,686	9,370
Profit before income tax		**105,391**	104,811
Income tax expense	13	**(26,243)**	(26,559)
Profit for the period		**79,148**	78,252
Attributable to:			
Owners of the Parent Company		**79,148**	78,252
Profit for the period		**79,148**	78,252
Basic earnings per share attributable to ordinary equity holders of the Parent Company (cents)	22	**58.2**	58.3

Supplementary (Non Statutory) Disclosure
Underlying Profit After Tax

Underlying profit after tax is presented to allow readers to make a more meaningful comparison of the Group's profit after removing one-off and non operational items.

Underlying profit after tax	5	**79,007**	**78,252**
Underlying earnings per share (cents)	22	**58.1**	**58.3**

These statements are to be read in conjunction with the notes on pages 71 to 109.

STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 30 June 2015 : Port of Tauranga Limited and Subsidiaries

	Note	**2015 NZ$000**	2014 NZ$000
Profit for the period		**79,148**	78,252
Other comprehensive income			
Items that are or may be reclassified to profit or loss:			
Cash flow hedge - changes in fair value		**(4,584)**	36
Cash flow hedge - reclassified to profit or loss		**1,624**	3,157
Changes in cash flow hedges transferred to property, plant and equipment, net of tax*		**461**	(58)
Share of net change in cash flow hedge reserves of Equity Accounted Investees	17	**(269)**	181
		(2,768)	3,316
Items that will never be reclassified to profit or loss:			
Asset revaluation, net of tax*		**67,587**	0
Share of net change in revaluation reserve of Equity Accounted Investees	17	**(328)**	(8)
		67,259	(8)
Total other comprehensive income		**64,491**	3,308
Total comprehensive income		**143,639**	81,560
Attributable to:			
Owners of the Parent Company		**143,639**	81,560
Total comprehensive income		**143,639**	81,560

**Net of tax effect is disclosed in notes 13 and 26.*

These statements are to be read in conjunction with the notes on pages 71 to 109.

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2015 : Port of Tauranga Limited and Subsidiaries

	Share Capital		Share Based Payment Reserve		Hedging Reserve		Revaluation Reserve		Retained Earnings		Total	
	2015 NZ$000	2014 NZ$000	**2015 NZ$000**	2014 NZ$000	**2015 NZ$000**	2014 NZ$000	**2015 NZ$000**	2014 NZ$000	**2015 NZ$000**	2014 NZ$000	**2015 NZ$000**	2014 NZ$000
Balance at 1 July	**68,397**	68,381	**0**	0	**(3,686)**	(7,002)	**598,897**	598,905	**148,811**	133,594	**812,419**	793,878
Profit for the period	**0**	0	**0**	0	**0**	0	**0**	0	**79,148**	78,252	**79,148**	78,252
Other comprehensive income	**0**	0	**0**	0	**(2,768)**	3,316	**67,259**	(8)	**0**	0	**64,491**	3,308
Total comprehensive income	**0**	0	**0**	0	**(2,768)**	3,316	**67,259**	(8)	**79,148**	78,252	**143,639**	81,560
Increase/(decrease) in share capital	**(130)**	16	**0**	0	**0**	0	**0**	0	**0**	0	**(130)**	16
Dividends paid during the period (refer to note 21(e))	**0**	0	**0**	0	**0**	0	**0**	0	**(69,419)**	(63,035)	**(69,419)**	(63,035)
Equity settled share based payment accrual (refer to note 21(b))	**0**	0	**1,041**	0	**0**	0	**0**	0	**0**	0	**1,041**	0
Total transactions with owners in their capacity as owners	**(130)**	16	**1,041**	0	**0**	0	**0**	0	**(69,419)**	(63,035)	**(68,508)**	(63,019)
Total movements in equity	**(130)**	16	**1,041**	0	**(2,768)**	3,316	**67,259**	(8)	**9,729**	15,217	**75,131**	18,541
Balance at 30 June	**68,267**	68,397	**1,041**	0	**(6,454)**	(3,686)	**666,156**	598,897	**158,540**	148,811	**887,550**	812,419

These statements are to be read in conjunction with the notes on pages 71 to 109.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2015 : Port of Tauranga Limited and Subsidiaries

	Note	**2015 NZ$000**	2014 NZ$000
Assets			
Property, plant and equipment	14	**1,097,401**	998,742
Intangible assets	15	**21,357**	43,873
Derivative financial instruments	18	**280**	0
Investments in Equity Accounted Investees	17	**118,972**	71,079
Total non current assets		**1,238,010**	1,113,694
Cash and cash equivalents		**17,918**	1,560
Receivables and prepayments	19	**39,489**	38,569
Derivative financial instruments	18	**1,066**	52
Inventories	20	**535**	1,008
Total current assets		**59,008**	41,189
Total assets		**1,297,018**	1,154,883
Equity			
Share capital	21(a)	**68,267**	68,397
Share based payment reserve	21(b)	**1,041**	0
Hedging reserve	21(c)	**(6,454)**	(3,686)
Revaluation reserve	21(d)	**666,156**	598,897
Retained earnings		**158,540**	148,811
Total equity attributable to owners of the Parent Company		**887,550**	812,419
Total equity		**887,550**	812,419
Liabilities			
Loans and borrowings	23	**125,065**	96,129
Deferred consideration	24	**0**	500
Derivative financial instruments	18	**8,384**	3,340
Provisions	25(a)	**1,607**	1,752
Deferred tax liabilities	26	**60,357**	48,718
Total non current liabilities		**195,413**	150,439
Loans and borrowings	23	**180,297**	160,202
Deferred consideration	24	**500**	0
Derivative financial instruments	18	**977**	1,209
Trade and other payables	27	**20,242**	19,101
Provisions	25(b)	**2,120**	2,043
Income tax payable		**9,919**	9,470
Total current liabilities		**214,055**	192,025
Total liabilities		**409,468**	342,464
Total equity and liabilities		**1,297,018**	1,154,883

For and on behalf of the Board of Directors who authorised these financial statements for issue on 20 August 2015.

Chairman

Director

These statements are to be read in conjunction with the notes on pages 71 to 109.

STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2015 : Port of Tauranga Limited and Subsidiaries

	2015 NZ$000	2014 NZ$000
Cash flows from operating activities		
Cash was provided from:		
Receipts from customers	**270,150**	262,476
Interest received	**740**	280
	270,890	262,756
Cash was applied to:		
Payments to suppliers and employees	**(135,470)**	(137,988)
Taxes paid	**(28,886)**	(27,355)
Interest paid	**(15,980)**	(15,055)
	(180,336)	(180,398)
Net cash inflow from operating activities	**90,554**	82,358
Cash flows from investing activities		
Cash was provided from:		
Proceeds from sale of property, plant and equipment	**512**	140
Proceeds from disposal of Equity Accounted Investee	**167**	0
Finance lease payments received, including interest	**2,116**	4,258
Dividends from Equity Accounted Investees	**8,504**	8,155
	11,299	12,553
Cash was applied to:		
Cash outflow for property, plant and equipment	**(54,327)**	(61,119)
Cash outflow for intangibles	**(196)**	(516)
Cash transferred to Coda Operations Limited Partnership on disposal of Subsidiary operations	**(929)**	0
Purchase of Equity Accounted Investees	**(3,829)**	(19,776)
Interest capitalised on property, plant and equipment	**(350)**	(395)
Payments under finance leases, including interest	**(197)**	(437)
Advances to Equity Accounted Investee	**(6,180)**	(1,400)
Consideration for net assets of Priority Logistics Group	**0**	(10,000)
Consideration for net assets of PrimePort Timaru Limited's container terminal operations	**0**	(2,062)
Payment of deferred and contingent consideration	**0**	(1,500)
	(66,008)	(97,205)
Total net cash used in investing activities	**(54,709)**	(84,652)

These statements are to be read in conjunction with the notes on pages 71 to 109.

STATEMENT OF CASH FLOWS

	2015 NZ$000	2014 NZ$000
Cash flows from financing activities		
Cash was provided from:		
Increase in borrowings	**95,180**	64,155
Proceeds from issue of new shares	**0**	16
	95,180	64,171
Cash was applied to:		
Dividends paid	**(69,419)**	(63,035)
Repayment of borrowings	**(45,000)**	(34,000)
Purchase of premium paid collars	**0**	(500)
Repurchase of shares in the Parent Company	**(248)**	0
	(114,667)	(97,535)
Net cash used in financing activities	**(19,487)**	(33,364)
Net (decrease)/increase in cash held	**16,358**	(35,658)
Add opening cash brought forward	**1,560**	37,218
Ending cash carried forward	**17,918**	1,560
Cash balances in the statement of financial position		
Cash and cash equivalents	**17,918**	1,560
Ending cash carried forward	**17,918**	1,560

These statements are to be read in conjunction with the notes on pages 71 to 109.

RECONCILIATION OF PROFIT AFTER TAXATION TO CASH FLOWS FROM OPERATING ACTIVITIES

For the Year Ended 30 June 2015 : Port of Tauranga Limited and Subsidiaries

	2015 NZ$000	2014 NZ$000
Reported profit surplus after taxation	**79,148**	78,252
Items classified as investing/financing activities:		
Finance lease interest revenue	**(258)**	(771)
Finance lease interest expense	**101**	130
Gain on sale of property, plant and equipment	**(95)**	(15)
	(252)	(656)
Add/(less) non cash items and non operating items:		
Depreciation	**22,189**	21,030
Amortisation expense	**1,049**	1,359
Decrease in deferred taxation expense	**(3,282)**	(2,119)
Fair value movement in non hedge accounted derivatives	**0**	(52)
Ineffective portion of change in fair value of cash flow hedge	**(1,261)**	(21)
Effective portion of change in fair value of ineffective cashflow hedges taken to property, plant and equipment	**640**	0
Additional provisions net of reversals	**(546)**	(1,160)
Share of surpluses retained by Equity Accounted Investees	**(10,277)**	(9,370)
Impairment of property, plant and equipment	**(160)**	160
Share based payment reserve	**1,041**	0
Impairment of property, plant and equipment on revaluation	**1,876**	0
Net gain on disposal of investments	**(8,609)**	0
Impairment of goodwill	**6,221**	0
Increase in impairment of trade receivables	**(29)**	47
	8,852	9,874
Add/(less) movements in working capital:		
Change in trade receivables and prepayments	**(4,748)**	(5,612)
Change in inventories	**473**	(298)
Change in income tax payable	**108**	1,324
Change in trade and other payables	**6,973**	(526)
	2,806	(5,112)
Net cash flows from operating activities	**90,554**	82,358

These statements are to be read in conjunction with the notes on pages 71 to 109.

1 REPORTING ENTITY

Port of Tauranga Limited (referred to as the Parent Company) is a company domiciled in New Zealand, and registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange (NZX). The Parent Company is an issuer in terms of the Financial Reporting Act 2013 and Financial Markets Conduct Act 2013. The financial statements of the Group for the year ended 30 June 2015 comprise the Parent Company and its Subsidiaries (together referred to as the Group) and the Group's interest in Equity Accounted Investees.

2 BASIS OF PREPARATION

(a) Statement of Compliance

The Parent Company is a Financial Markets Conduct (FMC) reporting entity for the purposes of the Financial Reporting Act 2013 and the Financial Markets Conduct Act 2013. Both these Acts have become effective for financial years beginning on or after 1 June 2014, and the Financial Reporting Act 1993 was repealed with effect from this date. These financial statements comply with these Acts and have been prepared in accordance with the New Zealand Equivalents to International Financial Reporting Standards as appropriate for profit-oriented entities.

The financial statements were approved by the Board of Directors on 20 August 2015.

(b) Basis of Measurement

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, land, buildings, harbour improvements, and wharves and hardstanding.

The methods used to measure fair values are discussed further in note 4.

(c) Functional and Presentation Currency

These financial statements are presented in New Zealand Dollars (NZ$), which is the Group's functional currency. All financial information presented in New Zealand Dollars has been rounded to the nearest thousand.

(d) Use of Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have a significant effect on the amount recognised in the financial statements, are detailed below:

- valuation of land, buildings, harbour improvements, and wharves and hardstanding (refer to notes 4(a) and 14);
- valuation of financial instruments (refer to notes 4(c) and 4(d));
- intangible assets (refer to note 15);
- lease classification and accounting for arrangements containing a lease (refer to notes 19, 23 and 28);
- provisions (refer to note 25); and
- business combinations (refer to note 4(e)).

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable, are taken into account. The financial statements of Subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) Equity Accounted Investees

The Group's interests in Equity Accounted Investees comprise interests in associates and joint ventures.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Equity Accounted Investees are accounted for using the equity method. The consolidated financial statements include the Group's share of the income and expenses of Equity Accounted Investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences, until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity investee, the carrying amount of that interest (including any long term investments) is reduced to nil and the recognition of further losses is discontinued, except to the extent that the Group has an obligation or has made payments on behalf of the investee.

In respect of Equity Accounted Investees, the carrying amount of goodwill is included in the carrying amount of the investment and not tested for impairment separately.

(iii) Transactions Eliminated on Consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with Equity Accounted Investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Business Combinations and Investments in Equity Accounted Investees

The Group applies the acquisition method for all business combinations. The consideration transferred in an acquisition includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and the fair value of contingent consideration. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at fair value at acquisition date, irrespective of the extent of the non controlling interest.

Where the Group contributes a non monetary asset, that does not constitute a business, to an Equity Accounted Investee in exchange for an equity interest in an investee, the Group recognises any gain or loss on disposal of the non monetary asset to the extent of the interest of other ventures in Equity Accounted Investees.

Where the Group contributes a non monetary asset, that does constitute a business, to an Equity Accounted Investee, the Group recognises the full gain or loss on disposal of the non monetary asset.

The Group measures goodwill as the fair value of consideration transferred, less the fair value of the net identifiable assets and liabilities assumed at acquisition date. The same approach is used to ascertain the value of goodwill included within the carrying amount of investments in Equity Accounted Investees.

If the cost of a business combination is less than the fair value of the net identifiable assets transferred, the difference is recognised directly in the income statement.

If the cost of investment in an Equity Accounted Investee is less than the fair value of the share of net identifiable assets of the investee, the difference is recognised by the Group in the income statement within share of profit from Equity Accounted Investees.

Transaction costs that the Group incurs in connection with a business combination such as legal fees, due diligence fees and other professional and consulting fees are expensed as incurred. When investing in an Equity Accounted Investee, the same types of transaction costs are included as a component of the cost of the investment.

(c) Sale of Interest in Subsidiary

When the Group sells a shareholding in a Subsidiary, it derecognises the assets and liabilities of the Subsidiary, and any related non controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former Subsidiary is measured at fair value when control is lost.

(d) Foreign Currency

Transactions in foreign currencies are translated into the functional currency of Group entities at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial Instruments

(i) Non Derivative Financial Instruments

Non derivative financial instruments comprise investments in equity securities, advances and receivables, cash and cash equivalents, loans and borrowings, deferred consideration and trade and other payables.

Non derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through the profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining substantially all risks and rewards of the asset. Ordinary purchases and sales of financial assets are accounted for at trade date, the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations as specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting for finance income and expense is discussed in note 3(o).

Loans and Receivables and Other Liabilities

Subsequent to initial recognition, other non derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables and other liabilities comprise: advances and receivables; cash and cash equivalents; trade and other receivables; loans and borrowings; deferred consideration and trade and other payables.

(ii) Derivative Financial Instruments and Hedging Activities

The Group uses derivative financial instruments to hedge its exposure to foreign exchange, commodity and interest rate risks arising from operational, financing and investment activities. In accordance with its Treasury Policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments qualifying for hedge accounting are classified as non current if the maturity of the instrument is greater than 12 months from reporting date and current if the instrument matures within 12 months from reporting date. Derivatives accounted for as trading instruments are classified as current.

Derivative financial instruments are recognised initially at fair value and transaction costs are expensed immediately. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the income statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the hedging relationship (see below).

Cash Flow Hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in the cash flow hedge reserve to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the income statement.

If the hedging instrument no longer meets the criteria for hedge accounting, expires, or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in the hedging reserve remains there until the highly probable forecast transaction, upon which the hedging was based, occurs. When the hedged item is a non financial asset, the amount recognised in the hedging reserve is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in the hedging reserve is transferred to the income statement in the same period that the hedged item affects the income statement.

(f) Property, Plant and Equipment

(i) Recognition and Measurement

The Group has five classes of property, plant and equipment:

- freehold land;
- freehold buildings;
- harbour improvements;
- wharves and hardstanding; and
- plant and equipment.

Land, buildings, harbour improvements, and wharves and hardstanding are measured at fair value, based upon periodic valuations by external independent valuers. Revaluations are performed with sufficient regularity to ensure that the carrying value of an asset does not differ materially from its fair value.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. Increases in the carrying amounts arising on revalued assets are credited to the revaluation reserve in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in the income statement, the increase is first recognised in the income statement. Decreases that reverse previous increases of the same asset, are first charged against the revaluation reserve attributable to the asset, all other decreases are charged to the income statement.

Upon disposal or derecognition, any revaluation reserve relating to the particular asset being disposed or derecognised is transferred to retained earnings.

Capital and maintenance dredging are held as harbour improvements within property, plant and equipment. Capital dredging has an indefinite useful life and is not depreciated as the channel is maintained via maintenance dredging to its original depth and contours. Maintenance dredging is depreciated over three years.

Plant and equipment are stated at historical cost less depreciation and impairment losses.

The cost of purchased property, plant and equipment is the value of the consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service. Cost also includes transfers from the hedging reserve of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

The cost of assets constructed by the Group includes the cost of all materials used in construction, associated borrowing costs, direct labour on the project and an appropriate proportion of variable and fixed overheads. The Group capitalises borrowing costs where they are directly attributable to the acquisition, construction or production of a qualifying asset. A qualifying asset is deemed as having expenditure exceeding $0.500 million and takes a substantial period, greater than six months, to complete and prepare the asset for its intended use. Costs cease to be capitalised as soon as the asset is ready for productive use.

Land and buildings held by the Group to provide a port facility to facilitate trade and commerce will be accounted for as property, plant and equipment, notwithstanding that certain land and buildings are leased to port customers and operators.

Land and buildings that are not integral or associated with port operations and are leased with the principal objective of earning rentals and/or for capital appreciation are accounted for as investment properties.

(ii) *Subsequent Costs*

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be reliably measured.

All repairs and maintenance costs attributable to property, plant and equipment, are charged to the income statement during the financial period in which they are incurred.

(iii) *Depreciation*

Depreciation is provided on a straight line basis on all property, plant and equipment, other than freehold land and capital dredging (included within harbour improvements), at rates calculated to allocate the assets' cost or valuation less estimated residual value, over their estimated useful lives.

Major useful lives are:

Freehold Buildings				
Freehold buildings	33	to	100	years
Harbour Improvements				
Maintenance dredging			3	years
Wharves and Hardstanding				
Wharves	10	to	60	years
Wharf rocks	150	to	200	years
Wharf piles	60	to	130	years
Basecourse			50	years
Asphalt			15	years
Plant and Equipment				
Gantry cranes	10	to	40	years
Floating plant	10	to	25	years
Other plant and equipment	5	to	25	years
Electronic equipment	3	to	5	years

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

(g) Dividend Income

Dividend income is recognised on the date that the Group's right to receive payment is established.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Intangible Assets

(i) Goodwill

Goodwill that arises upon the acquisition of Subsidiaries is included in intangible assets. In respect of Equity Accounted Investees, the carrying amount of goodwill is included in the carrying amount of the investment.

Goodwill is measured at cost less accumulated impairment losses.

(ii) Other Intangible Assets

Other intangible assets acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

(iii) Subsequent Expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

(iv) Amortisation

Amortisation is recognised in the income statement on a straight line basis over the useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Rail services agreement	10	to	15	years
Computer software	1	to	10	years

(i) Leased Assets

(i) Where the Group is the Lessee

Leases, in terms of which the Group assumes substantially all the risks and rewards of ownership, are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

(ii) Where the Group is the Lessor

When assets are leased under a finance lease, where the lessee effectively receives substantially all the risks and rewards of ownership of the leased items, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Assets leased under operating leases are included in property, plant and equipment, in the statements of financial position, as appropriate.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventories is determined on a first-in first-out basis, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

(k) Impairment of Assets

The carrying amounts of the Group's property, plant and equipment, intangibles and investments in Equity Accounted Investees and receivables, are reviewed at each reporting date to determine whether there is any objective evidence of impairment.

With respect to goodwill, it is tested for impairment at least annually.

Property, Plant and Equipment, Intangibles and Investments in Equity Accounted Investees

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment of individual assets for which it is not possible to estimate the recoverable amount, these assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit and then to reduce the carrying amount of the other assets in the cash generating unit on a pro-rata basis.

Impairment losses directly reduce the carrying amount of assets and are recognised in the income statement, unless the asset is carried at a revalued amount in which case it is treated as a revaluation decrease and recognised in equity. An impairment loss in respect of goodwill is not reversed.

Advances and Receivables

The recoverable amount of advances and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate. Advances and receivables with a short duration are not discounted.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Employee Benefits

(i) Long Term Employee Benefits

The Group grants employees certain one-off annual leave entitlements upon reaching certain long service targets. The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to reporting date, using the projected unit credit method. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on New Zealand Government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

(ii) Short Term Employee Benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(m) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(n) Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of GST, rebates and discounts. Revenue is recognised as follows:

(i) Port Services

Port services revenue is recognised when the related service is performed. If at reporting date, the service is in progress, then the portion performed is recognised in the current year.

(ii) Rentals

Rental income from property leased under operating leases is recognised in the income statement on a straight line basis over the term of the lease. Lease incentives provided are recognised as an integral part of the total lease income, over the term of the lease.

(iii) Transport Services

Transport services revenue is recognised when the service is performed. If at reporting date, the service is in progress, then the portion performed is recognised in the current year.

(iv) Freight Handling

Freight handling revenue is recognised when the service is performed. If at reporting date, the service is in progress, then the portion performed is recognised in the current year.

(v) Marshalling Services

Marshalling services revenue is recognised when the service is performed. If at reporting date the service is in progress, then the portion performed is recognised in the current year.

(o) Finance Income and Expense

Finance income comprises interest income on funds invested, finance lease interest, foreign currency gains, and gains on hedging instruments that are recognised in the income statement. Interest income is recognised as it accrues, using the effective interest method. Finance lease interest is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Finance expenses comprise interest expense on borrowings, finance lease interest expense, unwinding of the discount of provisions, foreign currency losses, impairment losses recognised on financial assets (except for trade receivables), and losses on hedging instruments that are recognised in the income statement. Except as described in note 3(f)(i), all borrowing costs are recognised in the income statement using the effective interest method.

(p) Lease Payments

Payments made under finance leases are allocated between the liability and finance charges, using the effective interest method, so as to achieve a constant periodic rate of interest on the finance balance outstanding. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Payments made under operating leases are recognised in the income statement on a straight line basis over the term of the lease. Lease incentives are recognised as an integral part of the total lease expense, over the term of the lease.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Income Tax Expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes, and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting or taxable profit; and differences relating to investments in Subsidiaries and Equity Accounted Investee entities, to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(r) Earnings Per Share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Parent Company by the weighted average number of ordinary shares outstanding for the Parent Company during the period.

(s) Operating Segments

The Group determines and presents operating segments based on the information that is internally provided to the Chief Executive, who is the Group's Chief Operating Decision Maker (CODM), as defined by *NZ IFRS 8 Operating Segments.*

The Group operates in four main reportable segments, being:

- Port Operations – this consists of providing and managing port services, and cargo handling facilities through the Port of Tauranga, MetroPort and the Timaru Container Terminal. The Port's terminal and bulk operations have been aggregated together within the Port Operations Segment, due to the similarities in economic characteristics, customers, nature of products and processes, and risks. Timaru Container Terminal Limited was removed from this segment on 1 August 2014, on the sale of 49.9% shareholding to Kotahi.
- Property Services – this consists of managing and maintaining the Port's property assets.
- Marshalling Services – this consists of the contracted terminal operations, stevedoring, marshalling and scaling activities of Quality Marshalling (Mount Maunganui) Limited.
- Transport Services – this consists of the road transport and freight handling activities, of Tapper Transport Limited, Tapper SIP Limited and MetroPack Limited.

The four main business segments are managed separately as they provide different services to customers and have their own operational and marketing requirements.

The remaining activities of the Group are not allocated to individual business segments.

The Group operates in one geographical area, that being New Zealand.

(t) Cash Settled Share Based Payments

The fair value of the amount payable under the long term management incentive plan in respect of share appreciation rights, which are settled in cash, is recognised as an expense with a corresponding increase in liabilities over the period that management unconditionally become entitled to payment. The liability is re-measured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as employee benefit expenses in the income statement (refer to note 25).

(u) Equity Settled Share Based Payments

The grant-date fair value of equity settled share based payments is recognised as a rebate against revenue, with a corresponding increase in equity, over the vesting period. The amount recognised as a rebate is adjusted to reflect the number of awards for which the related service is expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service conditions at the vesting date (refer to note 21(b)).

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) New Standards Adopted and Pronouncements Not Yet Adopted

The following new standards, amendment to standards and interpretations are effective for annual periods beginning after 1 July 2014, and have not been applied in preparing these financial statements:

- **NZ IFRS 9 Financial Instruments**

  This standard becomes mandatory for the Group's 2019 consolidated financial statements and could change the classification and measurement of financial assets. Management is currently in the process of evaluating the potential effect of the adoption of NZ IFRS 9.

- **NZ IFRS 15 Revenue From Contracts With Customers**

  This standard was issued by the International Accounting Standards Board (IASB) on 28 May 2014. The standard replaces NZ IAS 11 *Construction Contracts,* NZ IAS 18 *Revenue,* IFRS Interpretations Committee (IFRIC) 13 *Customer Loyalty Programmes,* IFRIC 15 *Agreements for the Construction of Real Estate,* IFRIC 18 *Transfer of Assets from Customers* and *Standards Interpretations Committee (SIC) 31 Revenue – Barter Transactions Involving Advertising Services.*

  The new standard applies to contracts with customers and is effective for annual periods beginning on or after 1 January 2017, with the early adoption permitted under NZ IFRS.

  Management is currently in the process of evaluating the potential effect of the adoption of NZ IFRS 15.

4 DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, being market value, for both financial and non financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

– *Level 1:* quoted prices (unadjusted) in active markets for identical assets or liabilities.

– *Level 2:* inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).

– *Level 3:* inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Land, Buildings, Harbour Improvements, and Wharves and Hardstanding

All land, buildings, harbour improvements, and wharves and hardstanding, were revalued at fair value for non specialised assets and depreciated replacement cost for specialised assets. The latest valuation was carried out by independent valuers at 30 June 2015, who have appropriate recognised professional qualifications and recent experience in the location and category of assets being valued (refer to note 14).

(b) Trade Receivables and Payables

The nominal value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short term nature.

(c) Derivatives

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date.

The fair value of financial instruments that are not traded in active markets (for example over-the-counter derivatives) are determined by using market accepted valuation techniques incorporating observable market data about conditions existing at each reporting date.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using quoted forward exchange rates at the reporting date.

Valuation inputs for valuing derivatives are as follows:

Valuation Input	Source
Interest rate forward price curve	Published market swap rates.
Foreign exchange forward prices	Published spot foreign exchange rates and interest rate differentials.
Discount rate for valuing interest rate and foreign exchange derivatives	Published market interest rates as applicable to the remaining life of the instrument adjusted for the credit risk of the counterparty for assets and the credit risk of the Group for liabilities.

For more information on derivatives, refer to note 34.

4 DETERMINATION OF FAIR VALUES (CONTINUED)

(d) Non Derivative Financial Assets and Liabilities (including Deferred Consideration, Finance Lease Assets and Finance Lease Liabilities)

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, and discounted at the market rate of interest at reporting date.

(e) Fair Value of Business Combinations

The fair value methodologies used for determining the fair value of business combinations including the purchase of Equity Accounted Investees is as follows:

Asset Acquired	Valuation Technique
Valuation of business acquired	*Market comparison technique:* the fair value of the business is determined with reference to EBITDA multiples evidenced in similar transactions. *Discounted cash flow technique:* the fair value of the business is determined with reference to the anticipated free cash flows earned by the business over a forecast period discounted using a risk adjusted discount rate.
Property, plant and equipment	*Market comparison technique and cost technique:* the valuation model considers quoted market prices for similar items when available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

5 UNDERLYING PROFIT AFTER TAX (NON STATUTORY DISCLOSURE)

	2015 NZ$000	2014 NZ$000
Reported profit after tax	79,148	78,252
Disposal of investments		
Gain on disposal of Subsidiary operations (refer to note 7(b))	(5,013)	0
Loss on disposal of investment in MetroBox Limited	310	0
Loss on disposal of investment in Cubic Transport Services Limited	825	0
Fair value gain recognised on the sale of 49.9% shareholding in Subsidiary (refer to note 8)	(4,731)	0
Total	(8,609)	0
Profit and loss impact of revaluation of property, plant and equipment		
Impairment of property, plant and equipment on revaluation	1,876	0
Tax effect of impairment of property, plant and equipment on revaluation	(297)	0
Total	1,579	0
Impairment of goodwill		
Impairment of goodwill in Quality Marshalling (Mount Maunganui) Limited (refer to note 15)	6,221	0
Total	6,221	0
Share of profit from Equity Accounted Investees		
Impairment of goodwill in MetroBox Limited (refer to note 17(c))	668	0
Total	668	0
Total underlying profit adjustments	6,889	0
Total underlying profit after tax	79,007	78,252
Underlying earnings per share (cents) (refer to note 22)	58.1	58.3

6 SEGMENTAL REPORTING

Due to the significant shared cost base of the Port, operating costs, measures of profitability, assets and liabilities, are aggregated and are not reported to the CODM at a segment level, but rather at a port level, as all business decisions are made at a "whole port level".

The Group segment results are as follows:

2015	Port[1] Operations NZ$000	Property Services NZ$000	Marshalling Services NZ$000	Transport[2] Services NZ$000	Unallocated[3] NZ$000	Group NZ$000
Total segment revenue (external)	200,135	23,538	12,493	32,199	0	268,365
Share of profit from Equity Accounted Investees	0	0	0	0	10,298	10,298
Transactions relating to the formation of Coda Group (refer to note 7)	0	0	0	0	3,878	3,878
Fair value gain recognised on the sale of 49.9% shareholding in Subsidiary (refer to note 8)	0	0	0	0	4,731	4,731
Impairment of property, plant and equipment on revaluation	0	0	0	0	(1,876)	(1,876)
Impairment of Subsidiary (refer to note 15)	0	0	0	0	(6,221)	(6,221)
Interest income	0	0	0	9	989	998
Other income	0	0	83	0	12	95
Interest expense	0	0	0	(101)	(16,991)	(17,092)
Depreciation and amortisation expense	(5)	0	(2,247)	(1,983)	(19,003)	(23,238)
Other unallocated expenditure	(436)	0	(9,532)	(26,811)	(97,768)	(134,547)
Income tax expense	(3)	0	(166)	(1,037)	(25,037)	(26,243)
Total segment result	**199,691**	**23,538**	**631**	**2,276**	**(146,988)**	**79,148**

[1] Timaru Container Terminal was removed from this segment on 1 August 2014 on the sale of 49.9% shareholding in Subsidiary (refer to note 8).

[2] The operations of the Transport Services Segment were disposed of on 1 May 2015 (refer to note 7(b)).

[3] Operating costs are not allocated to individual business segments within the Parent Company. Unallocated includes results for Associates.

2014	Port Operations NZ$000	Property Services NZ$000	Marshalling Services NZ$000	Transport Services NZ$000	Unallocated[1] NZ$000	Group NZ$000
Total segment revenue (external)	189,732	22,137	17,190	37,214	0	266,273
Share of profit from Equity Accounted Investees	0	0	0	0	9,370	9,370
Interest income	1	0	7	23	1,020	1,051
Other income	2	0	0	12	324	338
Interest expense	0	0	0	(130)	(15,235)	(15,365)
Depreciation and amortisation expense	(39)	0	(1,277)	(2,315)	(18,758)	(22,389)
Other unallocated expenditure	(2,638)	0	(12,479)	(30,908)	(88,442)	(134,467)
Income tax expense	(103)	0	(1,036)	(1,027)	(24,393)	(26,559)
Total segment result	**186,955**	**22,137**	**2,405**	**2,869**	**(136,114)**	**78,252**

[1] Operating costs are not allocated to individual business segments within the Parent Company.

7 DISPOSAL OF SUBSIDIARY COMPANIES' OPERATIONS AND INVESTMENTS IN EQUITY ACCOUNTED INVESTEES

(a) Formation of Coda Group

On 1 May 2015, Port of Tauranga Limited formed a 50:50 joint venture named Coda Group Limited Partnership (Coda Group) with freight and logistics management company Kotahi Limited Partnership (Kotahi). The joint venture is designed to create leaner, more efficient pathways to and from distribution centres and key New Zealand ports. The Coda Group comprises two operating subsidiaries, Coda Services Limited Partnership (Coda Services) and Coda Operations Limited Partnership (Coda Operations).

In consideration for a 50% partnership interest, the Group contributed cash and the operations of the Transport Services Segment (Tapper Transport Limited, Tapper SIP Limited and MetroPack Limited), and its 37.5% stake in empty container repair and storage business, MetroBox Limited, to Coda Operations.

In consideration for its 50% partnership interest in the joint venture, Kotahi contributed the operations of its land based logistics business, Dairy Transport Logistics Limited, to Coda Services.

The following table summarises the Group's investment in Coda Group:

Investment in Coda Group	2015 NZ$000
Cash consideration	2,500
Fair value of the Transport Services Segment net assets contributed (refer to note 7(b))	37,000
Fair value of MetroBox Limited shares and intercompany loan assets contributed (refer to note 7(c))	3,000
50% of the loss on disposal of Group's investment in MetroBox Limited (refer to note 7(c))	310
Professional fees and due diligence expenses	475
Total cost of investment in Coda Group (refer to note 17)	**43,285**
50% share of the fair value of identifiable assets of Coda Group	**(11,788)**
Total goodwill (refer to note 17(b))	**31,497**

(b) Disposal of the Transport Services Segment Business

On 1 May 2015, the Group sold its Transport Services Segment operations as part of the Coda Group transaction. All operational assets and liabilities, as well as staff employed by Tapper Transport Limited, Tapper SIP Limited and MetroPack Limited, were transferred to the Coda Group.

The following table summarises the consideration received, the carrying amount of the Group's net assets which have been derecognised and the gain on disposal recognised by the Group as part of this transaction:

Disposal of the Transport Services Segment Business	2015 NZ$000
Fair value of net assets contributed to Coda Group (refer to note 7(a))	37,000
Cash balances contributed to Coda Group	(929)
Carrying value of non-monetary net assets contributed to Coda Group	(17,445)
Transport Services Segment goodwill derecognised (refer to note 15)	(13,613)
Total fair value gain on disposal of business	**5,013**

(c) Disposal of the Groups Investment in MetroBox Limited and Cubic Transport Services Limited

During the year the Group disposed of its investment in each of MetroBox Limited and Cubic Transport Services Limited. This has resulted in a combined loss on disposal of $1.445 million.

8 SALE OF 49.9% SHAREHOLDING IN SUBSIDIARY

Partial Disposal of Group's Interest in Timaru Container Terminal

On 1 August 2014, the Group sold a 49.9% shareholding in Timaru Container Terminal Limited to Kotahi in exchange for a 10 year Container Volume Commitment Agreement.

The following table summarises the consideration received, the carrying amount of the former Subsidiary's net assets which have been derecognised and the fair value of the Group's retained non controlling investment in Timaru Container Terminal Limited:

Sale of 49.9% Shareholding in Timaru Container Terminal Limited	**2015 NZ$000**
Total consideration received	**0**
Carrying amount of the former Subsidiary's net assets	**(269)**
Fair value of retained non controlling interest	**5,000**
Total fair value gain recognised on the sale of 49.9% shareholding in Subsidiary (refer to note 5)	**4,731**

9 OPERATING INCOME

	2015 NZ$000	2014 NZ$000
Revenue		
Port services income	**200,135**	189,732
Rental income	**23,538**	22,137
Marshalling services income	**12,493**	17,190
Transport services income	**32,199**	37,214
Total revenue	**268,365**	266,273
Other income		
Gain on sale of property, plant and equipment	**95**	15
Insurance proceeds	**0**	250
Total other income	**95**	265
Total operating income	**268,460**	266,538

10 EMPLOYEE BENEFIT EXPENSES

	2015 NZ$000	2014 NZ$000
Wages and salaries	**40,784**	39,470
ACC levy	**439**	736
Kiwisaver contribution	**1,220**	1,183
Medical subsidy	**219**	160
Total employee benefit expenses	**42,662**	41,549

11 OTHER EXPENSES

The following items of expenditure are included in other expenses:

	2015 NZ$000	2014 NZ$000
Operating lease payments	**3,880**	4,074
Directors' fees	**506**	480
Increase/(decrease) in provision for impairment of trade receivables	**(29)**	47
Bad debts written off	**11**	141
Auditors fees:		
Audit fees paid to principal auditor	**164**	177
Review of half year financial statements	**13**	12
Fees paid for other services provided by the principal auditor:		
Security assessment and awareness review	**0**	5
Accounting advisory	**76***	0
Payments data analysis review	**22**	0

**Relates to work undertaken on Timaru and Tauranga container terminals and Coda LP.*

12 FINANCIAL INCOME AND EXPENSE

	2015 NZ$000	2014 NZ$000
Interest on finance lease	**258**	771
Interest income on bank deposits	**740**	280
Ineffective portion of changes in fair value of cash flow hedges	**1,261**	21
Fair value movement in derivatives not hedge accounted	**0**	52
Finance income	**2,259**	1,124
Interest expense on borrowings	**(17,291)**	(15,491)
Less:		
Interest capitalised to property, plant and equipment	**350**	395
	(16,941)	(15,096)
Interest on finance leases	**(101)**	(130)
Interest on deferred consideration (refer to note 24)	**(50)**	(139)
Currency option expense	**0**	(41)
Finance expenses	**(17,092)**	(15,406)
Total net finance costs	**(14,833)**	(14,282)

The average weighted interest rate for interest capitalised to property, plant and equipment was 5.36% for the current period (2014: 5.70%).

13 INCOME TAX

Components of Tax Expense

	2015 NZ$000	2014 NZ$000
Profit before income tax for the period	**105,391**	104,811
Income tax on the surplus for the period at 28.0 cents	**29,509**	29,347
Tax effect of amounts which are non deductible/(taxable) in calculating taxable income:		
Net gain on disposal of investments	**(2,411)**	0
Adjustment for prior period	**1**	(3)
Share of Equity Accounted Investees after tax income	**(2,883)**	(2,624)
Impairment of goodwill	**1,742**	0
Other	**285**	(161)
Total income tax expense	**26,243**	26,559

	2015 NZ$000	2014 NZ$000
The income tax expense is represented by:		
Current tax expense		
Tax payable in respect of the current period	**29,460**	28,394
Adjustment for prior period	**65**	284
Total current tax expense	**29,525**	28,678
Deferred tax expense		
Adjustment for prior period	**(64)**	(287)
Origination/reversal of temporary differences	**(3,218)**	(1,832)
Total deferred tax expense (refer to note 26)	**(3,282)**	(2,119)
Total income tax expense	**26,243**	26,559

Income tax recognised in other comprehensive income:

	2015 NZ$000	2014 NZ$000
Revaluation of property, plant and equipment	**15,808**	0
Cash flow hedges	**(971)**	1,218
Total income tax recognised in other comprehensive income (refer to note 26)	**14,837**	1,218

Imputation Credit Account

	2015 NZ$000	2014 NZ$000
Total imputation credits available for use in subsequent reporting periods	**67,943**	55,480

14 PROPERTY, PLANT AND EQUIPMENT

	Freehold Land NZ$000	Freehold Buildings NZ$000	Wharves and Hardstanding NZ$000	Harbour Improvements NZ$000	Plant and Equipment NZ$000	Work in Progress NZ$000	**Total NZ$000**
Gross carrying amount:							
Balance at 1 July 2013	448,600	71,528	212,210	119,018	154,813	13,470	1,019,639
Additions	1,757	522	81	0	7,657	51,820	61,837
Disposals	0	0	0	0	(879)	0	(879)
Transfers from work in progress	27,538	9,847	5,296	3,737	13,825	(60,243)	0
Transferred to intangible assets (refer to note 15)	0	0	0	0	0	(20)	(20)
PrimePort Timaru Limited – Timaru Container Terminal Limited's assets acquired on acquisition	0	0	0	0	2,072	0	2,072
Priority Logistics Group assets acquired on acquisition	0	2,989	0	0	6,250	0	9,239
Balance at 30 June 2014	477,895	84,886	217,587	122,755	183,738	5,027	1,091,888
Balance at 1 July 2014	477,895	84,886	217,587	122,755	183,738	5,027	**1,091,888**
Additions	27	333	0	1,152	5,919	48,596	**56,027**
Disposals	0	(3,371)	0	0	(17,036)	(58)	**(20,465)**
Transfers from work in progress	15,059	685	4,058	796	11,206	(31,804)	**0**
Transferred to intangible assets (refer to note 15)	0	0	0	0	0	(238)	**(238)**
Transfers to profit or loss	0	0	0	0	0	(103)	**(103)**
Transfers between asset classes	(2,100)	2,100	0	0	0	0	**0**
Derecognised on the sale of 49.9% shareholding in Subsidiary	0	0	0	0	(913)	0	**(913)**
Revaluation	25,934	(2,476)	30,146	(4,697)	0	0	**48,907**
Balance at 30 June 2015	**516,815**	**82,157**	**251,791**	**120,006**	**182,914**	**21,420**	**1,175,103**
Accumulated depreciation and impairment:							
Balance at 1 July 2013	0	(1,811)	(6,698)	(1,370)	(62,831)	0	(72,710)
Depreciation expense	0	(2,139)	(7,422)	(1,782)	(9,687)	0	(21,030)
Impairment	0	0	0	0	(160)	0	(160)
Disposals	0	0	0	0	754	0	754
Balance at 30 June 2014	0	(3,950)	(14,120)	(3,152)	(71,924)	0	(93,146)
Balance at 1 July 2014	0	(3,950)	(14,120)	(3,152)	(71,924)	0	**(93,146)**
Depreciation expense	0	(2,317)	(7,604)	(1,740)	(10,528)	0	**(22,189)**
Reversal of impairment	0	0	0	0	160	0	**160**
Disposals	0	216	0	0	4,603	0	**4,819**
Derecognised on the sale of 49.9% shareholding in Subsidiary	0	0	0	0	42	0	**42**
Revaluation	0	5,996	21,724	4,892	0	0	**32,612**
Balance at 30 June 2015	**0**	**(55)**	**0**	**0**	**(77,647)**	**0**	**(77,702)**
Carrying amounts:							
Total net book value as at 30 June 2014	477,895	80,936	203,467	119,603	111,814	5,027	998,742
Total net book value as at 30 June 2015	**516,815**	**82,102**	**251,791**	**120,006**	**105,267**	**21,420**	**1,097,401**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Valuation Information

All land, buildings, harbour improvements, and wharves and hardstanding, have been revalued to fair value, being market value, for non specialised assets and depreciated replacement cost (DRC) for specialised assets. The valuation was carried out as at 30 June 2015 and increased the value of property, plant and equipment by $81.519 million in the current reporting period.

The fair value measurement has been categorised as a level 3 fair value based on the inputs to the valuation technique.

Wharves, hardstanding and harbour improvements assets owned by Port of Tauranga Limited are classified as specialised assets and have accordingly been valued on a depreciated replacement cost basis. The significant assumptions applied in the valuation of these assets are:

- Replacement unit cost: replacement unit costs were calculated taking into account:
  - Port of Tauranga Limited's historic cost data including any recent competitively tendered construction works.
  - Published cost information.
  - The Opus construction cost database.
  - Long run price trends.
  - Historic costs adjusted for changes in price levels.
  - An allowance has been included for costs directly attributable to bringing assets into working condition, management costs and the financing cost of capital held over construction period.
- Depreciation: the calculated remaining lives of assets were reviewed, taking into account:
  - Observed and reported condition, performance and utilisation of the asset.
  - Future use of the asset (Port of Tauranga Limited's development strategy).
  - Planned replacement programme (forward maintenance plans).
  - Expected changes in technology.
  - Consideration of current use, age and operational demand.
  - Discussions with Port of Tauranga Limited's operational officers.
  - Opus Consultants in-house experience from other infrastructure valuations.
  - Residual values.

The significant assumptions applied in the valuation of land and buildings are:

- Highest and best use of land:
  - Tauranga and Mount Maunganui: this has been determined by reference to zoning by the Tauranga City Council District Plan. Most of the land owned by Port of Tauranga Limited is zoned "Port Industry" with a small portion of land at Mount Maunganui and Sulphur Point having "Industry" zoning.
  - Rolleston: this has been determined by reference to zoning by the Selwyn City Council District Plan. All land owned by Port of Tauranga Limited is zoned "Business 2A".
  - Auckland: this has been determined by reference to zoning by the Auckland City Council District Plan. All land owned by Port of Tauranga Limited is zoned "Business 6".
- Current market expectations: this is based on yield and recent local sales.
- Market value of buildings: this is made on a depreciated replacement cost basis with that assessment compared against actual or likely market rental capitalised at an appropriate rate of return between 5% and 10%.
- Current occupancy rates of premises.
- The impact of major building relocation and demolition planned by Port of Tauranga Limited to facilitate better utilisation of the wharf areas, including the prospect of increased berthage at Sulphur Point.
- No restriction of title: valuation is made on the assumption that having no legal title to the Tauranga harbour foreshore does not impact on the value of Port of Tauranga Limited's assets.

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

For each revalued class of property, plant and equipment, the notional carrying amount that would have been recognised, had the assets been carried under the cost model, would be:

	2015 Notional Carrying Amount NZ$000	2014 Notional Carrying Amount NZ$000
Freehold land	**117,705**	104,719
Freehold buildings	**57,849**	60,070
Wharves and hardstanding	**88,729**	89,090
Harbour improvements	**28,814**	28,514
Total notional carrying amount	**293,097**	282,393

Restriction on Title

An area of 8,000 square metres of land located between the Sulphur Point wharves and the Parliamentary approved reclamation does not have formal title. Actions are being taken to resolve the issue and obtain title. The resolution lies with the Government.

Security

Certain items of property, plant and equipment have been pledged as security against certain loans and borrowings of the Group (refer to note 23).

Occupation of Foreshore

Port of Tauranga Limited holds consent to occupy areas of the Coastal Marine Area to enable the management and operation of port related commercial undertakings that it acquired under the Port Companies Act 1988. The consented area includes a 10 metre radius around navigation aids and a strip from 30 to 60 metres wide along the extent of the wharf areas at both Sulphur Point and Mount Maunganui.

Operating Leases

Included in the financial statements are land, buildings, and plant and equipment, leased to customers under operating leases.

	2015 Cost/ Valuation NZ$000	**2015 Accumulated Depreciation NZ$000**	2014 Cost/ Valuation NZ$000	2014 Accumulated Depreciation NZ$000
Land	**236,772**	**0**	206,996	0
Buildings	**51,662**	**0**	39,970	(1,000)
Plant and equipment	**0**	**0**	458	(335)
Total	**288,434**	**0**	247,424	(1,335)

Future minimum lease receivables from non cancellable operating leases are as follows:

	2015 NZ$000	2014 NZ$000
Within one year	**16,768**	11,516
One year to five years	**34,425**	23,987
Greater than five years	**18,522**	19,689
Total	**69,715**	55,192

15 INTANGIBLE ASSETS

	Goodwill NZ$000	Computer Software NZ$000	Rail Services Agreement NZ$000	**Total NZ$000**
Cost:				
Balance at 1 July 2013	36,385	9,568	10,000	55,953
Additions	0	516	0	516
Goodwill recognised on acquisition of Priority Logistics Group	2,059	0	0	2,059
Transferred from fixed assets work in progress (refer to note 14)	0	20	0	20
Balance at 30 June 2014	38,444	10,104	10,000	58,548
Balance at 1 July 2014	38,444	10,104	10,000	**58,548**
Additions	0	196	0	**196**
Disposals	0	(3,576)	0	**(3,576)**
Transfers from work in progress (refer to note 14)	0	238	0	**238**
Transport Services Segment goodwill derecognised (refer to note 7(b))	(13,613)	0	0	**(13,613)**
Balance at 30 June 2015	**24,831**	**6,962**	**10,000**	**41,793**
Accumulated amortisation and impairment:				
Balance at 1 July 2013	0	(4,973)	(8,343)	(13,316)
Amortisation expense	0	(1,021)	(338)	(1,359)
Balance at 30 June 2014	0	(5,994)	(8,681)	(14,675)
Balance at 1 July 2014	0	(5,994)	(8,681)	**(14,675)**
Amortisation expense	0	(711)	(338)	**(1,049)**
Impairment (refer to note 15(a))	(6,221)	0	0	**(6,221)**
Disposals	0	1,509	0	**1,509**
Balance at 30 June 2015	**(6,221)**	**(5,196)**	**(9,019)**	**(20,436)**
Carrying amounts:				
Total net book value 30 June 2014	38,444	4,110	1,319	43,873
Total net book value 30 June 2015	**18,610**	**1,766**	**981**	**21,357**

(a) Goodwill

Goodwill at 30 June 2015 relates to goodwill arising on the acquisition of Quality Marshalling (Mount Maunganui) Limited. Goodwill at 30 June 2014 also included goodwill arising on the acquisition of Subsidiaries in respect of the Transport Services Segment cash generating unit, which has been disposed of during the current reporting period (refer to note 7(b)).

Goodwill was tested for impairment as at 30 June 2015, based upon the value in use of the cash generating unit to which the goodwill relates. Value in use was determined by discounting five year future cash flows, generated from the continuing use of the units. The calculation of value in use was based upon the following key assumptions:

- Cash flows were projected using management forecasts.
- The anticipated annual profit growth included in the cash flow projections for the years 2016 to 2020 have been based upon expected growth levels and forecasted business activities. For the Marshalling Services Segment cash generating unit an average 5.4% growth rate has been applied over the period.
- Terminal cash flows were estimated using a constant growth rate of 2% after year five.
- A pre-tax discount rate of 14.0% was applied in determining the recoverable amount of the units.

The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external and internal sources (historical data).

As a result of the goodwill impairment testing performed, the Group has impaired goodwill in respect of Quality Marshalling (Mount Maunganui) Limited by $6.221 million in the current reporting period.

(b) Computer Software

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

15 INTANGIBLE ASSETS (CONTINUED)

(c) Rail Services Agreement

The Parent Company has paid KiwiRail for expanded services and obligations relating to a seven-day-a-week rail link to MetroPort Auckland. The term of this agreement expires in 2018.

16 INVESTMENTS IN SUBSIDIARIES

Investments in Subsidiaries Comprises:

Name of Entity	**2015 %**	2014 %	Balance Date
MetroPack Limited	**100.00**	100.00	30 June
Port of Tauranga Trustee Company Limited	**100.00**	100.00	30 June
Quality Marshalling (Mount Maunganui) Limited	**100.00**	100.00	30 June
Tapper SIP Limited	**100.00**	100.00	30 June
Tapper Transport Limited	**100.00**	100.00	30 June
Timaru Container Terminal Limited*	**50.10**	100.00	30 June

**Timaru Container Terminal Limited is classified as an investment in Equity Accounted Investees as at 30 June 2015.*

(a) The principal activity of MetroPack Limited was to operate as a freight operator providing container packing, unpacking and freight transport services. On 1 May 2015, the operations of MetroPack Limited were sold to the Coda Group (refer to note 7(a)). MetroPack Limited is now a shell company and will be wound up in the 2016 financial year.

(b) The principal activity of Port of Tauranga Trustee Company Limited is to hold shares in trust for employees. The company has no trading activities and the issued and paid up capital is $2. The company is incorporated in New Zealand.

(c) The principal activities of Quality Marshalling (Mount Maunganui) Limited is to provide log marshalling, log scaling services and contracted container terminal services.

(d) The principal activity of Tapper SIP Limited was to operate an Auckland-based inland freight centre. On 1 May 2015, the operations of Tapper SIP Limited were sold to the Coda Group (refer to note 7(a)). Tapper SIP is now a shell company and will be wound up in the 2016 financial year.

(e) The principal activity of Tapper Transport Limited was to operate an Auckland-based road transport and logistics company. On 1 May 2015, the operations of Tapper Transport Limited were sold to the Coda Group (refer to note 7(a)). Tapper Transport Limited is now a shell company and will be wound up in the 2016 financial year.

(f) The principal activity of Timaru Container Terminal Limited is to operate the container terminal operations at PrimePort Timaru Limited. On 1 August 2014, the Group sold a 49.9% shareholding in Timaru Container Terminal Limited. The Group's retained 50.1% non controlling interest in Timaru Container Terminal Limited has now been classified as a joint venture and is accounted for as an Investment in Equity Accounted Investees (refer to notes 8 and 17).

17 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES

	2015 NZ$000	2014 NZ$000
Investments in Equity Accounted Investees		
Balance at beginning of period	**71,079**	49,915
Share of after tax surplus	**10,298**	9,370
Share of hedging reserve	**(269)**	181
Share of revaluation reserve	**(328)**	(8)
Disposals	**(3,491)**	0
Purchase of interest in Coda Group Limited Partnership (refer to note 7(a))	**43,285**	0
Group's investment in Timaru Container Terminal Limited	**5,003**	0
Purchase of shares in MetroBox Limited	**1,899**	0
Purchase of shares in PrimePort Timaru Limited (refer to note 8)	**0**	19,771
Formation of PortConnect Limited	**0**	5
Dividends received	**(8,504)**	(8,155)
Balance at end of period	**118,972**	71,079

Included within the carrying value is:

	2015 NZ$000	2014 NZ$000
Total goodwill	**39,153**	2,913

The Group has interests in a number of individually immaterial Equity Accounted Investees. Northport Limited and Coda Group Limited Partnership are considered to be the only individually material Equity Accounted Investees in which the Group participates.

(a) Northport Limited

Port of Tauranga Limited has a 50% shareholding in the port at Marsden Point which trades as Northport Limited (Northport) (2014: 50%), with Marsden Maritime Holdings Limited (formerly Northland Port Corporation (NZ) Limited) holding the remaining 50%.

Northport also has a 50% shareholding in North Tugz Limited (2014: 50%), with Ports of Auckland Limited holding the remaining 50%. North Tugz Limited has been established to undertake the marine services within the Whangarei Harbour including Marsden Point.

Northport is structured as a separate vehicle and the Group has a residual interest in the net assets of Northport. Accordingly, the Group has classified its interests in Northport as a joint venture.

17 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES (CONTINUED)

The following table summarises the financial information of Northport as included in its own financial statements, adjusted for fair value adjustments at acquisition and differences in accounting policies. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in Northport.

	2015	2014
Percentage ownership interest	**50%**	50%
	NZ$000	NZ$000
Non current assets	**129,795**	128,786
Current assets (including cash and cash equivalents 2015: $0.320 million (2014: $0.537 million)	**4,963**	5,018
Non current liabilities (including non current financial liabilities excluding trade and other payables and provisions 2015: $35.442 million (2014: $33.621 million)	**(35,442)**	(33,621)
Current liabilities (including current financial liabilities excluding trade and other payables and provisions 2015: $2.698 million (2014: $1.998 million)	**(5,624)**	(4,849)
Net assets (100%)	**93,692**	95,334
Group's share of net assets (50%)	**46,846**	47,667
Carrying amount of interest in joint venture	**46,846**	47,667
Revenue	**36,799**	38,322
Depreciation and amortisation	**(3,939)**	(3,827)
Interest expense	**(2,039)**	(2,022)
Income tax expense	**(5,495)**	(5,395)
Net profit after tax	**16,328**	15,920
Other comprehensive income	**(2,012)**	(200)
Total comprehensive income (100%)	**14,316**	15,720
Total Group's share of total comprehensive income (50%)	**7,158**	7,860
Total dividends received by the Group	**7,959**	8,005

(b) Coda Group Limited Partnership

On 1 May 2015, Port of Tauranga Limited formed a 50:50 joint venture named Coda Group Limited Partnership (Coda Group) with freight and logistics management company Kotahi Limited Partnership (Kotahi).

Coda Group comprises two operating subsidiaries, Coda Services Limited Partnership and Coda Operations Limited Partnership.

Coda Group is structured as a separate vehicle and the Group has a residual interest in the net assets of Coda Group. Accordingly, the Group has classified its interests in Coda Group as a joint venture.

Coda Group is treated as a partnership for tax purposes and is not taxed at the Coda Group Limited Partnership level. Fifty percent of the income and expenses flow through the limited partnership to the Parent Company who is then taxed.

17 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES (CONTINUED)

	2015
Percentage ownership interest	**50%**
	NZ$000
Non current assets	22,077
Current assets (including cash and cash equivalents 2015: $1.953 million (2014: $0)	22,465
Non current liabilities (including non current financial liabilities excluding trade and other payables and provisions 2015: $1.949 million (2014: $0)	(1,949)
Current liabilities (including current financial liabilities excluding trade and other payables and provisions 2015: $1.240 million (2014: $0)	(18,853)
Net assets (100%)	**23,740**
Group's share of net assets (50%)	**11,870**
Goodwill in joint venture (refer to note 7(a))	**31,497**
Carrying amount of interest in joint venture	**43,367**
Revenue	27,943
Depreciation and amortisation	(535)
Interest expense	(9)
Income tax expense	(42)
Net profit before tax	164
Other comprehensive income	0
Total Group's share of total comprehensive income (50%)	**82**
Group's share of partnership income tax expense (50%)	**(21)**
Total Group's share of comprehensive income after tax	**61**

(c) MetroBox Limited

Port of Tauranga Limited sold its shareholding in MetroBox Limited (MetroBox) on 1 May 2015 (2014: 50%).

Prior to the sale of MetroBox, on 1 December 2014, MetroBox restructured its business by purchasing the Auckland operations of Specialised Container Services (Auckland) Limited (SCS) in exchange for a 50% shareholding in MetroBox. MetroBox issued 8,776,748 new shares to SCS as part of the transaction, which diluted the Parent Company's shareholding in MetroBox from 50% to 25%. As part of this transaction shareholder loans and legal fees of $1.149 million were capitalised by the Parent Company to its investment against MetroBox.

The fair value of both MetroBox and the Auckland operations of SCS were determined to be $3.000 million each, prior to sale. As a result of this valuation, MetroBox impaired goodwill on its statement of financial position. An impairment charge of $0.668 million has been recognised by the Group within the share of profit from Equity Accounted Investees in the current period.

Post the MetroBox restructure, the Parent Company purchased an additional 12.5% shareholding (2,194,187 shares) from SCS for $0.750 million, increasing the Parent Company's shareholding in MetroBox to 37.5%.

(d) Cubic Transport Services Limited

Port of Tauranga Limited sold its 37.5% shareholding in Cubic Transport Services Limited (Cubic) on 17 February 2015 to Quadrant Pacific Limited (refer to note 7(d)). In 2014 the shareholding in Cubic was Port of Tauranga Limited 37.5%, Quadrant Pacific Limited 37.5%, and PGB Trustee Limited holding the remaining 25%.

(e) PrimePort Timaru Limited

Port of Tauranga Limited has a 50% shareholding in PrimePort Timaru Limited (PrimePort) (2014: 50%), with Timaru District Holdings Limited holding the remaining 50% (2014: 50%).

PrimePort operates the bulk and marine operations of Port of Timaru and leases the container terminal wharf facilities to Timaru Container Terminal Limited.

PrimePort is structured as a separate vehicle and the Group has a residual interest in the net assets of PrimePort. Accordingly, the Group has classified its interest in PrimePort as a joint venture.

17 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES (CONTINUED)

(f) PortConnect Limited

Port of Tauranga Limited has a 50% shareholding in PortConnect Limited (PortConnect) (2014: 50%), with Ports of Auckland Limited holding the remaining 50% (2014: 50%).

PortConnect operates an online cargo management system, connecting ports to their logistics companies.

PortConnect is structured as a separate vehicle and the Group has a residual interest in the net assets of PortConnect. Accordingly, the Group has classified its interest in PortConnect as a joint venture.

(g) Timaru Container Terminal Limited

On 1 August 2014, Port of Tauranga Limited sold 49.9% of its shareholding in Timaru Container Terminal Limited (TCTL) to Kotahi (refer to note 8).

TCTL operates the container terminal at the Port of Timaru, which it leases from PrimePort Timaru Limited.

TCTL is structured as a separate vehicle and the Group has a residual interest in the net assets of TCTL. Accordingly, the Group has classified its interest in TCTL as a joint venture.

The following table summarises the financial information relevant to the Group's interests in individually immaterial joint ventures. The table, in conjunction with the information for Northport and Coda Group, also reconciles to the carrying amount of the Group's interest in Equity Accounted Investees.

	2015 NZ$000	2014 NZ$000
Current assets	**4,248**	5,486
Non current assets	**30,220**	21,773
Total assets	**34,468**	27,259
Current liabilities	**6,846**	3,039
Non current liabilities	**3,725**	1,791
Total liabilities	**10,571**	4,830
Net assets	**23,897**	22,429
Goodwill	**4,862**	976
Fair value adjustment on acquisition	**0**	7
Carrying amount of interest in individually immaterial Equity Accounted Investees	**28,759**	23,412
Revenues	**21,913**	11,969
Expenses	**(19,860)**	(10,559)
Net profit after tax	**2,053**	1,410
Other comprehensive income	**409**	273
Total comprehensive income	**2,462**	1,683

18 DERIVATIVE FINANCIAL INSTRUMENTS

	2015 NZ$000	2014 NZ$000
Current assets		
Foreign currency derivatives – not hedge accounted	**0**	52
Foreign currency derivatives – cash flow hedges	**1,066**	0
Total current assets	**1,066**	52
Non current assets		
Foreign currency derivatives – cash flow hedges	**280**	0
Total non current assets	**280**	0
Total assets	**1,346**	52
Current liabilities		
Foreign currency derivatives – cash flow hedges	**0**	(1,149)
Interest rate derivatives – cash flow hedges	**(977)**	(60)
Total current liabilities	**(977)**	(1,209)
Non current liabilities		
Interest rate derivatives – cash flow hedges	**(8,384)**	(3,340)
Total non current liabilities	**(8,384)**	(3,340)
Total liabilities	**(9,361)**	(4,549)

For additional information about the Group's use of derivatives refer to note 34.

19 RECEIVABLES AND PREPAYMENTS

	2015 NZ$000	2014 NZ$000
Trade receivables	**28,696**	30,130
Less:		
Provision for impairment of trade receivables	**0**	(54)
Receivables from Equity Accounted Investees, Subsidiaries and related parties	**758**	66
	29,454	30,142
Advances to Equity Accounted Investees (refer to note 29)	**7,519**	3,185
Prepayments and sundry receivables	**2,516**	3,385
Finance lease – gross receivable	**0**	2,116
Finance lease – unearned finance income	**0**	(259)
Total receivables and prepayments	**39,489**	38,569

Current trade and other receivables are non interest bearing and receipt is normally on 30 day terms, therefore the carrying value of debtors and other receivables approximate their fair value.

The ageing of trade receivables at reporting date was:

	2015 NZ$000	2014 NZ$000
Not past due	**23,946**	25,199
Past due 0 – 30 days	**4,030**	4,540
Past due 30 – 60 days	**591**	262
Past due 60 – 90 days	**126**	109
More than 90 days	**3**	20
Total of ageing of trade receivables	**28,696**	30,130

Impairment for trade receivables is calculated as a percentage of specific overdue debts which, based on historical performance and individual investigation, are unlikely to be collected.

19 RECEIVABLES AND PREPAYMENTS (CONTINUED)

Movements in the provision for impairment of receivables were as follows:

	2015 NZ$000	2014 NZ$000
Opening balance	**54**	7
Additional provision	**0**	47
Reversed during the period	**(29)**	0
Derecognised on disposal of Subsidiary operations	**(25)**	0
Balance as at 30 June	**0**	54

(a) Finance Lease Receivable

In August 2003 the Parent Company entered into an agreement with Genesis for the importation of coal for the Huntly power station. As part of this agreement, a coal conveyor system was constructed by the Parent Company and Genesis agreed to lease this conveyor system for a 15 year period. Genesis were also granted an option to extend the lease for an additional 15 year period, for a nominal rental of $1.00. As Genesis effectively receives substantially all the risks and rewards of ownership of the conveyor system, the lease is treated as a finance lease by the Parent Company. The effective interest rate on the finance lease receivable is 14.32% (2014: 14.32%).

	2015 NZ$000	2014 NZ$000
Gross receivables from finance lease		
Current portion		
Not later than one year	**0**	2,116
Non current portion		
Later than one year and not later than five years	**0**	0
Total gross receivables from finance lease	**0**	2,116
Unearned finance income		
Current portion		
Not later than one year	**0**	(259)
Non current portion		
Later than one year and not later than five years	**0**	0
Total unearned finance income	**0**	(259)

	2015 NZ$000	2014 NZ$000
Present value of minimum lease receipts		
Not later than one year	**0**	1,857
Later than one year and not later than five years	**0**	0
Total present value of minimum lease receipts	**0**	1,857

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 INVENTORIES

	2015 NZ$000	2014 NZ$000
Total inventory of parts and consumables	**535**	1,008

Included in inventories at 30 June 2015 was $0.195 million of straddle parts (2014: $0.222 million) and $0.243 million of crane parts (2014: $0.643 million) purchased for planned maintenance of machinery in the following financial year. Other major components of inventories includes diesel fuel.

21 CAPITAL AND RESERVES

(a) Share Capital

	2015	2014
Ordinary shares issued		
Balance as at 1 July	**134,071,596**	134,070,196
Shares issued during year	**2,014,460**	1,400
Shares repurchased by the Group during the year	**(17,280)**	0
Balance as at 30 June	**136,068,776**	134,071,596

All shares are fully paid and have no par value. All shares rank equally with one vote attached to each fully paid ordinary share.

During the year 14,460 shares at $8.09 per share were issued to employees from the Port of Tauranga Trustee Company Limited (2014: 1,400 shares at $11.70 per share). An additional 2,000,000 shares (2014: nil shares) were also issued to Kotahi as a 10 year volume rebate (refer to note 21(b)).

During the year 17,280 shares were repurchased on market and transferred to the Port of Tauranga Trustee Company Limited as part of the Employee Share Ownership Plan (2014: nil shares).

Refer to note 32 for additional information on the Employee Share Ownership Plan.

(b) Share Based Payment Reserve

On 1 August 2014 the Parent Company issued 2,000,000 shares as a volume rebate to Kotahi as part of a 10 year freight alliance. The shares are subject to a call option allowing the Parent Company to "call" shares back at zero cost if Kotahi fails to meet the volume commitments specified in the 10 year Container Volume Commitment Agreement.

The increase in the reserve recognises the shares earned based on containers delivered during the period.

(c) Hedging Reserve

The hedging reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedging instruments, related to hedged transactions that have not yet occurred.

(d) Revaluation Reserve

The revaluation reserve relates to the revaluation of land, buildings, wharves and hardstanding, and harbour improvements.

(e) Dividends

The following dividends were declared and paid during the period:

	2015 NZ$000	2014 NZ$000
Final 2014 dividend paid 29.0 cents per share (2013: 26.0 cps)	**39,474**	34,870
Interim 2015 dividend paid 22.0 cents per share (2014: 21.0 cps)	**29,945**	28,165
Total dividends	**69,419**	63,035

The dividends are fully imputed. Supplementary dividends of $373,275 (2014: $322,342) were paid to shareholders not tax resident in New Zealand, for which the Group received a foreign tax credit entitlement.

A final dividend of 30 cents (2014: 29 cents) per share to a total of $40,834,874 (2014: $39,473,711) has been approved subsequent to reporting date. The final dividend was not approved until after year end, therefore it has not been accrued in the current year financial statements.

22 EARNINGS PER SHARE

Group

The calculation of basic earnings per share at 30 June 2015 of 58.2 cents per share (2014: 58.3 cents per share) was based on the profit attributable to ordinary shareholders of $79.148 million (2014: $78.252 million) and a weighted average number of ordinary shares on issue of the Parent Company of 135,946,383 (2014: 134,116,246).

There are no dilutive potential ordinary shares (2014: nil shares).

Underlying Earnings Per Share

The calculation of underlying earnings per share for the Group at 30 June 2015 of 58.1 cents per share (2014: 58.3 cents per share) was based on the underlying profit after tax of $79.007 million (2014: $78.252 million) and a weighted average number of ordinary shares on issue of the Parent Company of 135,946,383 (2014: 134,116,246), refer to note 5.

23 LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's interest bearing loans and borrowings. For additional information about the Group's exposure and sensitivity to interest rate risk, refer to note 34.

	2015 NZ$000	2014 NZ$000
Non current liabilities		
Fixed rate bond (refer to note 23(b))	**125,000**	50,000
Standby revolving cash advance facility (refer to note 23(c))	**0**	45,000
Advances from employees (refer to note 23(g))	**65**	300
Finance lease liabilities	**0**	829
Total non current liabilities	**125,065**	96,129
Current liabilities		
Commercial papers (refer to note 23(d))	**180,000**	160,000
Advances from employees (refer to note 23(g))	**297**	0
Finance lease liabilities	**0**	202
Total current liabilities	**180,297**	160,202
Total liabilities	**305,362**	256,331

(a) Terms and Debt Repayment Schedule

Terms and conditions of outstanding interest bearing loans are as follows:

	Year of Maturity	**2015 NZ$000**	2014 NZ$000
Fixed rate bond	2021	**75,000**	0
Fixed rate bond	2019	**50,000**	50,000
Standby revolving cash advance facility – tranche 1	2016	**0**	45,000
Commercial papers	2015	**180,000**	0
Commercial papers	2014	**0**	160,000
Total		**305,000**	255,000

The average weighted interest rate of interest bearing loans was 4.326% at 30 June 2015 (2014: 5.59%).

23 LOANS AND BORROWINGS (CONTINUED)

(b) Fixed Rate Bonds

On 29 October 2013 the Parent Company issued a six year $50 million fixed rate bond bearing a fixed interest rate of 5.865% per annum. Interest is payable semi annually with a final maturity on 29 October 2019.

On 23 January 2015, the Parent Company, issued a six year $75 million fixed rate bond bearing a fixed interest rate of 4.792% per annum. Interest is payable semi annually with final maturity on 29 January 2021.

The Parent Company incurred costs of $0.244 million (2014: $0.109 million) in connection with the issuance of bonds which has been capitalised and is being amortised over the term of the bonds.

(c) Standby Revolving Cash Advance Facility Agreement

The Parent Company has a $280.000 million (2014: $280.000 million) financing arrangement with ANZ Bank New Zealand Limited, Bank of New Zealand Limited and the Commonwealth Bank of Australia, New Zealand branch. The facility, which is secured, provides for both direct borrowings and support for issuance of commercial papers.

The standby revolving cash advance facility comprises of three tranches (2014: three tranches), tranche 1, a $100.000 million (2014: $100.000 million) facility maturing 31 January 2016 (2014: 31 January 2016), tranche 2, a $50,000 million (2014: $50,000 million) facility maturing 31 July 2017 (2014: 31 July 2017), and tranche 3, a $130.000 million (2014: $130.000 million) facility maturing 31 July 2019 (2014: 31 July 2019). These facilities are secured by way of a ships' mortgage over certain floating plant assets ($1.981 million, 2014: $2.240 million), mortgages over the land and building assets ($598.559 million, 2014: $555.502 million), and by a general security agreement over the assets of the Parent Company ($1,272.926 million, 2014: $1,104.871 million).

On 1 July 2015 the Parent Company refinanced this facility (refer to note 33).

(d) Commercial Papers

Commercial papers are secured, short term discounted debt instruments issued by the Parent Company for funding requirements as a component of its banking arrangements. The commercial paper programme is fully backed by committed term bank facilities.

At 30 June 2015 the Group had $180.000 million of commercial paper debt that is classified within current liabilities (2014: $160.000 million). Due to this classification the Group's current liabilities exceed the Group's current assets. Despite this fact, the Group does not have any liquidity or working capital concerns as a result of the commercial paper debt being interchangeable with direct borrowings within the standby revolving cash advance facility which is a term facility. Refer to note 23(b).

(e) Multi Option Facility Agreement

The Parent Company has a $5.000 million (2014: $5.000 million) multi option financing facility with the Bank of New Zealand Limited, which is primarily used for short term working capital requirements. At 30 June 2015 this facility was undrawn (2014: $0). This facility expires on 31 December 2015 (2014: 31 December 2014). The Parent Company has the option to roll-over this facility for the period of one year, by giving notice to the Bank of New Zealand prior to the expiry of the facility. This facility is secured by way of a ships' mortgage over certain floating plant assets ($1.981 million, 2014: $2.240 million), and by a general security agreement over the land and building assets of the Parent Company ($598.559 million, 2014: $555.502 million).

(f) Headroom Facility

The Parent Company has a $30.000 million (2014: $30.000 million) revolving cash advance facility with ANZ Bank New Zealand Limited, used for headroom purposes. The facility is secured by way of a ships' mortgage over certain floating plant assets ($1.981 million, 2014: $2.240 million), mortgages over the land and building assets ($598.559 million, 2014: $555.502 million), and by a general security agreement over the assets of the Parent Company ($1,272.926 million , 2014: $1,104.871 million). At 30 June 2015 this facility is undrawn (2014: $0) and expires 13 months after the date of notice given by the Parent Company or ANZ Bank New Zealand Limited.

(g) Advances From Employees

Advances from employees are contributions by employees to the Employee Share Ownership Plan (ESOP), refer to note 32.

(h) Fair Values of Loans and Borrowings

The amortised cost of variable rate loans and borrowings is assumed to closely approximate fair value as debt facilities are repriced every 90 days.

24 DEFERRED CONSIDERATION

Quality Marshalling (Mount Maunganui) Limited

An amount of $0.500 million (2014: $0.500 million) has been retained by the Group as a "Warranty Retention Fund" to satisfy any potential claims that may arise subsequent to acquisition and shall be held to 31 January 2016. Whilst any Warranty Retention Fund remains owing to the vendors, interest shall be paid on the amount owing at a rate of 10% per annum.

25 PROVISIONS

(a) Non Current Liabilities

	2015 NZ$000	2014 NZ$000
Employee benefits – long service leave provision		
Balance at beginning of period	**1,046**	1,010
Additional provision	**289**	155
Unused amounts reversed	**(90)**	(67)
Utilised during the period	**(33)**	(52)
Balance at end of period	**1,212**	1,046
Employee benefits – Management Long Term Incentive (LTI)		
Balance at beginning of period	**404**	0
Additional provision	**333**	404
Transferred to current (refer to note 25(b))	**(342)**	0
Balance at end of period	**395**	404
Unearned lease incentive income		
Balance at beginning of period	**302**	288
Additional provision	**0**	135
Transferred to current (refer to note 25(b))	**0**	(121)
Derecognised on sale of Subsidiary operations	**(302)**	0
Balance at end of period	**0**	302
Total non current provisions	**1,607**	1,752

(b) Current Liabilities

	2015 NZ$000	2014 NZ$000
Employee benefits – profit sharing and bonuses		
Balance at beginning of period	**974**	1,424
Additional provision	**2,802**	1,086
Utilised during the period	**(1,998)**	(1,536)
Balance at end of period	**1,778**	974
Employee benefits – Management Long Term Incentive (LTI)		
Balance at beginning of period	**656**	2,082
Utilised during the period	**(656)**	(889)
Unused amounts reversed	**0**	(537)
Transferred from non current (refer to note 25(a))	**342**	0
Balance at end of period	**342**	656
Unearned lease incentive income		
Balance at beginning of period	**121**	151
Transferred from non current (refer to note 25(a))	**0**	121
Utilised during the period	**(101)**	(151)
Derecognised on sale of Subsidiary operations	**(20)**	0
Balance at end of period	**0**	121
Wharf maintenance		
Balance at beginning of period	**292**	0
Additional provision	**0**	292
Derecognised on the sale of 49.9% shareholding in Subsidiary	**(292)**	0
Balance at end of period	**0**	292
Total current provisions	**2,120**	2,043

25 PROVISIONS (CONTINUED)

(c) Long Service Leave Provision

Underlying assumptions for provisions relate to the probabilities of employees reaching the required vesting period to qualify for long service leave. Probability factors for reaching long service leave entitlements are based on historic employee retention information.

(d) Employee Benefits – Profit Sharing and Bonuses

The Profit Sharing and Bonus Scheme rewards eligible employees based on a combination of company performance against budget and personal performance. The incentive is generally paid biannually.

(e) Employee Benefits – Management Long Term Incentive (LTI)

Members of the Parent Company's Executive Management Team are eligible to receive payment under the Management Long Term Incentive Scheme. The scheme is classified as a cash settled share based payment scheme and is based upon a combination of total shareholder return versus an index and earnings per share growth, both over a three year period.

The amount recognised in the income statement during the period is $0.333 million, (2014: ($0.133 million)).

(f) Unearned Lease Incentive Income

Unearned lease incentive income related to operating lease agreements for the lease of properties at Southdown, Auckland. This unearned lease incentive income has been derecognised by the Group on disposal of Subsidiary operations.

(g) Wharf Maintenance

Wharf maintenance relates to the operating lease agreement with PrimePort Timaru Limited and Timaru Container Terminal Limited. This maintenance provision was derecognised by the Group on the sale of 49.9% shareholding in the Subsidiary, Timaru Container Terminal Limited.

26 DEFERRED TAXATION

	Assets		Liabilities		Net	
	2015 NZ$000	2014 NZ$000	**2015 NZ$000**	2014 NZ$000	**2015 NZ$000**	2014 NZ$000
Deferred tax (asset)/liability						
Property, plant and equipment	**0**	0	**63,675**	50,267	**63,675**	50,267
Intangible assets	**0**	0	**354**	851	**354**	851
Finance lease receivables	**0**	0	**0**	520	**0**	520
Derivatives	**(2,384)**	(1,413)	**0**	0	**(2,384)**	(1,413)
Trade receivables	**0**	(8)	**0**	0	**0**	(8)
Provisions and accruals	**(1,288)**	(1,489)	**0**	0	**(1,288)**	(1,489)
Finance lease payables	**0**	(10)	**0**	0	**0**	(10)
Total	**(3,672)**	(2,920)	**64,029**	51,638	**60,357**	48,718

	Derecognised in the Statement of Financial Position on the Sale of 49.9% Shareholding in Subsidiary		Recognised in the Statement of Financial Position on Acquisition of Subsidiary		Recognised in the Income Statement		Recognised in Equity	
	2015 NZ$000	2014 NZ$000	**2015 NZ$000**	2014 NZ$000	**2015 NZ$000**	2014 NZ$000	**2015 NZ$000**	2014 NZ$000
Property, plant and equipment	**84**	0	**0**	1,199	**(2,484)**	(898)	**15,808**	0
Intangible assets	**0**	0	**0**	0	**(497)**	5	**0**	0
Finance lease receivables	**0**	0	**0**	0	**(520)**	(977)	**0**	0
Derivatives	**0**	0	**0**	0	**0**	0	**(971)**	1,218
Trade receivables	**0**	0	**0**	0	**8**	(8)	**0**	0
Provisions and accruals	**0**	0	**0**	(38)	**201**	(236)	**0**	0
Finance lease payables	**0**	0	**0**	0	**10**	(5)	**0**	0
Total	**84**	0	**0**	1,161	**(3,282)**	(2,119)	**14,837**	1,218

27 TRADE AND OTHER PAYABLES

	2015 NZ$000	2014 NZ$000
Accounts payable	**7,134**	5,044
Accruals	**13,103**	13,920
Payables due to Equity Accounted Investees and related parties	**5**	137
Total trade and other payables	**20,242**	19,101

Payables denominated in currencies other than the functional currency are nil (2014: $0).

Trade and other payables are non interest bearing and are normally settled on 30 day terms, therefore the carrying value of trade and other payables approximates their fair value.

28 OPERATING LEASE OBLIGATIONS

	2015 NZ$000	2014 NZ$000
Obligations payable after reporting date on non cancellable operating leases are as follows:		
Within one year	**1,232**	3,817
One year to two years	**1,192**	3,314
Two years to five years	**1,530**	7,196
Greater than five years	**926**	9,074
Total operating lease obligations	**4,880**	23,401

The Group leases a number of properties and various items of equipment under operating leases. All properties and plant are leased at market rentals and reviewed at regular intervals. It has been determined that substantially all the risks and rewards of the leased assets remain with the lessor, and therefore the Group classifies the leases as operating leases.

29 RELATED PARTY TRANSACTIONS

Related party transactions with related parties:

	2015 NZ$000	2014 NZ$000
Transactions With Equity Accounted Investees		
Services provided to Tapper Transport Limited	**246**	36
Services provided by Tapper Transport Limited	**409**	575
Services provided to Port of Tauranga Limited	**300**	110
Services provided by Port of Tauranga Limited	**741**	32
Accounts receivable by Port of Tauranga Limited	**1,733**	16
Accounts payable by Port of Tauranga Limited	**836**	126
Advances by Port of Tauranga Limited	**7,519**	3,185
Services provided to Quality Marshalling (Mount Maunganui) Limited	**49**	0
Services provided by Quality Marshalling (Mount Maunganui) Limited	**2,738**	0
Accounts receivable by Quality Marshalling (Mount Maunganui) Limited	**575**	0
Accounts payable by Quality Marshalling (Mount Maunganui) Limited	**4**	0

During the year the Parent Company and Tapper Transport Limited made a subvention payment to MetroPack Limited of $0.123 million each in exchange for tax losses of the same amount. The payment was offset against loans in each of the individual financial statements and has been eliminated in the Group financial statements.

During the year, the Group entered into transactions with companies in which Group Directors hold directorships. These directorships have not resulted in the Group having a significant influence over the operations, policies, or key decisions of these companies.

No related party debts have been written off, forgiven or provided for as doubtful during the year.

29 RELATED PARTY TRANSACTIONS (CONTINUED)

Controlling Entity

Quayside Securities Limited owns 54.14% (2014: 54.94%) of the ordinary shares in Port of Tauranga Limited.

Quayside Securities Limited is beneficially owned by Bay of Plenty Regional Council, the Ultimate Controlling Party. Transactions with the Ultimate Controlling Party during the period include services provided to Port of Tauranga Limited, $0.016 million (2014: $0.011 million) and accounts payable by Port of Tauranga Limited, $0 (2014: $0).

Transactions with Key Management Personnel

The Group does not provide any non cash benefits to Directors and Executive Officers in addition to their Directors' fees or salaries.

	GROUP	
	2015 NZ$000	2014 NZ$000
Directors		
Directors' fees recognised during the period	**506**	480
Executive Officers		
Executive salaries and short term employee benefits recognised during the period	**3,266**	2,592
Share based payments recognised in the income statement during the period	**333**	1,545

All Executive Officers participate in a cash settled share based incentive scheme.

30 COMMITMENTS

	GROUP	
	2015 NZ$000	2014 NZ$000
Capital commitments for property, plant and equipment		
Estimated capital commitments for the Group contracted for at balance date but not provided for	**23,798**	31,373

Major capital commitments at 30 June 2015 related to the purchase of one tug, four straddles and two container cranes.

31 CONTINGENT LIABILITIES

At 30 June 2015 there were no contingent liabilities (2014: $0), other than the contingent consideration referred to in note 7(d).

32 EMPLOYEE SHARE OWNERSHIP PLAN

The Parent Company has an Employee Share Ownership Plan (ESOP), in terms of section DC12 of the Income Tax Act 2007. At the reporting date the ESOP held 0.03% of the Parent Company's share capital in ordinary shares (2014: 0.03%).

To finance the plan the ESOP borrows from the Parent Company interest free, repayable over three years. The ESOP has no external funding. The ESOP has a non beneficial interest in all shares allocated to employees, and a beneficial interest in shares which have not been allocated.

Neither the Parent Company nor its related parties have rights to acquire shares held by the plan.

Employees are able to subscribe for shares up to a value of $2,340 once every three years.

The value of shares issued is set at 90% of the average market price of the share on the day of issue.

At reporting date the Group held 47,470 shares under the ESOP (2014: 44,650 shares), and of these, 44,240 shares (2014: 43,300 shares) were allocated to employees and have been paid up to $0.361 million (2014: $0.300 million), and $0.223 million (2014: $0.144 million) remains to be paid. This is to be repaid over a three year term. No shares are subject to options.

The Trustees of the ESOP are appointed by the Directors of the Parent Company.

The shares held by the ESOP carry the same voting rights as other issued ordinary shares. Voting rights attached to the shares held by Trustees are to be exercised by the Trustees at their discretion in the case of a vote on a poll, or on any particular resolution.

33 SUBSEQUENT EVENTS

Refinancing of Standby Revolving Cash Advance Facility

On 1 July 2015, the Parent Company refinanced its $280.000 million financing arrangement with ANZ Bank New Zealand Limited, Bank of New Zealand Limited and the Commonwealth Bank of Australia New Zealand branch.

The Parent Company extended the maturity date of its $100.000 million tranche 1 facility to 31 December 2016. The Parent Company increased the size of its tranche 2 facility by $50.000 million to $100.000 million and extended the maturity date of this tranche to 30 June 2019. The Parent Company decreased the size of its tranche 3 facility by $50.000 million to $80.000 million and extended the maturity date of this tranche to 30 June 2020.

Dredging of the Tauranga Harbour

On 7 July 2015 Danish dredging company Rohde Nielsen was awarded the tender for dredging of the Tauranga harbour and has been appointed to deepen and widen the shipping channels from 12.9 metres to 14.5 metres depth inside the harbour and 15.8 metres outside the harbour. Work is scheduled to commence in October 2015 and will be completed by August 2016.

34 FINANCIAL INSTRUMENTS

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, currency risk and commodity risk).

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The Group's overall financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's financial risk management framework. The Audit Committee is responsible for developing and monitoring the Group's financial risk management policies, and reports regularly to the Board of Directors on its activities.

The Group's financial risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Financial risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Board of Directors oversees how management monitors compliance with the Group's financial risk management policies and procedures and reviews the adequacy of the financial risk management framework in relation to the risks faced by the Group.

34 FINANCIAL INSTRUMENTS (CONTINUED)

The Group held the following financial instruments at reporting date:

2015	Designated at Fair Value NZ$000	Loans and Receivables NZ$000	Other Amortised Cost NZ$000	Total Carrying Amount NZ$000	Fair Value NZ$000
Assets					
Derivative financial instruments	280	0	0	280	280
Total non current assets	280	0	0	280	280
Cash and cash equivalents	0	17,918	0	17,918	17,918
Receivables	0	36,973	0	36,973	36,973
Derivative financial instruments	1,066	0	0	1,066	1,066
Total current assets	1,066	54,891	0	55,957	55,957
Total assets	**1,346**	**54,891**	**0**	**56,237**	**56,237**
Liabilities					
Loans and borrowings	0	0	125,065	125,065	128,869
Derivative financial instruments	8,384	0	0	8,384	8,384
Total non current liabilities	8,384	0	125,065	133,449	137,253
Loans and borrowings	0	0	180,297	180,297	180,297
Deferred consideration	0	0	500	500	519
Derivative financial instruments	977	0	0	977	977
Trade and other payables	0	0	7,139	7,139	7,139
Total current liabilities	977	0	187,936	188,913	188,932
Total liabilities	**9,361**	**0**	**313,001**	**322,362**	**326,185**

2014	Designated at Fair Value NZ$000	Assets Held for Trading Through Profit or Loss NZ$000	Loans and Receivables NZ$000	Other Amortised Cost NZ$000	Total Carrying Amount NZ$000	Fair Value NZ$000
Assets						
Cash and cash equivalents	0	0	1,560	0	1,560	1,560
Receivables	0	0	35,184	0	35,184	35,184
Derivative financial instruments	0	52	0	0	52	52
Total current assets	0	52	36,744	0	36,796	36,796
Total assets	**0**	**52**	**36,744**	**0**	**36,796**	**36,796**
Liabilities						
Loans and borrowings	0	0	0	96,129	96,129	96,043
Deferred consideration	0	0	0	500	500	537
Derivative financial instruments	3,340	0	0	0	3,340	3,340
Total non current liabilities	3,340	0	0	96,629	99,969	99,920
Loans and borrowings	0	0	0	160,202	160,202	160,299
Derivative financial instruments	1,209	0	0	0	1,209	1,209
Trade and other payables	0	0	0	5,181	5,181	5,181
Total current liabilities	1,209	0	0	165,383	166,592	166,689
Total liabilities	**4,549**	**0**	**0**	**262,012**	**266,561**	**266,609**

34 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Fair Value Hierarchy

The following table analyses financial instruments classified as either designated at fair value or held for trading through the income statement, by valuation method. Refer to note 4 for details of the different hierarchy level definitions which have been used.

2015	Level 1 NZ$000	Level 2 NZ$000	Level 3 NZ$000	**Total NZ$000**
Assets per the statement of financial position				
Derivative financial instrument assets	0	1,346	0	**1,346**
Total assets	**0**	**1,346**	**0**	**1,346**
Liabilities per the statement of financial position				
Derivative financial instrument liabilities	0	(9,361)	0	**(9,361)**
Total liabilities	**0**	**(9,361)**	**0**	**(9,361)**

2014	Level 1 NZ$000	Level 2 NZ$000	Level 3 NZ$000	**Total NZ$000**
Assets per the statement of financial position				
Derivative financial instrument assets	0	52	0	**52**
Total assets	**0**	**52**	**0**	**52**
Liabilities per the statement of financial position				
Derivative financial instrument liabilities	0	(4,549)	0	**(4,549)**
Total liabilities	**0**	**(4,549)**	**0**	**(4,549)**

There were no transfers between fair value hierarchies during 2015 (2014: $0).

(b) Credit Risk

Counterparty credit risk is the risk of losses (realised or unrealised) arising from a counterparty failing to meet its contractual obligations. Financial instruments which potentially subject the Group to credit risk, principally consist of bank balances, trade receivables, advances to Subsidiaries and Equity Accounted Investees, finance lease receivables and derivative instruments.

Exposure to Credit Risk

The carrying amount of financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at reporting date was:

	2015 NZ$000	2014 NZ$000
Derivative financial instruments	**1,346**	52
Receivables	**36,973**	35,184
Cash and cash equivalents	**17,918**	1,560
Total	**56,237**	36,796

The only significant concentration of credit risk at reporting date relates to bank balances and advances to Equity Accounted Investees. Management are satisfied with the credit quality of all these debtors and does not anticipate any non performance.

The Group only transacts in treasury activity (including investment, borrowing and derivative transactions) with Board approved counterparties. Unless otherwise approved by the Board, counterparties are required to be New Zealand registered banks with a Standard & Poor's credit rating of A+ or above. The Group continuously monitors the credit quality of the financial institutions that are counterparties and does not anticipate any non performance.

The Group adheres to a credit policy that requires each new customer to be analysed individually for credit worthiness before the Group's standard payment terms and conditions are offered. Customer payment performance is constantly monitored with customers not meeting creditworthiness being required to transact with the Group on cash terms. The Group generally does not require collateral.

The nature of the Group's business means that the top ten customers account for 49.6% of total Group revenue (2014: 49.0%). The Group is satisfied with the credit quality of these debtors and does not anticipate any non performance.

34 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient cash and borrowing facilities available to meet its liabilities when due, under both normal and adverse conditions. The Group's cash flow requirements and the utilisation of borrowing facilities are continuously monitored, and it is required that committed bank facilities are maintained at a minimum of 10% above maximum forecast usage.

Funding risk is the risk that arises when either the size of borrowing facilities or the pricing thereof is not able to be replaced on similar terms, at the time of review with the Group's banks. To minimise funding risk it is Board policy to spread the facilities' renewal dates and the maturity of individual loans. Where this is not possible, extensions to, or the replacement of, borrowing facilities are required to be arranged at least six months prior to each facility's expiry.

The following table sets out the contractual cash outflows for all financial liabilities (including estimated interest payments) and derivatives:

2015	Statement of Financial Position NZ$000	Contractual Cash Flows NZ$000	6 Months or Less NZ$000	6 – 12 Months NZ$000	1 – 2 Years NZ$000	2 – 5 Years NZ$000	More Than 5 Years NZ$000
Non derivative financial liabilities							
Loans and borrowings	(305,362)	(343,062)	(184,209)	(3,706)	(7,272)	(69,281)	(78,594)
Deferred consideration	(500)	(529)	(25)	(504)	0	0	0
Trade and other payables	(7,139)	(7,139)	(7,139)	0	0	0	0
Total non derivative financial liabilities	(313,001)	(350,730)	(191,373)	(4,210)	(7,272)	(69,281)	(78,594)
Derivatives							
Interest rate derivatives outflow	(9,361)	(10,509)	(1,746)	(1,739)	(2,941)	(3,501)	(582)
Foreign currency derivatives							
Outflow	0	(15,771)	(5,801)	(6,621)	(3,349)	0	0
Inflow	1,346	17,149	6,300	7,209	3,640	0	0
Total derivatives	(8,015)	(9,131)	(1,247)	(1,151)	(2,650)	(3,501)	(582)
Total	**(321,016)**	**(359,861)**	**(192,620)**	**(5,361)**	**(9,922)**	**(72,782)**	**(79,176)**

2014	Statement of Financial Position NZ$000	Contractual Cash Flows NZ$000	6 Months or Less NZ$000	6 – 12 Months NZ$000	1 – 2 Years NZ$000	2 – 5 Years NZ$000	More Than 5 Years NZ$000
Non derivative financial liabilities							
Loans and borrowings	(256,331)	(279,409)	(163,358)	(3,050)	(50,131)	(11,218)	(51,652)
Deferred consideration	(500)	(579)	(25)	(25)	(529)	0	0
Trade and other payables	(5,181)	(5,181)	(5,181)	0	0	0	0
Total non derivative financial liabilities	(262,012)	(285,169)	(168,564)	(3,075)	(50,660)	(11,218)	(51,652)
Derivatives							
Interest rate derivatives outflow	(3,400)	(3,888)	(1,613)	(1,150)	(1,330)	(203)	408
Foreign currency derivatives							
Outflow	(1,149)	(20,285)	(14,179)	(6,106)	0	0	0
Inflow	52	19,170	13,496	5,674	0	0	0
Total derivatives	(4,497)	(5,003)	(2,296)	(1,582)	(1,330)	(203)	408
Total	**(266,509)**	**(290,172)**	**(170,860)**	**(4,657)**	**(51,990)**	**(11,421)**	**(51,244)**

34 FINANCIAL INSTRUMENTS (CONTINUED)

The following table indicates the periods in which the cash flows associated with derivatives that are cash flow hedges are expected to occur and also impact on the income statement:

2015	Statement of Financial Position NZ$000	Contractual Cash Flows NZ$000	6 Months or Less NZ$000	6 – 12 Months NZ$000	1 – 2 Years NZ$000	2 – 5 Years NZ$000	More Than 5 Years NZ$000
Interest rate swaps							
Liabilities	(9,361)	(10,509)	(1,746)	(1,739)	(2,941)	(3,501)	(582)
Foreign currency derivatives							
Outflow	0	(15,771)	(5,801)	(6,621)	(3,349)	0	0
Inflow	1,346	17,149	6,300	7,209	3,640	0	0
Total	**(8,015)**	**(9,131)**	**(1,247)**	**(1,151)**	**(2,650)**	**(3,501)**	**(582)**

2014	Statement of Financial Position NZ$000	Contractual Cash Flows NZ$000	6 Months or Less NZ$000	6 – 12 Months NZ$000	1 – 2 Years NZ$000	2 – 5 Years NZ$000	More Than 5 Years NZ$000
Interest rate swaps							
Liabilities	(3,400)	(3,888)	(1,613)	(1,150)	(1,330)	(203)	408
Foreign currency derivatives							
Outflow	(1,149)	(15,609)	(9,503)	(6,106)	0	0	0
Inflow	0	14,442	8,768	5,674	0	0	0
Total	**(4,549)**	**(5,055)**	**(2,348)**	**(1,582)**	**(1,330)**	**(203)**	**408**

(d) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and commodity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Group uses derivative financial instruments such as interest rate swaps and foreign currency options to hedge certain risk exposures. All derivative transactions are carried out within the guidelines set out in the Group's Treasury Policy which have been approved by the Board of Directors. Generally the Group seeks to apply hedge accounting in order to manage volatility in the income statement.

34 FINANCIAL INSTRUMENTS (CONTINUED)

(i) Interest Rate Risk

Interest rate risk is the risk of financial loss, or impairment to cash flows in current or future periods, due to adverse movements in interest rates on borrowings or investments. The Group uses interest rate derivatives to manage its exposure to variable interest rate risk by converting variable rate debt to fixed rate debt.

At reporting date, the interest rate profile of the Group's interest bearing financial assets/(liabilities) were:

	Carrying Amount	
	2015 NZ$000	2014 NZ$000
Fixed rate instruments		
Finance lease receivables	**0**	1,857
Fixed rate bond	**(125,000)**	(50,000)
Finance lease payables	**0**	(1,031)
Deferred consideration	**(500)**	(500)
Interest rate derivatives	**(9,361)**	(3,400)
Total	**(134,861)**	(53,074)
Variable rate instruments		
Commercial papers	**(180,000)**	(160,000)
Standby revolving cash advance facility	**0**	(45,000)
Cash balances	**17,918**	1,560
Total	**(162,082)**	(203,440)

Sensitivity Analysis

If, at reporting date, bank interest rates had been 100 basis points higher/lower, with all other variables held constant, the result would increase/(decrease) post tax profit or loss and the hedging reserve by the amounts shown below. The analysis is performed on the same basis for 2014.

	Profit or Loss		Cash Flow Hedge Reserve	
	100 bp Increase NZ$000	100 bp Decrease NZ$000	100 bp Increase NZ$000	100 bp Decrease NZ$000
Variable rate instruments	(1,023)	1,046	0	0
Interest rate derivatives	1,360	(1,111)	5,161	(6,064)
Total as at 30 June 2015	**337**	**(65)**	**5,161**	**(6,064)**
Variable rate instruments	(1,460)	1,460	0	0
Interest rate derivatives	2,184	(1,629)	4,054	(4,886)
Total as at 30 June 2014	**724**	**(169)**	**4,054**	**(4,886)**

(ii) Currency Risk

Foreign currency risk is the risk arising from the variability of the NZD currency values of the Group's assets, liabilities and operating cash flows, caused by changes to foreign exchange rates.

The Group does not have any material exposure to currency risk except for the one-off purchases of assets (eg plant and machinery) denominated in foreign currencies. It is Group policy that foreign exchange exposures on imported goods must be hedged by way of foreign exchange forward contracts or options to a minimum of 50% at the time the exposure is known with certainty on all transactions in excess of NZ$0.200 million.

At 30 June 2015, the Group had entered into forward contracts to purchase EUR 10.141 million (2014: USD 12.462 million) for capital commitments. In the 2014 year the Group had also entered into a foreign currency option to purchase EUR 3.000 million for capital commitments.

34 FINANCIAL INSTRUMENTS (CONTINUED)

Sensitivity Analysis

If, at reporting date, a 10% strengthening/weakening of the above currency against the New Zealand dollar occurred with all other variables held constant, it would increase/(decrease) post tax profit or loss and the cash flow hedge reserve by the amounts shown below. The analysis is performed in the same basis for 2014.

	Profit or Loss		Cash Flow Hedge Reserve	
	10% Increase NZ$000	10% Decrease NZ$000	10% Increase NZ$000	10% Decrease NZ$000
Total foreign currency derivatives 30 June 2015	**0**	**0**	**(1,123)**	**1,380**
Total foreign currency derivatives 30 June 2014	(37)	414	(943)	1,156

(iii) *Commodity Price Risk*

The Group manages commodity price risks through the use of negotiated supply contracts and commodity derivatives. The negotiated supply contracts are for the purpose of receipt in accordance with the Group's expected usage requirements only and are not accounted for as financial instruments.

The Group uses commodity derivatives and fuel swap agreements, to reduce the impact of price changes on fuel costs in accordance with Group policy. Up to 75% of the next twelve months' operating fuel costs may be hedged via commodity derivatives. At 30 June 2015, the Group had no commodity derivative contracts outstanding (2014: $0).

(e) Capital Management

The Board's policy is to maintain a strong capital base, which the Group defines as total shareholders' equity, so as to maintain investor, creditor and market confidence, and to sustain the future business development of the Group. The Board endeavours to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group has established policies in capital management, including the specific requirements that interest cover is to be maintained at a minimum of three times and that the [debt/(debt + equity)] ratio is to be maintained at a 40% maximum. It is also Group policy that the dividend payout is maintained between a level of between 70% and 100% of profit for the period.

The Group and Parent Company are required to comply with certain financial covenants in respect of external borrowings namely that: interest cover is to be maintained at a minimum of 2.5 times; shareholders' funds as a percentage of total tangible assets must exceed 45% at all times; and total tangible assets and earnings before interest and taxes (EBIT) for the Parent Company must at all times exceed 85% of total tangible assets and EBIT respectively for the Group.

There have been no changes in the Group's approach to capital management during the year.

The Port of Tauranga Limited has complied with all capital management policies and covenants during the reporting periods.