Financial Statements

For the Year Ended 30 June 2017
Port of Tauranga Limited and Subsidiaries

Directors' Responsibility Statement

For the Year Ended 30 June 2017

The Directors are responsible for ensuring that the financial statements give a true and fair view of Port of Tauranga Limited (the Group) as at 30 June 2017.

The Directors consider that the financial statements of the Group have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates, and that all relevant financial reporting and accounting standards have been followed.

The Directors are pleased to present the financial statements of the Group for the year ended 30 June 2017.

The financial statements were authorised for issue for and on behalf of the Directors on 24 August 2017.

Chair

Director

Independent Auditor's Report

To the Shareholders of Port of Tauranga Limited

The Auditor-General is the auditor of Port of Tauranga Limited and its subsidiaries (the Group). The Auditor-General has appointed me, Glenn Keaney, using the staff and resources of KPMG, to carry out the audit of the consolidated financial statements of the Group on his behalf.

Opinion

We have audited the consolidated financial statements of the Group on pages 70 to 100, that comprise the consolidated statement of financial position as at 30 June 2017, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the Auditor-General's Auditing Standards, which incorporate Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

When carrying out the audit of the Group 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 an assignment in the area of payment data analysis which is compatible with those independence requirements. Other than the audit and this assignment, we have no relationship with or interests in the Group.

Key Audit Matters

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

The key audit matter	How the matter was addressed in our audit
Carrying value of investment in Coda Group Limited Partnership	
Refer to note 14 of the financial statements. Late in the 2015 financial year the Group expanded its activities establishing a new joint venture, Coda Group Limited Partnership (Coda), with Kotahi. The purpose of the joint venture is to create a platform to centralise supply chain logistics. The carrying value of the Group's equity accounted investment in Coda is $48.4 million, of which $29.4 million relates to goodwill. This is a key audit matter because of the subjectivity involved in assessing the value of the investment, to support the carrying value of Coda. The carrying value of the investment required an impairment test, which included a number of key sensitive judgements, being: • growth in the future cash flows; • the discount rate applied to the projected future cash flows; and • terminal growth.	Our procedures to assess the carrying value of the Coda investment included evaluating whether the methodology adopted by the Group is consistent with accepted valuation approaches. We analysed the projected cash flows used in the impairment model to determine whether they were consistent with the strategic plan. We challenged management on the future cash flows used, specifically around the strategy and how the cash flows would be achieved. This included comparison to Board approved forecasts and the historic achievement of these, as well as analysis of growth rates. We used our in-house specialists to assess the discount rate used by comparing it to market data and industry research. We assessed terminal growth by benchmarking against both historic and forecast inflation. Additionally, we subjected those key assumptions to sensitivity analysis under a range of scenarios.

Independent Auditor's Report (Continued)

To the Shareholders of Port of Tauranga Limited

The key audit matter	How the matter was addressed in our audit
Fair value of property, plant and equipment, including revaluation of land	
Refer note 10 of the financial statements. The Group has property, plant and equipment of $1,227 million. The Group has a policy of recording certain assets (land, buildings, wharves and hardstanding and harbour improvements) at fair value. Independent valuations are undertaken at least every three years, or more frequently if there is an indicator that the fair value has changed significantly. Prior to this financial year the last independent valuation was carried out on these assets at 30 June 2015. Land values have risen significantly in the last year in the regions that the Group have significant land holdings. As such, management determined it was appropriate to have land independently revalued at 30 June 2017. Valuation of land is a key audit matter due to its financial magnitude and judgement involved in the assessment of the fair value of these assets. The judgment relates to the valuation methodologies used and the assumptions included in each of those methodologies. Management have applied judgement in determining there has been no substantial change to the key assumptions used in the valuation methodology of the remaining assets and these assumptions remain appropriate as at 30 June 2017.	As part of our audit procedures, we assessed the competence, objectivity and independence of the valuer(s) used. We reviewed the valuation reports and assessed whether the valuation approach was in accordance with professional valuation standards and suitable for determining the fair value of land. We compared the land holdings in the fixed asset register to those valued to ensure all land had been revalued. The major judgemental assumption made in the valuations was the rate applied per square metre of land. We reviewed the recent sales data applied by the valuer when estimating this rate and compared the rate assigned to each land parcel with the rates indicated by recent sales. We assessed whether the increase in valuation was correctly accounted for within the revaluation reserve and statement of comprehensive income. We challenged management's assessment of the fair value in each asset class for those assets that were not revalued in the current financial year. We compared the key assumptions within each assessment to market evidence and applicable industry data.

Other Information

The Directors are responsible on behalf of the Group for the other information. The other information comprises the information included on pages 2 to 66 and pages 101 to 111, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

Directors' Responsibilities for the Consolidated Financial Statements

The Directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible on behalf of the Group for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Directors' responsibilities arise from the Financial Markets Conduct Act 2013.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Our responsibilities arise from the Public Audit Act 2001.

Glenn Keaney
KPMG

On behalf of the Auditor-General
Tauranga, New Zealand
24 August 2017

Consolidated Income Statement

For the Year Ended 30 June 2017: Port of Tauranga Limited and Subsidiaries

	Note	2017 NZ$000	2016 NZ$000
Total operating revenue	4	**255,882**	245,521
Contracted services for port operations		**(54,985)**	(52,700)
Employee benefit expenses	5	**(33,958)**	(32,101)
Direct fuel and power expenses		**(7,175)**	(6,995)
Maintenance of property, plant and equipment		**(8,759)**	(10,021)
Other expenses		**(12,615)**	(13,961)
Operating expenses		**(117,492)**	(115,778)
Results from operating activities		**138,390**	129,743
Depreciation and amortisation	10, 12	**(24,460)**	(23,722)
Impairment of property, plant and equipment		**0**	(30)
Reversal of previous revaluation deficit		**193**	0
		(24,267)	(23,752)
Operating profit before finance costs and taxation		**114,123**	105,991
Finance income	7	**434**	666
Finance expenses	7	**(17,205)**	(17,006)
Net finance costs	7	**(16,771)**	(16,340)
Share of profit from Equity Accounted Investees	14	**13,995**	13,437
Profit before income tax		**111,347**	103,088
Income tax expense	8	**(27,906)**	(25,774)
Profit for the period		**83,441**	77,314
Basic earnings per share (cents)	17	**12.4***	11.5**
Diluted earnings per share (cents)	17	**12.3***	11.4**

**On 17 October 2016, the Parent Company completed a 5:1 share split.*
***Share and per share amounts have been retroactively restated for the prior period to reflect the 5:1 share split completed on 17 October 2016.*

These statements are to be read in conjunction with the notes on pages 76 to 100.

Consolidated Statement of Comprehensive Income

For the Year Ended 30 June 2017: Port of Tauranga Limited and Subsidiaries

	2017 NZ$000	2016 NZ$000
Profit for the period	**83,441**	77,314
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Cash flow hedge – changes in fair value*	**2,956**	(9,198)
Cash flow hedge – reclassified to profit or loss*	**2,538**	2,126
Changes in cash flow hedges transferred to property, plant and equipment, net of tax*	**708**	(452)
Share of net change in cash flow hedge reserves of Equity Accounted Investees	**182**	(395)
Items that will never be reclassified to profit or loss:		
Impairment of property, plant and equipment taken to revaluation reserve, net of tax	**0**	(459)
Asset revaluation, net of tax*	**63,267**	0
Share of net change in revaluation reserve of Equity Accounted Investees	**621**	(57)
Total other comprehensive income	**70,272**	(8,435)
Total comprehensive income	**153,713**	68,879

**Net of tax effect as disclosed in notes 8 and 9.*

These statements are to be read in conjunction with the notes on pages 76 to 100.

Consolidated Statement of Changes In Equity

For the Year Ended 30 June 2017: Port of Tauranga Limited and Subsidiaries

	Share Capital NZ$000	Share Based Payment Reserve NZ$000	Hedging Reserve NZ$000	Revaluation Reserve NZ$000	Retained Earnings NZ$000	Total Equity NZ$000
Balance at 30 June 2015	**68,267**	**1,041**	**(6,454)**	**666,156**	**158,540**	**887,550**
Profit for the period	0	0	0	0	77,314	77,314
Other comprehensive income	0	0	(7,919)	(516)	0	(8,435)
Total comprehensive income	**0**	**0**	**(7,919)**	**(516)**	**77,314**	**68,879**
Increase/(decrease) in share capital	(5)	0	0	0	0	(5)
Dividends paid during the period (refer to note 16)	0	0	0	0	(72,142)	(72,142)
Equity settled share based payment accrual	0	1,402	0	0	0	1,402
Total transactions with owners in their capacity as owners	**(5)**	**1,402**	**0**	**0**	**(72,142)**	**(70,745)**
Balance at 30 June 2016	**68,262**	**2,443**	**(14,373)**	**665,640**	**163,712**	**885,684**
Profit for the period	0	0	0	0	83,441	83,441
Other comprehensive income	0	0	6,384	63,888	0	70,272
Total comprehensive income	**0**	**0**	**6,384**	**63,888**	**83,441**	**153,713**
Increase/(decrease) in share capital	14	0	0	0	0	14
Dividends paid during the period (refer to note 16)	0	0	0	0	(108,893)	(108,893)
Equity settled share based payment accrual	0	1,425	0	0	0	1,425
Revaluation surplus transferred to retained earnings on asset disposal	0	0	0	(463)	463	0
Total transactions with owners in their capacity as owners	**14**	**1,425**	**0**	**(463)**	**(108,430)**	**(107,454)**
Balance at 30 June 2017	**68,276**	**3,868**	**(7,989)**	**729,065**	**138,723**	**931,943**

These statements are to be read in conjunction with the notes on pages 76 to 100.

Consolidated Statement of Financial Position

As at 30 June 2017: Port of Tauranga Limited and Subsidiaries

	Note	2017 NZ$000	2016 NZ$000
Assets			
Property, plant and equipment	10	**1,227,223**	1,127,386
Intangible assets	12	**18,019**	18,426
Investments in Equity Accounted Investees	14	**127,583**	123,290
Receivables		**36**	46
Total non current assets		**1,372,861**	1,269,148
Cash and cash equivalents		**5,184**	11,580
Receivables and prepayments	15	**44,513**	41,546
Inventories		**42**	93
Total current assets		**49,739**	53,219
Total assets		**1,422,600**	1,322,367
Equity	16		
Share capital		**68,276**	68,262
Share based payment reserve		**3,868**	2,443
Hedging reserve		**(7,989)**	(14,373)
Revaluation reserve		**729,065**	665,640
Retained earnings		**138,723**	163,712
Total equity attributable to owners of the Parent Company		**931,943**	885,684
Total equity		**931,943**	885,684
Liabilities			
Loans and borrowings	18	**125,223**	130,200
Derivative financial instruments	19	**8,887**	17,063
Provisions	22	**1,888**	1,627
Deferred tax liabilities	9	**56,426**	55,408
Total non current liabilities		**192,424**	204,298
Loans and borrowings	18	**255,140**	190,000
Derivative financial instruments	19	**1,013**	1,438
Trade and other payables	21	**31,027**	30,107
Revenue received in advance		**316**	0
Provisions	22	**2,334**	2,293
Income tax payable		**8,403**	8,547
Total current liabilities		**298,233**	232,385
Total liabilities		**490,657**	436,683
Total equity and liabilities		**1,422,600**	1,322,367
Net tangible assets per share (dollars per share)		**1.36***	1.29**

**On 17 October 2016, the Parent Company completed a 5:1 share split.*
***Share and per share amounts have been retroactively restated for the prior period to reflect the 5:1 share split completed on 17 October 2016.*

For and on behalf of the Board of Directors who authorised these financial statements for issue on 24 August 2017.

Chair

Director

These statements are to be read in conjunction with the notes on pages 76 to 100.

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2017: Port of Tauranga Limited and Subsidiaries

	Note	2017 NZ$000	2016 NZ$000
Cash flows from operating activities			
Receipts from customers		262,215	248,342
Interest received		368	666
Payments to suppliers and employees		(117,640)	(115,737)
Taxes paid		(29,444)	(28,991)
Interest paid		(17,314)	(16,211)
Net cash inflow from operating activities		98,185	88,069
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		146	11,040
Proceeds from sale of marshalling operations (excluding property, plant and equipment)		0	3,120
Finance lease payments received, including interest		13	6
Repayment of advances from Equity Accounted Investees		250	600
Dividends from Equity Accounted Investees	14	10,507	8,667
Purchase of property, plant and equipment		(65,269)	(58,863)
Purchase of computer software assets		(116)	(434)
Interest capitalised on property, plant and equipment	7	(1,225)	(933)
Payment of deferred and contingent consideration		0	(500)
Total net cash used in investing activities		(55,694)	(37,297)
Cash flows from financing activities			
Proceeds from borrowings		60,189	15,157
(Payments)/proceeds from close out of foreign exchange derivative		(183)	222
Dividends paid	16	(108,893)	(72,142)
Repurchase of shares		0	(347)
Net cash used in financing activities		(48,887)	(57,110)
Net (decrease)/increase in cash held		(6,396)	(6,338)
Add opening cash brought forward		11,580	17,918
Ending cash and cash equivalents		5,184	11,580

These statements are to be read in conjunction with the notes on pages 76 to 100.

Reconciliation of Profit After Taxation to Cash Flows from Operating Activities

For the Year Ended 30 June 2017: Port of Tauranga Limited and Subsidiaries

	Note	2017 NZ$000	2016 NZ$000
Profit after taxation		83,441	77,314
Items classified as investing/financing activities:			
Finance lease interest revenue	7	(4)	(2)
Loss/(gain) on sale of property, plant and equipment	4	605	(495)
		601	(497)
Add/(less) non cash items and non operating items:			
Depreciation	10	23,931	23,175
Amortisation expense	12	529	547
Decrease in deferred taxation expense	9	(1,394)	(1,845)
Ineffective portion of change in fair value of cash flow hedge		(60)	180
Amortisation of interest rate collar premium		75	0
Reversal of previous revaluation deficit		(193)	0
Share of surpluses retained by Equity Accounted Investees	14	(13,995)	(13,437)
Impairment of property, plant and equipment		0	30
Share based payment reserve		1,425	1,402
		10,318	10,052
Add/(less) movements in working capital:			
Change in trade receivables and prepayments		(2,967)	(2,813)
Change in inventories		51	444
Change in income tax payable		(144)	(1,375)
Change in trade, other payables and revenue received in advance		6,885	4,944
		3,825	1,200
Net cash flows from operating activities		98,185	88,069

These statements are to be read in conjunction with the notes on pages 76 to 100.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2017: Port of Tauranga Limited and Subsidiaries

1 COMPANY INFORMATION

Reporting Entity

Port of Tauranga Limited (referred to as the Parent Company), is New Zealand's largest port and natural freight gateway to and from international markets for many of New Zealand's businesses. The Parent Company carries out business through the provision of wharf facilities, land and buildings, for the storage and transit of import and export cargo, berthage, cranes, tugs and pilot services for customers.

Port of Tauranga Limited is the most integrated port in the country, as it holds investments in other New Zealand ports and logistic companies.

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 a Financial Markets Conduct (FMC) reporting entity for the purposes of the Financial Reporting Act 2013 and Financial Markets Conduct Act 2013. The financial statements comply with these Acts.

The financial statements of the Group for the year ended 30 June 2017 comprise the Parent Company and its Subsidiaries (together referred to as the Group) and the Group's interest in Equity Accounted Investees.

In accordance with the Financial Markets Conduct Act 2013, where a reporting entity prepares consolidated financial statements, parent company disclosures are not required.

2 BASIS OF PREPARATION

Statement of Compliance and Basis of Preparation

These financial statements comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable Financial Reporting Standards, as appropriate for Tier 1 for-profit entities. They also comply with International Financial Reporting Standards.

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

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.

Significant accounting policies that are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

Accounting 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 note 10);
- assessment of control in relation to Equity Accounted Investees (refer to note 14);
- valuation of financial derivative instruments (refer to note 19);
- impairment assessment of intangible assets (refer to note 12); and
- valuation of provisions (refer to note 22).

Fair Value Hierarchy

Assets and liabilities measured at fair value are classified according to the following levels:

- *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 (prices) or indirectly (derived from prices).
- *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

New and Amended Accounting Standards Adopted

No new standards have been applied in preparing these financial statements.

New Accounting Standards and Interpretations Not Yet Adopted

The following standards and interpretations which are considered relevant to the Group but not yet effective for the year ended 30 June 2017 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. The main changes under NZ IFRS 9 are:
  - New financial assets classification requirements for determining whether an asset is measured at fair value or amortised cost;
  - A new impairment model for financial assets based on expected losses, which may result in the earlier recognition of impairment losses; and
  - Revised hedge accounting requirements to better reflect the management of risks.

  Management is currently in the process of evaluating the potential effect of the adoption of NZ IFRS 9, however it is expected that the impact will not be material.

- **NZ IFRS 16 Leases**

  This standard becomes mandatory for the Group's 2020 consolidated financial statements. NZ IFRS 16 requires a lessee to recognise a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts. Included is an optional exemption for certain short-term leases and leases of low value assets, however this exemption can only be applied by lessees. Management is currently in the process of evaluating the potential effect of the adoption of NZ IFRS 16, however it is expected that the impact will not be material.

3 SEGMENTAL REPORTING

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).

The Group operates in three primary reportable segments, being:

- *Port Operations:* This consists of providing and managing port services, and cargo handling facilities through the Port of Tauranga and MetroPort. 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.
- *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 (Quality Marshalling).

The three primary 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. 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 segmental level, but rather at a port level, as all business decisions are made at a "whole port level".

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

The Group segment results are as follows:

2017	Port Operations NZ$000	Property Services NZ$000	Marshalling Services NZ$000	Unallocated [1] NZ$000	Group NZ$000
Total segment revenue (external)	**227,222**	**24,632**	**4,633**	**0**	**256,487**
Share of profit from Equity Accounted Investees	0	0	0	13,995	13,995
Interest income	0	0	1	371	372
Other income	0	0	0	62	62
Interest expense	0	0	0	(17,128)	(17,128)
Depreciation and amortisation expense	0	0	(767)	(23,693)	(24,460)
Other unallocated expenditure	0	0	(6,200)	(111,781)	(117,981)
Income tax expense	0	0	(596)	(27,310)	(27,906)
Total segment result	**227,222**	**24,632**	**(2,929)***	**(165,484)**	**83,441**

[1] Operating costs are not allocated to individual business segments within the Parent Company. Unallocated includes results for Equity Accounted Investees.

** Segment result excludes inter Group revenue.*

2016	Port Operations NZ$000	Property Services NZ$000	Marshalling Services NZ$000	Unallocated [1] NZ$000	Group NZ$000
Total segment revenue (external)	**207,948**	**24,679**	**12,399**	**0**	**245,026**
Share of profit from Equity Accounted Investees	0	0	0	13,437	13,437
Interest income	0	0	6	660	666
Other income	0	0	407	88	495
Interest expense	0	0	0	(17,006)	(17,006)
Depreciation and amortisation expense	0	0	(2,163)	(21,559)	(23,722)
Other unallocated expenditure	0	0	(12,307)	(103,501)	(115,808)
Income tax expense	0	0	(499)	(25,275)	(25,774)
Total segment result	**207,948**	**24,679**	**(2,157)***	**(153,156)**	**77,314**

[1] Operating costs are not allocated to individual business segments within the Parent Company. Unallocated includes results for Equity Accounted Investees.

** Segment result excludes inter Group revenue.*

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 30 June 2017: Port of Tauranga Limited and Subsidiaries

4 OPERATING REVENUE

	2017 NZ$000	2016 NZ$000
Revenue		
Port services revenue	227,222	207,948
Rental revenue	24,632	24,679
Marshalling services revenue	4,633	12,399
Total revenue	256,487	245,026
Other income	(605)	495
Total operating revenue	255,882	245,521

Policies

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:

- *Port services and marshalling services revenues*: are recognised when the related service is performed. If at reporting date, the service is in progress, then the portion performed, determined using the percentage completion method, is recognised in the current year.
- *Rental revenue*: 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.

5 EMPLOYEE BENEFIT EXPENSES

	2017 NZ$000	2016 NZ$000
Wages and salaries	32,430	30,738
ACC levy	78	20
KiwiSaver contribution	1,165	1,027
Medical subsidy	285	316
Total employee benefit expenses	33,958	32,101

6 OTHER EXPENSES

The following items of expenditure are included in other expenses:

	2017 NZ$000	2016 NZ$000
Operating lease payments	1,323	1,496
Directors' fees	628	514
Auditors fees:		
Audit fees paid to principal auditor	143	133
Review of half year financial statements	12	12
Fees paid for other services provided by the principal auditor:		
Payments data analysis review	17	0
Security assessment and awareness	0	23

7 FINANCIAL INCOME AND EXPENSE

	2017 NZ$000	2016 NZ$000
Interest on finance lease	4	2
Interest income on bank deposits	368	664
Ineffective portion of changes in fair value of cash flow hedges	62	0
Finance income	434	666
Interest expense on borrowings	(18,353)	(17,730)
Less:		
Interest capitalised to property, plant and equipment	1,225	933
	(17,128)	(16,797)
Interest on deferred consideration	0	(29)
Ineffective portion of changes in fair value of cash flow hedges	(2)	(180)
Amortisation of interest rate collar premium	(75)	0
Finance expenses	(17,205)	(17,006)
Total net finance costs	(16,771)	(16,340)

Policies

Finance income comprises interest income on bank deposits, finance lease interest 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 and losses on hedging instruments that are recognised in the income statement. Except for interest capitalised directly attributable to the purchase or construction of qualifying assets, all borrowing costs are recognised in the income statement using the effective interest method.

Capitalised Interest

The average weighted interest rate for interest capitalised to property, plant and equipment, was 5.06% for the current period (2016: 5.35%).

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 30 June 2017: Port of Tauranga Limited and Subsidiaries

8 INCOME TAX

Components of Tax Expense

	2017 NZ$000	2016 NZ$000
Profit before income tax for the period	111,347	103,088
Income tax on the surplus for the period at 28.0 cents	31,177	28,865
Tax effect of amounts which are non deductible/(taxable) in calculating taxable income:		
Share of Equity Accounted Investees after tax income, excluding Coda Group	(3,049)	(2,918)
Other	(222)	(173)
Total income tax expense	27,906	25,774
The income tax expense is represented by:		
Current tax expense		
Tax payable in respect of the current period	29,350	27,477
Adjustment for prior period	(50)	142
Total current tax expense	29,300	27,619
Deferred tax expense		
Adjustment for prior period	(58)	43
Origination/reversal of temporary differences	(1,336)	(1,888)
Total deferred tax expense (refer to note 9)	(1,394)	(1,845)
Total income tax expense	27,906	25,774

Income tax recognised in other comprehensive income:

	2017 NZ$000	2016 NZ$000
Impairment of property, plant and equipment	0	(178)
Cash flow hedges	2,412	(2,926)
Total income tax recognised in other comprehensive income (refer to note 9)	2,412	(3,104)

Policies	Income tax expense comprises current and deferred tax, calculated using the rate enacted or substantively enacted at balance date and any adjustments to tax payable in respect to prior years. 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.
Imputation Credits	Total imputation credits available for use in subsequent reporting periods are $47.166 million at 30 June 2017 (2016: $59.094 million).

9 DEFERRED TAXATION

	Assets		Liabilities		Net	
	2017 NZ$000	2016 NZ$000	2017 NZ$000	2016 NZ$000	2017 NZ$000	2016 NZ$000
Deferred tax (asset)/liability						
Property, plant and equipment	0	0	60,748	61,788	60,748	61,788
Intangible assets	0	0	424	422	424	422
Finance lease receivables	0	0	13	2	13	2
Derivatives	(2,898)	(5,310)	0	0	(2,898)	(5,310)
Provisions and accruals	(1,861)	(1,494)	0	0	(1,861)	(1,494)
Total	(4,759)	(6,804)	61,185	62,212	56,426	55,408

	Recognised in the Income Statement		Recognised in Other Comprehensive Income	
	2017 NZ$000	2016 NZ$000	2017 NZ$000	2016 NZ$000
Property, plant and equipment	(1,040)	(1,709)	0	(178)
Intangible assets	2	68	0	0
Finance lease receivables	11	2	0	0
Derivatives	0	0	2,412	(2,926)
Provisions and accruals	(367)	(206)	0	0
Total	(1,394)	(1,845)	2,412	(3,104)

Policies	Deferred tax is recognised on temporary differences that arise between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse. A deferred tax asset is recognised only to the extent it is probable it will be utilised. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.
Unrecognised Tax Losses or Temporary Differences	There are no material unrecognised income tax losses or temporary differences carried forward. There are no material unrecognised temporary differences associated with the Group's investments in Subsidiaries or Equity Accounted Investees.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 30 June 2017: Port of Tauranga Limited and Subsidiaries

10 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 2015	516,815	82,157	251,791	120,006	182,914	21,420	**1,175,103**
Additions	43	12	117	16	1,734	62,737	**64,659**
Disposals	0	(246)	0	0	(21,222)	0	**(21,468)**
Transfers from work in progress	0	624	9,746	1,074	18,983	(30,427)	**0**
Transferred to intangible assets (refer to note 12)	0	0	0	0	0	(349)	**(349)**
Balance at 30 June 2016	**516,858**	**82,547**	**261,654**	**121,096**	**182,409**	**53,381**	**1,217,945**
Balance at 1 July 2016	516,858	82,547	261,654	121,096	182,409	53,381	**1,217,945**
Additions	0	167	104	4	1,125	59,248	**60,648**
Disposals	0	(1,273)	0	0	(8,677)	0	**(9,950)**
Transfers from work in progress	0	15,433	11,178	36,738	39,147	(102,496)	**0**
Revaluation	63,460	0	0	0	0	0	**63,460**
Balance at 30 June 2017	**580,318**	**96,874**	**272,936**	**157,838**	**214,004**	**10,133**	**1,332,103**
Accumulated depreciation and impairment:							
Balance at 1 July 2015	0	(55)	0	0	(77,647)	0	**(77,702)**
Depreciation expense	0	(3,283)	(8,757)	(1,519)	(9,616)	0	**(23,175)**
Impairment	0	(637)	0	0	(30)	0	**(667)**
Disposals	0	53	0	0	10,932	0	**10,985**
Balance at 30 June 2016	**0**	**(3,922)**	**(8,757)**	**(1,519)**	**(76,361)**	**0**	**(90,559)**
Balance at 1 July 2016	0	(3,922)	(8,757)	(1,519)	(76,361)	0	**(90,559)**
Depreciation expense	0	(3,392)	(9,456)	(1,160)	(9,923)	0	**(23,931)**
Disposals	0	1,023	0	0	8,587	0	**9,610**
Balance at 30 June 2017	**0**	**(6,291)**	**(18,213)**	**(2,679)**	**(77,697)**	**0**	**(104,880)**
Carrying amounts:							
Total net book value as at 30 June 2016	**516,858**	**78,625**	**252,897**	**119,577**	**106,048**	**53,381**	**1,127,386**
Total net book value as at 30 June 2017	**580,318**	**90,583**	**254,723**	**155,159**	**136,307**	**10,133**	**1,227,223**

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:

	2017 Notional Carrying Amount NZ$000	2016 Notional Carrying Amount NZ$000
Freehold land	**117,748**	117,748
Freehold buildings	**61,944**	54,324
Wharves and hardstanding	**98,299**	92,958
Harbour improvements	**64,696**	28,534
Total notional carrying amount	**342,687**	293,564

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Policies

Property, plant and equipment is initially measured at cost, and subsequently stated at either fair value or cost, less depreciation and any impairment losses.

Subsequent expenditure that increases the economic benefits derived from the asset is capitalised.

Land, buildings, harbour improvements, and wharves and hardstanding are measured at fair value, based upon periodic valuations by external independent valuers. The Group undertakes a three yearly revaluation cycle to ensure the carrying value of these assets does not differ materially from their fair value. If during the three year revaluation cycle there are indicators that the fair value of a particular asset class may differ materially from its carrying value, an interim revaluation of that asset class is undertaken.

Depreciation of property, plant and equipment, other than freehold land and capital dredging (included within harbour improvements), is calculated on a straight line basis and expensed over their estimated useful lives.

Major useful lives are:

Freehold buildings	33 to 85 years
Maintenance dredging	3 years
Wharves	10 to 60 years
Wharf rocks	150 to 200 years
Wharf piles	60 to 130 years
Basecourse	50 years
Asphalt	15 years
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

Capital and maintenance dredging are held as harbour improvements. 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.

Work in progress relates to self constructed assets or assets that are being acquired which are under construction at balance date. Once the asset is fit for intended service, it is transferred to the appropriate asset class and depreciation commences. Software developed undertaken as part of a project is transferred to intangibles on completion.

An item of property, plant and equipment is derecognised when it is sold or otherwise disposed of, or when its use is expected to bring no future economic benefit. Upon disposal or derecognition, any revaluation reserve relating to the particular asset being disposed or derecognised is transferred to retained earnings.

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 18).

Occupation of Foreshore

The Parent Company 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.

Capital Commitments

The estimated capital expenditure for property, plant and equipment contracted for at balance date but not provided for is $4.780 million (2016: $40.150 million).

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 30 June 2017: Port of Tauranga Limited and Subsidiaries

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Judgements

Fair Values

The fair value measurement has been categorised as a Level 3 fair value based on the inputs for the assets which are not based on observable market data (unobservable inputs), (refer to note 2 for fair value measurement hierarchy).

Land

In the current financial year a revaluation was undertaken for the land asset class, due to indicators of a potential material movement in the fair value of this asset class since the previous revaluation undertaken at 30 June 2015.

This valuation of land was carried out at 30 June 2017 by Preston Rowe Paterson Tauranga Pty Limited, CBRE Limited and Colliers International New Zealand Limited.

The significant assumptions applied in the valuation of these assets are:

- *Highest and best use of land*: Subject to relevant local authority's zoning regulations.
  - *Tauranga and Mount Maunganui*: The majority of land is zoned "Port Industry" under the Tauranga City Plan and a small portion of land at both Sulphur Point and Mount Maunganui has "Industry" zoning.
  - *Auckland*: The land is zoned "Heavy Industry Zone" under the Auckland Unitary Plan.
  - *Rolleston*: The land is zoned "Business 2A" under the Selwyn District Plan.
- *Current market expectations*: This is based on yield and recent local sales.

Description	Valuation Approach	Hectares	Key Valuation Assumption (Rates per Square Metre)
Tauranga (Sulphur Point)/Mount Maunganui - wharf and industrial land	Available market evidence	181.7	$270-569
Auckland land	Available market evidence	6.8	$475-525
Rolleston land	Available market evidence	15.0	$95-105

A +/- 5% movement in the square metre rates applied to land valuations would have a $29 million impact on "Other Comprehensive Income".

- *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 the Parent Company's assets.

Other Assets Subject to Revaluation

All 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 last valuation was carried out as at 30 June 2015 by Opus International Consultants Limited (harbour improvements and wharves and hardstanding), Preston Rowe Paterson Tauranga Pty Limited, CBRE Limited and Colliers International New Zealand Limited (buildings).

The fair value measurement has been categorised as a level 3 fair value based on the inputs for the assets which are not based on observable market data (unobservable inputs), (refer to note 2 for fair value measurement hierarchy).

Wharves and Hardstanding, and Harbour Improvements

Wharves and hardstanding, and harbour improvements assets owned by the Parent Company 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 which 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.

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Judgements

- *Depreciation – the calculated remaining lives of assets were reviewed, taking into account:*
  - Observed and reported condition, performance and utilisation of the asset.
  - Expected changes in technology.
  - Consideration of current use, age and operational demand.
  - Discussions with the Parent Company's operational officers.
  - Opus Consultants in-house experience from other infrastructure valuations.
  - Residual values.

Buildings

The significant assumptions applied in the valuation of these assets are:

- *Current market expectations:* This is based on yield and recent local sales.
- *Current occupancy rates of premises.*
- *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%.
- *Future Port plans:* The impact of major building relocation and demolition planned by the Parent Company to facilitate better utilisation of the wharf areas, including the prospect of increased berthage at Sulphur Point.

11 OPERATING LEASES

Operating Leases Where the Group is the Lessor

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

	2017 Valuation NZ$000	2017 Accumulated Depreciation NZ$000	2016 Valuation NZ$000	2016 Accumulated Depreciation NZ$000
Land	304,919	0	267,109	0
Buildings	64,749	3,419	47,904	2,123
Total	369,668	3,419	315,013	2,123

Future minimum lease receivables from non cancellable operating leases where the Group is the lessor are as follows:

	2017 NZ$000	2016 NZ$000
Within one year	22,378	13,673
One year to two years	10,453	12,779
Two years to five years	12,520	14,120
Greater than five years	15,629	13,800
Total	60,980	54,372

Policies

Where the Group is the Lessor, assets leased under operating leases are included in property, plant and equipment, in the statements of financial position, as appropriate.

Payments and receivables 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/revenue, over the term of the lease.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 30 June 2017: Port of Tauranga Limited and Subsidiaries

12 INTANGIBLE ASSETS

	Goodwill NZ$000	Computer Software NZ$000	Rail Services Agreement NZ$000	**Total NZ$000**
Cost:				
Balance at 1 July 2015	18,610	6,962	10,000	**35,572**
Additions	0	434	0	**434**
Disposals	(3,120)	(108)	0	**(3,228)**
Transfers from work in progress (refer to note 10)	0	349	0	**349**
Balance at 30 June 2016	**15,490**	**7,637**	**10,000**	**33,127**
Balance at 1 July 2016	15,490	7,637	10,000	**33,127**
Additions	0	180	0	**180**
Disposals	0	(4,650)	0	**(4,650)**
Balance at 30 June 2017	**15,490**	**3,167**	**10,000**	**28,657**
Accumulated amortisation:				
Balance at 1 July 2015	0	(5,196)	(9,019)	**(14,215)**
Amortisation expense	0	(424)	(123)	**(547)**
Disposals	0	61	0	**61**
Balance at 30 June 2016	**0**	**(5,559)**	**(9,142)**	**(14,701)**
Balance at 1 July 2016	0	(5,559)	(9,142)	**(14,701)**
Amortisation expense	0	(407)	(122)	**(529)**
Disposals	0	4,592	0	**4,592**
Balance at 30 June 2017	**0**	**(1,374)**	**(9,264)**	**(10,638)**
Carrying amounts:				
Total net book value 30 June 2016	**15,490**	**2,078**	**858**	**18,426**
Total net book value 30 June 2017	**15,490**	**1,793**	**736**	**18,019**

Policies

Goodwill that arises upon the acquisition of Subsidiaries is included in intangible assets. 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.

Goodwill is measured at cost less accumulated impairment losses.

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

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

The carrying amounts of the Group's intangibles other than goodwill are reviewed at each reporting date to determine whether there is any objective evidence of impairment.

Goodwill is tested for impairment annually, 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.

Judgements

Goodwill relates to goodwill arising on the acquisition of Quality Marshalling.

Goodwill was tested for impairment at 30 June 2017 and confirmed that no adjustment was required.

For impairment testing the calculation of value in use was based upon the following key assumptions:

- Cash flows were projected using management forecasts over the five year period.
- Terminal cash flows were estimated using a constant growth rate of 2% after year five.
- A pre-tax discount rate of 12% was used.

13 INVESTMENTS IN SUBSIDIARIES

Investments in Subsidiaries Comprises:

Name of Entity	Principal Activity	**2017 %**	2016 %	Balance Date
Port of Tauranga Trustee Company Limited	Holding company for employee share scheme	**100.00**	100.00	30 June
Quality Marshalling (Mount Maunganui) Limited	Marshalling and terminal operations services	**100.00**	100.00	30 June

Policies

Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. 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.

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

14 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES

Investments in Equity Accounted Investees Comprises:

Name of Entity	Principal Activity	**2017 %**	2016 %	Balance Date
Coda Group Limited Partnership	Freight logistics and warehousing	**50.00**	50.00	30 June
Northport Limited	Sea port	**50.00**	50.00	30 June
PortConnect Limited	On line cargo management	**50.00**	50.00	30 June
PrimePort Timaru Limited	Sea port	**50.00**	50.00	30 June
Timaru Container Terminal Limited	Sea port	**50.10**	50.10	30 June

	2017 NZ$000	2016 NZ$000
Carrying value of investments in Equity Accounted Investees		
Balance at 1 July 2016	**123,290**	118,972
Group's share of net profit after tax	**13,995**	13,437
Group's share of hedging reserve	**182**	(395)
Group's share of revaluation reserve	**623**	(57)
Group's share of total comprehensive income	**14,800**	12,985
Dividends received	**(10,507)**	(8,667)
Balance at 30 June 2017	**127,583**	123,290

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 30 June 2017: Port of Tauranga Limited and Subsidiaries

14 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES (CONTINUED)

The following table summarises the financial information of individually material Equity Accounted Investees, Northport Limited and Coda Group Limited Partnership, and the combined value of individually immaterial Equity Accounted Investees as included in their own financial statements, adjusted for fair value adjustments at acquisition and differences in accounting policies.

Summarised Financial Information of Equity Accounted Investees:

2017	Northport Limited NZ$000	Coda Group Limited Partnership NZ$000	Individually Immaterial Equity Accounted Investees NZ$000	**Total NZ$000**
Cash and cash equivalents	206	3,963	3,710	**7,879**
Total current assets	**3,759**	**28,329**	**8,854**	**40,942**
Total non current assets	**131,152**	**30,000**	**83,628**	**244,780**
Total assets	**134,911**	**58,329**	**92,482**	**285,722**
Current financial liabilities excluding trade and other payables and provisions	2,220	1,039	8,595	**11,854**
Total current liabilities	**4,553**	**19,490**	**11,767**	**35,810**
Non current financial liabilities excluding trade and other payables and provisions	35,188	802	27,318	**63,308**
Total non current liabilities	**35,188**	**802**	**27,318**	**63,308**
Total liabilities	**39,741**	**20,292**	**39,085**	**99,118**
Net assets	**95,170**	**38,037**	**53,397**	**186,604**
Group's share of net assets	**47,585**	**19,020**	**26,702**	**93,307**
Goodwill acquired on acquisition of Equity Accounted Investees	**0**	**29,414**	**4,862**	**34,276**
Carrying amount of Equity Accounted Investees	**47,585**	**48,434**	**31,564**	**127,583**
Revenues	40,894	200,703	31,513	**273,110**
Depreciation and amortisation	(4,186)	(1,512)	(2,035)	**(7,733)**
Interest expense	(1,771)	0	(1,307)	**(3,078)**
Net profit before tax	**24,307**	**6,208**	**5,011**	**35,526**
Tax expense	(6,143)	0	(1,394)	**(7,537)**
Net profit after tax	**18,164**	**6,208**	**3,617**	**27,989**
Other comprehensive income	1,610	0	0	**1,610**
Total comprehensive income	**19,774**	**6,208**	**3,617**	**29,599**
Group's share of net profit after tax	**9,082**	**3,104**	**1,809**	**13,995**
Group's share of total comprehensive income	**9,887**	**3,104**	**1,809**	**14,800**

14 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES (CONTINUED)

2016	Northport Limited NZ$000	Coda Group Limited Partnership NZ$000	Individually Immaterial Equity Accounted Investees NZ$000	**Total NZ$000**
Cash and cash equivalents	321	2,875	2,692	**5,888**
Total current assets	**4,612**	**24,894**	**6,989**	**36,495**
Total non current assets	**131,548**	**25,694**	**84,256**	**241,498**
Total assets	**136,160**	**50,588**	**91,245**	**277,993**
Current financial liabilities excluding trade and other payables and provisions	1,994	1,588	8,319	**11,901**
Total current liabilities	**6,651**	**16,758**	**12,727**	**36,136**
Non current financial liabilities excluding trade and other payables and provisions	36,450	0	27,391	**63,841**
Total non current liabilities	**36,450**	**0**	**27,391**	**63,841**
Total liabilities	**43,101**	**16,758**	**40,118**	**99,977**
Net assets	**93,059**	**33,830**	**51,127**	**178,016**
Group's share of net assets	**46,530**	**16,915**	**25,569**	**89,014**
Goodwill acquired on acquisition of Equity Accounted Investees	**0**	**29,414**	**4,862**	**34,276**
Carrying amount of Equity Accounted Investees	**46,530**	**46,329**	**30,431**	**123,290**
Revenues	38,829	204,761	29,140	**272,730**
Depreciation and amortisation	(4,186)	(1,477)	(1,731)	**(7,394)**
Interest expense	(1,858)	0	(809)	**(2,667)**
Net profit before tax	**22,590**	**6,026**	**5,565**	**34,181**
Tax expense	(5,730)	0	(1,525)	**(7,255)**
Net profit after tax	**16,860**	**6,026**	**4,040**	**26,926**
Other comprehensive income	(1,464)	0	560	**(904)**
Total comprehensive income	**15,396**	**6,026**	**4,600**	**26,022**
Group's share of net profit after tax	**8,430**	**3,013**	**1,994**	**13,437**
Group's share of total comprehensive income	**7,698**	**3,013**	**2,274**	**12,985**

Policies

The Group's interests in Equity Accounted Investees comprise interests in Joint Ventures.

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.

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.

Tax Treatment of Coda Group

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

Judgements

It has been determined that the Group has joint control over its investees, due to the existence of contractual agreements which require the unanimous consent of the parties sharing control over relevant business activities.

The investment in Coda Group was tested for impairment at 30 June 2017 and confirmed that no adjustment was required.

For impairment testing the calculation of value in use was based upon the following key assumptions:

- Cash flows were projected using management forecasts over the five year period.
- Terminal cash flows were estimated using a constant growth rate of 2% after year five.
- A pre-tax discount rate of 12% was used.

Management has performed sensitivity analysis on its impairment testing. A change in isolation of either of the two key assumptions (pre-tax discount rate and anticipated growth rates over the five year period) by over 40% would not result in impairment.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 30 June 2017: Port of Tauranga Limited and Subsidiaries

15 RECEIVABLES AND PREPAYMENTS

	2017 NZ$000	2016 NZ$000
Trade receivables	**34,343**	30,640
Trade receivables from Equity Accounted Investees and related parties	**623**	434
	34,966	31,074
Advances to Equity Accounted Investees (refer to note 23)	**6,669**	6,919
Prepayments and sundry receivables	**2,878**	3,553
Total receivables and prepayments	**44,513**	41,546

The ageing of trade receivables at reporting date was:

	2017 NZ$000	2016 NZ$000
Not past due	**29,577**	25,841
Past due 0 – 30 days	**4,208**	3,002
Past due 30 – 60 days	**517**	795
Past due 60 – 90 days	**37**	454
More than 90 days	**4**	548
Total of ageing of trade receivables	**34,343**	30,640

Polices	Receivables and prepayments are initially recognised at fair value. They are subsequently measured at amortised cost, and adjusted for impairment losses. Receivables with a short duration are not discounted.
Fair Values	The nominal value less impairment provision of trade receivables are assumed to approximate their fair values due to their short term nature.
Judgements	A provision for impairment is recognised when there is objective evidence that the Group will be unable to collect amounts due. The amount provided for is the difference between the expected recoverable amount and the receivable's carrying value.
Advances to Equity Accounted Investees	The Parent Company makes advances to Equity Accounted Investees for short term funding purposes. These advances are repayable on demand and interest rates charged on these advances are varied.

16 EQUITY

Share Capital

	2017	2016
Ordinary shares issued		
Balance as at 1 July	**136,077,196**	136,068,776
Parent Company completed a 5:1 share split	**544,308,784**	0
Shares issued during year	**4,600**	30,640
Shares repurchased by the Group during the year	**0**	(22,220)
Balance as at 30 June	680,390,580	136,077,196

Dividends

The following dividends were declared and paid during the period:

	2017 NZ$000	2016 NZ$000
Final 2016 dividend paid 6.0* cents per share (2015: 6.0** cps)	**40,835**	40,835
Final 2016 special dividend paid 5.0* cents per share (2015: 0.0** cps)	**34,029**	0
Interim 2017 dividend paid 5.0* cents per share (2016: 4.6** cps)	**34,029**	31,307
Total dividends	**108,893**	72,142

**On 17 October 2016, the Parent Company completed a 5:1 share split.*
***Share and per share amounts have been retroactively restated for the prior periods to reflect the 5:1 share split completed on 17 October 2016.*

Policies	*Capital Management* The Parent Company'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 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 ordinary dividend payout is maintained between a level of between 70% and 100% of net profit after tax for the period. The Group has complied with all capital management policies during the reporting periods.
Share Capital	All shares are fully paid and have no par value. All shares rank equally with one vote attached to each fully paid ordinary share. On 17 October 2016, the Parent Company completed a 5:1 share split. During the year 4,600 shares at $3.03 per share were issued to employees from the Port of Tauranga Trustee Company Limited as part of the Employee Share Ownership Plan (2016: 30,640 shares at $11.17 per share). During the year nil shares were repurchased on market and transferred to the Port of Tauranga Trustee Company Limited as part of the Employee Share Ownership Plan (2016: 22,220 shares).
Dividends	The dividends are fully imputed. Supplementary dividends of $471,689 (2016: $374,868) were paid to shareholders that are not tax residents in New Zealand, for which the Group received a foreign tax credit entitlement.
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. Due to the Parent Company completing a 5:1 share split on 17 October 2016, Kotahi now have 10,000,000 shares on issue. 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. *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.
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.
Revaluation Reserve	The revaluation reserve relates to the revaluation of land, buildings, wharves and hardstanding, and harbour improvements.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 30 June 2017: Port of Tauranga Limited and Subsidiaries

17 EARNINGS PER SHARE

	2017	2016
Earnings per share		
Net profit attributable to ordinary shareholders (NZ$000)	83,441	77,314
Weighted average number of ordinary shares for basic earnings per share	670,581,230*	670,581,230**
Effect of dilutive ordinary shares:		
- Shares subject to call option (refer note 16)	10,000,000*	10,000,000**
Weighted average number of ordinary shares for diluted earnings per share	680,581,230*	680,581,230**
Basic earnings per share (cents)	12.4*	11.5**
Diluted earnings per share (cents)	12.3*	11.4**

**On 17 October 2016, the Parent Company completed a 5:1 share split.*
***Share and per share amounts have been retroactively restated for the prior period to reflect the 5:1 share split completed on 17 October 2016.*

Policies	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.

18 LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's interest bearing loans and borrowings.

2017	Maturity	Coupon	Committed Facilities NZ$000	Undrawn Facilities NZ$000	Carrying Value NZ$000
Non current					
Standby revolving cash advance	2022	Floating	100,000	100,000	0
Fixed rate bond – 2nd issue	2021	4.792%	75,000	0	75,000
Standby revolving cash advance facility	2021	Floating	100,000	100,000	0
Standby revolving cash advance facility	2020	Floating	80,000	80,000	0
Fixed rate bond – 1st issue	2019	5.865%	50,000	0	50,000
Advances from employees	Various	0%	0	0	223
Total non current			**405,000**	**280,000**	**125,223**
Current					
Standby revolving cash advance	2018	Floating	100,000	70,000	30,000
Multi option facility	2017	Floating	5,000	5,000	0
Commercial papers	<3 months	Floating	0	0	225,000
Advances from employees	Various	0%	0	0	140
Total current			**105,000**	**75,000**	**255,140**
Total			**510,000**	**355,000**	**380,363**

18 LOANS AND BORROWINGS (CONTINUED)

2016	Maturity	Coupon	Committed Facilities NZ$000	Undrawn Facilities NZ$000	Carrying Value NZ$000
Non current					
Fixed rate bond – 2nd issue	2021	4.792%	75,000	0	75,000
Standby revolving cash advance facility	2020	Floating	80,000	80,000	0
Fixed rate bond – 1st issue	2019	5.865%	50,000	0	50,000
Standby revolving cash advance facility	2019	Floating	100,000	100,000	0
Standby revolving cash advance facility	2018	Floating	100,000	95,000	5,000
Revolving cash advance facility	2017	Floating	30,000	30,000	0
Advances from employees	Various	0%	0	0	200
Total non current			**435,000**	**305,000**	**130,200**
Current					
Multi option facility	2016	Floating	5,000	5,000	0
Commercial papers	<3 months	Floating	0	0	190,000
Total current			**5,000**	**5,000**	**190,000**
Total			**440,000**	**310,000**	**320,200**

Policies	Loans and borrowings are recognised at fair value, plus any directly attributable transaction costs, if the Group becomes a party to the contractual provisions of the instrument. Loans and borrowings are derecognised if the Group's obligations as specified in the contract expire or are discharged or cancelled. Subsequent to initial recognition, loans and borrowings are measured at amortised cost using the effective interest method, less any impairment losses.
Fixed Rate Bonds	The Parent Company has issued two six-year fixed rate bonds, a $50 million fixed rate bond with a final maturity on 29 October 2019 and a $75 million fixed rate bond with final maturity on 29 January 2021. The Parent Company incurred costs of $0.244 million in connection with the issuance of bonds which is being amortised over the term of the bonds.
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 2017 the Group had $225.000 million of commercial paper debt that is classified within current liabilities (2016: $190.000 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.
Standby Revolving Cash Advance Facility Agreement	The Parent Company has a $380.000 million financing arrangement with ANZ Bank New Zealand Limited, Bank of New Zealand Limited, Commonwealth Bank of Australia, New Zealand Branch and The Bank of Tokyo-Mitsubishi UFJ Limited, Auckland Branch (2016: $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.
Revolving Cash Advance Facility	In 2016 the Parent Company had a $30.000 million revolving cash advance facility with ANZ Bank New Zealand Limited, used for headroom purposes.
Security	Bank facilities and fixed rate bonds are secured by way of a ships' mortgage over certain floating plant assets ($18.617 million, 2016: $19.271 million), mortgages over the land and building assets ($670.765 million, 2016: $595.341 million), and by a general security agreement over the assets of the Parent Company ($1,383.660 million, 2016: $1,286.675 million).
Covenants	The Parent Company has complied with all covenants during the reporting periods.
Fair Values	The fair value of fixed rate loans and borrowings is calculated by discounting the future contractual cash flows at current market interest rates that are available for similar financial instruments. The amortised cost of variable rate loans and borrowings is assumed to closely approximate fair value as debt facilities mature every 90 days.
Interest Rates	The average weighted interest rate of interest bearing loans was 3.292% at 30 June 2017 (2016: 3.616%).

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 30 June 2017: Port of Tauranga Limited and Subsidiaries

19 DERIVATIVE FINANCIAL INSTRUMENTS

	2017 NZ$000	2016 NZ$000
Current liabilities		
Foreign currency derivatives – cash flow hedges	0	(983)
Interest rate derivatives – cash flow hedges	(1,013)	(455)
Total current liabilities	(1,013)	(1,438)
Non current liabilities		
Interest rate derivatives – cash flow hedges	(8,887)	(17,063)
Total non current liabilities	(8,887)	(17,063)
Total liabilities	(9,900)	(18,501)

Policies

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.

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.

Fair Values

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

All financial instruments held by the Group and designated fair value are classified as level 2 under the fair value measurement hierarchy (refer to note 2).

20 FINANCIAL INSTRUMENTS

The following tables show the classification, fair value and carrying amount of financial instruments held by the Group at reporting date:

2017	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					
Receivables	0	36	0	36	36
Total non current assets	**0**	**36**	**0**	**36**	**36**
Cash and cash equivalents	0	5,184	0	5,184	5,184
Receivables	0	41,635	0	41,635	41,635
Total current assets	**0**	**46,819**	**0**	**46,819**	**46,819**
Total assets	**0**	**46,855**	**0**	**46,855**	**46,855**
Liabilities					
Loans and borrowings	0	0	125,223	125,223	130,295
Derivative financial instruments	8,887	0	0	8,887	8,887
Total non current liabilities	**8,887**	**0**	**125,223**	**134,110**	**139,182**
Loans and borrowings	0	0	255,140	255,140	255,140
Derivative financial instruments	1,013	0	0	1,013	1,013
Trade and other payables	0	0	11,887	11,887	11,887
Total current liabilities	**1,013**	**0**	**267,027**	**268,040**	**268,040**
Total liabilities	**9,900**	**0**	**392,250**	**402,150**	**407,222**

2016	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					
Receivables	0	46	0	46	46
Total non current assets	**0**	**46**	**0**	**46**	**46**
Cash and cash equivalents	0	11,580	0	11,580	11,580
Receivables	0	37,993	0	37,993	37,993
Total current assets	**0**	**49,573**	**0**	**49,573**	**49,573**
Total assets	**0**	**49,619**	**0**	**49,619**	**49,619**
Liabilities					
Loans and borrowings	0	0	130,200	130,200	139,269
Derivative financial instruments	17,063	0	0	17,063	17,063
Total non current liabilities	**17,063**	**0**	**130,200**	**147,263**	**156,332**
Loans and borrowings	0	0	190,000	190,000	190,000
Derivative financial instruments	1,438	0	0	1,438	1,438
Trade and other payables	0	0	10,874	10,874	10,874
Total current liabilities	**1,438**	**0**	**200,874**	**202,312**	**202,312**
Total liabilities	**18,501**	**0**	**331,074**	**349,575**	**358,644**

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 30 June 2017: Port of Tauranga Limited and Subsidiaries

20 FINANCIAL INSTRUMENTS (CONTINUED)

Financial Risk Management

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.

(a) Credit Risk

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:

	2017 NZ$000	2016 NZ$000
Receivables	41,635	38,039
Cash and cash equivalents	5,184	11,580
Total	46,855	49,619

Credit Risk Management Policies

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 Equity Accounted Investees and derivative financial instruments.

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.

Concentration of Credit Risk

The only significant concentration of credit risk at reporting date relates to bank balances and advances to Equity Accounted Investees. The nature of the Group's business means that the top ten customers account for 61.5% of total Group revenue (2016: 56.5%). The Group is satisfied with the credit quality of these debtors and does not anticipate any non performance.

20 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity Risk

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

2017	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	(380,363)	(406,813)	(259,623)	(3,801)	(7,603)	(135,786)	0
Trade and other payables	(11,887)	(11,887)	(11,887)	0	0	0	0
Total non derivative financial liabilities	**(392,250)**	**(418,700)**	**(271,510)**	**(3,801)**	**(7,603)**	**(135,786)**	**0**
Derivatives							
Interest rate derivatives							
Cash flow hedges – outflow	(9,900)	(11,261)	(2,062)	(1,678)	(2,163)	(4,716)	(642)
Total derivatives	**(9,900)**	**(11,261)**	**(2,062)**	**(1,678)**	**(2,163)**	**(4,716)**	**(642)**
Total	**(402,150)**	**(429,961)**	**(273,572)**	**(5,479)**	**(9,766)**	**(140,502)**	**(642)**

2016	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	(320,200)	(351,364)	(199,092)	(3,737)	(7,398)	(141,137)	0
Trade and other payables	(10,874)	(10,874)	(10,874)	0	0	0	0
Total non derivative financial liabilities	**(331,074)**	**(362,238)**	**(209,966)**	**(3,737)**	**(7,398)**	**(141,137)**	**0**
Derivatives							
Interest rate derivatives							
Cash flow hedges – outflow	(17,518)	(20,426)	(2,279)	(1,988)	(3,527)	(7,618)	(5,014)
Foreign currency derivatives							
Cash flow hedges – outflow	(983)	(17,232)	(16,669)	(563)	0	0	0
Cash flow hedges – inflow	0	16,244	15,726	518	0	0	0
Total derivatives	**(18,501)**	**(21,414)**	**(3,222)**	**(2,033)**	**(3,527)**	**(7,618)**	**(5,014)**
Total	**(349,575)**	**(383,652)**	**(213,188)**	**(5,770)**	**(10,925)**	**(148,755)**	**(5,014)**

Liquidity and Funding Risk Management Policies

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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 30 June 2017: Port of Tauranga Limited and Subsidiaries

20 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Market Risk

Interest Rate Risk

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

	Carrying Amount 2017 NZ$000	Carrying Amount 2016 NZ$000
Fixed rate instruments		
Fixed rate bonds	**(125,000)**	(125,000)
Interest rate derivatives	**(9,900)**	(17,519)
Total	**(134,900)**	(142,519)
Variable rate instruments		
Commercial papers	**(225,000)**	(190,000)
Standby revolving cash advance facility	**(30,000)**	(5,000)
Cash balances	**5,184**	11,580
Total	**(249,816)**	(183,420)

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 was performed on the same basis for 2016.

	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	(1,749)	1,779	0	0
Interest rate derivatives	973	(973)	5,984	(6,636)
Total as at 30 June 2017	**(776)**	**806**	**5,984**	**(6,636)**
Variable rate instruments	(1,284)	1,309	0	0
Interest rate derivatives	1,570	(1,570)	6,716	(7,430)
Total as at 30 June 2016	**286**	**(261)**	**6,716**	**(7,430)**

Market Risk Management Policies

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 has been approved by the Board of Directors. Generally the Group seeks to apply hedge accounting in order to manage volatility in the income statement.

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.

21 TRADE AND OTHER PAYABLES

	2017 NZ$000	2016 NZ$000
Accounts payable	**11,851**	10,823
Accrued employee benefit liabilities	**3,913**	3,530
Accruals	**15,227**	15,720
Payables due to Equity Accounted Investees and related parties	**36**	34
Total trade and other payables	**31,027**	30,107

Fair Values

The nominal value of trade and other payables are assumed to approximate their fair values due to their short term nature.

22 PROVISIONS

	Long Service Leave NZ$000	Management Long Term Incentive Scheme NZ$000	Profit Sharing and Bonuses NZ$000	**Total NZ$000**
Balance at 30 June 2016	1,378	502	2,040	**3,920**
Additional provision	219	584	2,798	**3,601**
Unused amounts reversed	(91)	0	0	**(91)**
Utilised during the period	(50)	(253)	(2,905)	**(3,208)**
Balance at 30 June 2017	**1,456**	**833**	**1,933**	**4,222**
Total current provisions	**0**	**401**	**1,933**	**2,334**
Total non current provisions	**1,456**	**432**	**0**	**1,888**

Policies

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.

Employee Benefits – Long Service Leave

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.

Employee Benefits – Management Long Term Incentive Scheme

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 $0.584 million, (2016: $0.107 million).

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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 30 June 2017: Port of Tauranga Limited and Subsidiaries

23 RELATED PARTY TRANSACTIONS

Related party transactions with related parties:

	2017 NZ$000	2016 NZ$000
Transactions with Equity Accounted Investees		
Services provided to Port of Tauranga Limited	545	386
Services provided by Port of Tauranga Limited	2,734	2,126
Accounts receivable by Port of Tauranga Limited	213	138
Accounts payable by Port of Tauranga Limited	36	34
Advances by Port of Tauranga Limited	6,669	6,919
Services provided to Quality Marshalling (Mount Maunganui) Limited	1	45
Services provided by Quality Marshalling (Mount Maunganui) Limited	3,694	3,210
Accounts receivable by Quality Marshalling (Mount Maunganui) Limited	396	292
Accounts receivable by Port of Tauranga Trustee Company Limited	14	4
Transactions with key management personnel		
Directors' fees recognised during the period	628	513
Executive officers' salaries and short term employee benefits recognised during the period	3,458	2,654
Executive officers' share based payments recognised in the income statement during the period	584	107

Related Parties	Related parties of the Group include the joint ventures disclosed in note 14 and the Controlling Entity (Quayside Securities Limited) or Ultimate Controlling Party (Bay of Plenty Regional Council). Quayside Securities Limited owns 54.14% (2016: 54.14%) of the ordinary shares in Port of Tauranga Limited. Quayside Securities Limited is beneficially owned by Bay of Plenty Regional Council. Transactions with the Ultimate Controlling Party during the period include services provided to Port of Tauranga Limited, $0.013 million (2016: $0.018 million). No related party debts have been written off, forgiven or provided for as doubtful during the year.
Transactions With Key Management Personnel	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. The Group does not provide any non cash benefits to Directors and Executive Officers in addition to their Directors' fees or salaries. All Executive Officers participate in a cash settled share based incentive scheme.

24 CONTINGENT LIABILITIES

Disclosures	No material contingent liabilities or assets have been identified.

25 SUBSEQUENT EVENTS

Approval of Financial Statements	The financial statements were approved by the Board of Directors on 24 August 2017.
Final and Special Dividend	A final dividend of 6.2 cents per share to a total of $42,196,036 and a special dividend of 5.0 cents per share to a total of $34,029,061, has been approved subsequent to reporting date. The final and special dividends were not approved until after year end, therefore they have not been accrued in the current year financial statements.

Corporate Governance Statement

For the Year Ended 30 June 2017: Port of Tauranga Limited

The Board and the Senior Management Team of Port of Tauranga Limited recognise the importance of good corporate governance and consider it is core to ensuring the creation, protection and enhancement of shareholder value. Together they are committed to ensuring that the Company applies and adheres to practices and principles that ensure good governance and the highest ethical standards are maintained to protect the interests of shareholders and all stakeholders.

The Board has the ultimate responsibility for all decision making within the Company.

For the reporting period to 30 June 2017, the Board considers Port of Tauranga's corporate governance practices reflect and satisfy the NZX (New Zealand Exchange) Corporate Governance Code 2017 and the Financial Markets Authority Corporate Governance Principles. The Board of Port of Tauranga chooses to also comply (except where noted) with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations as it considers these standards to be relevant to any large New Zealand listed company whether ASX listed or not.

Port of Tauranga's corporate governance documents are located on the Company's website http://www.port-tauranga.co.nz/about-port-of-tauranga/corporate-structure.

These documents should be read in conjunction with this Statement:

- Constitution
- Audit Committee Charter
- Board Charter
- Nomination Committee Charter
- Remuneration Committee Charter
- Code of Ethics
- Continuous Disclosure and Communication Policy
- Director Tenure and Re-appointment Policy
- Discretionary Expenditure – Standard Operating Procedure Policy
- Diversity Policy
- Health and Safety Policy
- Insider Trading Policy and Guidelines
- Whistleblowing Policy (Protected Disclosures Act 2000)

Port of Tauranga Limited and its operating divisions are referred to in this Statement as the Company. References to the Group are to Port of Tauranga Limited, its operating divisions and its Subsidiaries and Associates.

PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT BY THE BOARD

The Board: The primary role of the Board is the protection and enhancement of shareholder value while respecting the rights of other stakeholders.

The Board oversees the business and affairs of the Company, establishes the strategies and financial objectives with management and monitors the performance of management directly and through Board Committees. It monitors compliance and risk management, ensuring the Company has the appropriate controls and policies. Comprehensive reporting on the Company's health and safety programmes is a priority within the Board's risk reporting framework.

The practices adopted by the Board are prescribed in the Board Charter, which sets out the protocols for operation of the Board, Board Committee Charters and the Constitution. Certain laws, regulations, codes and guidelines are also relevant to the Board's practices.

The Board delegates the day-to-day affairs and responsibilities to the Chief Executive to deliver the strategic direction and goals determined by the Board. A Delegation of Authority Policy sets out the decision making authority limits on the Chief Executive and other employees, and achieves individual accountability which is strictly monitored in the audit programme.

The Board Charter sets out a list of specific responsibilities that are reserved for the Board.

Board Committees: The Board has established an Audit Committee, a Nomination Committee and a Remuneration Committee. The role, responsibilities and decision making authority of each committee is set out in its Charter. The Charters are located on the Company's website http://www.port-tauranga.co.nz/about-port-of-tauranga/corporate-structure.

All Directors are able to attend any Committee Meeting.

Induction: Each new Director is inducted to enable them to gain an understanding of the port industry and the Group's operations; the Company's financial, strategic, operational and risk management position; Directors' rights, duties and responsibilities; and the role of the Board, Board Committees and the Senior Management Team.

New executives will receive an induction programme based on similar elements and include health and safety training but without financial documents or other sensitive information that is not relevant to their role.

Senior Management Team Evaluation: Role descriptions and any agreed key performance metrics are included in employment agreements and provide a framework against which to evaluate executive performance. Written employment agreements setting out the terms of appointment are provided to all Group staff. Formal performance reviews are conducted for all staff at least on an annual basis. The Senior Management Team's performance reviews for the financial year ended 30 June 2017 were conducted in August 2017.

The Board through the Remuneration Committee reviews the performance, remuneration and terms of employment of the Chief Executive and makes recommendations to the Board of any changes required in those matters.

The Chief Executive reviews the performance of those staff who report directly to him.

The framework for senior executive performance evaluation is based on specific personal criteria, together with the Group's financial and operational performance and achievement of strategic objectives.

PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

Composition of the Board: The Constitution states that there shall be between six and nine Directors of whom no more than two shall be members or employees of the shareholding authority.

The Board currently comprises of seven non executive Directors of whom five are independent. All are elected by shareholders.

As at 30 June 2017 the Board comprised seven Directors:

- David Pilkington (Chair of Board and Nomination Committee)
- Bill Baylis
- Kim Ellis (Chair of Remuneration Committee)
- Julia Hoare (Chair of Audit Committee)
- Alastair Lawrence
- Doug Leeder
- Michael Smith

The Directors bring a wide range of skills to the Board including governance, senior executive management experience, marketing, international business, corporate and commercial law and supply chain logistics. Collectively, the Directors have professional qualifications in law, accounting, engineering, finance, business, economics, agriculture and management. The Board considers that individually and collectively, the Directors have an appropriate mix of skills, qualifications and experience to enable them to appropriately discharge their duties effectively. Biographies of the current Board members are set out on pages 18 to19 and are located on the Company's website http://www.port-tauranga.co.nz/about-port-of-tauranga/board-directors.

Audit Committee: Details about the Audit Committee, its membership and its responsibilities are included under Principle 4.

The Audit Committee's Charter is approved by the Board and reviewed by external auditors each year. The Charter is located on the Company's website http://www.port-tauranga.co.nz/about-port-of-tauranga/corporate-structure.

The Audit Committee has five members of whom four are independent Directors. The Chair of Port of Tauranga Limited is an ex-officio member of the Audit Committee and an independent Director.

Nomination Committee: The Nomination Committee operates under a Charter which requires it to review the composition of the Board, to ensure that the Board has the appropriate mix of expertise and experience. The Charter is located on the Company's website http://www.port-tauranga.co.nz/about-port-of-tauranga/corporate-structure.

All Directors are members of the Nomination Committee. The Committee is chaired by David Pilkington and has five independent Directors and two non-independent Directors.

Corporate Governance Statement (Continued)

For the Year Ended 30 June 2017: Port of Tauranga Limited

Remuneration Committee: Details about the Remuneration Committee and its responsibilities are included under Principle 8.

The Committee has four members of whom two are independent Directors.

Selection and Role of Chair and Deputy Chair: The Chair must be a Director who is independent and not the Chief Executive of the Company. The Chair is selected by the full Board at the Board Meeting following the Annual Meeting. David Pilkington, an independent Director, has been appointed Chair.

The Chair has a key role in leading the Board and overseeing relations with shareholders and other stakeholders. He maintains a close professional relationship with the Chief Executive and the Senior Management Team.

A Deputy Chair may be appointed, however no appointment has been made.

Director Independence: Independence is defined in the Board Charter. The Board has set a 10% materiality threshold in line with NZX guidelines in determining independence. In addition to the quantitative case-by-case assessment, the Board will consider whether there are any factors or considerations which may mean that the Director's interest, business or relationship could, or could be reasonably perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

Directors are required to ensure that they immediately advise the Board of any relevant new or changed relationships to enable the Board to consider and determine the materiality of the relationships. The Board determines annually on a case-by-case basis, who in its view, are independent Directors following a review by each Director of their declared interests.

As at 30 June 2017 David Pilkington (Chair), Bill Baylis, Kim Ellis, Julia Hoare and Alastair Lawrence were considered by the Board to be independent Directors in accordance with the Constitution, NZX Listing Rules and ASX Corporate Governance Guidelines.

The Board considers that Kim Ellis's role as Director of Ballance Agri-Nutrients Limited, a major customer of the Port, does not preclude him from being considered an independent Director. Mr Ellis has no involvement in matters regarding tariffs and has no ability to influence decisions on such matters. The Port of Tauranga is not a material supplier of services to Ballance.

Doug Leeder, Chair of Bay of Plenty Regional Council, and Michael Smith, the Chair of Quayside Group of Companies, are not considered by the Board to be independent Directors, given their relationship with Quayside Securities Limited, which holds over 54% of the shares in Port of Tauranga Limited.

Conflicts of Interest: The Board Charter outlines the Board's policy on conflicts of interest. Where any Director has a conflict of interest or is otherwise interested in any transaction, that Director is required to disclose his or her conflict of interest to the Company, and thereafter will normally not be able to participate in the discussion, nor vote in relation to the relevant matter. The Company maintains a register of disclosed interests.

Attendance: The individual attendances of Directors at Board and Committee Meetings for the 2017 financial year are as follows:

	Board	Audit	Nomination	Remuneration
A W Baylis	7	2	1	
K R Ellis	8	2	1	4
J C Hoare	8	2	1	
A R Lawrence	8	2	1	
D W Leeder	8		1	4
D A Pilkington	8	2	1	4
M J Smith	8	1	1	4
Total meetings held	**8**	**2**	**1**	**4**

All Directors are members of the Nomination Committee. The Nomination Committee met in February 2017 to address those matters for which it has responsibility.

Director Appointments: The provisions regarding the election and retirement of Directors are contained in the Constitution, the Board Charter and in the Director Tenure and Re-appointment Policy, a policy which applies only to Directors of Port of Tauranga Limited not appointed by Quayside Holdings or Bay of Plenty Regional Council.

The Board has determined that good governance requires regular renewal of the Board to ensure that, over time, new Directors are appointed to challenge existing approaches and to incorporate new ideas and energy. Subject to continued Board and shareholder support, the normal tenure for non executive Directors will be nine years or three terms from the first date of election by the shareholders. Three current Directors have served more than nine years on the Board.

When a vacancy arises or additional skills are determined to be needed, the Nomination Committee will identify and evaluate Board candidates and recommend to the Board, individuals for Board appointment. In selecting and recommending the appointment of a new Director, the Committee will ensure that the candidate has the appropriate range of skills, experience and expertise that will best complement Board effectiveness and that the candidate is able to commit the necessary time to the appointment. Background checks will be conducted.

An individual being appointed as an independent must be independent according to the NZX Listing Rules and not have any disqualifying relationships as defined in the Board Charter.

The Company's Constitution and NZX Listing Rules require a newly appointed Director to stand for election at the next Annual Meeting. Thereafter, appointments will be undertaken in accordance with the Constitution and NZX Listing Rules. All material information in the Board's possession relevant to a Director is disclosed in the Notice of Meeting.

New Directors will receive a Letter of Appointment that sets out the terms and conditions of appointment and associated remuneration. It also sets out the expectations of the Company, the Director's duties and powers, insurance and indemnity arrangements, and rights of access to information.

Retirement and Re-election: Alastair Lawrence and David Pilkington are eligible for re-election at the 2017 Annual Meeting and will be seeking re-election. Profiles are contained in the Notice of Meeting which will be sent to shareholders.

Board, Committee and Director Evaluation: The Board annually reviews its performance, policies and practices, and reviews the performance of its Committees.

The Audit, Nomination and Remuneration Committees each review their Charters and evaluate their performance on an annual basis with feedback reported to the Board. The Audit, Nomination and Remuneration Committees' reviews of their Charters and performance were undertaken during the year. The results of the reviews were discussed at the subsequent Board Meeting.

The Chair meets with each Director on an annual basis to discuss and assess individual performance, contribution and ongoing professional development in order to maintain each Director's skills and knowledge. Ad hoc discussions are also held.

Board Secretariat: The Company Secretary is appointed by and reports directly to the Board, through the Chair, on all matters relating to the proper functioning of the Board. All Directors have access to the Company Secretary to discuss issues or to obtain information on specific areas in relation to items to be considered at Board Meetings or other areas as they consider appropriate. Directors also have unrestricted access to Group records and information. Steve Gray, Chief Financial Officer, has been appointed as the Company Secretary.

External Advice: With the approval of the Chair, a Director or a Committee is entitled to seek independent professional advice on any aspect of the Director's or the Committee's duties, at the Company's expense.

Director Share Ownership: There is no requirement for Directors to own shares in the Company or to reinvest a portion of Director remuneration in Company shares, however non executive Directors are encouraged to own shares. All Directors and employees must comply with the Company's Insider Trading Policy and seek the approval of the Chief Financial Officer before any trading is undertaken. The table of Directors' shareholdings is shown on page 110.

Indemnities and Insurance: In accordance with Section 162 of the Companies Act 1993 and the Company's Constitution, the Group has arranged policies of Directors' Liability Insurance, which together with a Deed of Indemnity, ensures that generally Directors will incur no monetary loss as a result of actions undertaken by them as Directors. Certain actions are specifically excluded, for example the incurring of penalties and fines, which may be imposed in respect of breaches of the law.

PRINCIPLE 3 – PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

Code of Ethics: The Company requires the highest standards of honesty and integrity from its Directors, Senior Management Team and employees. The Code of Ethics has been developed and approved by the Board which sets out the ethical and behavioural standards expected by the Company's Directors, Senior Management Team and employees. The policy guides and facilitates decision making that is consistent with the Company's values, business goals, and legal and policy obligations. The Code of Ethics is located on the Company's website http://www.port-tauranga.co.nz/about-port-of-tauranga/corporate-structure.

Discretionary Expenditure – Standard Operating Procedure Policy: The policy sets out the Company's expectations on discretionary or sensitive expenditure incurred by Directors or employees. The Discretionary Expenditure – Standard Operating Procedure Policy is located on the Company's website http://www.port-tauranga.co.nz/about-port-of-tauranga/corporate-structure.

Diversity Policy: The Company and its Board are committed to providing a workplace that recognises and values different skills, abilities, genders, ethnicity and experiences. They are also committed to providing equal employment opportunities with all appointments being merit-based. A copy of the Diversity Policy is located on the Company's website http://www.port-tauranga.co.nz/about-port-of-tauranga/corporate-structure.

The Board has not set measurable objectives for achieving gender diversity because the Board considers that merit based appointments are the appropriate approach for selection of employees and Directors. The Company does not therefore comply with ASX Corporate Governance Recommendation 1.5.

As at 30 June 2017, the gender balance of the Company's Directors, Executives and all permanent employees was as follows:

	Female		Male	
	Number	%	Number	%
Directors	1	14	6	86
Executives	1	20	4	80
All permanent employees	36	18	169	82
Total	**38**	**18**	**179**	**82**

"Executives" has the meaning under the Securities Markets Act 1988. As at 30 June 2017, the Executives were the Chief Executive and his four direct reports.

Insider Trading Policy: The Company's Insider Trading Policy governs trading in the Company's securities by:

- all Directors;
- all Executives;
- all members of the Senior Management Team; and
- any employee who the Chief Executive deems this policy should apply to.

A copy of the Insider Trading Policy is located on the Company's website http://www.port-tauranga.co.nz/about-port-of-tauranga/corporate-structure.

Whistleblowing Policy (Protected Disclosure Act 2000): The Board is committed to ensuring the Company's practices and procedures are safe and the behaviour of all employees is of the highest ethical standard. The Company's Whistleblowing Policy provides an internal procedure for staff to report any serious wrongdoing. Staff will be protected from any retaliatory action by the Company if the report of serious wrongdoing is made in accordance with this policy and the Protected Disclosures Act. The Whistleblowing Policy (Protected Disclosure Act 2000) is located on the Company's website http://www.port-tauranga.co.nz/about-port-of-tauranga/corporate-structure.

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Audit Committee: The Audit Committee operates under a Charter which requires it to assist the Board in fulfilling its responsibilities regarding management's accounting practices, policies and controls, relative to the Group's financial position, and to review and make appropriate inquiry into the audit of the Group's financial statements by external auditors. The Charter is approved by the Board and reviewed by the external auditor each year.

Membership: The Audit Committee comprises five Directors, all of them are non executive Directors and four are independent. The independent Directors are Bill Baylis, Kim Ellis, Julia Hoare and Alastair Lawrence. Michael Smith is Chair of Quayside Securities Limited and is not independent. David Pilkington, Chair of the Board, is an ex-officio member of the Committee and independent. Julia Hoare, the Chair of the Audit Committee, is a qualified accountant and is not the Chair of the Board. Details of the relevant qualifications and experience of all Audit Committee members are disclosed in their biographies which are located on pages 18 to 19 and on the Company's website http://www.port-tauranga.co.nz/about-port-of-tauranga/board-directors.

The external auditors, Chief Executive and Chief Financial Officer attend Audit Committee meetings.

Meetings: The Audit Committee meets at least twice a year and has direct access to the Company's auditors and Senior Management Team. The Committee meets with the auditors without management being present. In the 2017 financial year, the Audit Committee met two times.

The individual attendances of the members at those meetings are set out on page 102.

Certified Accounts: ASX Recommendation 4.2 is not applicable as the provisions of Chapter 2M of the Corporations Act do not apply to the Company, which is a New Zealand registered entity. Accordingly, the Company will not seek or obtain the assurance from management ordinarily required by section 295A of the Corporations Act relating to certifications of the accounts. The Company will not comply with Recommendation 7.3 on an ongoing basis. The Chief Executive and Chief Financial Officer have, however, confirmed in writing to the Audit Committee that the Company's financial statements are in accordance with the accounting standards.

External Auditor: The Company's external auditors will attend the Company's Annual Meeting and will be available to answer questions from shareholders in relation to the conduct of the audit, the preparation and content of the independent audit report and the accounting policies adopted by the Company.

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

The Company is subject to the disclosure and reporting obligations imposed under the NZX Listing Rules and legislation including the Companies Act and the Port Companies Act. The disclosure framework through which the Company will communicate its goals, strategies and performance and comply with its reporting obligations including continuous disclosure is outlined in its Continuous Disclosure and Communication Policy. This policy is located on the Company's website http://www.port-tauranga.co.nz/about-port-of-tauranga/corporate-structure.

The Board is committed to ensuring that shareholders are informed of the Company's major developments and announcements affecting the Company and that:

- all investors will have equal and timely access to material information concerning the Company, including its financial situation, performance, ownership and governance;
- announcements will be factual and comprehensive; and
- any material information will be announced first to the market through NZX.

At each Board Meeting Directors discuss whether there is an obligation under the Continuous Disclosure and Communication Policy that needs to be released to the NZX.

Corporate Governance Statement (Continued)

For the Year Ended 30 June 2017: Port of Tauranga Limited

The Board has appointed the Chief Financial Officer as its Market Disclosure Officer with responsibility for ensuring the timely release of information to NZX.

Authorised Spokespersons: Communications with shareholders and financial analysts are conducted by the Chair, Chief Executive and Chief Financial Officer.

Website: Operational and financial results announcements are available on the website together with Interim and Annual Reports and analyst presentations.

PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS

The Board is committed to engaging with shareholders and market participants in order that timely and accurate information is provided and two way communication is facilitated. Corporate information is made available through periodic market announcements, investor briefings, shareholder reports, the Annual Meeting and associated documents, and the Company's website.

Investor Communications: The protocols that apply to communications with analysts, investors and the media are set out in the Continuous Disclosure and Communication Policy which is located on the Company's website http://www.port-tauranga.co.nz/about-port-of-tauranga/corporate-structure.

Annual Meeting: The Annual Meeting provides shareholders with the opportunity to ask questions of the Board and of the external auditors, who attend the Annual Meeting.

Electronic Communications: Shareholders have the option to receive communications from, and send communications to, the Company and its security registry electronically.

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

Management of risk is a high priority to ensure the protection of the Group's staff, the environment, Company assets and reputation. The Company has a comprehensive risk management system in place which is used to identify and manage all business risks. The system identifies the key risks facing the Company and the status of initiatives employed to reduce them.

One of the key responsibilities of the Board is to ensure that proper risk management systems and internal controls are in place, including the review of material risk exposures and the steps management has taken to monitor, control and report all such exposures including health and safety practices. Management reports to the Board annually on the effectiveness of the Company's management of material risks. The independent reviewer's and management's recommendations were accepted and agreed at the October 2016 meeting of the Board. The whole Board has the responsibility for risk management.

The Board has made the Chief Executive accountable for all operational and compliance risk across the Group. The Chief Financial Officer has management accountability for the effective implementation of the risk framework across all of the Company's businesses.

Each year the Audit Committee reviews the internal audit programme and identifies what areas need to be subject to an internal audit.

Areas subject to internal audit include:

- IT systems;
- payroll;
- IT disaster recovery;
- security;
- data analysis;
- procurement; and
- cyber risk.

The Company is also exposed to financial market risks. These may arise from interest rate, foreign currency, liquidity and credit risk. These risks are managed in accordance with the Company's Treasury Policy that sets out procedures to minimise financial market risk. The Audit Committee reviews the Treasury Policy annually with the review including taking advice from an external adviser.

The Board does not believe that the Company has any material exposure to economic, environmental or social sustainability risks that are not appropriately managed. The material risks which may impact the Company's ability to achieve its strategic objectives and secure its future financial prospects, are managed through the strategic planning process.

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

The Board, through the Remuneration Committee, establishes remuneration policies and practices for executives of the Company. The Committee's objectives and responsibilities are set out in the Committee's Charter and relate to setting and reviewing the remuneration package for the Chief Executive and having oversight of senior executive remuneration packages and terms of employment, incentive plans and Director remuneration. The members of the Remuneration Committee are Kim Ellis (Chair), Doug Leeder, David Pilkington and Michael Smith.

The Company's Remuneration Policy has been set to ensure that the remuneration of Directors and all staff properly reflects each person's accountabilities, duties and their level of performance and will attract, motivate and retain staff of the highest quality. All remuneration packages are reviewed at least annually, taking into account individual and Company performance, market movements and expert advice.

ASX Recommendation 8.2 is not applicable as the provisions of Chapter 2M of the Corporations Act do not apply to the Company which is a New Zealand registered entity. Accordingly, the Company has not provided a separate remuneration report. The Company may not fully comply with Recommendation 8.2 on an ongoing basis.

Director Remuneration: Non executive Directors are paid a fixed fee in accordance with the determination of the Board and are entitled to reimbursement of reasonable travel and other expenses incurred by them in connection with their attendance at Board or Annual Meetings, or otherwise in connection with the Group's business. There is no entitlement to retirement or superannuation benefits. The Director fee pool has been set at $630,000 per annum (and to increase by $120,000 to $750,000 per annum the following year). This increase was approved at the Annual Meeting held on 20 October 2016. Increases in the Director fee pool must be approved by shareholders at an Annual Meeting. The Remuneration Committee considers Directors' fees annually and makes a recommendation to the Board.

The non executive Directors receive $72,045 per annum (commencing 1 July 2017: $85,000) and the Chair receives $140,339 per annum (1 July 2017: $162,000). The Chair of the Audit Committee, receives an additional $12,000 per annum (1 July 2017: $15,000). Other members of the Audit Committee receive an additional $6,100 per annum (1 July 2017: $7,500). The Chair of the Remuneration Committee, receives an additional $7,100 per annum (1 July 2017: $10,000). Other Members of the Remuneration Committee receive an additional $3,500 per annum (1 July 2017: $5,000). Director remuneration was adjusted for the FY2017 period following an external review by PricewaterhouseCoopers and subsequent consultation with major shareholders, including the New Zealand Shareholders' Association.

Disclosure of each Director's remuneration is included in this report at page 107.

Senior Management Team: The Company's Senior Management Team's total remuneration is made up of a mix of fixed remuneration (FR), short term incentive (STI) and long term incentive (LTI). An independent adviser reviews the remuneration framework.

Chief Executive Remuneration

The FR is determined in relation to the market for comparable sized and performing companies, and includes all benefits, allowances and deductions. The position in the market will normally be comparable to the median. Adjustments are not automatic and are determined by performance which is reviewed annually by the Remuneration Committee.

Short Term Incentive Plan

The STI is set at 60% of FR for the Chief Executive. Seventy percent of the STI is linked to the Company's financial performance with the actual opportunity in the range of 0% to 110%. Thirty percent is based on achieving strategic objectives with the actual opportunity in the range of 0% to 100%. Objectives are set each year by the Remuneration Committee and for the 2017 year included financial and Group targets for the Company overall, as well as personal objectives and targets, appropriate for each individual's role.

Long Term Incentive Plan

The LTI is a three year overlapping synthetic (phantom) share scheme which commenced on 1 July 2010, where, subject to performance, cash earned must be committed to acquiring Company shares. The LTI is set at 40% of FR. Fifty percent of the opportunity will be earned by achieving Total Shareholder Return (TSR) targets measured by the ranking of Port of Tauranga Limited against the NZX50 less Australian listed stocks. The second 50% will be earned by achieving target earnings per share growth. The LTI targets are detailed as follows:

TSR Percentile Ranking	Earned
Below 40	Nil
At 50	50%
Above 50 to below 75	50 – 99%
At 75 or above	100%

EPS* 3 Year CAGR**	Earned
0%	Nil
3.5%	50%
7.0%	100%
8.0%	110%
9.0%	120%

**Earnings per share*
***Compounded annual growth rate*

As at 30 June 2017 $0.833 million has been accrued for LTI for the Chief Executive and direct reports (30 June 2016: $0.502 million).

The Chief Executive's remuneration for the year ended 30 June 2017 was made up as follows:

	$000
Fixed Remuneration (FY2017)	750,849
Short Term Incentive (FY2016)	361,604
Long Term Incentive (2013 Vesting)	129,761
Total	$1,242,214

Statutory Information

As at 30 June 2017: Port of Tauranga Limited

INTERESTS REGISTER

The Company is required to maintain an Interests Register in which particulars of certain transactions and matters involving the Directors must be recorded.

The matters set out below were recorded in the Interests Register of the Company during the financial year.

GENERAL NOTICE OF INTEREST BY DIRECTORS

The Directors of the Company have declared interests in the following identified entities as at 30 June 2017:

Director	Interest	Entity
Arthur William Baylis	Director / Shareholder	Edincorp Equities Limited
	Director	Edincorp Business Services Limited
	Director	PrimePort Timaru Limited
Kimmitt Rowland Ellis	Chair	Metlifecare Limited
	Chair	NZ Social Infrastructure Fund Limited
	Director	Ballance Agri-Nutrients Limited
	Director – resigned during the year	EnviroWaste Services Limited
	Director	Fonterra Shareholders Fund (FSF) Management Company
	Director	Freightways Limited
	Trustee	Wanganui Collegiate School
Julia Cecile Hoare	Director	AWF Madison Group Limited
	Director	New Zealand Post Limited
	Director	The A2 Milk Company Limited
	Director – appointed during the year	The A2 Milk Company (New Zealand) Limited (subsidiary of The A2 Milk Company Limited)
	Director	Watercare Services Limited
	Member	Auckland Committee, Institute of Directors
	Member	External Reporting Advisory Panel
	Member	Institute of Directors Council
Alastair Roderick Lawrence	Chair	Brittain Wynyard Limited
	Chair	Glenorchy Pastoral Management Limited
	Director / Shareholder	Antipodes Properties Limited and subsidiaries
	Director / Shareholder	CBS Advisory Limited
	Director / Shareholder	Retail Dimension Limited
	Director – resigned during the year	Coda GP Limited
	Trustee	JAB Hellaby Trust
Douglas William Leeder	Chair	Bay of Plenty Regional Council
David Alan Pilkington	Chair – was already Director, appointed Chair during the year	Douglas Pharmaceuticals Limited
	Chair	Hellers Limited
	Chair	Rangatira Limited
	Director / Shareholder	Excelsa Associates Limited
	Director	Northport Limited
	Director	Port of Tauranga Trustee Company Limited
	Director	PrimePort Timaru Limited
	Director – resigned during the year	Tuatara Brewing Company Limited
	Director – resigned during the year	Zespri Group Limited
	Trustee	New Zealand Community Trust
Michael John Smith	Chair	Craigs Investment Partners Superannuation Management Limited
	Chair	Quay Street Asset Management Limited
	Chair	Quayside Group of Companies
	Chair / Trustee	FC Beazley Trust
	Director	Aurora Limited
	Director	Bethlehem Country Club Limited
	Director	Custodial Services Limited
	Director	First Mortgage Managers Limited
	Director	NZ Golf
	Director – appointed during the year	Pathology Associates Limited
	Director	The Body Corporate Chair Limited
	Director	The Cascades Retirement Resort Limited
	Director	The Takahoa Bay Company Limited
	Consultant (no proprietary interest)	Holland Beckett

REMUNERATION OF DIRECTORS

Directors' fees (including Committee fees) received or due and receivable during the year, are as follows:

	Parent Company 2017 $	Parent Company 2016 $
A W Baylis	**81,094**	67,335
J M Cronin*	**0**	19,266
K R Ellis	**83,444**	65,167
J C Hoare**	**81,094**	46,502
A R Lawrence	**78,144**	62,998
D W Leeder***	**75,544**	40,484
D A Pilkington	**144,933**	123,828
M J Smith	**83,444**	67,338
K Tempest*	**0**	20,343

**Retired 22 October 2015.*
***Appointed 20 August 2015.*
****Appointed 22 October 2015.*

Statutory Information (Continued)

As at 30 June 2017: Port of Tauranga Limited

REMUNERATION OF EMPLOYEES

The number of employees whose total annual remuneration including salary, performance bonuses, employer's contributions to superannuation and health schemes, and other sundry benefits received in their capacity as employees, was within the specified bands as follows:

	Parent Company	
Remuneration Range $000	**Number of Employees 2017**	Number of Employees 2016
100 – 109	22	25
110 – 119	17	17
120 – 129	18	13
130 – 139	12	9
140 – 149	7	15
150 – 159	7	4
160 – 169	6	3
170 – 179	5	2
180 – 189	3	2
190 – 199	2	1
200 – 209	2	3
210 – 219	1	5
220 – 229	7	2
230 – 239	5	4
240 – 249	3	2
250 – 259	1	0
370 – 379	0	1
410 – 419	0	1
470 – 479	0	1
490 – 499	1*	0
530 – 539	1	0
540 – 549	1*	1*
580 – 589	0	1*
610 – 619	1*	0
1,200 – 1,210	0	1*
1,240 – 1249	1*	0

**Includes vesting of Long Term Incentive Scheme and payment of Short Term Incentive.*

DIRECTORS' LOANS

There were no loans by the Company to Directors.

DIRECTORS' INSURANCE

The Group has arranged policies of Directors' Liability Insurance, which together with a Deed of Indemnity, ensures that generally Directors will incur no monetary loss as a result of actions undertaken by them as Directors. Certain actions are specifically excluded, for example the incurring of penalties and fines, which may be imposed in respect of breaches of the law.

SHAREHOLDER INFORMATION

The ordinary shares of Port of Tauranga Limited are listed on NZX. The information in the disclosures below has been taken from the Company's registers as at 30 June 2017.

TWENTY LARGEST ORDINARY EQUITY HOLDERS

Holder	Number of Shares Held	% of Issued Equity
Quayside Securities Limited	368,437,680	54.14
New Zealand Central Securities Depository Limited	64,213,495	9.44
Custodial Services Limited (3 a/c)	22,777,664	3.35
Custodial Services Limited (2 a/c)	10,280,899	1.51
Kotahi Logistics LP	10,000,000	1.47
Custodial Services Limited (4 a/c)	9,922,409	1.46
FNZ Custodians Limited	9,523,609	1.40
Custodial Services Limited (18 a/c)	6,623,359	0.97
JBWere (NZ) Nominees Limited	5,231,758	0.77
Forsyth Barr Custodians Limited	4,018,584	0.59
Masfen Securities Limited	2,725,000	0.40
Custodial Services Limited (1 a/c)	2,667,924	0.39
Custodial Services Limited (16 a/c)	2,299,899	0.34
Investment Custodial Services Limited	2,186,223	0.32
New Zealand Depository Nominee Limited	1,632,543	0.24
Lloyd James Christie	1,535,000	0.23
Karen Maureen Pensabene	1,300,000	0.19
Colin John Boocock	1,100,000	0.16
ASB Nominees Limited (729140 a/c)	1,015,625	0.15
Fraser Grant McKenzie & Dorothy Ann McKenzie	1,001,530	0.15
Total	**528,493,201**	**77.67**

DISTRIBUTION OF EQUITY SECURITIES

Range of Equity Holdings	Number of Holders	Number of Shares Held	% of Issued Equity
1 - 5,000	6,156	15,705,945	2.31
5,001 - 10,000	2,523	19,729,699	2.90
10,001 - 50,000	3,015	66,052,808	9.71
50,001 - 100,000	298	21,137,031	3.11
100,001 and over	170	557,955,747	81.98
Total	12,162	680,581,230	100.00

SUBSTANTIAL SECURITY HOLDERS

The following information is given in accordance with section 26 of the Securities Amendment Act 1988. According to notices received, the following persons were substantial security holders in the Company as at 30 June 2017.

Holder	Number of Shares Held	%
Quayside Securities Limited	368,437,680	54.14

The total number of issued voting securities of the Company as at 30 June 2017 was 680,581,230*.

**On 17 October 2016, the Parent Company completed a 5:1 share split.*

Statutory Information (Continued)

As at 30 June 2017: Port of Tauranga Limited

DIRECTORS' SECURITY HOLDINGS

	Beneficially Held		Held by Associated Persons	
	30.06.17*	30.06.16	30.06.17*	30.06.16
A W Baylis	0	0	50,000	10,000
K R Ellis	0	0	62,750	12,550
J C Hoare	0	0	0	0
A R Lawrence	0	0	0	0
D W Leeder	0	0	0	0
D A Pilkington	0	0	0	0
M J Smith	0	0	111,850	22,370

**On 17 October 2016, the Parent Company completed a 5:1 share split.*

DONATIONS

Donations of $23,700 were made during the year ended 30 June 2017.

STOCK EXCHANGE LISTING

The Company's shares are listed on the New Zealand Stock Exchange.

NEW ZEALAND EXCHANGE (NZX) WAIVERS

The Company currently has no NZX waivers.

CREDIT RATING

The Company during the year ended 30 June 2017 had a Standard and Poor's rating of BBB+/Stable/A-2.

ANNUAL MEETING

The Annual Meeting will be held on Thursday 19 October 2017 at 1.00pm, at the Holy Trinity Church on 215 Devonport Road, Tauranga.

Messrs Lawrence and Pilkington are retiring by rotation and are seeking re-election, at the Annual Meeting.

AUDITORS

Under section 19 of the Port Companies Act 1988, the Audit Office is the Auditor of the Company. The Audit Office has appointed, pursuant to section 32 of the Public Audit Act 2001, the firm of KPMG to undertake the audit on its behalf.

The amount paid as audit fees and for other services provided by the Auditors is set out in the accounts.

FURTHER INFORMATION ON-LINE

Additional information on Port of Tauranga Limited can be found on the Company's website at: www.port-tauranga.co.nz.

Financial and Operational Five Year Summary

As at 30 June 2017: Port of Tauranga Limited

FINANCIAL

	Year 2017 $000	Year 2016 $000	Year 2015 $000	Year 2014 $000	Year 2013 $000
Operating income	255,882	245,521	268,460	266,538	244,147
EBITDA	152,385	143,180	143,161	141,642	134,992
Surplus after taxation – reported	83,441	77,314	79,148	78,252	112,123
Surplus after taxation – underlying	83,441	77,314	79,007	78,252	77,228
Dividends paid related to earnings	108,893	72,142	69,419	63,035	63,035
Total equity	931,943	885,684	887,550	812,419	793,878
Net interest bearing debt	374,816	308,420	287,379	254,471	190,787
Total assets	1,422,600	1,322,367	1,297,018	1,154,883	1,112,581
Interest cover (times)	7.5	7.0	7.2	7.8	8.3
Gearing ratio (%)*	28.7	25.8	24.5	23.9	19.4
Return on average equity (%)	9.3	8.7	9.3	9.7	10.1
Share price ($)**	4.45	19.50	17.30	15.45	13.90
Market capitalisation ($)	3,028,586	2,654,267	2,354,811	2,072,096	1,864,215
Net asset backing per share ($)**	1.36	6.51	6.52	6.06	5.92
Underlying earnings per share (cents per share)***	12.4	11.4	11.6	11.7	11.5

**Net interest bearing debt to net interest bearing debt + equity*
***On 17 October 2016, the Parent Company completed a 5:1 share split.*
****Based on 680,581,230 shares.*

The Board approved a final dividend of 6.2 cents per share ($42.2 million) and a special dividend of 5.0 cents per share ($34.0 million) after year end payable on 6 October 2017.

OPERATIONAL

	Year 2017	Year 2016	Year 2015	Year 2014	Year 2013
Cargo throughput (000 tonnes)	22,194	20,120	20,179	19,737	19,065
Containers (TEU)*	1,085,987	954,006	851,106	759,587	848,384
Net crane rate (container moves per hour)**	36.2	35.6	35.5	36.9	34.5
Ship departures	1,651	1,482	1,555	1,612	1,529
Berth occupancy (%)	47	46	46	43	40
Total cargo ship days in port	2,589	2,504	2,528	2,364	2,232
Turn-around time per cargo ship (days)	1.4	1.6	1.6	1.5	1.5
Cargo tonnes per ship	13,442	13,549	12,510	12,921	12,469
Average cargo ship gross tonnage (GT)	29,654	26,665	25,018	24,924	24,641
Average cargo ship length overall (metres)	199	190	185	187	187
Number of employees – Port of Tauranga Limited	206	194	193	191	185
Lost time injuries (LTI – frequency)***	2.8	5.6	2.9	3.1	14.1
Total injury (frequency rate)	5.6	5.6	14.7	3.1	31.0

**TEU = Twenty Foot Equivalent Units*
***As measured by the Australian Productivity Commission.*
****Number of lost time claims per million hours worked.*

Operational data relates to the Parent Company as opposed to the Group.