Financial Statements

For the Year Ended 30 June 2018
Port of Tauranga Limited and Subsidiaries

Contents

Directors' Responsibility Statement

For the Year Ended 30 June 2018

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 2018.

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 2018.

The financial statements were authorised for issue for and on behalf of the Directors on 23 August 2018.

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 67 to 100, that comprise the consolidated statement of financial position as at 30 June 2018, the 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 a summary of 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 2018, 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 a treasury health check and agreed upon procedures over the calculation of annual leave, both of which are 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
Valuation of property, plant and equipment recorded at fair value (refer note 10 of the financial statements)	
The Group has property, plant and equipment of $1,446 million. A revaluation gain of $226 million was recorded in the current year. The Group has a policy of revaluing land, buildings, wharves and hardstanding and harbour improvements at fair value at least every three years (by an independent valuer), or more frequently if there is an indicator that the fair value has changed significantly. A revaluation of land, buildings, wharves and hardstanding and harbour improvements was performed as at 30 June 2018. Prior to this financial year the last independent valuation over these assets, excluding land was 30 June 2015. An independent valuation was carried out over land at 30 June 2017. The valuation of land, buildings, wharves and hardstanding and harbour improvements is considered a key audit matter due to the judgement involved in the assessment of the fair value of these assets by the Group Directors. The judgement relates to the various valuation methodologies used and the assumptions within each of those methodologies. The assumptions that have the largest impact on the valuations are: • Land - rate per square metre. • Buildings - market capitalisation rate and market rent. • Assets using optimised depreciated replacement cost - unit costs of construction and depreciation rates.	Our procedures included: - Assessing the competence, objectivity and independence of the valuer(s) used by management, including the assessment of their professional qualifications and experience. - In conjunction with our valuation specialists, assessed whether the valuation methodologies used to fair value each asset class was appropriate. - Comparing the valuation methodologies applied to prior period(s) and considering whether any changes to the methodologies were appropriate. - Agreeing the assets recorded in the fixed asset register to those valued by the independent valuer to ensure all applicable assets had been revalued. - For assets valued using optimised depreciated replacement cost, we assessed the appropriateness of the capital goods price indices used and the application of assumptions about direct and indirect market construction costs and depreciation rates. - For land and buildings we compared the key assumptions within each assessment to market evidence and applicable industry data and challenged the application of assumptions in significant items. This included comparing sales information and market rental and growth rates to market data where available, and considering whether the assumptions used about the impact of harbour access and scale were appropriate.

Other Information

The Directors are responsible on behalf of the Group for the other information. The other information comprises the information included on pages 1 to 63 and pages 101 to 110, 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.

Independent Auditor's Report (continued)

To the Shareholders of Port of Tauranga Limited

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
23 August 2018

Consolidated Income Statement

For the Year Ended 30 June 2018

	Note	2018 NZ$000	2017 NZ$000
Total operating revenue	4	**283,726**	255,882
Contracted services for port operations		**(58,797)**	(54,985)
Employee benefit expenses	5	**(37,780)**	(33,958)
Direct fuel and power expenses		**(9,230)**	(7,175)
Maintenance of property, plant and equipment		**(9,346)**	(8,759)
Other expenses		**(14,478)**	(12,615)
Operating expenses		**(129,631)**	(117,492)
Results from operating activities		**154,095**	138,390
Depreciation and amortisation	10, 12	**(25,269)**	(24,460)
Reversal of previous revaluation deficit		**446**	193
		(24,823)	(24,267)
Operating profit before finance costs, share of profit from Equity Accounted Investees and taxation		**129,272**	114,123
Finance income	7	**391**	434
Finance expenses	7	**(18,418)**	(17,205)
Net finance costs	7	**(18,027)**	(16,771)
Share of profit from Equity Accounted Investees	14	**15,141**	13,995
Profit before income tax		**126,386**	111,347
Income tax expense	8	**(32,113)**	(27,906)
Profit for the period		**94,273**	83,441
Basic earnings per share (cents)	17	**14.0**	12.4
Diluted earnings per share (cents)	17	**13.9**	12.3

These statements are to be read in conjunction with the notes on pages 73 to 100.

Consolidated Statement of Comprehensive Income

For the Year Ended 30 June 2018

	2018 NZ$000	2017 NZ$000
Profit for the period	94,273	83,441
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Cash flow hedge – changes in fair value*	(3,520)	2,956
Cash flow hedge – reclassified to profit or loss*	2,226	2,538
Changes in cash flow hedges transferred to property, plant and equipment, net of tax*	0	708
Share of net change in cash flow hedge reserves of Equity Accounted Investees	(71)	182
Items that will never be reclassified to profit or loss:		
Asset revaluation, net of tax*	209,778	63,267
Share of net change in revaluation reserve of Equity Accounted Investees	1,711	621
Total other comprehensive income	210,124	70,272
Total comprehensive income	304,397	153,713

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

These statements are to be read in conjunction with the notes on pages 73 to 100.

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2018

	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 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 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 (refer to note 16)	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
Profit for the period	0	0	0	0	94,273	94,273
Other comprehensive income	0	0	(1,365)	211,489	0	210,124
Total comprehensive income	0	0	(1,365)	211,489	94,273	304,397
Decrease in share capital	(1,460)	0	0	0	0	(1,460)
Shares, previously subject to a call option, issued	3,938	(3,938)	0	0	0	0
Dividends paid during the period (refer to note 16)	0	0	0	0	(115,017)	(115,017)
Equity settled share based payment accrual (refer to note 16)	0	2,117	0	0	0	2,117
Total transactions with owners in their capacity as owners	2,478	(1,821)	0	0	(115,017)	(114,360)
Balance at 30 June 2018	70,754	2,047	(9,354)	940,554	117,979	1,121,980

These statements are to be read in conjunction with the notes on pages 73 to 100.

Consolidated Statement of Financial Position

As at 30 June 2018

	Note	2018 NZ$000	2017 NZ$000
Assets			
Property, plant and equipment	10	1,446,270	1,227,223
Intangible assets	12	18,521	18,019
Investments in Equity Accounted Investees	14	134,331	127,583
Receivables		25	36
Total non current assets		1,599,147	1,372,861
Cash and cash equivalents		5,836	5,184
Receivables and prepayments	15	51,646	44,513
Inventories		402	42
Total current assets		57,884	49,739
Total assets		1,657,031	1,422,600
Equity	16		
Share capital		70,754	68,276
Share based payment reserve		2,047	3,868
Hedging reserve		(9,354)	(7,989)
Revaluation reserve		940,554	729,065
Retained earnings		117,979	138,723
Total equity		1,121,980	931,943
Liabilities			
Loans and borrowings	18	130,021	125,223
Derivative financial instruments	19	11,787	8,887
Provisions	22	1,746	1,888
Deferred tax liabilities	9	70,484	56,426
Total non current liabilities		214,038	192,424
Loans and borrowings	18	275,335	255,140
Derivative financial instruments	19	0	1,013
Trade and other payables	21	32,656	31,027
Revenue received in advance		279	316
Provisions	22	3,080	2,334
Income tax payable		9,663	8,403
Total current liabilities		321,013	298,233
Total liabilities		535,051	490,657
Total equity and liabilities		1,657,031	1,422,600
Net tangible assets per share (dollars per share)		1.64	1.36

For and on behalf of the Board of Directors who authorised these financial statements for issue on 23 August 2018.

Chair

Director

These statements are to be read in conjunction with the notes on pages 73 to 100.

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2018

	Note	2018 NZ$000	2017 NZ$000
Cash flows from operating activities			
Receipts from customers		284,379	262,215
Interest received		388	368
Payments to suppliers and employees		(135,078)	(117,640)
Taxes paid		(32,030)	(29,444)
Interest paid		(18,228)	(17,314)
Net cash inflow from operating activities		99,431	98,185
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		7	146
Finance lease payments received, including interest		13	13
Repayment of advances from Equity Accounted Investees		350	250
Dividends from Equity Accounted Investees	14	10,033	10,507
Purchase of property, plant and equipment		(17,399)	(65,269)
Purchase of computer software assets		(137)	(116)
Interest capitalised on property, plant and equipment		(175)	(1,225)
Total net cash used in investing activities		(7,308)	(55,694)
Cash flows from financing activities			
Proceeds from borrowings		30,167	60,189
Payments from close out of foreign exchange derivative		0	(183)
Dividends paid	16	(115,017)	(108,893)
Repurchase of shares		(1,614)	0
Repayment of borrowings		(5,007)	0
Net cash used in financing activities		(91,471)	(48,887)
Net increase/(decrease) in cash held		652	(6,396)
Add opening cash brought forward		5,184	11,580
Ending cash and cash equivalents		5,836	5,184

These statements are to be read in conjunction with the notes on pages 73 to 100.

Reconciliation of Profit After Taxation to Cash Flows From Operating Activities

For the Year Ended 30 June 2018

	Note	2018 NZ$000	2017 NZ$000
Profit after taxation		**94,273**	83,441
Items classified as investing/financing activities:			
Finance lease interest revenue	7	**(3)**	(4)
(Gain)/loss on sale of property, plant and equipment		**(463)**	605
		(466)	601
Add/(less) non cash items and non operating items:			
Depreciation	10	**24,784**	23,931
Amortisation expense	12	**485**	529
Decrease in deferred taxation expense	9	**(1,175)**	(1,394)
Ineffective portion of change in fair value of cash flow hedge		**26**	(60)
Amortisation of interest rate collar premium		**64**	75
Reversal of previous revaluation deficit		**(446)**	(193)
Share of surpluses retained by Equity Accounted Investees	14	**(15,141)**	(13,995)
Increase in equity settled share based payment accrual		**2,117**	1,425
		10,714	10,318
Add/(less) movements in working capital:			
Change in trade receivables and prepayments		**(7,483)**	(2,967)
Change in inventories		**(360)**	51
Change in income tax payable		**1,260**	(144)
Change in trade, other payables and revenue received in advance		**1,493**	6,885
		(5,090)	3,825
Net cash flows from operating activities		**99,431**	98,185

These statements are to be read in conjunction with the notes on pages 73 to 100.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

1 COMPANY INFORMATION

Reporting Entity

Port of Tauranga Limited (referred to as the Parent Company), is a port company. 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 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 2018 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 derivative financial instruments (refer to note 19);
- impairment assessment of intangible assets (refer to note 12);
- valuation of provisions (refer to note 22); and
- valuation of share rights (refer to note 24).

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 2018 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.

  The Group's assessment is that there will be no material quantitative impact on the financial statements and all existing hedges will remain effective. The Group intends to adopt this standard from 1 July 2018.

- **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. The estimated impact of the adoption of NZ IFRS 16, based on the current leases and terms, in the Group's 2020 consolidated financial statements is forecast to increase total assets and total liabilities by $23.300 million and is forecast to decrease net profit after tax by $0.244 million. The Group intends to adopt this standard from 1 July 2019.

Notes to the Consolidated Financial Statements (continued)

For the Year Ended 30 June 2018

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:

2018	Port Operations Group NZ$000	Property Services Group NZ$000	Marshalling Services Group NZ$000	Unallocated [1] Group NZ$000	Inter Segment Group NZ$000	Group NZ$000
Revenue (external)	251,388	26,946	4,929	0	0	283,263
Inter segment revenue	7	54	9,869	0	(9,930)	0
Total segment revenue	**251,395**	**27,000**	**14,798**	**0**	**(9,930)**	**283,263**
Other income and expenditure:						
Share of profit from Equity Accounted Investees	0	0	0	15,141	0	15,141
Interest income	0	0	0	391	0	391
Other income	0	0	456	7	0	463
Interest expense	0	0	0	(18,328)	0	(18,328)
Depreciation and amortisation expense	0	0	(867)	(24,402)	0	(25,269)
Other unallocated expenditure	0	0	(11,179)	(128,026)	9,930	(129,275)
Income tax expense	0	0	(896)	(31,217)	0	(32,113)
Total other income and expenditure	0	0	(12,486)	(186,434)	9,930	(188,990)
Total segment result	**251,395**	**27,000**	**2,312**	**(186,434)**	**0**	**94,273**

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

2017	Port Operations Group NZ$000	Property Services Group NZ$000	Marshalling Services Group NZ$000	Unallocated [1] Group NZ$000	Inter Segment Group NZ$000	Group NZ$000
Revenue (external)	227,222	24,632	4,633	0	0	256,487
Inter segment revenue	0	28	4,487	0	(4,515)	0
Total segment revenue	**227,222**	**24,660**	**9,120**	**0**	**(4,515)**	**256,487**
Other income and expenditure:						
Share of profit from Equity Accounted Investees	0	0	0	13,995	0	13,995
Interest income	0	0	1	371	0	372
Other income	0	0	0	62	0	62
Interest expense	0	0	0	(17,128)	0	(17,128)
Depreciation and amortisation expense	0	0	(767)	(23,693)	0	(24,460)
Other unallocated expenditure	0	0	(6,228)	(116,268)	4,515	(117,981)
Income tax expense	0	0	(596)	(27,310)	0	(27,906)
Total other income and expenditure	0	0	(7,590)	(169,971)	4,515	(173,046)
Total segment result	**227,222**	**24,660**	**1,530**	**(169,971)**	**0**	**83,441**

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

4 OPERATING REVENUE

	2018 NZ$000	2017 NZ$000
Revenue		
Port services revenue	251,388	227,222
Rental revenue	26,946	24,632
Marshalling services revenue	4,929	4,633
Total revenue	283,263	256,487
Other income	463	(605)
Total operating revenue	283,726	255,882

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

	2018 NZ$000	2017 NZ$000
Wages and salaries	35,961	32,430
ACC levy	190	78
KiwiSaver contribution	1,233	1,165
Medical subsidy	396	285
Total employee benefit expenses	37,780	33,958

6 OTHER EXPENSES

The following items of expenditure are included in other expenses:

	2018 NZ$000	2017 NZ$000
Operating lease payments	1,339	1,323
Auditors fees:		
Audit fees paid to principal auditor	163	143
Review of half year financial statements	12	12
Fees paid for other services provided by the principal auditor:		
Payments data analysis review	22	17

7 FINANCIAL INCOME AND EXPENSE

	2018 NZ$000	2017 NZ$000
Interest on finance lease	3	4
Interest income on bank deposits	127	90
Interest on advances to Equity Accounted Investees	261	278
Ineffective portion of changes in fair value of cash flow hedges	0	62
Finance income	391	434
Interest expense on borrowings	(18,503)	(18,353)
Less:		
Interest capitalised to property, plant and equipment	175	1,225
	(18,328)	(17,128)
Ineffective portion of changes in fair value of cash flow hedges	(26)	(2)
Amortisation of interest rate collar premium	(64)	(75)
Finance expenses	(18,418)	(17,205)
Total net finance costs	(18,027)	(16,771)

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 4.12% for the current period (2017: 5.06%).

Total interest capitalised to property, plant and equipment, was $0.175 million for the current period (2017: $1.225 million).

8 INCOME TAX

Components of Tax Expense

	2018 NZ$000	2017 NZ$000
Profit before income tax for the period	126,386	111,347
Income tax on the surplus for the period at 28.0 cents	35,388	31,177
Tax effect of amounts which are non deductible/(taxable) in calculating taxable income:		
Share of Equity Accounted Investees after tax income, excluding Coda Group	(3,179)	(3,049)
Other	(96)	(222)
Total income tax expense	32,113	27,906
The income tax expense is represented by:		
Current tax expense		
Tax payable in respect of the current period	33,290	29,350
Adjustment for prior period	(2)	(50)
Total current tax expense	33,288	29,300
Deferred tax expense		
Adjustment for prior period	1	(58)
Origination/reversal of temporary differences	(1,176)	(1,336)
Total deferred tax expense (refer to note 9)	(1,175)	(1,394)
Total income tax expense	32,113	27,906

Income tax recognised in other comprehensive income:

	2018 NZ$000	2017 NZ$000
Revaluation of property, plant and equipment	15,737	0
Cash flow hedges	(504)	2,412
Total income tax recognised in other comprehensive income (refer to note 9)	15,233	2,412

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 $45.088 million at 30 June 2018 (2017: $47.166 million).

Notes to the Consolidated Financial Statements (continued)

For the Year Ended 30 June 2018

9 DEFERRED TAXATION

	Assets		Liabilities		Net	
	2018 NZ$000	2017 NZ$000	2018 NZ$000	2017 NZ$000	2018 NZ$000	2017 NZ$000
Deferred tax (asset)/liability						
Property, plant and equipment	0	0	75,331	60,748	75,331	60,748
Intangible assets	0	0	416	424	416	424
Finance lease receivables	0	0	10	13	10	13
Derivatives	(3,402)	(2,898)	0	0	(3,402)	(2,898)
Provisions and accruals	(1,871)	(1,861)	0	0	(1,871)	(1,861)
Total	(5,273)	(4,759)	75,757	61,185	70,484	56,426

	Recognised in the Income Statement		Recognised in Other Comprehensive Income	
	2018 NZ$000	2017 NZ$000	2018 NZ$000	2017 NZ$000
Property, plant and equipment	(1,154)	(1,040)	15,737	0
Intangible assets	(8)	2	0	0
Finance lease receivables	(3)	11	0	0
Derivatives	0	0	(504)	2,412
Provisions and accruals	(10)	(367)	0	0
Total	(1,175)	(1,394)	15,233	2,412

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.

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 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**
Balance at 1 July 2017	580,318	96,874	272,936	157,838	214,004	10,133	**1,332,103**
Additions	0	9,965	8,310	619	4,667	(4,560)	**19,001**
Disposals	0	0	0	0	(1,548)	0	**(1,548)**
Transfers between asset classes	0	(939)	548	391	0	0	**0**
Revaluation	150,088	91	19,785	14,436	0	0	**184,400**
Balance at 30 June 2018	**730,406**	**105,991**	**301,579**	**173,284**	**217,123**	**5,573**	**1,533,956**
Accumulated depreciation and impairment:							
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)**
Balance at 1 July 2017	0	(6,291)	(18,213)	(2,679)	(77,697)	0	**(104,880)**
Depreciation expense	0	(3,478)	(9,806)	(1,132)	(10,368)	0	**(24,784)**
Disposals	0	0	0	0	417	0	**417**
Transfers between asset classes	0	84	(84)	0	0	0	**0**
Revaluation	0	9,647	28,103	3,811	0	0	**41,561**
Balance at 30 June 2018	**0**	**(38)**	**0**	**0**	**(87,648)**	**0**	**(87,686)**
Carrying amounts:							
Total net book value as at 30 June 2017	**580,318**	**90,583**	**254,723**	**155,159**	**136,307**	**10,133**	**1,227,223**
Total net book value as at 30 June 2018	**730,406**	**105,953**	**301,579**	**173,284**	**129,475**	**5,573**	**1,446,270**

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:

	2018 Notional Carrying Amount NZ$000	2017 Notional Carrying Amount NZ$000
Freehold land	117,579	117,748
Freehold buildings	75,125	61,944
Wharves and hardstanding	105,174	98,299
Harbour improvements	62,393	64,696
Total notional carrying amount	360,271	342,687

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	44 to 70 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 $13.980 million (2017: $4.780 million).

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Judgements

Fair Values

All land, buildings, harbour improvements, and wharves and hardstanding assets have been revalued to fair value at 30 June 2018. This valuation increased the value of property, plant and equipment by $225.961 million in the current reporting period. The valuers used are registered valuers who have experience in the locations and asset categories being valued.

This 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 Valuation

The valuation of land assets was carried out by Colliers International New Zealand Limited. Land assets were valued using the direct sales comparison approach which analyses direct sales of comparable properties on the basis of the sale price per square metre which are then adjusted to reflect stronger and weaker fundamentals relative to the subject property.

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

			2018	
Asset Valuation Method	**Key Valuation Assumptions**	**Hectares**	**Range of Significant Assumptions**	**Weighted Average**
Direct sales comparison	Tauranga (Sulphur Point) / Mount Maunganui – wharf and industrial land per square metre	181.7	$300–700	$374
	Auckland land – land adjacent to MetroPort Auckland per square metre	6.8	$500–525	$522
	Rolleston land – MetroPort Christchurch per square metre	15.0	$100	$100

- *Waterfront Access Premium:* A premium of approximately 25% has been applied to the main wharf land areas reflecting the locational benefits this land asset gains from direct waterfront access.
- *No Restriction of Title:* Valuation is made on the assumption that having no legal title to the Tauranga harbour foreshore will not detrimentally influence the value of land assets.
- *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.

Building Valuations

The valuation of building assets was carried out by Colliers International New Zealand Limited. The majority of assets have been valued on a combined land and building basis using a Capitalised Income Model using either contract income or market income. A small number of specialised assets, such as gatehouses and toilet blocks, are valued on a Depreciated Replacement Cost basis due to their specialised nature and the lack of existing market.

The Capitalised Income Model uses either the contracted rental income or an assessed market rental income of a property and then capitalises the valuation of the property using an appropriate yield. Contracted rental income is used when the contracted income is receivable for a reasonable term from secured tenants. Market income is used when the current contract rent varies from the assessed market rent due to over or under renting, vacant space and a number of other factors.

The value of land is deducted from the overall property valuation to give rise to a building valuation.

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

		2018	
Asset Valuation Method	**Key Valuation Assumptions**	**Range of Significant Assumptions**	**Weighted Average**
Capitalised income model	Market capitalisation rate	5.00–8.00%	5.47%

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Judgements (continued)

Wharves and Hardstanding, and Harbour Improvements

The valuation of wharves and hardstanding, and harbour improvements assets was carried out by WSP Opus. Wharves and hardstanding, and harbour improvements assets 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 Costs of Construction Rates – Cost Rates Were Calculated Taking Into Account:*
  - The Parent Company's historic cost data, including any recent competitively tendered construction works.
  - Published cost information.
  - The WSP 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.
- *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.

The significant assumptions applied in the valuation of these wharves and hardstanding, and harbour improvements assets are:

		2018	
Asset Valuation Method	**Key Valuation Assumptions**	**Range of Significant Assumptions**	**Weighted Average**
Depreciated replacement cost basis	Wharf construction replacement unit cost rates per square metre – high performance wharves	$5,000–7,000	$6,446
	Earthworks construction replacement unit cost rates per square metre	$9	$9
	Basecourse construction replacement unit cost rates per square metre	$20–40	$31
	Asphalt construction replacement unit cost rates per square metre	$23–50	$44
	Capital dredging replacement unit cost rates per square metre	$4–75	*
	Depreciation method	Straight line basis	Not applicable
	Channel assets (capital dredging) useful life	Indefinite	Not applicable
	Pavement – remaining useful lives	2–32 years	14 years
	Wharves remaining useful lives	0–65 years	24 years

* *Weighted average unit cost rates are not presented due to the complexity in measuring the types and locations of removed quantities.*

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Judgements (continued)

Sensitivities to Changes in Key Valuation Assumptions for Land, Buildings, Wharves and Hardstanding, and Harbour Improvements

The following table shows the impact on the fair value due to a change in significant unobservable input:

		Fair Value Measurement Sensitivity to Significant	
		Increase in Input	**Decrease in Input**
Unobservable inputs within the direct sales comparison approach			
Rate per square metre	The rate per square metre assessed from recently sold properties of a similar nature	Increase	Decrease
Unobservable inputs within the income capitalisation approach			
Market rent	The valuer's assessment of the net market income attributable to the property	Increase	Decrease
Market capitalisation rate	The rate of return, determined through analysis of comparable market related sales transactions, that is applied to a market rent to assess a property's value	Decrease	Increase
Unobservable inputs within depreciated replacement cost analysis			
Unit costs of construction	The cost of constructing various asset types based on a variety of sources	Increase	Decrease
Remaining useful lives	The remaining useful life on an asset	Increase	Decrease

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.

	2018 Valuation NZ$000	**2018 Accumulated Depreciation NZ$000**	2017 Valuation NZ$000	2017 Accumulated Depreciation NZ$000
Land	**378,626**	**0**	304,919	0
Buildings	**74,467**	**0**	64,749	3,419
Total	**453,093**	**0**	369,668	3,419

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

	2018 NZ$000	2017 NZ$000
Within one year	**14,746**	22,378
One year to two years	**7,450**	10,453
Two years to five years	**13,321**	12,520
Greater than five years	**33,007**	15,629
Total	**68,524**	60,980

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 2018

12 INTANGIBLE ASSETS

	Goodwill NZ$000	Computer Software NZ$000	Rail Services Agreement NZ$000	**Total NZ$000**
Cost:				
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**
Balance at 1 July 2017	15,490	3,167	10,000	**28,657**
Additions	0	987	0	**987**
Disposals	0	0	0	**0**
Balance at 30 June 2018	**15,490**	**4,154**	**10,000**	**29,644**
Accumulated amortisation:				
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)**
Balance at 1 July 2017	0	(1,374)	(9,264)	**(10,638)**
Amortisation expense	0	(362)	(123)	**(485)**
Balance at 30 June 2018	**0**	**(1,736)**	**(9,387)**	**(11,123)**
Carrying amounts:				
Total net book value 30 June 2017	**15,490**	**1,793**	**736**	**18,019**
Total net book value 30 June 2018	**15,490**	**2,418**	**613**	**18,521**

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. The cash flow projections include specific estimates for five years and a terminal growth rate thereafter.

Judgements

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

Goodwill was tested for impairment at 30 June 2018 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	**2018 %**	2017 %	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	**2018 %**	2017 %	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

	2018 NZ$000	2017 NZ$000
Carrying value of investments in Equity Accounted Investees		
Balance at 1 July 2017	**127,583**	123,290
Group's share of net profit after tax	**15,141**	13,995
Group's share of hedging reserve	**(71)**	182
Group's share of revaluation reserve	**1,711**	623
Group's share of total comprehensive income	**16,781**	14,800
Dividends received	**(10,033)**	(10,507)
Balance at 30 June 2018	**134,331**	127,583

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:

2018	Northport Limited NZ$000	Coda Group Limited Partnership NZ$000	Individually Immaterial Equity Accounted Investees NZ$000	**Total NZ$000**
Cash and cash equivalents	196	4,841	3,111	**8,148**
Total current assets	**4,644**	**29,831**	**9,773**	**44,248**
Total non current assets	**132,243**	**37,972**	**82,930**	**253,145**
Total assets	**136,887**	**67,803**	**92,703**	**297,393**
Current financial liabilities excluding trade and other payables and provisions	0	(1,145)	(7,842)	**(8,987)**
Total current liabilities	**(4,537)**	**(15,692)**	**(11,913)**	**(32,142)**
Non current financial liabilities excluding trade and other payables and provisions	(33,850)	(6,413)	(23,000)	**(63,263)**
Total non current liabilities	**(35,536)**	**(6,413)**	**(23,204)**	**(65,153)**
Total liabilities	**(40,073)**	**(22,105)**	**(35,117)**	**(97,295)**
Net assets	**96,814**	**45,698**	**57,586**	**200,098**
Group's share of net assets	**48,407**	**22,849**	**28,799**	**100,055**
Goodwill acquired on acquisition of Equity Accounted Investees	**0**	**29,414**	**4,862**	**34,276**
Carrying amount of Equity Accounted Investees	**48,407**	**52,263**	**33,661**	**134,331**
Revenues	42,172	201,702	36,555	**280,429**
Depreciation and amortisation	(4,148)	(2,021)	(2,242)	**(8,411)**
Interest expense	(1,809)	(70)	(1,238)	**(3,117)**
Net profit before tax	**24,589**	**7,660**	**5,818**	**38,067**
Tax expense	(6,208)	0	(1,581)	**(7,789)**
Net profit after tax	**18,381**	**7,660**	**4,237**	**30,278**
Other comprehensive income	1,928	0	1,352	**3,280**
Total comprehensive income	**20,309**	**7,660**	**5,589**	**33,558**
Group's share of net profit after tax	**9,191**	**3,830**	**2,120**	**15,141**
Group's share of total comprehensive income	**10,155**	**3,830**	**2,796**	**16,781**
Group's share of dividends/distributions	**9,333**	**0**	**700**	**10,033**

14 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES (CONTINUED)

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**
Group's share of dividends/distributions	**8,829**	**1,000**	**678**	**10,507**

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 2018 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 the pre-tax discount rate by 25% or the anticipated growth rates over the five year period by 18% would not result in impairment.

Notes to the Consolidated Financial Statements (continued)

For the Year Ended 30 June 2018

15 RECEIVABLES AND PREPAYMENTS

	2018 NZ$000	2017 NZ$000
Trade receivables	42,108	34,343
Trade receivables from Equity Accounted Investees and related parties	740	623
	42,848	34,966
Advances to Equity Accounted Investees (refer to note 23)	6,319	6,669
Prepayments and sundry receivables	2,479	2,878
Total receivables and prepayments	51,646	44,513

The ageing of trade receivables at reporting date was:

	2018 NZ$000	2017 NZ$000
Not past due	24,971	29,577
Past due 0 – 30 days	16,031	4,208
Past due 30 – 60 days	891	517
Past due 60 – 90 days	21	37
More than 90 days	194	4
Total of ageing of trade receivables	42,108	34,343

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

	2018	2017
Ordinary shares issued		
Balance as at 1 July	680,390,580	136,077,196
Parent Company completed a 5:1 share split	0	544,308,784
Shares issued during year	53,400	4,600
Shares repurchased by the Group during the year	(324,801)	0
Balance as at 30 June	680,119,179	680,390,580

Dividends

The following dividends were declared and paid during the period:

	2018 NZ$000	2017 NZ$000
Final 2017 dividend paid 6.2 cents per share (2016: 6.0 cps)	42,195	40,835
Final 2017 special dividend paid 5.0 cents per share (2016: 5.0 cps)	34,029	34,029
Interim 2018 dividend paid 5.7 cents per share (2017: 5.0 cps)	38,793	34,029
Total dividends	115,017	108,893

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. During the year 53,400 shares at $2.88 per share were issued to employees from the Port of Tauranga Trustee Company Limited as part of the Employee Share Ownership Plan (2017: 4,600 shares at $3.03 per share). During the year 18,450 shares were repurchased on market and transferred to the Port of Tauranga Trustee Company Limited as part of the Employee Share Ownership Plan (2017: nil shares). Where the Group purchases its own share capital (treasury share), the consideration paid, including and directly attributable to incremental costs are deducted from share capital until the shares are cancelled or reissued. Where such shares are reissued, any consideration received, net of any directly attributable transaction costs, are included in share capital. During the year 306,351 shares were repurchased on market and are held as treasury stock.
Dividends	The dividends are fully imputed. Supplementary dividends of $529,761 (2017: $471,689) 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 – Container Volume Commitment Agreement	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. Of these shares, 8,500,000 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 of $1.214 million (2017: $1.425 million) recognises the shares earned based on containers delivered during the period. 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.
Share Based Payments Reserve – Management Long Term Incentive	Share rights are granted to employees in accordance with the Parent Company's Management Long Term Incentive Plan. The fair value of share rights granted under the plan are measured at grant date and recognised as an employee expense over the vesting period with a corresponding increase in equity. The fair value at grant date of the share rights are independently determined using an appropriate valuation model that takes into account the terms and conditions upon which they were granted (refer to note 24). This reserve is used to record the accumulated value of the unvested shares rights, which have been recognised as an expense in the income statement. Upon the vesting of share rights, the balance of the reserve relating to the share rights is offset against the cost of treasury stock allotted to settle the obligation, with any difference in the cost of settling the commitment transferred to retained earnings.

Notes to the Consolidated Financial Statements (continued)

For the Year Ended 30 June 2018

16 EQUITY (CONTINUED)

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.

17 EARNINGS PER SHARE

	2018	2017
Earnings per share		
Net profit attributable to ordinary shareholders (NZ$000)	**94,273**	83,441
Weighted average number of ordinary shares (net of treasury stock) for basic earnings per share	**671,479,113**	670,581,230
Basic earnings per share (cents)	**14.0**	12.4
Weighted average number of ordinary shares (net of treasury stock) for diluted earnings per share	**680,631,527**	680,581,230
Diluted earnings per share (cents)	**13.9**	12.3

Policies	The Group presents basic and diluted 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. Diluted EPS adjusts for any commitments the Parent Company has to issue shares in the future that would decrease the basic EPS. The Parent Company has two types of dilutive potential ordinary shares, Management Long Term Incentive Plan share rights (refer note 24) and Container Volume Commitment Agreement share rights (refer note 16). Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of the share rights.

18 LOANS AND BORROWINGS

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

2018	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	75,000	5,000
Fixed rate bond – 1st issue	2019	5.865%	50,000	0	50,000
Advances from employees	Various	0%	0	0	21
Total non current			**405,000**	**275,000**	**130,021**
Current					
Standby revolving cash advance	2019	Floating	100,000	50,000	50,000
Multi option facility	2018	Floating	5,000	0	5,000
Commercial papers	<3 months	Floating	0	0	220,000
Advances from employees	Various	0%	0	0	335
Total current			**105,000**	**50,000**	**275,335**
Total			**510,000**	**325,000**	**405,356**

18 LOANS AND BORROWINGS (CONTINUED)

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**

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 2018 the Group had $220.000 million of commercial paper debt that is classified within current liabilities (2017: $225.000 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 MUFG Bank, Ltd, Auckland Branch (2017: $380.000 million financing arrangement with ANZ Bank New Zealand Limited, Bank of New Zealand Limited, Commonwealth Bank of Australia, New Zealand Branch and MUFG Bank, Ltd, Auckland Branch). The facility, which is secured, provides for both direct borrowings and support for issuance of commercial papers.
Multi Option Facility	The Parent Company has a $5.000 million multi option facility with Bank of New Zealand Limited, used for short term working capital requirements (2017: $5.000 million).
Security	Bank facilities and fixed rate bonds are secured by way of a security interest over certain floating plant assets ($17.951 million, 2017: $18.617 million), mortgages over the land and building assets ($836.216 million, 2017: $670.765 million), and by a general security agreement over the assets of the Parent Company ($1,611.927 million, 2017: $1,383.660 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 3.280% at 30 June 2018 (2017: 3.292%).

Notes to the Consolidated Financial Statements (continued)

For the Year Ended 30 June 2018

19 DERIVATIVE FINANCIAL INSTRUMENTS

	2018 NZ$000	2017 NZ$000
Current liabilities		
Interest rate derivatives – cash flow hedges	0	(1,013)
Total current liabilities	0	(1,013)
Non current liabilities		
Interest rate derivatives – cash flow hedges	(11,787)	(8,887)
Total non current liabilities	(11,787)	(8,887)
Total liabilities	(11,787)	(9,900)

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
Discount rate for valuing interest rate 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:

2018	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	25	0	25	25
Total non current assets	**0**	**25**	**0**	**25**	**25**
Cash and cash equivalents	0	5,836	0	5,836	5,836
Receivables	0	49,167	0	49,167	49,167
Total current assets	**0**	**55,003**	**0**	**55,003**	**55,003**
Total assets	**0**	**55,028**	**0**	**55,028**	**55,028**
Liabilities					
Loans and borrowings	0	0	130,021	130,021	134,714
Derivative financial instruments	11,787	0	0	11,787	11,787
Total non current liabilities	**11,787**	**0**	**130,021**	**141,808**	**146,501**
Loans and borrowings	0	0	275,335	275,335	275,335
Trade and other payables	0	0	11,345	11,345	11,345
Total current liabilities	**0**	**0**	**286,680**	**286,680**	**286,680**
Total liabilities	**11,787**	**0**	**416,701**	**428,488**	**433,181**

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**

Notes to the Consolidated Financial Statements (continued)

For the Year Ended 30 June 2018

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:

	2018 NZ$000	2017 NZ$000
Receivables	49,192	41,671
Cash and cash equivalents	5,836	5,184
Total	55,028	46,855

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 65.9% of total Group revenue (2017: 61.5%). 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:

2018	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	(405,356)	(424,765)	(284,862)	(3,966)	(56,064)	(79,873)	0
Trade and other payables	(11,345)	(11,345)	(11,345)	0	0	0	0
Total non derivative financial liabilities	**(416,701)**	**(436,110)**	**(296,207)**	**(3,966)**	**(56,064)**	**(79,873)**	**0**
Derivatives							
Interest rate derivatives							
Cash flow hedges – outflow	(11,787)	(13,139)	(1,365)	(1,329)	(2,839)	(6,481)	(1,125)
Total derivatives	**(11,787)**	**(13,139)**	**(1,365)**	**(1,329)**	**(2,839)**	**(6,481)**	**(1,125)**
Total	**(428,488)**	**(449,249)**	**(297,572)**	**(5,295)**	**(58,903)**	**(86,354)**	**(1,125)**

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)**

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 2018

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 2018 NZ$000	2017 NZ$000
Fixed rate instruments		
Fixed rate bonds	**(125,000)**	(125,000)
Interest rate derivatives	**(11,787)**	(9,900)
Total	**(136,787)**	(134,900)
Variable rate instruments		
Commercial papers	**(220,000)**	(225,000)
Standby revolving cash advance facility	**(55,000)**	(30,000)
Multi option facility	**(5,000)**	0
Cash balances	**5,836**	5,184
Total	**(269,164)**	(249,816)

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 2017.

	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	(1,930)	1,960	0	0
Interest rate derivatives	832	(832)	6,271	(7,080)
Total as at 30 June 2018	**(1,098)**	**1,128**	**6,271**	**(7,080)**
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)**

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

	2018 NZ$000	2017 NZ$000
Accounts payable	**11,300**	11,851
Accrued employee benefit liabilities	**4,281**	3,913
Accruals	**17,030**	15,227
Payables due to Equity Accounted Investees and related parties	**45**	36
Total trade and other payables	**32,656**	31,027

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 Plan NZ$000	Profit Sharing and Bonuses NZ$000	**Total NZ$000**
Balance at 30 June 2017	1,456	833	1,933	**4,222**
Additional provision	510	386	3,061	**3,957**
Unused amounts reversed	(55)	0	0	**(55)**
Utilised during the period	(165)	(401)	(2,732)	**(3,298)**
Balance at 30 June 2018	**1,746**	**818**	**2,262**	**4,826**
Total current provisions	**0**	**818**	**2,262**	**3,080**
Total non current provisions	**1,746**	**0**	**0**	**1,746**

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 Plan

Members of the Parent Company's Executive Management Team are eligible to receive payment under the Management Long Term Incentive plan. The plan is classified as a cash settled share based payment plan 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 $0.386 million, (2017: $0.584 million).

The current cash settled share based payment plan has been replaced and will vest for the last time in the 2018 financial year (refer to note 24).

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.

23 RELATED PARTY TRANSACTIONS

Related party transactions with related parties:

	2018 NZ$000	2017 NZ$000
Transactions with Equity Accounted Investees		
Services provided to Port of Tauranga Limited	441	545
Services provided by Port of Tauranga Limited	2,743	2,734
Accounts receivable by Port of Tauranga Limited	285	213
Accounts payable by Port of Tauranga Limited	45	36
Advances by Port of Tauranga Limited	6,319	6,669
Services provided to Quality Marshalling (Mount Maunganui) Limited	0	1
Services provided by Quality Marshalling (Mount Maunganui) Limited	3,973	3,694
Accounts receivable by Quality Marshalling (Mount Maunganui) Limited	455	396
Accounts receivable by Port of Tauranga Trustee Company Limited	0	14
Transactions with key management personnel		
Directors' fees recognised during the period	697	628
Executive officers' salaries and short term employee benefits recognised during the period	4,091	3,458
Executive officers' share based payments (cash and equity settled) recognised during the period	1,289	584

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% (2017: 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, $0.029 million (2017: $0.013 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 in addition to their Directors' fees.

All members of the Parent Company's Executive Management Team participate in the Management Long Term Incentive Plans and may receive cash or non cash benefits as a result of these plans (refer note 24).

24 MANAGEMENT LONG TERM INCENTIVE PLAN

Policy

The Group provides benefits to the Parent Company's Executive Management Team in the form of share based payment transactions, whereby executives render services in exchange for rights over shares (equity settled transactions) or cash settlements based on the price of the Parent Company's shares (cash settled transactions). The cost of the transactions is spread over the period in which the employees provide services and become entitled to the awards.

Equity Settled Transactions

The cost of the equity settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The cost of equity settled transactions is recognised in the income statement, together with a corresponding increase in the share based payment reserve in equity.

Cash Settled Transactions

The fair value of cash settled transactions is determined at each reporting date, and the change in fair value is recognised in the income statement with a corresponding change recognised in the provisions' liability.

Management Long Term Incentive Plan – Equity Settled

In December 2016, the Directors introduced an equity settled long term incentive (LTI) plan that will vest from financial year 2019 onwards. Under this LTI plan, share rights are issued to participating executives and have a three year vesting period. The first granting of share rights under this LTI plan occurred in the current financial year and this LTI plan replaces the former cash settled plan.

The vesting of share rights, which entitles the executive to the receipt of one Port of Tauranga Limited ordinary share at nil cost, is subject to the executive remaining employed by Port of Tauranga Limited during the vesting period and the achievement of certain earnings per share (EPS) and total shareholder return (TSR) targets.

For EPS share rights granted, the proportion of share rights that vest depends on the Group achieving EPS growth targets.

For TSR share rights granted, the proportion of share rights that vests depends on the Groups TSR performance ranking relative to the NZX50 index less Australian listed stocks.

To the extent that performance hurdles are not met or executives leave Port of Tauranga Limited prior to vesting, the share rights are forfeited.

The share based payment expense relating to the LTI plan for the year ended 30 June 2018 is $0.903 million (2017: nil) with a corresponding increase in the share based payments reserve (refer note 16).

Number of Share Rights Issued to Executives:

Grant Date	Vesting Date	Right Type	Balance at 30 June 2017	Granted During the Year	Balance at 30 June 2018
1 March 2018	30 June 2019	EPS	0	127,470	127,470
1 March 2018	30 June 2019	TSR	0	106,225	106,225
1 March 2018	30 June 2020	EPS	0	121,934	121,934
1 March 2018	30 June 2020	TSR	0	101,612	101,612
Total LTI Plan			**0**	**457,241**	**457,241**

Fair Value of Share Rights Granted

Share rights are valued as zero cost in-substance options at the day at which they are granted, using the Black-Scholes-Merton model. The following table lists the key inputs into the valuation:

Grant Date	Vesting Date	Right Type	Grant Date Share Price $	Risk Free Interest Rate %	Expected Volatility of Share Price %	Valuation per Share Right $
1 March 2018	30 June 2019	EPS	5.09	1.79	15.10	4.92
1 March 2018	30 June 2019	TSR	5.09	1.79	15.10	4.48
1 March 2018	30 June 2020	EPS	5.09	1.96	15.10	4.81
1 March 2018	30 June 2020	TSR	5.09	1.96	15.10	2.26

Management Long Term Incentive Plan – Cash Settled

Prior to the introduction of the equity settled LTI plan, members of the Parent Company's executive team were eligible to receive payment under a cash settled LTI plan. This plan vests for the last time for the 2018 financial year with payment expected to be made in August 2018 (refer note 22).

Notes to the Consolidated Financial Statements (continued)

For the Year Ended 30 June 2018

25 CONTINGENT LIABILITIES

Disclosures	No material contingent liabilities or assets have been identified.

26 SUBSEQUENT EVENTS

Approval of Financial Statements	The financial statements were approved by the Board of Directors on 23 August 2018.
Final and Special Dividend	A final dividend of 7.0 cents per share to a total of $47,640,686 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 2018

This statement is a summary of the Corporate Governance Statement approved by the Board of Directors (the Board) of Port of Tauranga Limited (the Company) on 23 August 2018.

The Board and Senior Management Team of the Company recognise the importance of good corporate governance and consider it is core to ensuring the creation, protection and enhancement of shareholder value. The Board is committed to ensuring that the Company meets best practice governance principles and maintains the highest ethical standards.

As at 23 August 2018, the Board considers that the Company's corporate governance practices materially reflect the NZX Corporate Governance Best Practice Code, the Financial Markets Authority's Corporate Governance in New Zealand Principles and Guidelines and the NZX Main Board Listing Rules (NZX Rules). The Board regularly reviews and assesses the Company's governance structures and processes to ensure that they are consistent with best practice.

The full Corporate Governance, policies and charters are available on the Corporate Structure page of the About Port of Tauranga section of the Company's website: http://www.port-tauranga.co.nz/about-port-of-tauranga/corporate-governance/

ETHICS

The Code of Ethics provides guidance regarding the ethical and behavioural standards expected of Directors, Senior Management and employees in relation to conduct, conflicts, proper use of assets and information and the procedure for reporting concerns. No breaches were identified during the year.

Every new Director and employee is provided with a copy of the Code of Ethics and they must confirm that they have read and understand the document.

SHARE TRADING

The Board has an Insider Trading Policy which sets out the procedures that must be followed by Directors, Senior Management and any other staff members with inside information when purchasing or selling Company securities. Directors and Senior Management require approval to trade shares at any time and may not trade during certain specified periods.

THE BOARD AND COMMITTEES

The Board has the ultimate responsibility for all decision making within the Company. The roles and responsibilities are set out in the Board Charter.

The Board comprises seven Directors, five of whom are independent. Profiles are provided on pages 58 to 59 of this Annual Report. Director independence is assessed annually by the Nomination Committee. A normal term of service for a Director is nine years. All new Directors are provided with a letter of engagement.

The Board has determined that to operate effectively and to meet its responsibilities it requires a mix of skills, perspectives, knowledge and competencies. The current mix of skills and experience is considered appropriate for governing the Company.

Director attendance at meetings together with remuneration, is contained in the Statutory Information section, on page 107 of this Annual Report and also in the Corporate Governance section of the Company's website: http://www.port-tauranga.co.nz/about-port-of-tauranga/corporate-governance/

The Board has three Committees to provide oversight on certain matters. The Committees are Audit, Nomination and Remuneration. All Committees operate under a charter approved by the Board.

The performance of the Board, Committees, Directors and the Chair is reviewed annually.

The Chief Executive (CE), Chief Financial Officer (CFO) and other Management are regularly invited to attend Committee meetings

The positions of Chair of the Board, Chair of the Audit Committee and CE, are all held by different people.

DIVERSITY

The Board is committed to providing a workplace that recognises and values different skills, abilities, genders, ethnicity and experiences. The Board is committed to creating an inclusive workplace where all staff feel included and valued, and to providing equal employment opportunities with all appointments being merit based.

	As at 30 June 2018				As at 30 June 2017			
	Female		Male		Female		Male	
	No.	%	No.	%	No.	%	No.	%
Directors	2	29	5	71	1	14	6	86
Executives	1	20	4	80	1	20	4	80
All permanent employees	35	17	173	83	36	18	169	82
Total	**38**	**17**	**182**	**83**	**38**	**18**	**179**	**82**

FINANCIAL AND NON FINANCIAL INFORMATION

The Board is committed to ensuring timely and accurate information is provided to shareholders and market participants. The Annual Report for 2018 is based on the Integrated Reporting Framework so that stakeholders can better understand the non financial aspects of the Company.

REMUNERATION

Remuneration policies and processes for Directors, the Chief Executive and Senior Executives are the responsibility of the Remuneration Committee. A report on the Chief Executive's remuneration and a table listing remuneration for employees paid above $100,000 is in the Statutory Information section on page 106 of this Annual Report and in the Corporate Governance section of our website: http://www.port-tauranga.co.nz/about-port-of-tauranga/corporate-governance/

RISK MANAGEMENT AND AUDIT

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, overseen by the Board, which is used to identify and manage all risks.

The Auditor-General is the Auditor of Port of Tauranga Limited and is therefore independent. The Auditor-General has appointed Glenn Keaney from KPMG to carry out the audit on his behalf. The Board has received written confirmation from KMPG regarding its independence. Management consulting services, considered and approved by the Audit Committee, were provided by KPMG and are noted at page 75 of this Annual Report.

The Audit Committee oversees an active internal audit programme.

SHAREHOLDER RIGHTS AND RELATIONS

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. The Company's website has the Annual and Interim Reports as well as various announcements to the NZX and the public.

The annual shareholder meeting is held locally, reflecting the head office location for the Company, and to encourage participation in person by many of the Company's shareholders. The 2018 meeting will be webcast.

Directors advise shareholders on any major decisions. The Notice of Meeting will be available at least 28 days prior to a meeting. Where voting on a matter is required, voting is conducted by way of poll.

Statutory Information

As at 30 June 2018

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 2018:

Director	Interest	Entity
Alison Moira Andrew (appointed 1 April 2018)	Chief Executive Officer	Transpower New Zealand Limited
Arthur William Baylis (retired 19 December 2017)	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
	Chair – appointed during the year	Sleepyhead Group Limited
	Director	Ballance Agri-Nutrients Limited
	Director	Fonterra Shareholders Fund (FSF) Management Company
	Director	Freightways Limited
	Trustee – resigned during the year	Wanganui Collegiate School
Julia Cecile Hoare	Chair	Auckland Committee, Institute of Directors
	Deputy Chair	The a2 Milk Company Limited
	Deputy Chair	Watercare Services Limited
	Director – appointed during the year	Auckland International Airport Limited
	Director	AWF Madison Group Limited
	Director	New Zealand Post Limited
	Director	The a2 Milk Company (New Zealand) Limited (subsidiary of The a2 Milk Company Limited)
	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	Olrig Limited
	Director / Shareholder	Retail Dimension Limited
	Trustee	JAB Hellaby Trust
Douglas William Leeder	Chair	Bay of Plenty Regional Council
Robert Arnold McLeod (appointed 31 October 2017)	Chair	E Tipu e Rea Limited
	Chair	E Tipu e Rea Trustee Limited
	Chair (changed designation from Director to Chair during the year)	Quayside Holdings Limited
	Director	Sanford Group
	Director	Tax Management NZ Limited
David Alan Pilkington	Chair	Douglas Pharmaceuticals Limited
	Chair	Hellers Limited
	Chair (changed designation from Director to Chair during the year)	Northport Limited
	Chair	Rangatira Limited
	Director / Shareholder	Excelsa Associates Limited
	Director	Port of Tauranga Trustee Company Limited
	Director	PrimePort Timaru Limited
	Trustee	New Zealand Community Trust
Michael John Smith (retired 31 October 2017)	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	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 Law

REMUNERATION

Remuneration Philosophy

Port of Tauranga is committed to providing a remuneration framework that promotes a high performance culture and aligns rewards to the creation of sustainable value for shareholders.

This year the Company has changed the way in which it reports on remuneration to improve overall transparency to our shareholders and clearly demonstrating the link between reward and performance.

Port of Tauranga's remuneration philosophy is aimed at attracting, retaining and motivating employees of the highest quality at all levels of the organisation. It is based on practical, guiding principles and a framework that provides consistency, fairness and transparency. The principles that guide remuneration practice include:

- providing clear alignment with Company values, culture and strategy;
- supporting the attraction, retention and motivation of employees;
- being clear, fair equitable and flexible;
- reflecting market conditions;
- recognising individual competence and performance; and
- recognising team and Company performance and the creation of shareholder value.

The philosophy promotes behaviours and values that drive performance, a pervasive "can do" attitude and sustainable growth in shareholder value. All remuneration packages are reviewed annually in the context of individual and Company performance, market movements and expert advice.

Executive Remuneration

The Board through the Remuneration Committee establishes the policies and practices for the remuneration of executives. Port of Tauranga's remuneration for the Chief Executive and nominated executives provides the opportunity to receive, where performance merits, a total remuneration package in the upper quartile for equivalent market-matched positions.

Total remuneration is made up of three components: Fixed Remuneration, a Short Term Incentive (STI) and a Long Term Incentive (LTI). Both short and long-term performance incentives are "at-risk" with the outcome determined by performance against a combination of agreed financial and non financial objectives.

Fixed Remuneration

Fixed remuneration is determined in relation to the market for comparable sized and performing companies. It includes all benefits, allowances and deductions.

Port of Tauranga's policy is to pay fixed remuneration at the median of its peer group. Adjustments are not automatic and are determined based on performance which is reviewed annually by the Remuneration Committee.

Short Term Incentives

Short Term Incentives (STIs) are at-risk payments linked to the achievement of annual financial and strategic targets. They are designed to motivate and reward for performance in that financial year.

The target value of the STI is set as a percent of the fixed remuneration. For the 2018 financial year the Chief Executive's STI was set at 60% and for all nominated executives it was 40%. For the 2018 financial year there were four nominated executives included in the STI Scheme, the same number as the previous year.

For the Chief Executive, 70% of the STI is linked to the Company's financial performance with the actual opportunity in the range 0–110%. The remaining 30% comprised agreed safety and strategic objectives. Strategic objectives are set each year by the Remuneration Committee (and approved by the Board) and closely align to the Port of Tauranga's strategic aspirations. These are adjusted annually and cascaded throughout the Company. The financial objective is to meet or exceed the normalised net profit after tax target. A threshold of 90% of target is required before any of the financial component is paid.

The Board retains complete discretion over paying an STI and may determine, despite the actual performance against objectives, that a reduced bonus or no bonus will be paid in a given year.

Long Term Incentives

The Long Term Incentive is an at-risk payment designed to align the reward of executives with the growth in shareholder value over a three year period.

The LTI is currently a three year overlapping synthetic (phantom) share scheme where, subject to performance, cash earned must be used to purchase Company shares.

The 2015 LTI, which vested at the end of the 2018 financial year, was set at 50% of fixed remuneration for the Chief Executive and 30% for nominated executives. The value of each allocation is set at the date of the grant. The plan's performance hurdles are based on two metrics, the first 50% is Port of Tauranga's three year Total Shareholder Return (TSR) relative to the performance of the NZX50 less Australian companies listed in New Zealand. The second 50% is measured by achieving target earnings per share (EPS) growth.

The LTI targets are 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* Three Year CAGR**	Earned
0%	0%
3.5%	50%
7.0%	100%
8.0%	110%
9.0%	120%

Earnings per Share
***Compound Annual Growth Rate*

The Synthetic Share Plan has now closed with the final vesting occurring at 30 June 2018.

A new LTI plan commenced from 1 July 2016. It is a Performance Share Rights Plan (PSR), where payments are made in shares rather than cash. The maximum number of shares an executive may receive as an allocation is determined by dividing the value of the grant less tax by the face value of a Port of Tauranga share at the grant date. The performance criteria remain the same.

As in the case of the STI, the Board retains absolute discretion over the payment of the LTI to participants.

Statutory Information (continued)

As at 30 June 2018

REMUNERATION (CONTINUED)

Chief Executive Remuneration

In July 2017 the Board engaged EY to complete an independent review of executive remuneration for the Board. As a consequence, the Chief Executive's fixed remuneration was lifted to $850,000.

FY2018

	Performance Pay			
Fixed Remuneration**	STI	LTI	Subtotal	Total Remuneration*
$850,000	$438,855	$384,684	$823,539	$1,673,539

FY2017

	Performance Pay			
Fixed Remuneration**	STI	LTI	Subtotal	Total Remuneration*
$750,849	$414,604	$172,880	$587,484	$1,338,333

**Total remuneration excludes payments that arise from calculating holiday pay arrears reparation and actual holiday pay per the NZ Legislation. During the year there was a total payment of $244,513.42 being six years in arrears of actual leave taken. In future years this amount will reflect only annual leave taken.*

***Fixed remuneration includes the value of any benefits (health care, superannuation or vehicle) taken. The Chief Executive participates in the Company's Health Insurance Scheme.*

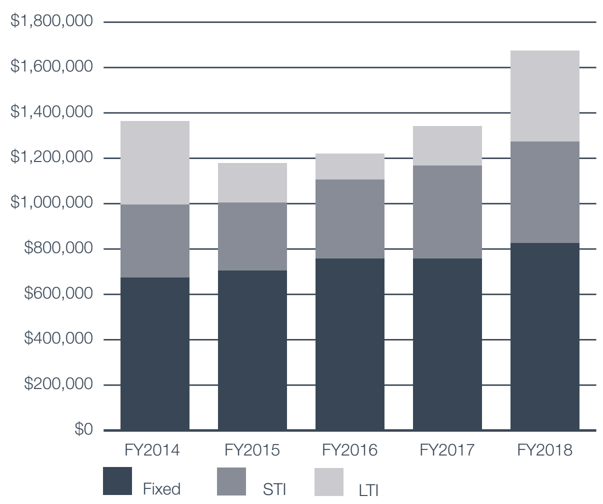
Total remuneration paid is fixed remuneration and the short and long term performance payments earned in the year. Performance payments are actually paid in the following year.

An explanation of the Chief Executive's performance pay for 2018 is shown in the following table:

	Description	Performance Measures	Percent Achieved
STI	Set at 60% of fixed remuneration. Based on a combination of financial and non financial performance measures.	70% based on achieving normalised NPAT target. The range for the financial performance is 0-110%.	107.5%
		30% based on key strategic measures and safety. The range is 0-100%.	36.0%
LTI	Set at 50% of fixed remuneration.	50% based on TSR performance relative to the NZX50 less Australian companies listed in NZ. The range is 0-100%.	80.0%
		50% based on EPS CAGR. The range is 0-120%.	85.7%

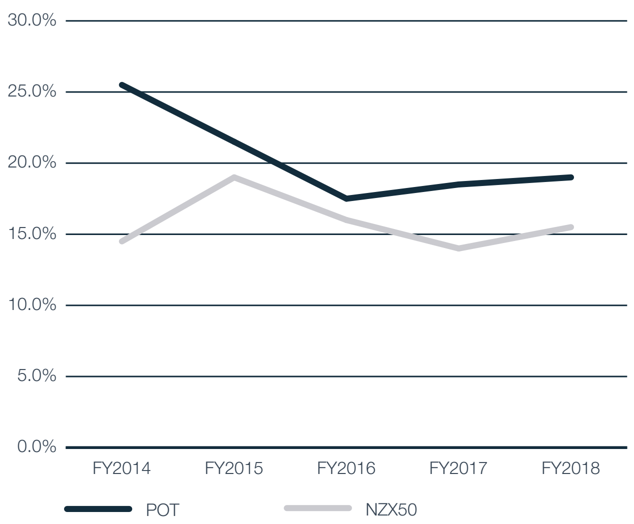
The Five Year Summary – Chief Executive Remuneration

	Total Remuneration	Percent STI Against Maximum	Percent LTI Against Maximum	Span of LTI Performance Period
FY2018	$1,673,539	80%	75%	2015-2018
FY2017	$1,338,333	86%	35%	2014-2016
FY2016	$1,230,390	76%	28%	2013-2015
FY2015	$1,187,206	62%	53%	2012-2014
FY2014	$1,305,037	54%	100%	2011-2013



REMUNERATION (CONTINUED)

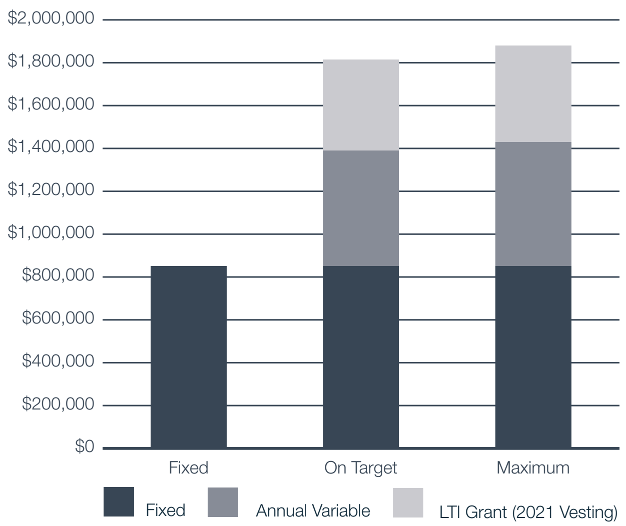
Total Shareholder Return Performance



Chief Executive Remuneration for 2019

Potential Chief Executive remuneration for the year ending 2019 is shown in the following chart.

Fixed remuneration reflects base salary and benefits. For performance that meets expectations, the STI would pay out at 60% of fixed remuneration and the LTI at 50% of fixed remuneration. For performance that exceeds expectations, the STI would pay out at 107% of fixed remuneration and the LTI at 110% of fixed remuneration.



Pay Gap

The 2018 Chief Executive fixed remuneration to Port of Tauranga permanent employees median fixed remuneration ratio is 8.7:1.

Statutory Information (continued)

As at 30 June 2018

REMUNERATION (CONTINUED)

Employee Remuneration

The number of employees and former employees of Port of Tauranga who, during the year, received cash remuneration and benefits (including at-risk performance incentives) exceeding $100,000 are shown below:

Remuneration Range $000	Parent Company Number of Employees 2018***	Number of Employees 2017
100-109	**22**	22
110-119	**21**	17
120-129	**23**	18
130-139	**23**	12
140-149	**11**	7
150-159	**7**	7
160-169	**4**	6
170-179	**6**	5
180-189	**0**	3
190-199	**4**	2
200-209	**3**	2
210-219	**2**	1
220-229	**1**	7
230-239	**8**	5
240-249	**2**	3
250-259	**3**	1
260-269	**1**	0
490-499	**0**	1*
530-539	**1****	1
540-549	**0**	1*
580-589	**1****	0
610-619	**0**	1*
650-659	**1****	0
670-679	**1****	0
1,240-1,249	**0**	1*
1,400-1,469	**1****	0
Total	**146**	**123**

*Includes vesting of Long Term Incentive Scheme and payment of Short Term Incentive.
**Includes vesting of Long Term Incentive Scheme, payment of Short Term Incentive and includes Holidays Act remediation payments.
***For all non executive employees this includes Holidays Act remediation payments.

Non Executive Director Remuneration

Non executive Directors' remuneration is paid in the form of Directors' fees as determined by the Board. Setting of fees is subject to periodic review and independent expert advice. The Remuneration Committee considers Directors' fees annually and recommends adjustments to the Board. The last external review was undertaken by PwC in 2016.

The aggregate pool of fees able to be paid to Directors is subject to shareholder approval and currently sits at $750,000. At the 2016 Annual Meeting shareholders approved a total increase of $243,521 (from $506,479) to be implemented over two years. The second increase was effective from 1 July 2017 and took the aggregate pool to $750,000.

Port of Tauranga meets Directors' reasonable travel and other costs associated with the business.

Directors' fees are:

	Directors' Fees $
Chair	162,000
Directors	85,000
Audit Chair	15,000
Audit Member	7,500
Remuneration Chair	10,000
Remuneration Member	5,000

REMUNERATION (CONTINUED)

Directors' fees received during the year are as follows:

	Board $	Audit $	Remuneration $	Total 2018 $	Total 2017 $
D A Pilkington*	162,000		5,000	**167,000**	144,933
J C Hoare	85,000	15,000		**100,000**	81,094
A R Lawrence	85,000	7,500		**92,500**	78,144
D W Leeder	85,000		5,000	**90,000**	75,544
K R Ellis	85,000	7,500	10,000	**102,500**	83,444
R A McLeod**	56,666	3,750		**60,416**	0
A M Andrew**	21,250			**21,250**	0
A W Baylis**	28,333	2,500		**30,833**	81,094
M J Smith**	28,333	2,500	1,667	**32,500**	83,444
Total				**$696,999**	**$627,697**

*Chair
**Michael Smith retired from the Board on 31 October 2017 and Rob McLeod was appointed to the Board on 31 October 2017. Bill Baylis retired from the Board on 19 December 2017 and Alison Andrew was appointed on 1 April 2018.*

The Chair is an ex-officio member of the Audit Committee but receives no fees.

Port of Tauranga Directors will not be seeking a fee increase for 2019.

Non executive Directors have no entitlement to any performance-based remuneration and they do not participate in any share-based incentive schemes. No non executive Director is entitled to receive a retirement payment.

Non executive Directors are encouraged to be shareholders but are not required to hold the Company's shares. Details of Directors' shareholdings are set out on page 109 of this Annual Report.

ATTENDANCE

The table below sets out the individual attendances of Directors at Board and Committee Meetings for the 2018 financial year:

	Board	Audit	Nomination	Remuneration
A M Andrew*	3			
A W Baylis*	3	1		
K R Ellis	8	2	1	3
J C Hoare	8	2	1	
A R Lawrence	8	2	1	
D W Leeder	8		1	3
R A McLeod*	5	1	1	
D A Pilkington	8	2	1	3
M J Smith*	3	1		2
Total meetings held	**8**	**2**	**1**	**3**

Michael Smith retired from the Board on 31 October 2017 and Rob McLeod was appointed to the Board on 31 October 2017. Bill Baylis retired from the Board on 19 December 2017 and Alison Andrew was appointed on 1 April 2018.

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 2018.

Statutory Information (continued)

As at 30 June 2018

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	60,772,636	8.93
Custodial Services Limited (3 a/c)	21,605,701	3.17
Custodial Services Limited (4 a/c)	12,294,953	1.81
FNZ Custodians Limited	11,128,978	1.64
Custodial Services Limited (2 a/c)	10,459,316	1.54
Kotahi Logistics LP	10,000,000	1.47
Custodial Services Limited (18 a/c)	6,723,804	0.99
JBWere (NZ) Nominees Limited	5,239,848	0.77
Forsyth Barr Custodians Limited	4,195,396	0.62
Custodial Services Limited (1 a/c)	2,757,600	0.41
Masfen Securities Limited	2,708,395	0.40
New Zealand Depository Nominee Limited	2,701,811	0.40
Custodial Services Limited (16 a/c)	2,340,876	0.34
Investment Custodial Services Limited	2,332,981	0.34
Lloyd James Christie	1,535,000	0.23
Estate Karen Maureen Pensabene	1,300,000	0.19
Colin John Boocock	1,074,076	0.16
Aaron James Forster and Lloyd & Associates Limited	1,050,625	0.15
Pt (Booster Investments) Nominees Limited	1,036,400	0.15
Total	**529,696,076**	**77.85**

DISTRIBUTION OF EQUITY SECURITIES

Range of Equity Holdings	Number of Holders	Number of Shares Held	% of Issued Equity
1-5,000	7,079	16,954,840	2.49
5,001-10,000	2,624	20,392,038	3.00
10,001-50,000	2,958	64,053,061	9.41
50,001-100,000	301	21,390,934	3.14
100,001 and over	159	557,790,357	81.96
Total	13,121	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 2018.

Holder	Number of Shares Held	%
Quayside Securities Limited	368,437,680	54.16

The total number of issued voting securities of the Company as at 30 June 2018 was 680,274,879.

DIRECTORS' SECURITY HOLDINGS

	Beneficially Held		Held by Associated Persons	
	30.06.18	30.06.17	**30.06.18**	30.06.17
A M Andrew*	**0**	–	**82,500**	–
A W Baylis*	**–**	0	**–**	50,000
K R Ellis	**0**	0	**62,750**	62,750
J C Hoare	**0**	0	**0**	0
A R Lawrence	**0**	0	**0**	0
D W Leeder	**0**	0	**0**	0
R A McLeod*	**0**	–	**0**	–
D A Pilkington	**0**	0	**0**	**0**
M J Smith*	**–**	0	**–**	**111,850**

**Michael Smith retired from the Board on 31 October 2017 and Rob McLeod was appointed to the Board on 31 October 2017. Bill Baylis retired from the Board on 19 December 2017 and Alison Andrew was appointed on 1 April 2018.*

DONATIONS

Donations of $46,477 were made during the year ended 30 June 2018 (2017: $23,700).

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 2018 had a Standard and Poor's rating of BBB+/Stable/A-2.

ANNUAL MEETING

The Annual Meeting will be held on Wednesday 17 October 2018 at 1.00pm, at the ASB Baypark, 81 Truman Lane, Mount Maunganui.

Ms Hoare and Mr Leeder are retiring by rotation and are seeking re-election, and Ms Andrew and Mr McLeod are standing for 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: http://www.port-tauranga.co.nz

Financial and Operational Five Year Summary

As at 30 June 2018

FINANCIAL

	Year 2018 $000	Year 2017 $000	Year 2016 $000	Year 2015 $000	Year 2014 $000
Operating income	**283,726**	255,882	245,521	268,460	266,538
EBITDA	**169,236**	152,385	143,180	143,161	141,642
Surplus after taxation – reported	**94,273**	83,441	77,314	79,148	78,252
Surplus after taxation – underlying	**94,273**	83,441	77,314	79,007	78,252
Dividends paid related to earnings	**115,017**	108,893	72,142	69,419	63,035
Total equity	**1,121,980**	931,943	885,684	887,550	812,419
Net interest bearing debt	**399,164**	374,816	308,420	287,379	254,471
Total assets	**1,657,031**	1,422,600	1,322,367	1,297,018	1,154,883
Interest cover (times)	**8.0**	7.5	7.0	7.2	7.8
Gearing ratio (%)*	**26.2**	28.7	25.8	24.5	23.9
Return on average equity (%)	**9.2**	9.3	8.7	9.3	9.7
Share price ($)**	**5.10**	4.45	19.50	17.30	15.45
Market capitalisation ($)	**3,470,964**	3,028,586	2,654,267	2,354,811	2,072,096
Net asset backing per share ($)**	**1.64**	1.36	6.51	6.52	6.06
Underlying earnings per share (cents per share)	**14.0**	12.4	57.0	58.0	58.5

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

The Board approved a final dividend of 7.0 cents per share ($47.6 million) and a special dividend of 5.0 cents per share ($34.0 million) after year end payable on 5 October 2018.

OPERATIONAL

	Year 2018	Year 2017	Year 2016	Year 2015	Year 2014
Cargo throughput (000 tonnes)	**24,458**	22,194	20,120	20,179	19,737
Containers (TEU)*	**1,182,147**	1,085,987	954,006	851,106	759,587
Net crane rate (container moves per hour)**	**35.5**	36.2	35.6	35.5	36.9
Ship departures	**1,747**	1,651	1,482	1,555	1,612
Berth occupancy (%)	**48**	47	46	46	43
Total cargo ship days in port	**2,643**	2,589	2,504	2,528	2,364
Turn-around time per cargo ship (days)	**1.5**	1.4	1.6	1.6	1.5
Cargo tonnes per ship	**14,000**	13,442	13,549	12,510	12,921
Average cargo ship gross tonnage (GT)	**30,218**	29,654	26,665	25,018	24,924
Average cargo ship length overall (metres)	**200**	199	190	185	187
Number of employees – Port of Tauranga Limited	**208**	206	194	193	191
Lost time injuries (LTI – frequency)***	**2.8**	2.8	5.6	2.9	3.1
Total injury (frequency rate)	**5.5**	5.6	5.6	14.7	3.1

**TEU = Twenty Foot Equivalent Unit.*
***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.

Company Directory

DIRECTORS

D A Pilkington
Chair

A M Andrew (appointed 1 April 2018)

A W Baylis (retired 19 December 2017)

K R Ellis

J C Hoare

A R Lawrence

D W Leeder

R A McLeod (appointed 31 October 2017)

M J Smith (retired 31 October 2017)

EXECUTIVE

M C Cairns
Chief Executive

S G Gray
Chief Financial Officer

D A Kneebone
Property & Infrastructure Manager

S M Lunam
Corporate Services Manager

L E Sampson
Commercial Manager

REGISTERED OFFICE

Salisbury Avenue
Mount Maunganui

Private Bag 12504
Tauranga Mail Centre
Tauranga 3143
New Zealand

Telephone 07 572 8899
Facsimile 07 572 8800

Email marketing@port-tauranga.co.nz
Website www.port-tauranga.co.nz

AUDITORS

Glenn Keaney
KPMG
Tauranga
(On behalf of the Auditor-General)

SOLICITORS

Holland Beckett Law
Tauranga

BANKERS

ANZ National Bank Limited

Bank of New Zealand

Commonwealth Bank of Australia

MUFG Bank, Limited (formerly known as The Bank of Tokyo-Mitsubishi UFJ Limited)

CREDIT RATING AGENCY

Standard & Poor's (S&P)
Australia
Port of Tauranga Limited's rating: BBB+/Stable/A-2

SHARE REGISTRY

For enquiries about share transactions, change of address or dividend payments contact:

Link Market Services Limited
PO Box 91976
Victoria Street West
Auckland 1142

Telephone 09 375 5998
Facsimile 09 375 5990

Email enquiries@linkmarketservices.co.nz
Website www.linkmarketservices.co.nz

FINANCIAL CALENDAR

5 October 2018	Final dividend payment
17 October 2018	Annual Meeting
21 February 2019	Half year results announcement
March 2019	Interim Report published
8 March 2019	Interim dividend payment
30 June 2019	Financial year end
28 August 2019	Annual results announcement

NEW ZEALAND'S Port for the Future

www.port-tauranga.co.nz