PORT OF TAURANGA

ANNUAL REPORT 2018

NEW ZEALAND'S CARGO GATEWAY TO THE WORLD

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2018 HIGHLIGHTS

Group NPAT up
13.0%

Revenue up
10.9%

Total trade up
10.2%

Container volumes up
8.9%

Transhipment up
23.3%
(25.7% of all TEUs)

Imports up
13.7%

Exports up
8.2%

Ordinary dividend up
13.4%

Asset valuation increased by
$226 million

Subsidiary and Associate Companies earnings up
11.9%

Contractors' Total Recordable Injury Frequency Rate down nearly
69% to 9.3 per million hours worked

Tertiary scholarships awarded
14

Crane productivity rate of
35.5 moves/hour, well above the national average

Ship visits up
5.8%

TEU = Twenty Foot Equivalent Unit - a standard measure of shipping containers

THE NATIONAL NETWORK THAT DELIVERS GLOBAL ACCESS

New Zealand's importers and exporters are within easy reach of Port of Tauranga's national network of ports, inland freight hubs and logistics services.

PORT OF TAURANGA

1

PARENT COMPANY

- New Zealand's largest port and international freight gateway
- Container terminal, bulk cargo wharves and bunkering
- Extensive cargo storage and handling facilities
- Rail connections to Hamilton, Auckland and the central North Island
- Extensive road connections

METROPORT AUCKLAND

3

Operated by Parent Company and KiwiRail

- Inland port in the heart of Auckland's commercial and industrial area, connected by rail to Tauranga and Hamilton

CODA

1 2 3 5 6

50% ownership with Kotahi

- Freight logistics group incorporating Tapper Transport, Dairy Transport Logistics and MetroPack
- 50% shareholding in MetroBox
- Operates New Zealand's largest intermodal freight hub at Otahuhu in Auckland
- Operates freight hub at Crawford Street, Hamilton

Northport

4

50% ownership with Marsden Maritime Holdings

- Deep water commercial port near Whangarei

PORTCONNECT

1 3

50% ownership with Ports of Auckland

- Online cargo management system

METROPORT CHRISTCHURCH

5

Operated by Timaru Container Terminal

- Intermodal freight hub at Rolleston
- Rail connections to Timaru Container Terminal and rest of South Island
- New warehouse being built for Coda Group

TIMARU CONTAINER TERMINAL

5 6

50.1% ownership with Kotahi

- Direct links to Tauranga
- Operates MetroPort Christchurch at Rolleston

QUALITY MARSHALLING

1 6

100% ownership

- Specialist cargo handling services company with operations at Tauranga and Timaru.

PRIMEPORT TIMARU

6

50% ownership with Timaru District Holdings

- Commercial port in Timaru
- Bulk cargoes including major cement handling facility
- Developing new oil terminal

HIGHLY PRODUCTIVE SERVICES AND INFRASTRUCTURE

Our international cargo gateway at Tauranga is one of the world's most efficient ports and the only New Zealand port able to accommodate the largest container vessels to visit.

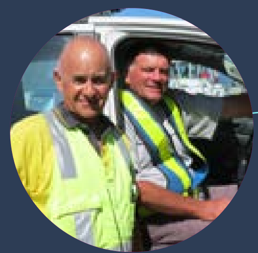
14.5m
Shipping channel depth

8
Cranes

46
Straddle carriers

32%
Of all New Zealand log and sawn timber exports [1]

190
Hectares in Tauranga



208
Permanent staff

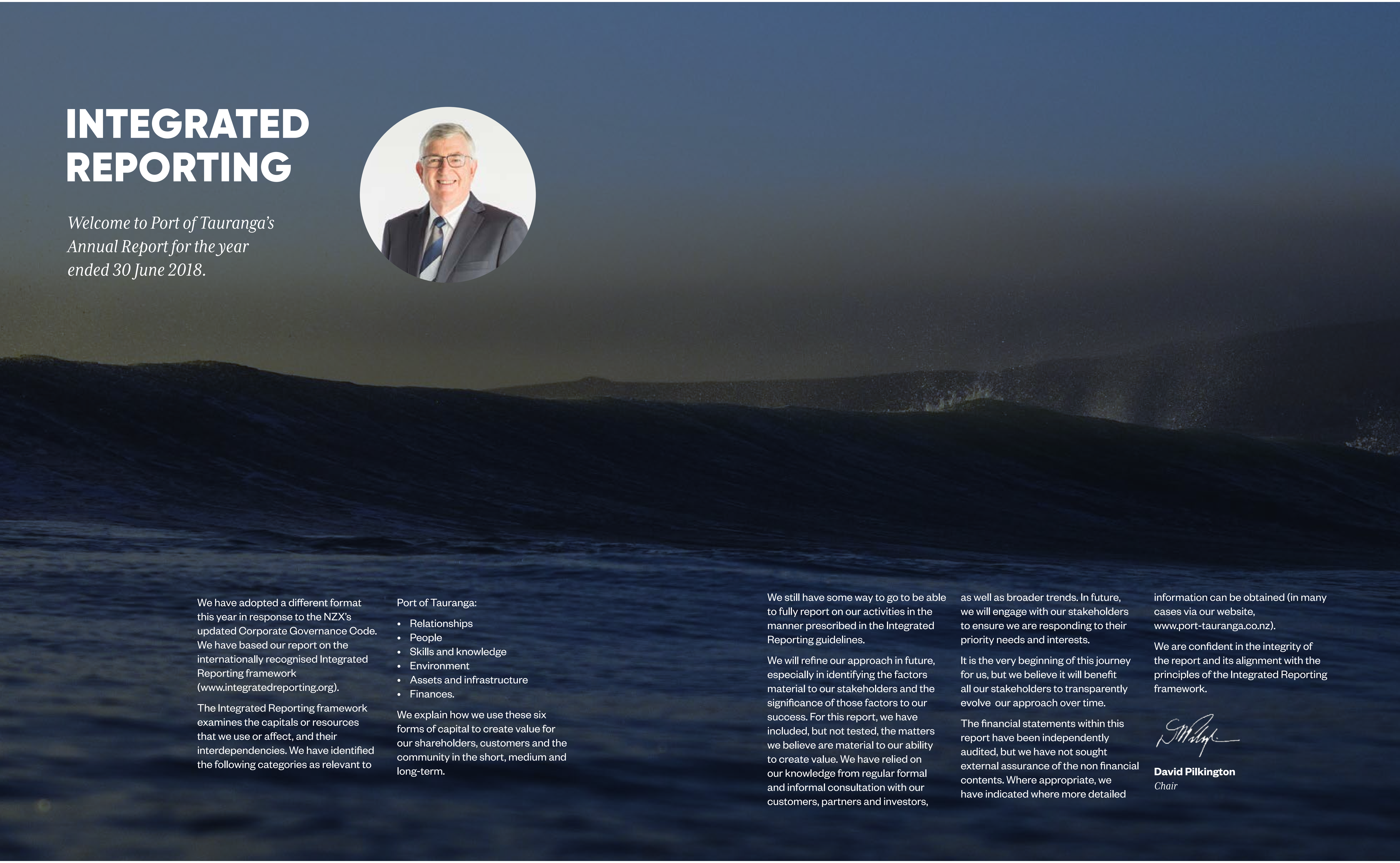
40%
Of New Zealand containers handled [2]

2.8km
Total quay length with 14 berths

2,634
Dedicated reefer connections and 6,343 TEU total ground slots

1,747
Ship visits

[1] *Source: NZ Forest Owners Association*
[2] *Source: Ministry of Transport*



INTEGRATED REPORTING

Welcome to Port of Tauranga's Annual Report for the year ended 30 June 2018.

We have adopted a different format this year in response to the NZX's updated Corporate Governance Code. We have based our report on the internationally recognised Integrated Reporting framework (www.integratedreporting.org).

The Integrated Reporting framework examines the capitals or resources that we use or affect, and their interdependencies. We have identified the following categories as relevant to Port of Tauranga:

- Relationships
- People
- Skills and knowledge
- Environment
- Assets and infrastructure
- Finances.

We explain how we use these six forms of capital to create value for our shareholders, customers and the community in the short, medium and long-term.

We still have some way to go to be able to fully report on our activities in the manner prescribed in the Integrated Reporting guidelines.

We will refine our approach in future, especially in identifying the factors material to our stakeholders and the significance of those factors to our success. For this report, we have included, but not tested, the matters we believe are material to our ability to create value. We have relied on our knowledge from regular formal and informal consultation with our customers, partners and investors, as well as broader trends. In future, we will engage with our stakeholders to ensure we are responding to their priority needs and interests.

It is the very beginning of this journey for us, but we believe it will benefit all our stakeholders to transparently evolve our approach over time.

The financial statements within this report have been independently audited, but we have not sought external assurance of the non financial contents. Where appropriate, we have indicated where more detailed information can be obtained (in many cases via our website, www.port-tauranga.co.nz).

We are confident in the integrity of the report and its alignment with the principles of the Integrated Reporting framework.

David Pilkington
Chair

Mark Cairns
Chief Executive

David Pilkington
Chair

BUILDING ON SUCCESS

Chair and Chief Executive's Report to Shareholders

We are pleased to present our annual report on the activities, performance and outlook for New Zealand's largest, fastest growing and most productive port.

Port of Tauranga had another excellent year, handling nearly 24.5 million tonnes of cargo, including almost 1.2 million TEUs[1], and producing a record Group Net Profit After Tax of $94.3 million.

Our expansion programme to accommodate larger vessels, coupled with New Zealand's buoyant economy, has resulted in the 10.2% increase in cargo volumes. Revenue increased 10.9% to $283.7 million.

Transhipment, where containers are transferred from one service to another at Tauranga, has grown 23.3% in the past year, demonstrating the success of the hub and feeder port model in New Zealand.

International hub port

The growth in transhipment is a direct result of Port of Tauranga's six year investment in building capacity to become big ship capable, completed in 2016.

With fast connections between Tauranga and North Asia, North America and South America, Australian and New Zealand shippers have increasingly been using Tauranga as a hub port. Containers transhipped from other New Zealand ports increased 54.7% compared with the previous year.

Overall, transhipped containers now make up 25.7% of total TEU.

[1]*TEU =Twenty Foot Equivalent Units*

It is not just larger container ships that are calling. The mega cruise ship *Ovation of the Seas*, at 347 metres long and carrying 4,900 passengers supported by 1,500 crew members, visited three times last summer and will call seven times in the coming season. We also had an overnight visit from the trans-Atlantic ocean liner *Queen Mary 2*, one of the largest and most luxurious cruise ships to ever visit Tauranga.

Trade trends

Imports increased 13.7% to 9 million tonnes and exports increased 8.2% to 15.4 million tonnes for the year ended 30 June 2018.

Log exports increased 14.3% to 6.3 million tonnes. Sawn timber exports also increased 10.3% in volume. Forestry products are still fetching record prices internationally.

Dairy product exports increased 4.0% overall to 2.3 million tonnes. Imports of dairy industry food supplements increased 18.2%, and fertiliser imports increased 16.5%, reflecting a strong agricultural sector.

Other primary produce sectors also fared well, with frozen meat exports increasing 11.3%, and apples increasing 20.9%.

Cement imports increased 18.9%, while steel exports increased 25%.

Oil product imports increased 9.3% and other bulk liquids increased 39.9%.

The volume of cars and other vehicles imported at Port of Tauranga doubled compared with the previous year.

Whilst kiwifruit volumes were down 5.8%, an increasing proportion is being shipped via refrigerated container. The number of TEUs increased 27.6% compared with the previous year.

Health, safety and the environment

We are proud of the safety culture that is developing in our business. This year we initiated a project to extend and improve the health aspect of our health and safety programme.

With guidance from Toi Te Ora Public Health, we launched Ship Shape, a wellbeing programme for all Port of Tauranga employees. The programme incorporates the Company's existing benefits – such as annual medical checkups, free flu vaccinations and health insurance – and will develop new initiatives based on staff feedback and priorities.

We want to be as successful in our environmental performance as we have been in our safety outcomes. We have undertaken a comprehensive, independent carbon emissions audit which will help us measure future improvements.

We have expanded our internal capability with the recruitment of an Environmental Manager and we are making use of technology to reduce carbon emissions, improve energy efficiency and keep the harbour and our city clean.

Stormwater management is a current priority. We have increased sweeping of the log yards and installed stormwater screening chambers to ensure dust and debris is prevented from entering the harbour. We are also stepping up our efforts to improve air quality and reduce energy use.

We continue to support forestry industry efforts to reduce the amount of methyl bromide used in fumigation at the port. We are encouraging exporters to de-bark logs prior to arrival at the wharves.

Operational highlights

We established an eight crane fleet at the Tauranga Container Terminal last year and we have ordered a ninth crane which will be delivered in 2020.

We continue to increase container terminal capacity by relocating and reorganising buildings and activities where it is efficient to do so. Last year's relocation of Oji Fibre Solutions to a new purpose-built shed freed up space for an additional 820 container ground slots right next to the berths.

We now have a total of 2,634 refrigerated container connection points, which are supplemented in the peak season with 12 generators, each supplying power to 35 containers. This is believed to be the largest reefer capacity in Australasia.

Associate and Subsidiary Companies

Quality Marshalling continues to diversify its business in niche cargo handling and container services. Quality Marshalling has secured the contracts to operate the Tauranga Container Terminal's straddle carrier maintenance workshop as well as refrigerated container monitoring.

We are building a new warehouse for Coda Group at our MetroPort Christchurch inland freight hub. Coda will lease the facilities for container packing and distribution. The new premises comprise a 19,000m^2 warehouse, a 2,200m^2 canopy and 210m^2 office.

MetroPort Christchurch is linked by rail to the Timaru Container Terminal and the rest of the South Island.

The container terminal's landlord is PrimePort Timaru, in which Port of Tauranga has a 50% shareholding. The terminal had another record year with volumes up 5% on the prior year.

PrimePort Timaru has been buoyed by news of a major new bulk fuel terminal to be built at the port. The new facility will join a major cement handling facility opened by Holcim in early 2016.

Log exports continue to grow through PrimePort, increasing 19% from the previous year.

Meanwhile, Northport has seen an increase in container traffic following the introduction of the first scheduled container service in 2017, and forest product exports continue to set new volume records.

We are making use of technology to reduce carbon emissions, improve energy efficiency and keep the harbour and our city clean.

We expect cargo growth to continue in the next year across most categories and particularly in containerised cargo.

Governance

Alison Andrew was appointed to the Board of Directors in April 2018 following Bill Baylis' retirement after 11 years. Alison is currently Chief Executive of Transpower, has held senior executive roles across various industry sectors and has been a Director of Genesis Energy.

Our majority shareholder, Quayside Holdings, has appointed Director Rob McLeod to the Board following the retirement of Michael Smith after 16 years. In addition to Quayside Holdings, Rob is currently on the Board of the Sanford Group and is a former Oceania CEO of Ernst & Young and Chair of Ernst & Young New Zealand.

Alison Andrew and Rob McLeod will be seeking election at the 2018 Annual Meeting.

At the Annual Meeting, Directors Julia Hoare and Doug Leeder will retire by rotation and seek re-election. Both have the unanimous support of the Board.

External operating environment

In February 2018, the new Government announced an Upper North Island Supply Chain Review. A working group will review the current supply chain, advise on priorities for transport investment and explore options for moving the location of Ports of Auckland. As a key stakeholder in this review, Port of Tauranga expects to be consulted by the working group.

Port of Tauranga is proud of our industrial relations record and our relationships with staff and unions. However, we have concerns about aspects of the Government's significant changes to the industrial relations framework. Port of Tauranga has made a submission opposing certain aspects of the Employment Relations Amendment Bill. Specifically, we are concerned with the repeal of the ability for employers to opt out of Multi Employer Collective Agreement (MECA) negotiations. This breaches the voluntary nature of collective bargaining required under the International Labour Organisation's Right to Organise and Collectively Bargain Convention that New Zealand has ratified. We believe the Bill will undermine New Zealand's competitiveness through increased costs, decreased productivity and increased business complexity.

Sector performance

The Office of the Auditor-General has recently raised a number of issues identified in its audit of the New Zealand port sector[2]. It found considerable variation in port companies' approach to valuations, making it difficult to see whether capital expenditure was a good use of shareholders' funds.

We support the Office's advice to port companies to use fair value, based on the expected cash flows to be generated. This is the process we adopt for the justification of major capital investments.

In Port of Tauranga's case, we seek a minimum return of 8.5% after tax.

[2]*https://oag.govt.nz/2018/port-companies-audits*

Outlook

Port of Tauranga operates in a complex environment with many factors outside its immediate control. However, we believe we have implemented the policies, processes and practices required to deliver excellence in service to our customers, economic benefit to our communities and strong returns to our shareholders.

We expect cargo growth to continue in the next year across most categories and particularly in containerised cargo. We will invest appropriately in the infrastructure required to manage these volumes and remain confident that our current footprint allows for significant expansion without the need for expensive reclamation.

Recognition

We were very proud to see our long-serving Chief Financial Officer (CFO), Steve Gray, recognised as CFO of the Year in the 2017 Deloitte Top 200 Business Awards. Steve's sound judgement and steady hand have helped steer Port of Tauranga on its successful journey.

We would like to acknowledge and thank our loyal staff and contractors, whose dedication, innovation and enthusiasm make Port of Tauranga the company it is today.

In recognition of our employees' outstanding contribution to the success of the business, we are pleased to announce an enhanced share ownership scheme for permanent staff. Individuals will be able to obtain up to $5,000 worth of shares at a 30% discount, utilising interest-free loans over three years. More than 90% of our staff are already shareholders, so we expect this will be welcome news to the team.

Finally, we thank our customers, service providers, business partners and friends in the community for their ongoing support in making Port of Tauranga New Zealand's Port for the Future.

David Pilkington
Chair

Mark Cairns
Chief Executive

FOLLOWING OUR PATH WITH PURPOSE

Port of Tauranga's journey to be New Zealand's Port for the Future began more than two decades ago.

1992
Listed on the NZ Stock Exchange

1992
Market capitalisation
$80M

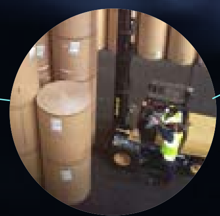
1996
Market capitalisation
$112M

1998
Opening of Tauranga Container Terminal

1999
MetroPort inland port opened in Auckland

2000
Market capitalisation
$382M

2000
Purchased 50% share of Northport



2009
Entered 10 year operating agreement with major shipper Carter Holt Harvey Lodestar

2010
Purchase of trucking and freight handling company Tapper Transport

2013
Market capitalisation
$1,864M

2013
Tauranga Container Terminal wharf extended by nearly a third, to 770 metres

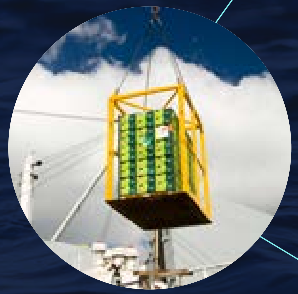
2014
Acquired 50% shareholding in PrimePort Timaru

2014
Purchased 15 hectare site near Christchurch for inland freight hub

2014
Agreed 10 year container volume commitment with NZ's largest exporter, Kotahi

2015
Coda Group formed, merging Tapper Transport, Priority Logistics, MetroBox and Kotahi's Dairy Transport Logistics

2015
Arrival of two 74-bollard pull tugs



2016
Signed 10 year agreement with kiwifruit exporters Zespri International

2016
Dredging of Tauranga Harbour shipping channels to 14.5 metres

2016
Market capitalisation
$2,654M

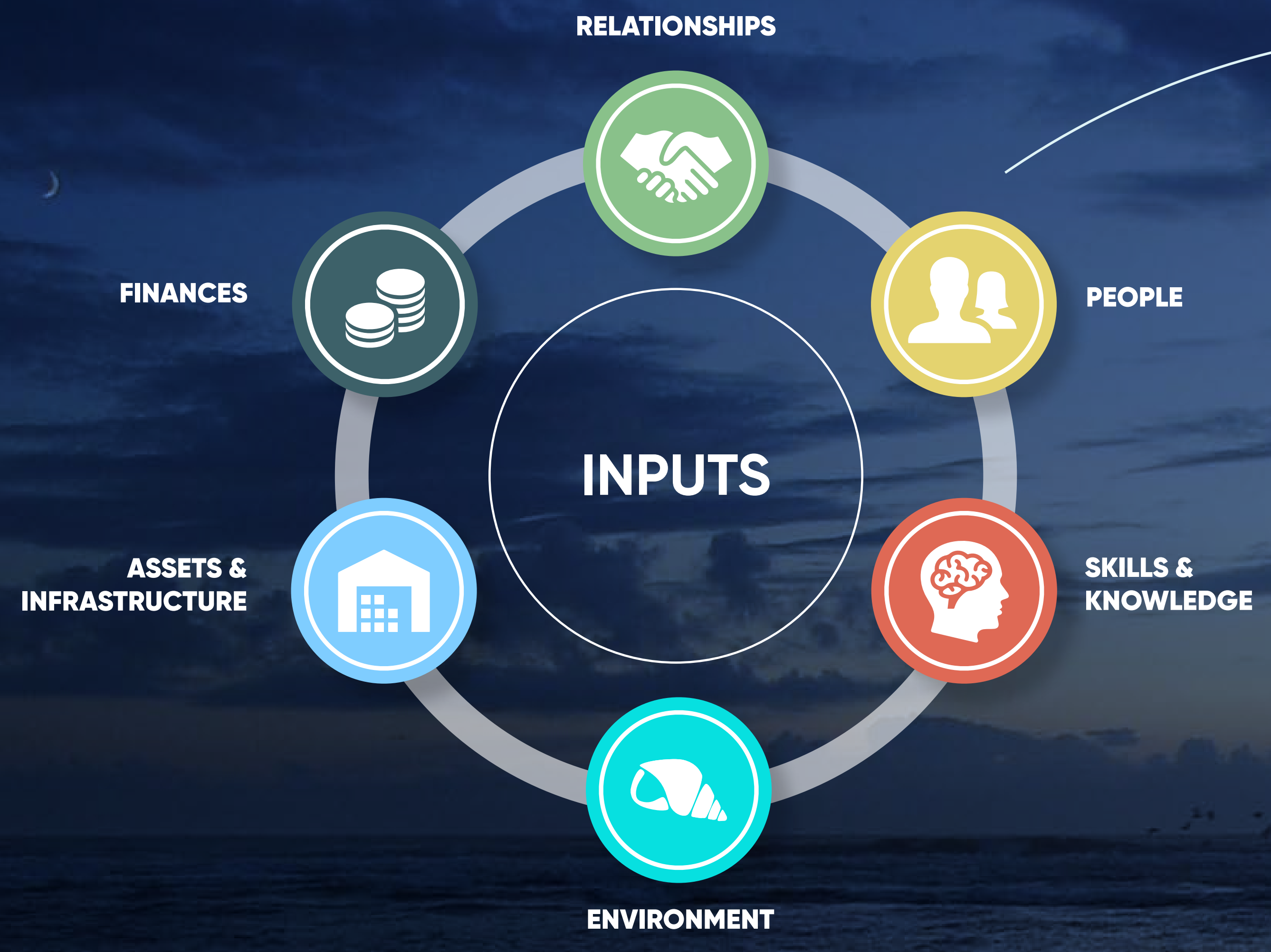
2016
Largest-ever container ship to visit NZ (*Maersk Antares*, 11,294 TEU) calls at Tauranga

2017
Completion of 22,000m² storage shed for Oji Fibre Solutions (formerly Carter Holt Harvey Lodestar)

2017
Tauranga Container Terminal volumes exceed 1 million TEU

2018
Market capitalisation
$3,471M

Future
Expand role as hub port and New Zealand's cargo gateway to the world.



Our purpose

FACILITATING THE MOST EFFICIENT AND SUSTAINABLE TRADE TO AND FROM NEW ZEALAND

Our values

SAFETY, INTEGRITY, INNOVATION, COMMUNICATION, TEAMWORK

Kaitiakitanga: *the Maori concept of guardianship, of the sea, sky and land*

RELATIONSHIPS

Port of Tauranga's relationships with customers, communities, employees and other stakeholders are characterised by their longevity and a desire for mutual success.

Luxury ocean liner puts Port to the test

The luxurious flagship of the Cunard Line, *Queen Mary 2*, stayed overnight at Port of Tauranga in March 2018 during her maiden 13-night cruise around New Zealand.

The visit presented Port of Tauranga with logistical challenges. The 345-metre long ship's deeper than usual draught meant some juggling of other ships and cargoes was required to accommodate the large ship alongside the Mount Maunganui wharves.

Our loyal customers and service providers shared Port of Tauranga's can do attitude to make it work. Port of Tauranga's Manager Operations Services and Security, Ricki Ross, says their understanding and flexibility ensured the visit went off without a hitch.

"Everyone really pulled together to make sure it was a smooth visit for the *Queen Mary 2*, while minimising the disruption to our day-to-day operations," says Ricki.

"It wasn't easy and there were lots of last minute changes, but with plenty of internal and external support we really rolled out the red carpet for the passengers and crew."

Cruise ship visits are an important contributor to the Bay of Plenty tourism industry, with passengers spending an estimated $59 million in the year to June 2017 .

Port of Tauranga hosted 83 cruise ship visits in the 2017-2018 summer season. This will increase to an estimated 113 calls this summer, including seven visits by the giant *Ovation of the Seas* carrying up to 4,900 passengers each time.

RELATIONSHIPS
Continued

Cargo volumes continued to grow on the back of long term freight agreements with our biggest customers, including Kotahi, Zespri and Oji Fibre Solutions

1,200

people hosted on port tours, with plans to expand next summer

Joined Project Tauranga, the public/private partnership to fund community projects

Investment in a range of community and regional infrastructure projects, such as the Bay Oval upgrade and support boats for the Tauranga Yacht and Power Boat Club

The Company's innovative approach to typical supply chain challenges has helped build our reputation as a strong business that supports our stakeholders' interests.

Business partners for the future

Our long-term freight agreements with major exporters such as Oji Fibre Solutions, Kotahi and Zespri International give us the certainty to make rational investments for the future.

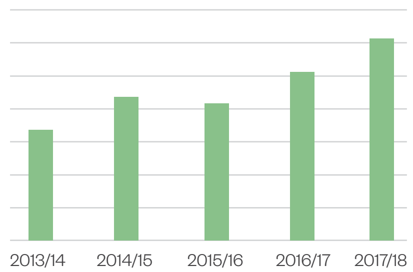
Our customers often refer to our can do attitude when it comes to logistical challenges or finding solutions to tricky problems. This approach to doing business was evident in March 2018 when Port of Tauranga hosted the grand *Queen Mary 2* for an overnight visit.

Working and living in the Bay of Plenty

The Port's activities have wide-reaching benefits for the Bay of Plenty economy and beyond, including the direct and indirect employment of tens of thousands of New Zealanders.

On top of this, Port of Tauranga has an important role to play as an investor in community wellbeing. The Company sponsors and donates to causes in the arts, sport, environment, education and business sectors.

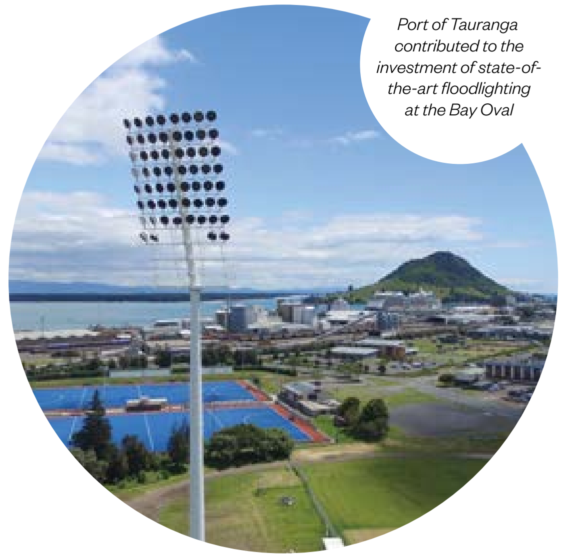
Sponsorship investment



Mark Cairns and Nick Wrinch from Tauranga Yacht Club with the new patrol boats

"Much of our success is due to the open and honest relationship we have with Port of Tauranga. They have seen the potential in our company, our innovation and flexible work practices. We have similar philosophies in that we give our people authority and responsibility."

Don Howard, Managing Director, Independent Stevedoring Limited



Port of Tauranga contributed to the investment of state-of-the-art floodlighting at the Bay Oval

Partnerships to build community strength

In the past year we have been refocusing our sponsorship portfolio to steer investment towards the provision and protection of longer-term infrastructure and equipment. In the recent past, we have sponsored the construction of the Pilot Bay boardwalk in Mount Maunganui as well as a specialist winch on the Bay of Plenty Trustpower TECT rescue helicopter.

Port of Tauranga and other local sponsors recently paid for the installation of state-of-the-art floodlighting at the Bay Oval sportsground next door at Blake Park, Mount Maunganui. The upgrade elevated the stadium to the busiest international cricket facility in the country in the 2017/2018 season.

Port of Tauranga has purchased two patrol boats for some other neighbours, the Tauranga Yacht and Power Boat Club. The boats will be used for supporting young sailors learning on the harbour and other club operations.

Support of regional initiatives

In 2018, we formalised our role as an official supporter of Project Tauranga, a partnership between Tauranga City Council and local businesses to fund community projects.

This role will allow us to better identify suitable investments in the future and ensure we are supporting the things that really matter to local communities. One of our first Project Tauranga initiatives is one close to home – the enhancement of walkways on Mauao, the revered mountain that stands sentinel to the entrance of Tauranga Harbour and the port.

"We are keen to make a difference where it counts," says Mark. "Project Tauranga is a great way to connect with the city and get some meaningful projects completed."

The Port has committed to supporting a variety of initiatives, but the first and foremost is $30,000 to support the maintenance of walking tracks on Mauao.

"Mauao is Tauranga's identifying landmark. It is visited by people nearly two million times a year including our own staff and an increasing number of cruise ship passengers, and it is held in reverence by tangata whenua. We wanted to help take care of it," says Mark.

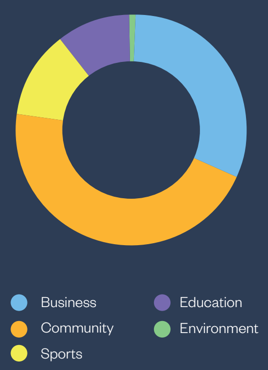
Port of Tauranga's main shareholder is Quayside Holdings, the investment arm of the Bay of Plenty Regional Council. Quayside received dividends of nearly $62.3 million over the past year. The total payout has been more than $700 million since the company was listed on the New Zealand Stock Exchange in 1992.

A $200 million infrastructure fund has been established to help the Council invest in iconic assets. The fund was set up in 2008 through a share issue by Quayside, which owns 54.16% of Port of Tauranga's shares.

The fund has been used to kickstart projects such as the new tertiary education campus in Tauranga city, redevelopment of Opotiki Harbour and the Scion Science Innovation Park in Rotorua.

RELATIONSHIPS
Continued

Sponsorship



Facebook page – total page likes increased

16.4%

14

Iwi – 14 scholarships provided to students with iwi links to Tauranga Moana through the Turirangi Te Kani Memorial and Ngā Mātarae Charitable Trust scholarship schemes

Events for our community

Port of Tauranga was a founding supporter of the biennial Tauranga Arts Festival and until recently was the naming rights sponsor of the Port of Tauranga Half, a popular triathlon, for 29 years.

Port of Tauranga staff and customers are enthusiastic fundraisers and collect donations for a range of causes close to their hearts, including the Cancer Society's Daffodil Day, Prostate Cancer Foundation and the Red Puppy Guide Dog Appeal. In April, the Port's annual Gibo's Fun Fishing Tournament for staff, customers and suppliers raised a record $4,500 for the Waipuna Hospice.

Our annual Christmas donations (in lieu of customer gifts) went to the Tauranga Community Foodbank ($6,000) and this year's staff-nominated charity, Good Neighbour ($4,000).

The nature of Port of Tauranga's operations means they are often hidden from public view for safety reasons. Web cameras on our website allow people outside the port to see what's happening in real time and the very popular annual bus tours allow the public to see what happens on the other side of the port gates. Due to their popularity, the tour programme will be expanded.

Iwi perform a blessing at the opening of the newly constructed Shed 1

Working with iwi

We work both formally and informally with the three iwi that have mana whenua status in Tauranga Moana – Ngāi Te Rangi, Ngāti Ranginui and Ngāti Pūkenga.

Our formal partnerships include the Ngā Mātarae Charitable Trust, established to balance the impact on the cultural and spiritual values of local Māori from our harbour dredging project.

The Trust has a scholarship programme administered by the Port and sponsors projects to improve the wellbeing of Te Awanui Tauranga Harbour.

One of these projects was an initiative to relocate pipi within the harbour, involving local schoolchildren and University of Waikato researchers.

Funding good causes

During the financial year, Port of Tauranga made donations to: HeartKids, Otumoetai College Young Enterprise Scheme, St John Ambulance (new Tauranga headquarters), Tauranga Volunteer Coastguard, Brain Injured Children Trust, Wish4Fish, CanTeen, Otumoetai Swimming Club, Seaweek, Merivale Community Inc Christmas event, Eastern BOP Brass Band, Te Tauranga o Nga Waka Kapa Haka, Tauranga Sport Fishing Club, One Base Fishing Competition, Autism New Zealand (Tauranga/Mount), Ballance Farm Environment Awards, Huria Marae, Mount Maunganui Runners and Walkers Half Marathon, Bethlehem School, Papamoa Primary School, Arataki/Omanu Scout Group, Mount Maunganui Tennis Club, Diabetes Help Tauranga, BaySwim, Judea Softball Club, Merchant Navy Day, Mount Maunganui Sport Fishing Club, Bay of Plenty Lifelines, Tama Tū Maori Battalion Tour, Mount College Golf Fundraiser, Avocado New Zealand, plus individual sportspeople travelling to international tournaments or participating in charity events.

Dr Isolde Liebherr, Mark Cairns, Patricia Rüf and Pat O'Leary

A long time link with Liebherr

Port of Tauranga has a special long-term relationship with Liebherr that spans 40 years.

The independent, family-run business has been the sole supplier of Port of Tauranga's ship-to-shore gantry container cranes since the first was purchased in 1978. A further eight cranes have followed.

With another purchase imminent, Liebherr Group Vice Chair Dr Isolde Liebherr, her daughter and senior executive Patricia Rüf and Liebherr Container Cranes Managing Director Pat O'Leary visited Port of Tauranga in March 2018. They were impressed by the scale of the port and its picturesque location.

"I was very impressed by the size of the port," said Patricia. "A port embedded in such beautiful scenery is very rare."

Port of Tauranga Chief Executive, Mark Cairns, believes the relationship with Liebherr has endured because of shared core values.

"Liebherr is constantly innovating and produces a quality product that performs consistently and reliably. These are all qualities we seek to adhere to ourselves," he says.

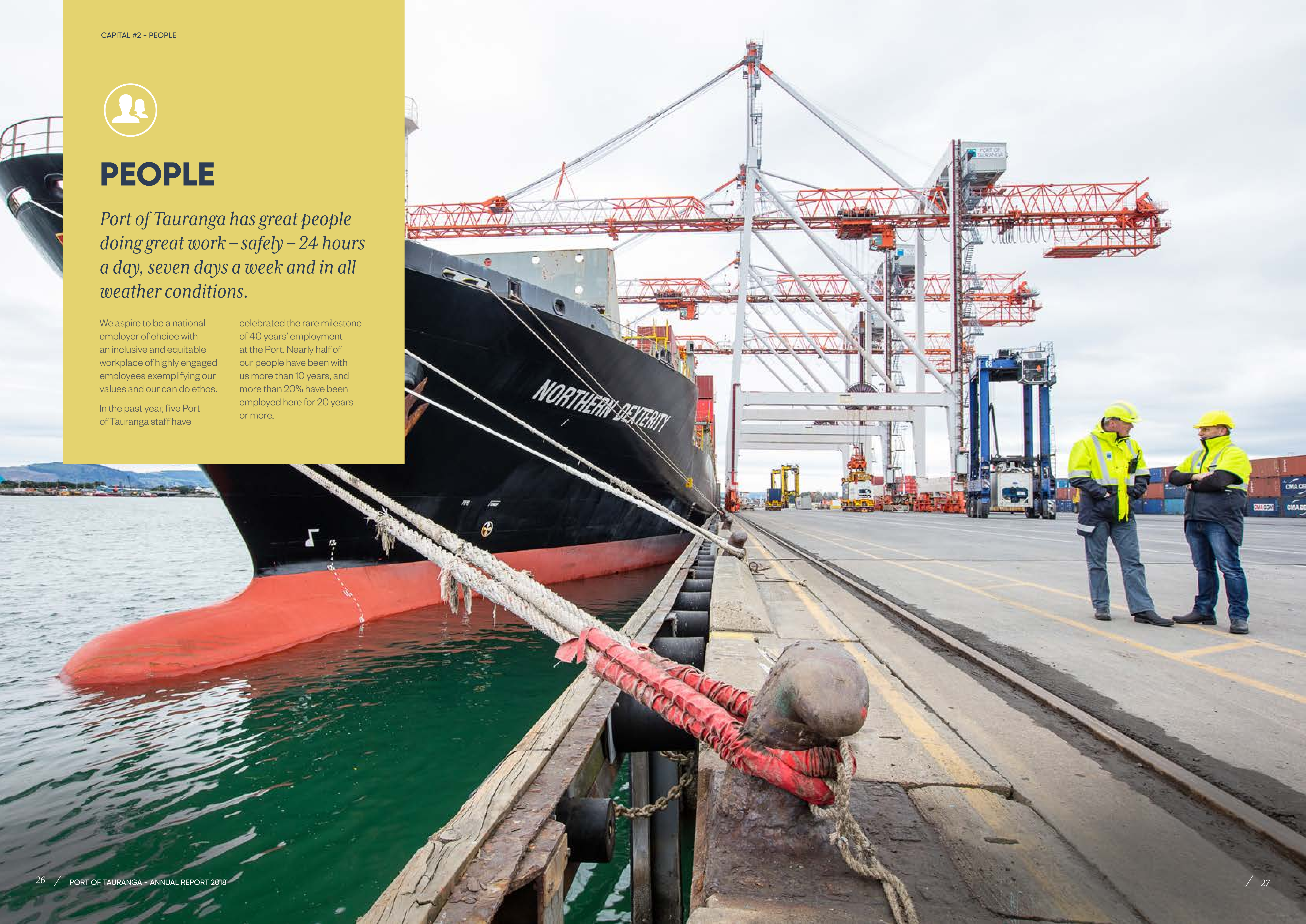
In the next year, we plan to formally engage with our stakeholders to better understand their needs and wants, so we can prioritise strategies and actions that are most relevant and valuable to us all.

PEOPLE

Port of Tauranga has great people doing great work – safely – 24 hours a day, seven days a week and in all weather conditions.

We aspire to be a national employer of choice with an inclusive and equitable workplace of highly engaged employees exemplifying our values and our can do ethos.

In the past year, five Port of Tauranga staff have celebrated the rare milestone of 40 years' employment at the Port. Nearly half of our people have been with us more than 10 years, and more than 20% have been employed here for 20 years or more.



PEOPLE
Continued

Launched Ship Shape, our programme to support staff to work better through wellbeing

Longevity of service and low staff turnover remain features of our workforce

Staff survey shows
70%
of staff are satisfied or very satisfied with their jobs

Internal promotions filled
60%
of vacancies

No pay equity disparity

Enhanced share scheme for employees announced

As some of our older workers retire, we are seeking ways to encourage younger people to pursue a lengthy career in the port industry. Around 60% of our permanent position vacancies during the year were filled internally, helping develop talent within the business.

We have cadetship, apprenticeship and internship programmes. Our 2014 cadet, Toi Ohomai business studies graduate Sam Mannix, has just accepted a full time role at the Tauranga Container Terminal as a vessel and operations planner.

We are also investing in future workers, for the port industry and other sectors, through two educational scholarship schemes for Māori students with connections to the Bay of Plenty.

Keeping the port operating

Port of Tauranga directly employs 208 permanent and 37 casual people. Around ten times that number are estimated to work daily on the wharves or at associated businesses. Together, these people work to keep the port operating at world-leading productivity levels through flexible, competitive and safe work practices.

Port of Tauranga has respectful, constructive relationships with our employees' unions. Approximately half of our employees belong to one of three main unions.

Looking after our people's wellbeing

An independent, three month study of our pilots, tug and pilot boat crews gave us benchmarks to manage the risk of fatigue. Subsequent staff workshops, facilitated by a fatigue management expert, have looked at potential changes to work patterns, rosters and other mitigation measures.

In 2017, we introduced an expanded Sun Smart policy for outdoor workers, which includes more training and the provision of sun protection such as wide brimmed hats, sunglasses and sunscreen. Skin checks were already part of annual health monitoring.

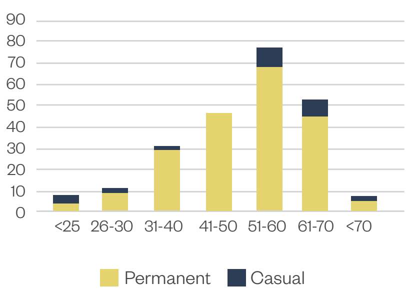
Our wellbeing programme, Ship Shape, brings together health initiatives to support staff to work better through wellbeing. We will work towards accreditation under the WorkWell framework offered by Toi Te Ora Public Health.

Louise Kelly is Port of Tauranga's Receptionist and Staff Lead of the Ship Shape wellbeing programme.

"One of our pilots, Richard Haxell, was the winner of a staff competition to name the new wellbeing programme. Staff will have a say in all aspects of the programme so we can be sure it meets their needs," says Louise.

"We have formed a committee of representatives from various divisions and all staff are encouraged to raise ideas or issues. We hope regular communication means everyone gets on board and sees the benefit for them and their families. Ship Shape will help us build on the great benefits that our Company already provides for our staff and include fun activities and health information for everyone."

Age Profile



Developing a diverse workforce

Port of Tauranga is committed to providing a workplace that recognises and values different skills, abilities, genders, ethnicities and experiences. This means removing barriers for existing and potential staff and eliminating any inappropriate systems, practices or attitudes.

Like most companies in the ports and logistics industries, our workforce has traditionally been male-dominated.

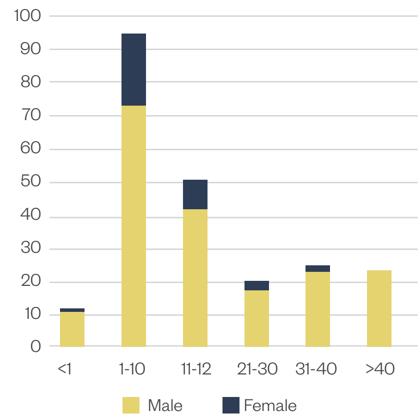
Overall, 17% of our employees are female with 40% in key operations, supervisory or management roles.

Both our longevity and gender profiles are slowly changing, with 34% of our staff with us for five years or less and 24% of these recent appointments being female. Our service providers have female employees in key roles including crane drivers, straddle drivers and other heavy machinery operators.

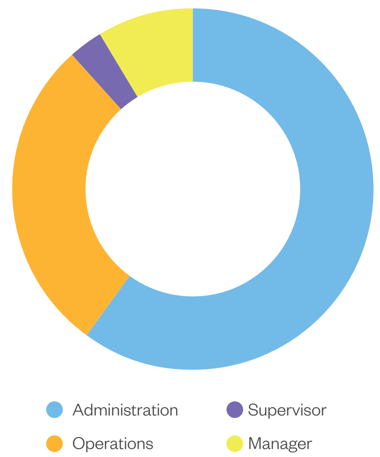
We do not have pay disparity between male and female employees in comparable roles and having similar experience. We believe in merit-based appointments for all roles, irrespective of gender, ethnicity and age. We recruit for attitude, train for skills and then promote on performance and merit.

	Male	Female
Permanent Employees	173	35
Average Age	52	47
Average Length of Service (Years)	14	10
Executive Team	80%	20%
Directors	72%	28%

Diversity Length of Service (Years)



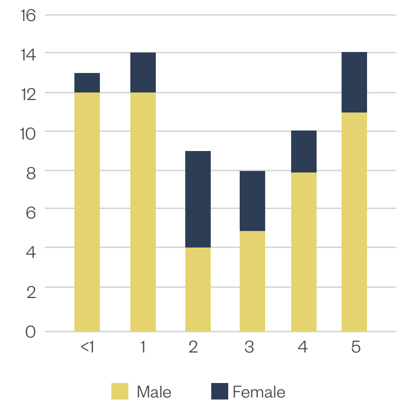
Diversity - female roles



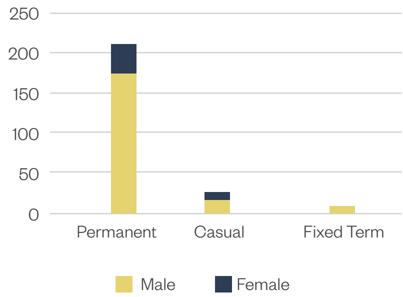
Monitoring staff satisfaction

We undertook a staff engagement survey that found employee satisfaction was 70%. Work groups involving staff from across the business are now developing action plans to address points raised.

Diversity and Service (Years)



Diversity and Gender



Port Users' Forum widens focus

The Port Users' Health and Safety Forum was established around 15 years ago to bring together all key operators working on the port to identify, discuss and collaborate on common safety issues and improvements. Its success has resulted in the model being adopted as an industry standard. This year, the forum has expanded its focus to include environmental issues.

PEOPLE
Continued

2018 scholarships awarded to 14 students

Fourteen students in fields ranging from education to pharmacy received scholarships in 2018 from the two schemes administered by Port of Tauranga.

The Turirangi Te Kani Memorial Scholarship has operated for the past 28 years. It was established in honour of Turirangi Te Kani, a Tauranga kaumatua with strong links to the Port, who died in 1990.

This year, four first year students received scholarships and three second year students had theirs renewed.

The second scheme is offered by the Ngā Mātarae Charitable Trust, which was established in 2014 to promote the wellbeing of Tauranga Harbour following the dredging programme.

The Trust awards scholarships to students with ties to Tauranga iwi. Three first year students were awarded scholarships and four second and third year students had theirs renewed.

Port of Tauranga takes an active interest in the tertiary careers of the students. The scholarships are awarded on a year-by-year basis and the students report back on their progress and exam results each year.

Small steps add up to big strides

In a multi-user environment, keeping people away from dangerous operations is a priority.

Our container terminal staff were concerned about disembarking international crew adhering to pedestrian walkways.

Contractors' safety performance improved

To overcome any language barriers, weather-proof, pictorial instruction cards were printed to attach to gangways and handrails.

Another safety initiative has seen us draw on our internal expertise to design, fabricate and fit protective guards on our container cranes.

This project presented multiple practical challenges, not least of which was working around the cranes' busy shipping schedules.

The guards will protect operators and maintenance crews from dangerous moving parts.

Keeping our people safe

Safety is one of our core values and we continue to create a culture where proactive worker safety is integral to every individual who works on our sites.

Our Total Recordable Injury Frequency Rate (TRIFR) reduced by only 2%, with the total number of injuries the same as the previous year at two, both back strains with one resulting in lost time and the other requiring medical treatment.

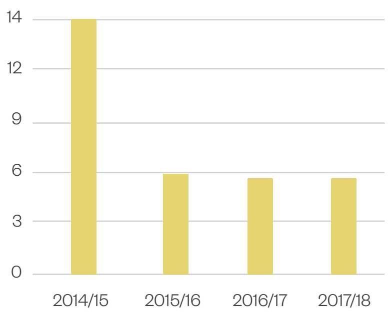
Our contractors significantly improved their performance and achieved a 69% reduction in TRIFR, down to 9.3 per million hours worked. Port of Tauranga and contractors combined achieved a 62% reduction to 7.9 per million hours worked.

We are very pleased that proactive attitudes towards safety are reflected in the reporting of near misses, which has increased more than 35%. There was also a 7% increase in safety observations and engagements across the business. A further indication of progress was reflected in our survey feedback where 84% of employees agreed or strongly agreed that their manager consistently gave a high priority and support to health and safety.

	2018	2017
- Employee TRIFR	5.5	5.7
- Contractor TRIFR	9.3	NA
Near Miss Reports	35% increase	35% increase
H & S training	44% increase	47% increase

Safety: Total Recordable Injury Frequency Rate (TRIFR)

Per million hours worked



Directors visit Port of Tauranga's straddle workshop

Directors talk safety

Our Board of Directors is personally involved in building safety engagement, visiting sites at Port of Tauranga as well as our Subsidiary and Associate Companies.

Director Julia Hoare was part of a group that visited Port of Tauranga's straddle workshop.

"We were briefed that two critical risks for the straddle workshop were 'Working at Heights' and 'People vs Plant' interactions. It was interesting to see the high bay platforms they designed and built to enable the team to operate safely at heights. When these platforms were introduced by the team at the Port they were a world first and promoted by the manufacturers Kalmar to other ports. In addition, the staff were able to explain in depth how they manage people versus plant safety in the workshop and, importantly, when a straddle breaks down in the terminal operating area. I was really impressed with the level of focus and the deep commitment to health and safety. They run a really effective operation."

Our business is only as good as our people. We strive to attract and retain workers with aligned values and the right attitude, and then help them reach their full potential.

This includes supporting our deeply experienced ageing workforce, at the same time as making the port industry an attractive one for both younger and female employees.

Employee-led initiatives are being implemented to address themes raised in the staff survey, such as improving communication and recognising outstanding effort.

SKILLS AND KNOWLEDGE

Port of Tauranga boasts a talented pool of specialist port, marine and supply chain knowledge. We invest in our people's skills to serve the industry and our customers with world-leading productivity and innovative business solutions.

Partnership with KiwiRail evolves and adapts to new challenges

Port of Tauranga is not the only organisation that has had to transform the way it does things in order to accommodate bigger ships.

As we invested in the infrastructure and systems required to handle larger volumes of cargo per ship visit, so did our partners.

KiwiRail needed to reconfigure its train services and simplify the supply chain to enable efficient transfers of cargo and empty shipping containers to and from Tauranga. KiwiRail also invested $15 million to upgrade its container handling facilities in Auckland, increasing capacity by about 40%.

The new streamlined system sees trains transfer imported containers from Tauranga to our inland freight hub at MetroPort Auckland. Trains are then filled with emptied containers to be shifted to Hamilton, where Fonterra can refill them with exports. The train is then reloaded with cargo bound for export from Tauranga, thereby completing the "Golden Triangle" and avoiding the need to constantly relocate empty containers via road, rail and sea.

The triangulation project has reduced the lead time to source empty containers, lowered inventory costs for shipping companies and optimised train capacity, eliminating wastage for all three organisations.

Port of Tauranga favours rail transport over road whenever possible to avoid road congestion and carbon emissions.

SKILLS AND KNOWLEDGE
Continued

CODA

Supply chain integration enables efficiencies for our customers

Container terminal maintains industry-leading productivity rates

Chief Financial Officer wins top prize at Deloitte Top 200 Business Awards

Port of Tauranga has taken an integrated view of New Zealand's supply chain, leading to the development of a national network of expertise in port operations, property management, warehousing, logistics and transport.

This indepth knowledge gives Port of Tauranga and its customers the opportunity to be efficient, commit to rationally economic infrastructure and achieve mutual benefits.

We've drawn on our expertise to expand our hinterland beyond our traditional Bay of Plenty home, negotiating long-term freight agreements with our biggest customers to give us certainty to plan for future volumes.

We've replicated the success of our MetroPort Auckland operation near Christchurch. MetroPort Christchurch is linked to the Timaru Container Terminal and rest of the South Island by rail, giving importers access to a major metropolitan area and exporters access to international services.

We are working with partners to develop intermodal freight hubs in Hamilton and the central North Island.

Our joint ventures, such as Coda Group, give us the platform to integrate the Port with all other parts of the supply chain, utilising rail, road transport and inland freight consolidation hubs to remove cost, empty capacity and delays from the cargo network.

Sharing our experience and expertise

Port of Tauranga contributes to national forums to address the issues faced by our industries and others. We take an active role (including governance positions in many cases) in groups such as the Port Industry Association, Port Chief Executives' Forum, Business Leaders' Health and Safety Forum, Priority One (Bay of Plenty Economic Development), Export NZ (Bay of Plenty), Business New Zealand, the Employers and Manufacturers' Association and the Tauranga Chamber of Commerce.

We also have strong working relationships with national industry regulators such as WorkSafe and Maritime New Zealand.

Understanding Te Awanui/ Tauranga Harbour

Tauranga is fortunate to be the home of the University of Waikato's Coastal Marine Field Station. Port of Tauranga supports a range of research programmes that contribute to Tauranga Harbour's reputation as one of the most researched and best understood harbours in Australasia.

Researchers have recently looked at the impacts of dredging, the health of kaimoana and the potential effects of future development.

Kyle Murray is a keen Crossfit athlete and has represented New Zealand at international challenges

Balancing work, study and the rest of life

Kyle Murray is putting his hands-on knowledge of port operations to good use in a new career in health and safety management.

After 11 years as a heavy machinery operator and crane driver at Port of Tauranga and Port of Brisbane, Kyle decided to head back to study in Tauranga to gain qualifications in occupational health and safety management.

He is combining his study with a job as a Health and Safety Coordinator for Port of Tauranga. His projects include reviewing compliance with new hazardous substance regulations and injury prevention among port workers with physically demanding roles.

Kyle supplements this work with casual shifts in the Operations Services and Security team.

"My career to date sums up the opportunities available in this industry," says Kyle. "I started straight from school and have worked in a variety of jobs, from driving trucks to tying up ships to helping cruise ship passengers find their way around.

"I started with just a learner's licence and now I have every type of special driving licence there is. I'm putting all that experience to work in a desk job that will help keep future workers safe."

Kyle says the Port has given him the flexibility he needs to complete assignments, while giving him real life examples to study.

Despite his busy schedule as a Port of Tauranga employee, student and dad of three young children, 33-year-old Kyle also manages to fit in an elite sports career as a Crossfit competitor.

As a member of the Mount Crossfit team, Kyle has won national titles and represented New Zealand at international challenges.

SKILLS AND KNOWLEDGE

Continued

The Port of Tauranga is New Zealand's largest container port

Improving our risk management

Port of Tauranga recently initiated a process to integrate our operational and strategic risk management. It also integrates the safety improvement plans of each of our divisions, helping us to establish improvements, responsibilities and targets.

A comprehensive, independent safety audit was undertaken during the year. The first stage looked at the Port's top four critical operations risks, such as transferring pilots to and from vessels and the interfaces between people and machinery. The second stage assesses how our governance and executive leadership stacks up against the Health and Safety at Work Act 2015. The review has identified a series of improvements for the Board and management.

New Zealand's most efficient container port

The Ministry of Transport has been monitoring productivity since 2011 using data collected from the country's six container ports[1].

Port of Tauranga is by far New Zealand's largest container port, handling 40% of New Zealand's container volumes in the 2017 calendar year. Tauranga's average crane rate (containers per hour per crane) was 35.5 moves per hour for the year. ended June 2018, compared with the national average for 2017 of 33.5 moves per hour. In Australia, the top five container ports had an average crane rate of 28.9 moves per hour in the six months from January to June 2017[2].

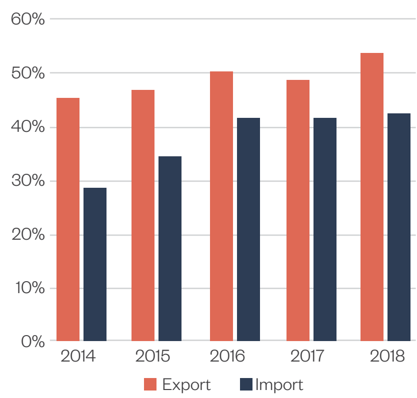
Tauranga's average ship rate of 87.4 moves per hour per ship in the year to June 2018 compared with the 2017 average New Zealand ship rate of 77.8 moves per hour and the Australian average of 55.3 moves per hour.

Industry-wide labour supply issues

All supply chain-related industries in New Zealand are experiencing skilled labour shortages and, although Port of Tauranga is an employer of choice, we are not immune. The Port and its service providers have, for example, been short of straddle drivers at peak times. We are reviewing entry level requirements and working with the industry to develop specific NZQA qualifications to improve the skills of port workers. The industry needs to make it both easy and attractive to join and build a career.

Rail share of land movements in and out of the container terminal

Source: Ministry of Transport



[1] https://www.transport.govt.nz/resources/research-papers/containerproductivitynzports/
[2] https://bitre.gov.au/publications/2017/water_061.aspx

Steve Gray, Chief Financial Officer wins top prize at Deloitte Top 2017 Business Awards

Port CFO wins accolade

Port of Tauranga's Chief Financial Officer, Steve Gray, won the 'CFO of the Year' prize at the 2017 Deloitte Top 200 Business Awards.

The judges said Steve was seen as a competent CFO who made prudent investments, a long-term performer and one who was respected by the market.

He has overseen outstanding returns for shareholders in his 10 years in the role. He led the team that negotiated the long-term freight agreement with Kotahi that enabled big ships to start calling at Tauranga, quickly building it into the country's largest port.

Recently he has driven the moves to conduct a share split and return capital to shareholders.

"You've got to work very hard to make sure you don't just look at the numbers," says Steve.

"You've got to look at all aspects of the company and what is the best way to drive growth for shareholders. We've got a small team at Port of Tauranga so I've got to be across everything."

SKILLS AND KNOWLEDGE

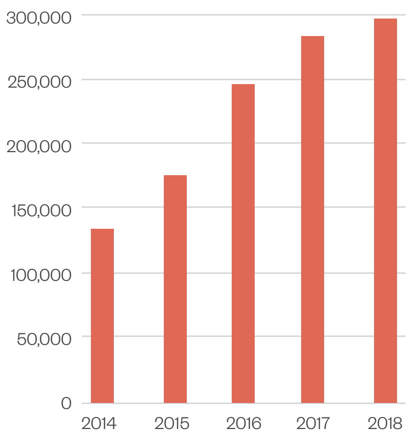
Continued

Average crane rate of 35.5 moves per hour per crane, compared with 2017 national average of 33.5 moves per hour

Number of TEUs transferred to MetroPort Auckland by rail increased 4%

MetroPort rail volume

TEUs



Putting the Port to the test

Port of Tauranga's operational emergency preparedness was tested in September 2017 when fire broke out in timber stowed in the hold of a vessel berthed at the Mount Maunganui wharves.

Our operations team won praise from emergency services for their quick response and our tug boat *Tai Pari*, equipped with firefighting equipment, was on hand to assist.

We have a close working relationship with all emergency services. We conduct a range of joint training exercises with Fire and Emergency New Zealand and the Police. Around 100 police officers from multiple divisions have recently completed safety inductions so they can regularly patrol the premises and quickly assist in emergencies.

We work closely with Tauranga Volunteer Coastguard and the Tauranga Harbourmaster on marine safety, and the Ministry for Primary Industries on biosecurity surveillance.

Port of Tauranga staff and systems helped authorities foil blackmarket cigarette smuggling attempts and New Zealand's biggest ever cocaine shipment.

Our security officers, high-tech surveillance cameras and 24-hour customer service centre supported the Police and New Zealand Customs Service in detecting the crimes and apprehending the alleged offenders.

In June 2017, one of our biggest customers, Maersk, fell victim to a global cyber-attack that forced us to use manual systems and work-arounds. Following this real life malware attack, we held a cybersecurity crisis simulation exercise in August 2017 that led to multiple enhancements to our crisis management and business continuity processes.

We will continue to test the resilience of our business continuity systems and processes.

Our skilled operations team includes highly experienced marine crews

MetroPort Christchurch

National network ensures best use of assets

The Port of Tauranga Group has strengths in many parts of the supply chain and puts its expertise to work for New Zealand importers and exporters.

One example of cooperation is our Associate Company Coda Group's new facilities at MetroPort Christchurch, which will serve Westland Milk.

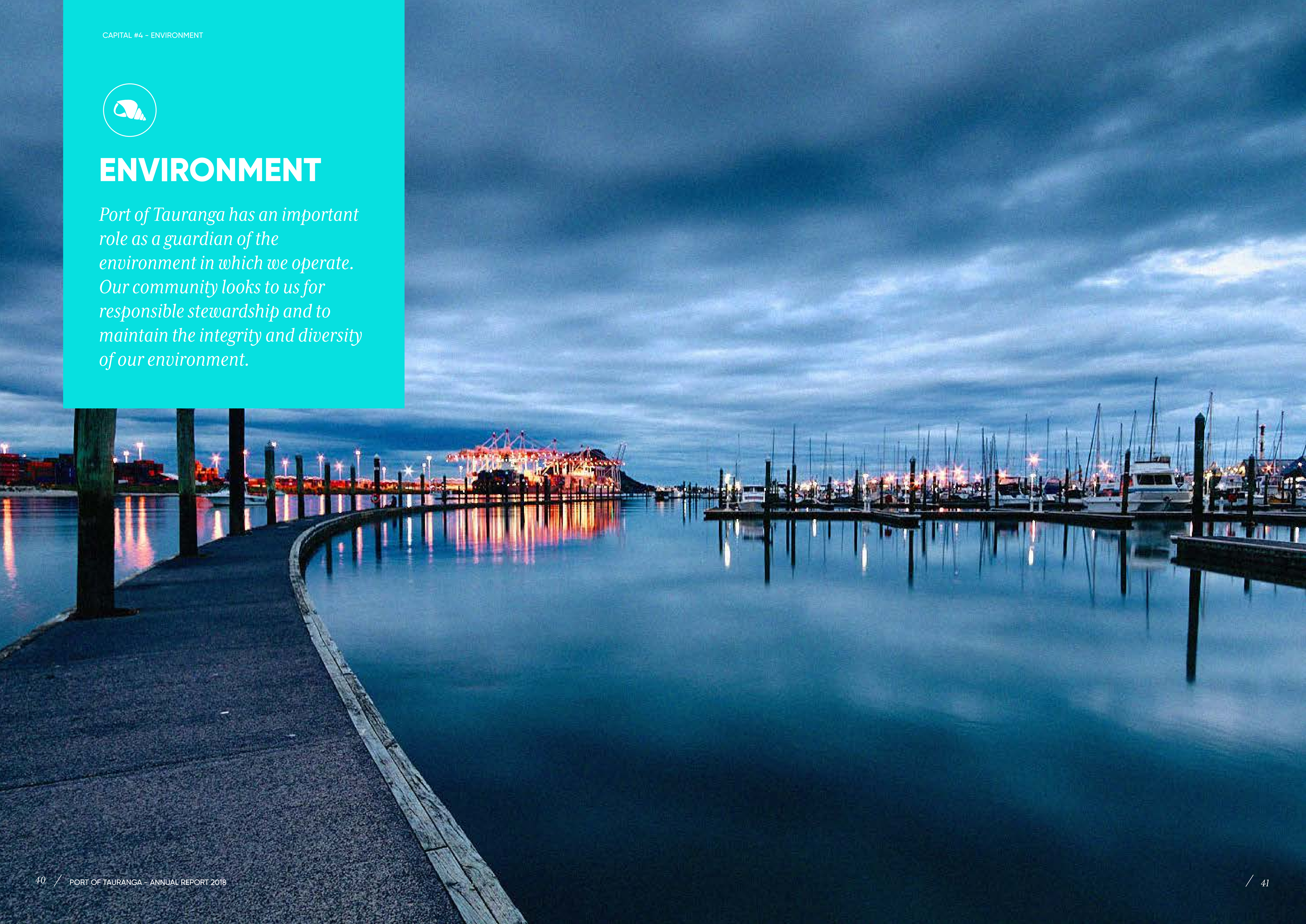
MetroPort Christchurch is located at Rolleston and connected by rail to our Timaru Container Terminal. The Port is building a new 19,000m^2 warehouse there, which will be leased to Coda Group to handle Westland Milk's exports.

Our skills strategy aims to protect and enhance the culture, capability and capacity of our orgnisation. We value the knowledge, skills and experience inherent in our people, while investing in productivity improvements and innovation.

We are formalising a training and development programme for supervisor and manager level employees to ensure continuing professional development. We also intend to expand our leadership programme to workers at all levels of the organisation.

ENVIRONMENT

Port of Tauranga has an important role as a guardian of the environment in which we operate. Our community looks to us for responsible stewardship and to maintain the integrity and diversity of our environment.



ENVIRONMENT
Continued

Appointed new Environmental Manager

Investing in energy-efficient equipment (e.g. electric vehicles, LED lighting)

Continual renovation of infrastructure to improve stormwater quality (e.g. installing screens and enviropods)

504,139 truck trips avoided by using rail

E-vehicles are the way of the future at Port of Tauranga

Seeking energy-efficient solutions

As we replace and purchase new equipment, energy-efficient options are prioritised. We are also utilising better alternatives in construction. Our new coolstore, leased to Tauranga Kiwifruit Logistics, uses a more environmentally-friendly refrigerant and energy efficient lighting.

Operational vehicles are gradually being replaced with electric or hybrid versions where available and a fast-charging station has been installed.

Many of the Port's straddle carriers are diesel electric models and are 40% more fuel efficient than older models, with enclosed braking systems to avoid dust.

Our container cranes generate their own electricity when lowering, feeding surplus energy to other cranes working nearby.

Reducing fumigation impacts while keeping bugs at bay

Methyl bromide is a toxic gas used to fumigate imports and exports to kill any bugs trying to enter or leave New Zealand. The biggest users of methyl bromide in New Zealand are log exporters, whose major markets demand methyl bromide fumigation.

Workers are protected from any potential health risk from methyl bromide through strict fumigation protocols regarding exclusion zones and notifications.

Fumigation at Port of Tauranga is carried out by highly experienced operators Genera, according to codes of practice laid out by various New Zealand authorities (such as the Environmental Protection Agency (EPA) and the Bay of Plenty Regional Council) as well as our own protocols. Genera recaptures the methyl bromide used at Tauranga as required by the Council and the EPA has set a 2020 deadline for 100% recapture of methyl bromide used in fumigation.

Port of Tauranga supports the phasing out of methyl bromide use due to its negative impact on the environment.

Forestry exporters are working to reduce the amount of methyl bromide used, identify suitable alternative fumigants, and utilise new technologies and processes to increase recapture. One of the ways to reduce the amount required is to de-bark logs prior to their arrival at the port. There is already a de-barking facility on the Mount Maunganui wharves, with proposals for expansion. One of the largest log exporters, Kaingaroa Timberlands, is installing a large de-barking facility at Murupara.

The Port hosted the recently formed Tauranga Moana Fumigation Action Group on a tour of the port to educate the group and hear their concerns. We hope to continue constructive dialogue with this group in future.

Timberlands is installing a multi-million dollar de-barking facility at its Murupara rail exchange

Timberlands invests in de-barking plant

Kaingaroa Timberlands, owner of the country's largest plantation forest, is taking a big step towards reducing the need for log fumigation prior to export.

Timberlands Limited, which manages the 189,000 hectare Kaingaroa Timberlands forest estate in the central North Island, is installing a multi-million dollar de-barking facility at its Murupara rail exchange. More than 90% of its export logs are transferred by train to the Port of Tauranga.

Timberlands Chief Executive, Robert Green, says it is a significant capital investment that will greatly reduce the use of methyl bromide. The company currently exports around 1.7 million tonnes of logs each year, about a third of its harvest.

De-barked logs destined for China, New Zealand's biggest log market, are not required to be fumigated because insects are removed along with the bark.

"We already de-bark at one of our other sites so we are confident that we'll be able to quickly gear up to processing export logs on a much larger scale," says Robert.

The new facility will open by mid-2019.

Timberlands also has an extensive research and development programme aimed at doubling productivity over the next 30-year growing cycle.

"We are investing in research and development in the fields of nutrition, genetics and technology to enhance what is already a highly efficient forest products supply chain," says Robert.

The shareholders of Kaingaroa Timberlands and Timberlands Limited are the Public Sector Pension Investment Board (PSP Investments, Montreal, Canada), NZ Super Fund (Auckland, New Zealand) and Kakano Investment Limited Partnership (Rotorua, New Zealand).

ENVIRONMENT
Continued

Investment in comprehensive monitoring to identify improvements available in stormwater management

Undertook a range of biosecurity initiatives in partnership with MPI, KVH and other primary producers (recognised in the national Biosecurity Awards 2017)

Initiated an independent carbon emissions review

Building effective rail and road networks

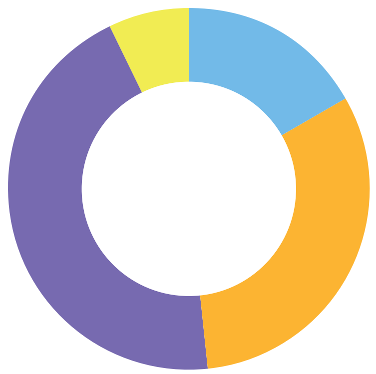
Port of Tauranga is working with the city and regional councils and the New Zealand Transport Agency to protect and enhance the roading networks that connect the port to importers and exporters.

Much of the Port's cargo growth in recent times has been transhipped containers (which do not leave the terminal) or cargo that can be moved on rail, avoiding a big increase in truck movements. Just over half of all cargo volumes are either transhipped, transported by rail or carried via pipeline. Nearly 45% of all forestry exports arrive by rail. Road traffic congestion is a city-wide problem, however, and we want to ensure authorities continue to invest in the roading network for residents and industry alike.

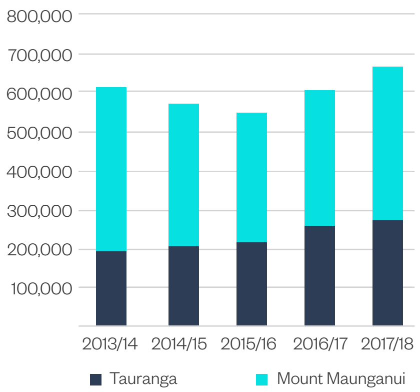
We welcome the Government's signalled intention to invest more in KiwiRail's network. We believe rail is the most efficient option for moving large volumes of freight to and from key cargo catchment areas.


Rail is the most efficient option for moving large volumes of freight

Volumes moved to and from Port by transport mode



Truck movements to and from the Port




Joey McKenzie Port of Tauranga's first Environmental Manager

First Environmental Manager appointed

Port of Tauranga has appointed its first Environmental Manager to help all areas of the business better manage any potential environmental impact from port operations.

Joey McKenzie joined the Port in January 2018, bringing significant previous experience, particularly in the areas of environmental regulations and compliance.

"The importance of sound environmental practices was already acknowledged by Port of Tauranga. My appointment has helped establish better coordination of the efforts of all port users to continuously improve environmental performance," says Joey.

"It's really important that everyone does what they've promised when it comes to preventing and dealing with environmental risk."

The Port is continuously reviewing its environmental policies and procedures, with a particular focus on preventing spills, avoiding (where possible) and reducing pollutants entering stormwater and preserving air quality by managing dusty activities such as bulk cargo movements on the port.

"A lot of our risks relate to activities of other port users where we don't have direct control, such as the handling of import and export goods," says Joey.

"We have to take a joint approach to finding solutions, and at times require port users to address environmental risk and make improvements."

ENVIRONMENT
Continued

Port of Tauranga won recognition in the industry section of the national Biosecurity Awards 2017

On the frontline of biosecurity

The second annual Biosecurity Week at Port of Tauranga raised pest awareness among port workers and the wider community.

The week highlighted the need for vigilance from all port users.

"Any pest incursion has the potential to severely impact the local economy. We have a responsibility at the port to protect the industries we are serving," says Mark Cairns, Port of Tauranga's Chief Executive.

The Port's biosecurity excellence partnership won recognition in the industry section of the national Biosecurity Awards in 2017. The partnership involves Kiwifruit Vine Health (the organisation established after the PSA bacteria crisis of 2011), the Ministry for Primary Industries, other local and central government agencies, and primary produce organisations.

The organisations share data and have established systems for reporting and identifying the biggest risks, including the looming threat of the brown marmorated stink bug.

Preventative measures, such as housekeeping to avoid attractive breeding grounds for mosquitoes, is a big focus, as is arming frontline staff to know what to look for and what to do if they see something suspicious.

Preventing air and water pollution

New wind fencing at our Hewletts Road and Totara Street log storage yards will help prevent near neighbours being annoyed by dust.

Port of Tauranga has almost completed sealing all wharf and cargo storage areas to reduce dust and make cleaning easier. Log debris sweeping has been doubled by the purchase of a second machine by service provider Daltons, which collects the excess bark for composting. The Port has installed dust suppression misting sprays on bulk cargo hoppers used for fertiliser, stock feed and other potentially dusty cargoes. There are already wind limits for discharging bulk cargoes and stevedores are monitored by the Port's 24 hour Customer Service Centre to ensure they comply with handling rules.

More than a dozen stormwater screening chambers have been installed at the Mount Maunganui wharves, where our dustiest cargoes are handled. The Port has also installed 'enviropods' in stormwater cesspits at Sulphur Point to remove any pollutants prior to drainage to the harbour.

Port of Tauranga is working through a stormwater management resource consent application with the Bay of Plenty Regional Council for stormwater discharges from the Mount Maunganui wharves area. The Port is also investing in enhanced monitoring of stormwater quality to support continual improvement.

International issues for the port industry

The International Maritime Organisation (the United Nations agency charged with preventing marine pollution by ships) is pursuing a move to low sulphur fuel worldwide by 2020. We fully support this policy and have made formal submissions in support of this policy.

We have also reviewed the potential impact on our operations of climate change. It is our view that our current systems and processes are sufficient to manage extreme weather events, and our infrastructure (including wharves and equipment) will be unaffected by any rise in sea level.

Tidy work sites keep water clean

Port of Tauranga engineers successfully trialled the use of a silt boom when working on some harbourside repairs over the summer.

The works to the north face of the container terminal required a digger, which had the potential to stir up sand and silt and affect harbour water quality.

A silt boom was deployed to contain the site and keep the water nearby clear and clean.

The beach beside Whareroa Marae on Tauranga Harbour has been replenished with sand from maintenance dredging

Pipi abundant in Tauranga Harbour

Marine ecologists have been monitoring the pipi populations at Paritaha or Central Bank in Tauranga Harbour following the dredging project.

University of Waikato scientists sampled pipi at multiple depths at several locations on the sand bank - before and just after the dredging, and again six months and 15 months following the project.

In the report completed earlier this year[1], the researchers found the pipi beds had recovered well following the dredging and were now abundant.

"Fifteen months after dredging was completed, pipi beds on Te Paritaha have recovered to their pre-dredge population structure and abundance... any impacts of the dredging campaign were shortlived," concluded the report.

Pipi have an important role to play in the harbour, filtering the water and providing a rich food source for other sea life such as crabs, fish and stingrays.

[1] *Ross, P.M., Culliford, D. P. 2018. The impact of capital dredging on the pipi (Paphies australis) of Te Paritaha (Centre Bank) in Tauranga Harbour. Environmental Research Institute Report No. 109. Client report prepared for the Port of Tauranga Limited. Environmental Research Institute, Faculty of Science and Engineering, The University of Waikato, Hamilton. 12pp.*

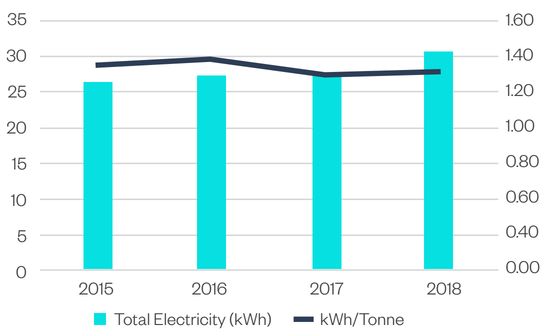
ENVIRONMENT
Continued

MEASURING OUR PROGRESS

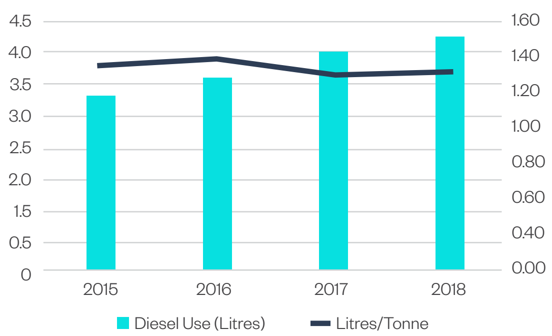
	2018	2017	2016	2015
Electricity Use (kWh)				
Total Electricity Use by Port Operations (kWh)	**30,953,194**	27,780,702	27,134,489	26,592,230
Electricity use by terminal operations (kWh/TEU)[1]	**26.18**	25.58	28.44	31.24
Electricity use by terminal reefer operations (kWh/TEU)	**102.80**	100.92	108.48	108.36
Electricity use by bulk operations (kWh/Tonne)	**1.27**	1.25	1.35	1.32
Diesel Use (Litres)				
Total Diesel use by port operations (Litres)	**4,232,872**	3,944,777	3,494,666	3,178,645
Diesel use by terminal operations (Litres/TEU)	**2.76**	2.91	2.96	2.81
Diesel use by terminal operations per straddle (Litres/Hour)	**18.09**	18.67	19.48	18.74
Diesel use by marine operations (Litres/Vessel)	**587.93**	530.89	529.18	570.62
Transport				
Truck Movements - Mount Wharves	**278,170**	261,317	225,305	217,706
Truck Movements - Tauranga Container Terminal	**388,888**	344,278	334,297	362,749
Total Truck Movements	**667,058**	605,595	559,602	580,455
Rail (NTKs[2] Billion)[3]	**1.583**	1.600	1.500	
Reduced heavy vehicle impact (# Trucks)[3]	**504,139**	463,930	458,388	
Fuel Savings (Million Litres)[3]	**20.9**	21.3	21.3	
CO_2 emission savings (Tonnes)[3]	**58,829**	57,994	57,923	

[1]*TEU = Twenty Foot Equivalent Units*
[2]*Net Tonne Kilometres*
[3]*Source: KiwiRail*

Electricity use and electricity use/tonne
Millions



Diesel use and diesel use/tonne
Millions



Sand replenishment at Pilot Bay beach, Mount Maunganui

Recycling waste material

The landscape supplies business Daltons transforms log operations waste into a valuable export product and sought-after potting mix.

Daltons collects bark and cleans the wharves, processing the byproduct into rich, high quality horticultural products that are shipped around New Zealand and across the world.

Sand from shipping channel maintenance has been used to replenish local beaches as well as for roading projects throughout the Bay of Plenty.

Recent recipients of sand include Pilot Bay at Mount Maunganui, the beach beside Whareroa Marae near Tauranga Airport, and Kulim Park on the Tauranga side of the harbour.

Port of Tauranga is committed to responsible environmental stewardship and protecting the integrity of our harbour and surrounds.

We monitor fuel and electricity consumption and recently engaged Enviro-Mark Solutions for an independent carbon emissions audit. The results will inform our target-setting and reporting in future.

Stormwater management is a priority involving multiple activities. We are installing preventative controls to avoid contaminants on land from entering stormwater, as well as improving wharf housekeeping. We are also renovating stormwater infrastructure and installing additional treatment where required.

Increased monitoring will help us adapt our approach.

ASSETS AND INFRASTRUCTURE

To fulfill our aspirations, Port of Tauranga must invest in and manage our infrastructure and assets prudently. This includes our land, our buildings and our equipment, as well as the people using them.

CONTAINER THROUGHPUT

8.9%

increase from 1,085,987 to 1,182,147 TEUs

TRANSHIPMENT RATES

23.3%

increase in transhipment volumes, with 25.7% of all TEU now transhipped

OVERALL CARGO VOLUMES

10.2%

increase from 22,194,014 tonnes to 24,457,715 tonnes

SHIP VISITS

5.8%

increase from 1,651 to 1,747.

ASSETS AND INFRASTRUCTURE

Continued

New purpose-built coolstore opened at Mount Maunganui to handle kiwifruit and other chilled cargoes

Expansion under way at MetroPort Christchurch with construction of a 19,000m^2 warehouse, plus canopy and offices, to be used by Coda Group

Planning for container cargo growth with a ninth crane ordered for delivery in 2020

The current growth in cargo volumes was made possible by the Company's investment in capacity to accommodate bigger ships. We spent more than $350 million over six years to prepare for larger vessels, which started calling in late 2016.

The investment included dredging to widen and deepen shipping lanes, extending the container ship wharves by a third, and purchasing new ship-to-shore cranes and other equipment.

Annual container volumes broke the one million TEU milestone in August 2017. In the year to 30 June 2018, Port of Tauranga handled almost 1.2 million TEUs.

New coolstore at Mount Maunganui

A new purpose-built coolstore has opened at Berth #1 to handle increasing volumes of kiwifruit cargo and better maintain produce quality.

Shed 1 is primarily being used to handle kiwifruit during the export season from March to November. It has been leased to Tauranga Kiwifruit Logistics, which handles exports for Zespri International.

The transitional coolstore facility is far more efficient than the converted cargo shed that formerly occupied the site, using less electricity and more environmentally-friendly refrigerant.

The shed is one of two new facilities that opened in 2017. On the other side of the harbour, Shed 16 was constructed on 2.2 hectares of land adjacent to the Tauranga Container Terminal gate. It is being leased by pulp and paper exporter Oji Fibre Solutions for product storage, handling, packing and dispatching.

Geographic reach across New Zealand

We have extended our national network to bring fast, cost-effective services within easy reach of New Zealand's biggest importers and exporters.

Our inland freight hubs in Auckland, Hamilton and Christchurch, and our South Island container terminal in Timaru, ensure unrivalled connectivity to international shipping services via road, rail and sea.

At Rolleston, our MetroPort Christchurch intermodal freight hub is set to expand. We are constructing a new warehouse complex for our associate company Coda Group, scheduled to open in early 2019.

The hub is connected by rail to Port of Tauranga's Timaru Container Terminal.

Rail is also our preferred mode of freight transport in the upper North Island. Eighty six trains per week transport containers to and from Auckland, while bulk cargoes such as logs, timber, pulp and paper, steel and dairy products are delivered to Tauranga by rail from all over the North Island.

Maersk provides fast connections to South America and North Asia

Gerard Morrison, Managing Director, Maersk Line Oceania:

"Port of Tauranga's investment was the catalyst for us to bring in bigger ships, which are now calling weekly. They connect the New Zealand supply chain directly to the global Maersk Line network. It has enabled us to offer more services and open up new markets that were perceived to be too far away for some cargoes," says Gerard.

"We now have the flexibility to match capacity to demand and be as efficient as we can be."

Gerard says ongoing collaboration and partnerships are the key to continued growth in an era of rising costs.

"New Zealand's competitiveness relies on the speed and cost to our international markets. We need to keep working together to reduce both, by finding better ways to do things and challenging the status quo."

He says that includes technological solutions.

"As an industry we are well behind other sectors when it comes to automation and digitisation. Our customers want more visibility, real-time information and better management of their cargoes in transit," he says.

"We can use technologies such as blockchain to achieve integration between shipping lines, ports, shippers and their customers around the world."

Port of Tauranga is now planning for the next stage of cargo growth.

Of our 190 hectares, about 40 hectares are available for expansion, and container throughput could potentially triple with land reconfiguration and stacking cranes.

We are investing in a new container crane and technology, such as vehicle booking systems, to better manage the flow of container trucks at peak times.

Longer-term, we could extend the quay length both sides of the harbour using Port-owned land south of existing berths.

FINANCES

Port of Tauranga has strived to ensure shareholders receive sustainable returns by having diverse income streams.

GROUP NET PROFIT AFTER TAX – RECORD

$94.3M

(up 13.0% on previous year)

EARNINGS PER SHARE

14.0 Cents

(Per Share)

REVENUE

$283.7M

(up 10.9% from previous year)

ORDINARY DIVIDENDS

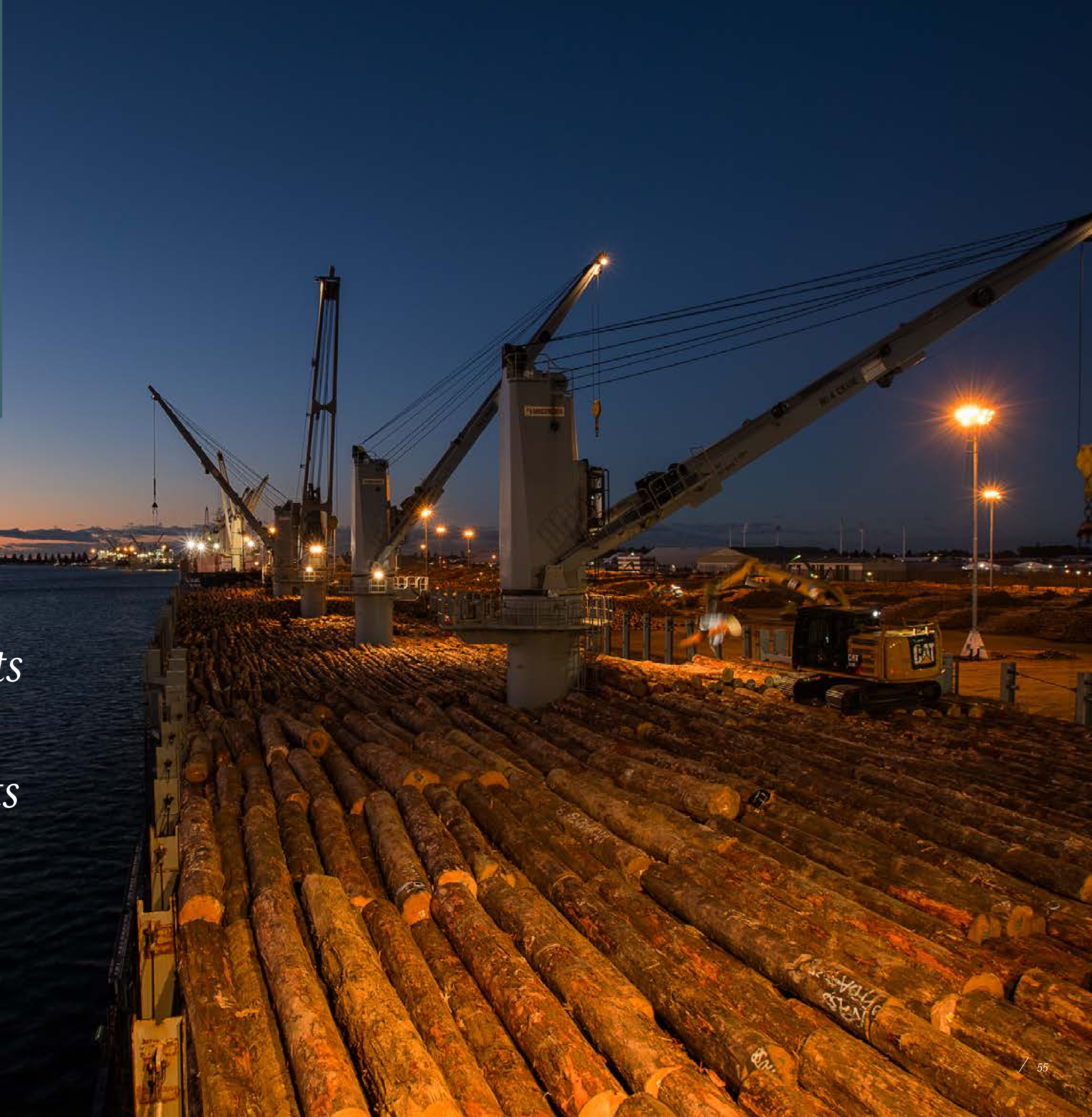
12.7 Cents

(Per Share - up 13.4%)

GROUP EBITDA

$169.2M

(up 11.1% on previous year)



FINANCES
Continued

Strong profit growth of
13.0%
compared with previous year

Group Net Profit After Tax
up 21.9%
since completion of $350 million big ship capability investment in 2016

Earnings from Subsidiary and Associate Companies
$16.4M
(up 11.9% from previous year)

Assets revalued, increasing by
$226M

Nearly
$62.3M
in dividends paid to Bay of Plenty Regional Council's Quayside Holdings, bringing the total contribution to more than $700 million since 1992

Port of Tauranga is not only the largest container port in New Zealand, but also the largest bulk port. It exports the majority of logs, dairy products and kiwifruit from New Zealand.

The Port has a large port-related property portfolio that generates in excess of $27 million in rental income. Strategic property acquisitions ensure future capacity can be expanded for port and port-related activities.

The Group's Associate and Subsidiary Companies are spread throughout New Zealand and earn 17% of its income.

Our strategy is to continue to produce sustainable returns for our shareholders while ensuring we do this with the appropriate levels of risk.

Port of Tauranga's compound annual growth rate since listing on the New Zealand Stock Exchange (NZX) in 1992 is 22.4%.

This has been achieved by ensuring all our capital expenditure achieves the required rate of return expected by our Board of Directors.

Returns to shareholders

Two years ago we announced a capital restructure, aiming to return up to $140 million to shareholders over four years. This is the third year of special dividend payments of $34 million or 5 cents per share.

Emerging cargoes offer new revenue sources

Port of Tauranga's space and efficient services continue to attract new customers and we see great potential in cargoes that are currently small in volume, such as cars.

Cruise ships are an attraction for locals too

Cruise ships bring tourism boost to Bay

More than 151,000 cruise ship passengers spent an estimated $59 million in the Bay of Plenty region in the year to June 2017[1]. The region had the second-largest cruise spend in the country according to Tourism New Zealand. With cruising an increasingly popular holiday choice, ship visits to Tauranga are expected to increase from 83 last season to around 113 calls in the 2018/2019 season.

[1] https://www.tourismnewzealand.com media/3359/ cruise-sector-infographics march-2018.pdf

The port is a major contributor to the Bay of Plenty economy

Nigel Tutt, Chief Executive, Priority One:

(Bay of Plenty Economic Development Agency)

"Port of Tauranga is a huge economic asset to the Western Bay region.

"Having the port here is a key attractor of new businesses to the area and provides opportunities for Bay businesses to grow.

"The Port's strategic leadership, particularly around its expansion programme and the dredging to accommodate larger ships, is paying real dividends to the local economy.

"It gives exporters an edge in accessing international markets."

According to economic consultancy Infometrics, the Bay of Plenty economy grew 4.1% in the year to March 2018, compared with the national average of 2.7%[1].

[1] *Bay of Plenty Times, 23 July 2018.*

We are pleased to report we are on track to continue to deliver our planned capital return to shareholders, given our requirement to maintain a conservatively geared balance sheet. We continue to invest in additional assets to ensure we can accommodate growth in all cargoes. We are currently undertaking a capacity review of all our infrastructure to ensure we can meet our customers' needs in future.

BOARD OF DIRECTORS

D A PILKINGTON
BSc, BE, GradDip Dairy Science & Technology, CFInstD, Chair

INDEPENDENT DIRECTOR

David Pilkington was a member of Fonterra's senior executive team. He holds directorships in Northport Limited, Port of Tauranga Trustee Company Limited and PrimePort Timaru Limited and chairs Douglas Pharmaceuticals Limited, Hellers Limited and Rangatira Limited. He has a strong background in marketing, international business and supply chain logistics. David joined the Board in July 2005.

A M ANDREW
BE Chemical & Materials (1st Class Honours), MBA (Distinction), FEngNZ, CMInstD

INDEPENDENT DIRECTOR

Alison Andrew is currently Chief Executive of Transpower New Zealand Limited having joined in 2014. She has held a number of senior executive roles across various industry sectors, most recently as Global Head of Chemicals for Orica PLC. She has also been a Director for Genesis Energy. Prior to those roles, she held a number of senior roles at Fonterra Cooperative Group and across the Fletcher Challenge Group in Energy, Forests and Paper. Alison has a MBA from Warwick University, and studied Engineering (Chemicals and Materials) at Auckland University. Alison joined the Board in April 2018.

K R ELLIS
BCA Economics (1st Class Honours), BE Chemical (1st Class Honours)

INDEPENDENT DIRECTOR

Kim Ellis is Chair of Metlifecare Limited, NZ Social Infrastructure Fund Limited and Sleepyhead Group Limited, and a Director of Ballance Agri-Nutrients Limited, Fonterra Shareholders Fund (FSF) Management Company Limited and Freightways Limited. Kim chairs the Remuneration Committee and joined the Board in May 2013.

J C HOARE
BCom, FCA, CMInstD

INDEPENDENT DIRECTOR

Julia Hoare has a comprehensive range of commercial, financial, tax, regulatory and sustainability expertise which she developed over the course of 20 years as a partner with PwC.

Julia is Deputy Chair of The a2 Milk Company Limited and Watercare Services Limited and her other directorships include: Director, Auckland International Airport Limited, AWF Madison Group Limited, New Zealand Post Limited, and The a2 Milk Company (New Zealand) Limited (subsidiary of The a2 Milk Company Limited), and Member of Auckland Committee, Institute of Directors, Advisory Panel to External Reporting Board and the Institute of Directors Council. Julia chairs the Audit Committee and joined the Board in August 2015.

A R LAWRENCE
BCA Business Admin

INDEPENDENT DIRECTOR

Alastair Lawrence is a very experienced corporate advisor, specialising in commercial evaluation and strategy development. He was a Director of private investment bank, Antipodes, from 1998-2014.

Governance roles have included Takeovers Panel, Landcare Research Limited, Coda GP and a number of mid market private companies. Alastair joined the Board in February 2014.

D W LEEDER

Doug Leeder is Chair of Bay of Plenty Regional Council. He is a dairy farmer, and has considerable experience in governance and management. Doug has held positions of governance in Federated Farmers, was a Director and Chair of Bay Milk Products, Director of the East Bay Health Board, Chair of Subsidiary East Bay Energy Trust, Chair of NZ Dairy Group and Dairy Insight, and Director of DEXCEL. Doug joined the Board in October 2015.

R MCLEOD

Rob McLeod joined the Board of Quayside Holdings Limited in November 2016 and is Chair. Rob is currently on the Board of NZX listed Sanford Group and Tax Management NZ Limited, and has been past Board Member at ANZ National Bank, Tainui Group Holdings, SkyCity Entertainment Group and Telecom. Rob was Oceania (Australia, New Zealand and Pacific Islands) CEO / Managing Partner for the international accounting practice of Ernst & Young and more latterly as Ernst & Young New Zealand Chair, a position from which he retired on 31 December 2015. Rob joined the Board in October 2017.

SENIOR MANAGEMENT TEAM

Steven Gray
Chief Financial Officer

Leonard Sampson
Commercial Manager

Sara Lunam
Corporate Services Manager

Dan Kneebone
Property & Infrastructure Manager

Mark Cairns
Chief Executive

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.

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

Notes to the Consolidated Financial Statements (continued)

For the Year Ended 30 June 2018

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

Notes to the Consolidated Financial Statements (continued)

For the Year Ended 30 June 2018

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.

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.

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.

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.*

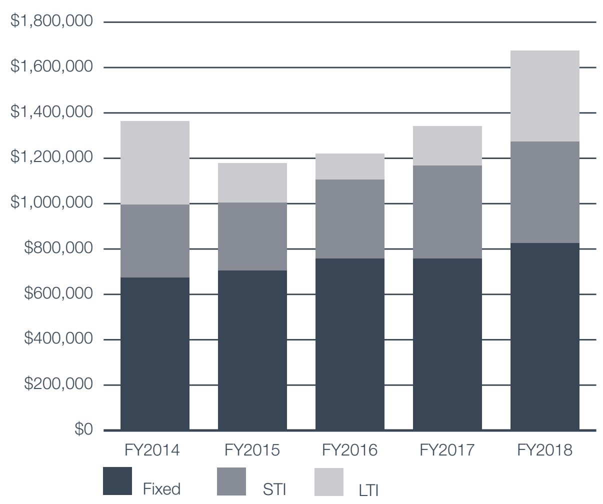
Total remuneration paid is fixed remuneration and the short and long term performance payments earned in the year. Performance payments are actually paid in the following year.

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%

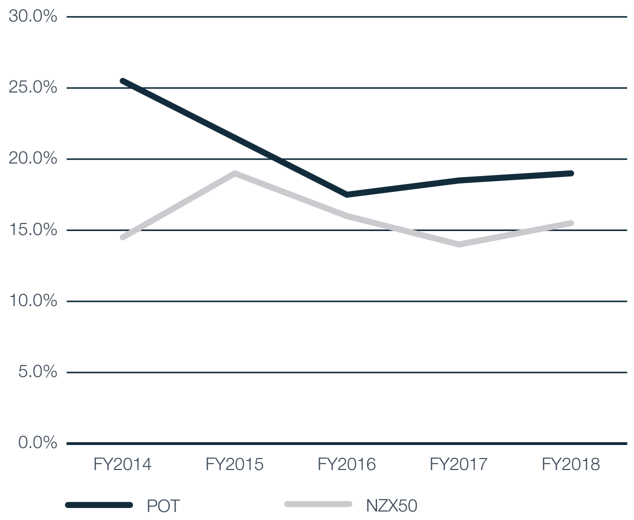
The Five Year Summary – Chief Executive Remuneration

	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)

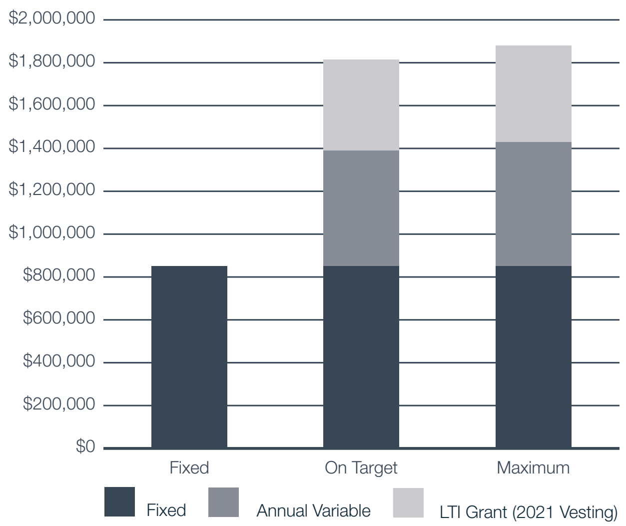
Total Shareholder Return Performance



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:

	Parent Company	
Remuneration Range $000	**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

PORT OF TAURANGA

NEW ZEALAND'S Port for the Future

www.port-tauranga.co.nz