

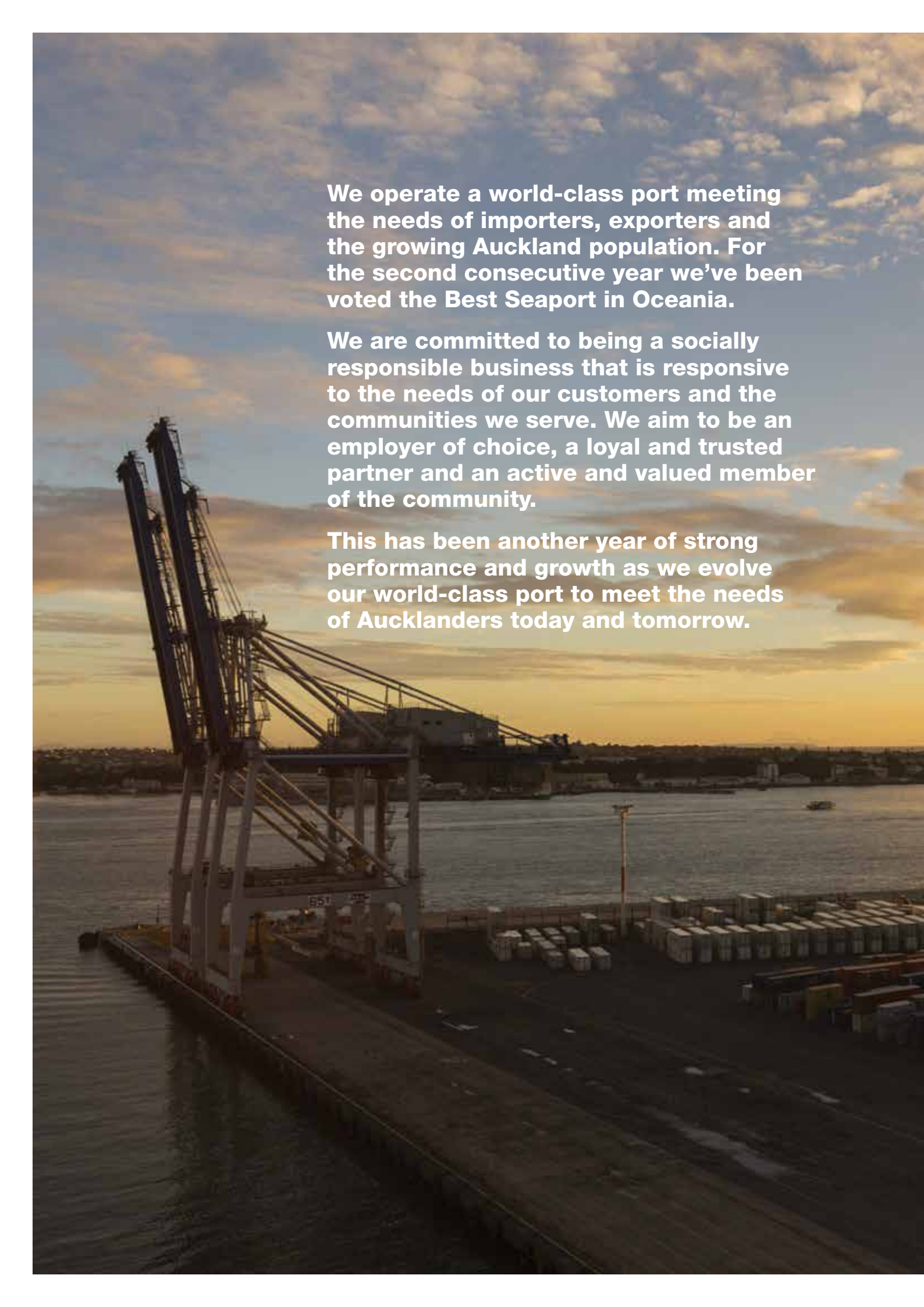


PORTS OF  
AUCKLAND

TĀMAKI HERENGA WAKA



**ANNUAL REPORT 2017**

A large port crane is the central focus, positioned on a ship or barge. The crane's structure is dark against the bright, golden light of the sunset. The background shows a wide body of water and a distant shoreline with buildings and trees. The sky is filled with soft, white clouds, and the overall atmosphere is serene and industrial.

**We operate a world-class port meeting the needs of importers, exporters and the growing Auckland population. For the second consecutive year we've been voted the Best Seaport in Oceania.**

**We are committed to being a socially responsible business that is responsive to the needs of our customers and the communities we serve. We aim to be an employer of choice, a loyal and trusted partner and an active and valued member of the community.**

**This has been another year of strong performance and growth as we evolve our world-class port to meet the needs of Aucklanders today and tomorrow.**



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# From flat out



**Voted No.1**

Best Seaport in Oceania again



**1,572**

visits from individual vessels



**952,331**

20-foot containers handled

# To flat white



**230,571**

cruise ship passenger visits



**174,701**

tonnes of wheat and grains



**13,616**

tonnes of fresh fruit



# From cargo



**297,383**

cars unloaded and processed



**16,615**

tonnes of machinery



**23,875**

tonnes of road metals



# To car pool



**20,939**

tonnes of bananas



**4,500+**

students and teachers took a free  
boat tour of the Port



**86,876**

containers moved by rail



# From building materials



**596,484**

tonnes of cement



**190,035**

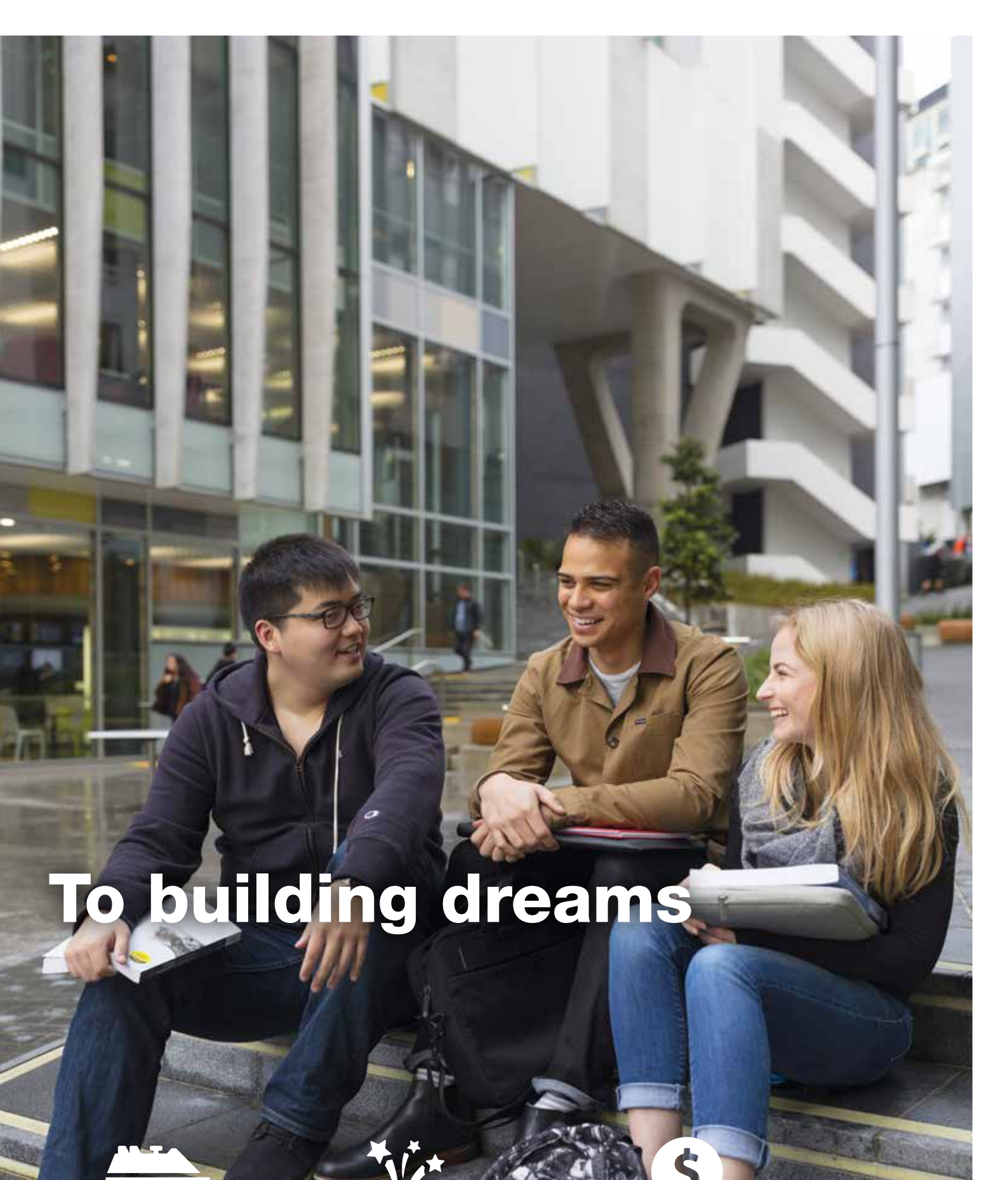
tonnes of sand



**972,473**

tonnes of oversized  
vehicles and machinery





# To building dreams



**100**

cruise ship visits

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**50,000+**

visited SeePort Festival

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**51.3m**

declared dividend delivered  
to Auckland Council

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# Chair's review



**It is my pleasure to present to our owners, the people of Auckland, our Annual Report for 2017. This is my second report as Chair of Ports of Auckland (the Port).**

A handwritten signature in blue ink that reads "Liz Coutts".

**Liz Coutts ONZM**  
Chair

## **Building a platform for sustainable growth**

A port is an unusual business in that it tends to grow over time as an integral part of a city. Which started first, the city or the port? Our history started when the first settlers arrived in Aotearoa, sailing from Polynesia. They settled in this area because of the good local resources and safe harbour. Our first name, Tāmaki Herenga Waka, 'the mooring place of many vessels', shows the value this location had as a safe port of call.

The second wave of settlers, from Europe, chose this site for the same reasons: fertile land around a safe harbour. And so the modern Auckland, and its port, were born.

We are proud of our history and the role we play in Auckland. Auckland's port remains part of the special character of Auckland city and continues to play a vital role in New Zealand's economy, delivering things that we need and enjoy and exporting goods to the world.

Our port has developed over time, adapting to the growing needs of the city and changes in technology. From sail to engines, from cargo in sacks and barrels to containerisation, we are constantly evolving. We are in the midst of a new revolution, a technology and data-driven revolution that will allow us to meet the changing needs and expectations of our community for years to come.

There are three key forces at work, which have both enabled this change and required it. The first is a changing shipping industry, where intense competition and over-supply of capacity have led to a relentless drive to cut costs. As a result it is no longer enough

for a port to just be good at loading ships. We have to extend our reach out into the hinterland to help cargo-owners get their goods to market as efficiently as possible.

The second factor is technology. It has advanced to a point where automation is no longer the exclusive preserve of large, green-field ports. Smaller operating ports can now get the benefit of this technology, and we will be the first automated port in New Zealand.

The third is that the city has changed around us, and community attitudes have changed. It is no longer acceptable for a port to reclaim more land every time it needs capacity. That approach was, literally, unsustainable. To survive as a port and to be a successful business, we have to operate sustainably.

For the first part of this decade our business focused on improving productivity at the Waitemātā seaport. We now operate a world-class port meeting the needs of importers, exporters and the growing Auckland population. For the second year in succession, Ports of Auckland has been voted Best Seaport in Oceania.

## **A sustainable approach**

After successfully transforming the operations at our seaport, our strategic focus has shifted. We still aim to give our customers great service but with more emphasis on delivering improvements through technology and innovation, keeping costs low and extending our reach into the supply chain so we can offer better value and service to freight owners. Under this strategy we began developing a network of freight hubs at key locations in the North Island, and

seeking partnerships with like-minded ports. We now have three operational inland hubs in Auckland, Manawatū and the Bay of Plenty, with a fourth, in Waikato, under development. There has been keen interest in the development of our Waikato hub and we are in discussions with a number of cargo owners over use of the site.

This year we have enhanced our strategy in response to changing community priorities. We have a vision to become a leading sustainable port at the global level, which means being more transparent and engaged with the community, and an environmental leader to help drive Auckland's economy in a sustainable way. We aim to be an employer of choice, a loyal and trusted partner, and an active and valued member of the community. We contribute to New Zealand's economic and social prosperity while balancing the needs of the environment and our stakeholders.

For the first time, our annual report follows the International Integrated Reporting Framework, developed by the International Integrated Reporting Council. It shows how we create and build value across our seven sustainability principles: economically responsible; resilient operations; innovation and foresight; values-based; enhancing people and safety; customer and community focus; and environmental leadership. This year we report on a number of the early steps we have taken towards achieving our long-term sustainability goals.

One of the biggest impacts of our shift to a more sustainable future is in how we view port development. Rather

than updating earlier versions of port development plans, which were based around reclamation, we have started with a blank sheet. We have talked to the people who move freight through our port to find out more about their needs and how we can work with them to make our operations more efficient. We've listened to the Auckland community through the Port Future Study, focus groups and other feedback, about the desire to protect the Waitematā Harbour and the future people want to see for the city centre waterfront. We've made better use of our data to improve our understanding of how freight flows through our seaport and to identify pinch-points as well as opportunities for greater efficiency.

We have also put considerable energy into improving our Future Foresight. Like other industries we face disruption from new technologies. We will not passively await the future, but instead anticipate and proactively plan the kind of future we believe will be best for our staff, our customers and the community we serve. For port development this means trying to anticipate change and build a port that is resilient and adaptable.

We are mindful that the port may one day move, but also that shifting a port is a slow and expensive process that could take decades. So we have developed a plan that allows the port to cater for increased trade in the intervening period.

We have adopted the principle that new port buildings and infrastructure should, where possible, look good, be sustainable, enhance public access to the waterfront and be able to be repurposed should the port one day be moved.

As a result, we have developed some ideas for our future development that are, I think, very exciting. I believe they strike a good balance between the Port's economic role and our environmental and social responsibilities. We look forward to sharing our ideas with Aucklanders later this year.

### **A strong result**

This year we have continued to deliver strong results in a difficult trading environment. We will pay our shareholder, Auckland Council Investments Limited, a dividend of \$51.3 million for the 2016/17 financial year, compared with \$54.3 million last year. This dividend equates to 4.1% of the average residential rates bill, a significant contribution the city can use for future investment while keeping rates down.

We welcomed three new Directors to the Board this year: Sarah Haydon, Karl Smith and Bill Osborne. All are experienced directors with diverse backgrounds, including strong supply chain and financial credentials.

Wayne Walden stepped down from the Board during the year, and I would like to thank him for his wisdom and valuable contribution. Wayne was appointed to the Board in August 2011 and has helped steer the company through a period of significant change.

Finally, on behalf of the Board, I would like to thank the team at Ports of Auckland for their commitment and hard work. 2017 has been another year of strong performance and growth, as we evolve our world-class port to meet the needs of Aucklanders today and tomorrow.

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# About this report

**Welcome to Ports of Auckland’s 2017 Annual Report. This report is an important way of strengthening our ties with our key stakeholders; employees, customers, shareholder and community. The aim is to provide an integrated overview of our strategy and our financial and non-financial performance. This reflects our commitment to be a pioneer in sustainability in our industry and the most sustainable port in New Zealand, while working hard to deliver the things that make Auckland a great place to live, study, work and play.**

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We operate a world-class port to meet the evolving needs of importers, exporters and the growing Auckland population, today and tomorrow. More than half of our inbound cargo stays in Auckland. This is significant. Our proximity to the city means much shorter freight movements so we deliver goods to our customers quickly and with a much lower carbon footprint compared to freight that travels further by land from other ports.

Innovating, doing things better and minimising our impact on the environment are the goals that drive us. Our vision is to become a leading sustainable port at a global level, woven into the fabric of Auckland and driving the city’s sustainable growth to improve the environment for future generations. We take an integrated, transparent approach to our business planning, balancing the needs of all of our stakeholders. This is reflected in this report.

## Our integrated approach

For the first time our Annual Report follows the Integrated Reporting Framework, developed by the International Integrated Reporting Council. It shows how we create and build value across the six capitals: financial, manufactured, intellectual, human, social and relationship, and natural. These are referred to as the six capitals and underpin our sustainability principles.

Our sustainability principles guide our actions and enable us to deliver against our business strategy and achieve our outcomes. Our business model and approach to value creation are outlined in pages 14 and 15. This report provides an update on our performance against our outcomes on pages 16 to 32.

Below we show how the six capitals link to our sustainability principles for the Port and the outcomes we are striving to achieve. These will evolve over time.

### Six capitals

- Financial capital
- Manufactured capital
- Intellectual capital
- Human capital
- Social and relationship capital
- Natural capital

### Sustainability principles

- Economically responsible
- Resilient operations
- Innovation and foresight
- Values-based
- Enhancing people and safety
- Customer and community focus
- Environmental leadership

### Our outcomes

- Commercially successful
- Safe and empowered people
- Delighted customers
- Keeping ahead of trade needs
- Volume growth through sustainable supply chain solutions
- Strong strategic relationships
- Active in the community
- Improved environment



## Stakeholder engagement

Our set of outcomes is intended to meet the needs of our diverse stakeholders. This year we have continued to strengthen our stakeholder relationships, which are fundamental to ensuring effective operations, establishing and enhancing our supply chain services, and maintaining our licence to operate. We have deepened our stakeholder focus and have implemented a co-ordinated and constructive engagement approach, hosting more community, business, political and international representatives at the port than ever before. We are committed to open and transparent dialogue and engagement.

**You can read more about our approach to developing positive, working stakeholder relationships on pages 27 to 29.**



## Material issues

A wide range of social, environmental and economic issues have an impact on our business, either directly or through our supply chains and customers. This creates a continually evolving set of issues that needs to be managed. We have developed our sustainability principles to help us address our key social, environmental and economic issues.

Our leadership team regularly assesses key issues to understand their materiality for our business and our stakeholders. This process begins with ranking our issues in terms of their level of importance for key stakeholders (employees, customers, community, shareholder) and level of importance to the Port as a business. This allows us to prioritise the issues that will have the biggest impact on both us and our stakeholders. This year we identified 18 issues that were of medium to high importance to our stakeholders and to the Port. There are four issues that have been prioritised due to their importance for at least two of our stakeholder groups:

**Port capacity to keep ahead of demand (see page 23)**

**Community engagement (see page 27)**

**Changing supply chain structures (see page 26)**

**Traffic and congestion (see page 28).**



## Governance

We believe that corporate governance is the foundation for a sustainable business. Our decision-making and control frameworks are underpinned by our commitment to maintaining high standards of business integrity and ethics in all our activities. We maintain sound corporate governance and risk management structures and processes, which our Board considers pivotal to delivering sustainable growth in the interests of all stakeholders.

Our corporate governance structure and decision-making framework ensure integrated and effective decision-making at all levels and provide strategic, operational, statutory and functional support to the business.

**For more about our approach to corporate governance, see pages 33 to 35, and our website [www.poal.co.nz](http://www.poal.co.nz).**

# Working for Aucklanders, today

## OUR BUSINESS MODEL

### How we create value

#### Our sustainability principles

Our sustainability principles guide what we do as a world-class port. They are the value enablers that we apply across the business, from how we manage our container terminal, multi-cargo, supply chain, cruise and marine services. They also guide our relationships with all of our stakeholders, from our shareholder and employees to our customers, business partners and community groups.

Our sustainability principles allow us to manage our risks and opportunities and to generate value for all of our stakeholders. They take into account our external environment, the economic conditions and changing innovation and technology drivers, as well as the societal and environmental issues that have an impact on our business.

#### Our values

Our values work alongside our sustainability principles to drive our behaviours, how we work together with respect and care. They guide our actions, what we say and what we do, driving us to do things better.

#### Our outcomes

We deliver on our vision with our outcomes, ensuring that we remain a key part of the special character of Auckland city, and play a vital role in New Zealand's economy, both exporting goods and delivering things that we need and enjoy.

### Our sustainability principles

- Economically responsible
- Resilient operations
- Innovation and foresight
- Values-based
- Enhancing people safety and wellbeing
- Customer and community focus
- Environmental leadership



### Our values

We work together

We respect and care for each other

We deliver results

Ports of Auckland operates a world-class seaport that provides access to goods from

# and tomorrow. Kaitiakitanga.

## Our outcomes

- Commercially successful
- Safe and empowered people
- Delighted customers
- Keeping ahead of trade needs
- Volume growth through sustainable supply chain solutions
- Strong strategic relationships
- Active in the community
- Improved environment



We do what we say

We do things better

around the world, to cost-efficient exporting and cruise ship tourism.

# Chief Executive's review



**It's been another good year at Ports of Auckland. We've delivered a solid operational performance as volumes have risen across the board, and we've started and finished several infrastructure projects that will set us up for future growth.**

## Financial performance

Revenue has lifted from \$211.1 million to \$222.4 million, up \$11.3 million, reflecting increases in volume. Reported profit before tax is \$72.4 million compared with \$99.9 million the previous year. Reported profit has been impacted by movements in property and asset valuations, which last year included a \$17.6 million reversal of a previous impairment of assets.

Reported net profit after tax was \$60.3 million, in line with expectations. Last year's net profit after tax of \$84 million included a \$17.6 million gain for an asset impairment reversal. Costs have increased following investment decisions to future-proof our operations and ensure better service for customers.

These include investing in reviewing our business model, automation, innovation, cyber security and sustainability.

This is a strong trading result, demonstrating that the port is a well run and efficient operation responsive to market challenges.

## Operational performance

There has been a significant lift in cargo volumes across the port this year. Container volumes increased a healthy 5% to 952,331 TEU (1 TEU = 1 standard 20-foot container), up from 907,099 in the previous year. This reflects growth

in the Auckland market and a desire by some cargo owners to reduce their carbon footprint by shipping Auckland freight directly to a port in Auckland.

Our crane rate (the number of containers moved on and off a ship in an hour) fell back slightly this year to 34.7 moves per hour (mph) compared with 36.6 mph last year. Pressure on our stevedoring resources as a result of shipping being concentrated around weekends has contributed to this fall, as has a loss of capacity on the terminal while we carry out work to introduce automation. We have been addressing the resourcing issues, but the ongoing automation work at the terminal will continue to present challenges next year.

Our general cargo wharves are operating above capacity, which is putting pressure on our facilities and the wider supply chain. In 2016/17 we handled 6.5 million tonnes of break-bulk cargo (including cars), an increase of 12.1% on last year.

Auckland's construction boom and major infrastructure projects continue to drive volume growth in break-bulk cargo. Cement volume increased 14.1% over the previous year and is up almost 50% in two years. We expect the infrastructure developments in the region to continue to fuel growth and demand for our services.

**Tony Gibson**  
Chief Executive Officer



## 51.3m

declared dividend delivered to Auckland Council



## 61.9%

ratio of consolidated shareholders' funds to total assets



Car imports have increased again this year with 297,383 units imported, up 20% from last year, fuelled by population growth and a strong economy. We expect further growth this year, but at a slower pace. To deal with this ongoing growth in vehicle imports we will have to build more capacity on port, most likely in the form of a multi-storey car handling building. To give us confidence that this would be money well spent, we wanted to look at the long-term viability of the car trade through our port, and commissioned a study by Enviro-Mark of the carbon cost of importing cars through other ports. This study showed that diverting the vehicle trade through Northport would increase carbon emissions by 21,522 tonnes per year. This is more than the entire carbon output of the Port currently and gives us confidence that Ports of Auckland is the most environmentally sustainable car import port.

We have a close relationship with the Pacific Islands and we are encouraged by the growth and focus of our Pacific Islands trade. There will be slow but steady increases into the future. We work closely with our sister ports in the Pacific and, for some islands, services through Auckland provide a critical link to supplies.

As a result of our commitment to customer service, Ports of Auckland has been voted Best Port in Oceania in the Asian Freight, Logistics and Supply Chain Awards for the second year in a row. This award is particularly special as it is voted on by our customers and is testament to the hard work and commitment of our team.

### Supply chain

Our global operating environment is characterised by over-capacity and consolidation in the container industry. A year ago we had 14 container line customers; we now have seven. Continued consolidation in the container industry brings some risks: dominant carriers and a relentless demand for ports to reduce costs.

Strong relationships and a collaborative approach are critical to remaining successful in the current environment – ports don't compete, supply chains do. Our strategy is to develop a rail-connected North Island freight hub network that provides greater choice for our customers and allows us to better balance our freight flows. Our hub network provides better international freight links for the regions, encouraging local employment and growth.

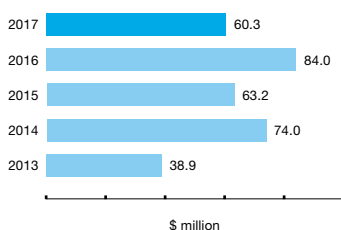
We continue to focus on maximising our productivity and efficiency through innovation and investing in a smart, efficient supply chain to offer cargo owners excellent value and choice.

The collective response to the Kaikōura earthquake across ports, shipping lines and our strategic partner KiwiRail demonstrates the value of collaboration and resilience in the supply chain.

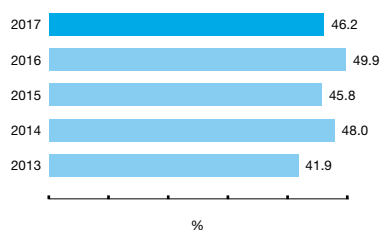
We have completed a new cross-dock at Wiri that enables efficient transfer of freight to and from containers. At our Manawatū Freight Hub in Longburn, a joint venture with strategic partners, Napier Port and Icepak New Zealand, we have also expanded cross-dock facilities and the Ministry for Primary Industries (MPI) has established a regional transitional facility. Final resource consent has been received for the development of our Waikato Freight Hub and we are on track to start operations in 2018.

Our supply chain strategy has been further augmented with the acquisition of Netlogix's 50% shareholding in Nexus Logistics and its subsidiary CONLINXX. This gives us the ability to control our infrastructure and provide our customers with the most efficient end-to-end solutions.

### Net Profit after Tax

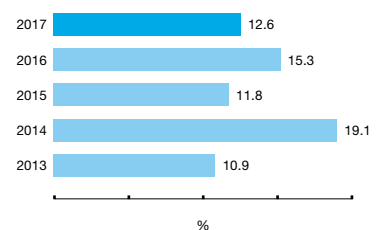


### EBITDAFI\* to Revenue



\*Earnings before interest, tax, depreciation, amortisation, fair value adjustments and impairments

### Return on Equity (excluding asset revaluations)



**Our open and transparent approach ensures that we are well connected and tuned-in to our diverse stakeholders. It also builds a greater understanding of the vital role of the port and the challenges and opportunities we face.**

**Investing for the future**

We are investing in our people and infrastructure to ensure that we can continue to meet the growing needs of Auckland and the upper North Island while respecting Aucklanders’ desire to protect the Waitematā Harbour.

Innovation and automation will increase our container terminal capacity from 900,000 TEU a year to around 1.6 –1.7 million TEU. This is enough for an Auckland population of around 2.7 million, or 30–40 years of capacity at Auckland’s current rate of growth. We estimate that on our existing land area we can handle up to three million TEU, catering for an Auckland population of five million.

We have made good progress towards automating our container terminal. The first of our new automated straddles are undergoing testing in Germany, and will be shipped to Auckland for assembly and further testing towards the end of the year. We have finished building our

new deep-water terminal berth and three new cranes for this berth will arrive in August 2018.

In May 2017 we moved two giant container cranes to prepare for automation and help us serve bigger ships. This massive job was done between customers at our busy terminal. Work on a new stacking area for refrigerated containers has started, as has work on the first automated truck handling areas. As noted above, this has reduced our working space on the terminal and we are doing our best to minimise the impact of this on our customers.

While automation may one day mean that cars drive themselves off our port, at present automation is not the answer to the capacity issues on our general wharves. As well as looking at more physical infrastructure in this location, we are working closely with industry partners to find ways to get cars off the port faster. Dwell times are already low – this year cars have stayed on wharf for an average of only 2.9 days – but even small improvements will help alleviate congestion at peak times.

For the past two years we have engaged a futurist to work with us. We have adopted a Future Foresight programme to share and talk about disruption in our industry and beyond with our staff as well as customers. We are exploring what disruption might mean for ourselves, customers and communities and how we might adapt. Our aim is to anticipate changes and plan for the kind of future we believe will be best for our staff, our customers and the communities we serve.

Automation brings significant productivity and sustainability benefits, but it also impacts some of the traditional roles

in our industry. We believe that businesses like ours that are adopting new technologies also have a responsibility to help staff and their families to adapt. We have initiated a Future of Work programme where our staff can learn about and manage these new opportunities.

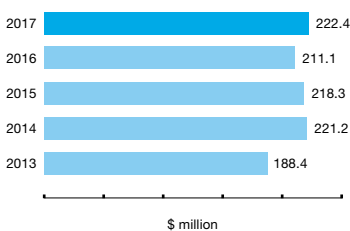
Ensuring that our people and those we interact with on the Port remain well and safe is our top priority, and we are pleased to see good progress in this area. We are also working closely with partners to share health and safety best practice. The Health & Safety Team will soon become the Safety & Well-Being Team to better reflect our holistic approach in this area.

We recognise the benefits of diversity and inclusion and this is a key part of our people strategy and culture. A diverse workforce brings different perspectives, improving our decision-making processes, our ability to innovate and our outcomes.

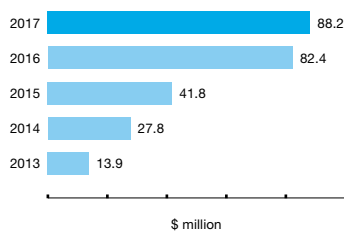
We are part of the Auckland community and are actively engaged. We are proud to support key events such as Ports of Auckland Round the Bays and the Ports of Auckland Anniversary Day Regatta. This year we have hosted more school, community, business, political and international representatives at the port than ever before. Our open and transparent approach ensures that we are well connected and tuned-in with our diverse stakeholders. It also builds a greater understanding of the vital role of the port and the challenges and opportunities we face.

We are committed to being a socially responsible business that is responsive to the needs of our customers and the communities that we serve. We have made good progress this year.

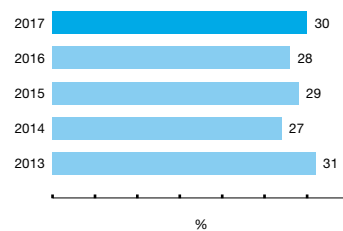
**Revenue**



**Capital expenditure**



**Interest bearing debt to debt + equity**



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# Operating review

**Ports of Auckland is focused on working hard for Aucklanders, while caring for and protecting our people and place (kaitiakitanga), today and tomorrow. We have developed our sustainability principles to help us achieve this vision. It is through the application of these principles that we can achieve our outcomes.**

**Our outcomes represent the value we create for our stakeholders, including our shareholder, employees, customers, business partners and community groups.**

**We measure our performance against these outcomes.**

**The following pages discuss the progress we have made this year.**

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## Safe and empowered people

The safety and well-being of our people and everyone we interact with as we go about our business are our absolute top priority.

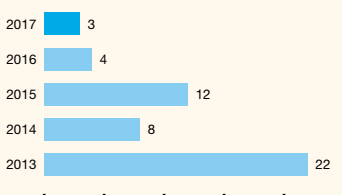
We work hard to ensure that safety and well-being are embedded into our workplace culture. This requires a holistic approach to staff welfare to ensure that our people are safe and empowered in their roles at the Port. As a result, our Health & Safety Team will soon become the Safety & Well-Being Team to better reflect our approach in this area. A well-being specialist has also been appointed. We have programmes underway to ensure we continue to offer a safe and rewarding place to work.

### Reducing workplace injuries

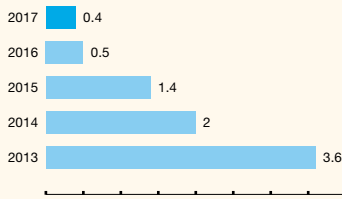
We are pleased to report further reductions in injury rates, with only three injuries resulting in team members having to take time off work (lost-time injuries or LTIs), compared with four last year. One of our team lost a finger-tip as the result of an accident in our gym, and two staff received knee injuries that required surgery. The LTI rate is now down at 0.4 injuries per 100,000 hours worked and we've celebrated a significant milestone: three years with no LTIs in our Engineering Department.

There have been 45 injuries requiring medical treatment, the same as last year. While our results are improving, our goal is zero LTIs and we won't be satisfied until we achieve this.

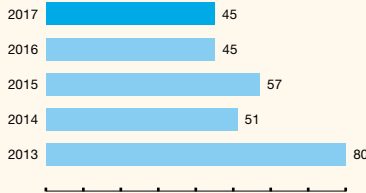
### Lost time injuries (LTI)



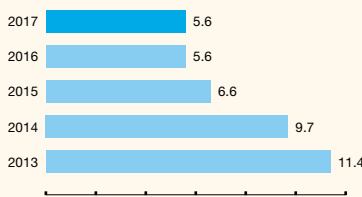
### LTI frequency rate\*



### Medical treatable injuries (MTIs)



### MTI frequency rate\*



Note: Health and safety metrics depict the numbers at the Waitemata seaport only.

\* Injuries per 100,000 hours worked.

A key part of our approach is to ensure that we have up-to-date and accurate reporting to ensure visibility so any risks can be dealt with effectively. We do this through Portsafe, our online health and safety reporting and monitoring tool. This tool is well used across the business and we continue to actively encourage our people to use Portsafe to report near-miss events. A near-miss is an event that didn't result in injury or harm, but had the potential to do so. By evaluating near-miss incidents, we can develop better ways to manage our health and safety risks. Continued staff training on Portsafe is resulting in improved reporting, particularly of hazards and non-compliance.

This year, the Health & Safety Team trialed a system of reward and recognition to positively reinforce a good safety culture within the business. The trial showed a clear link between workplace observation, reward and recognition and resulted in a drop in the frequency of incidents. We have now rolled out the programme to all operational areas and it is now a key performance measure for terminal managers.

Safety at the port covers not just our staff but also the large number of contractors and third-party operators (such as stevedores) who work on the port. We have hired an additional Health & Safety team member dedicated to working with third parties, particularly those working on the general cargo wharves. This has resulted in significant improvements in the safety culture in that part of the business.

We are also working with other ports across New Zealand to share health and safety information and learnings. This year we have worked closely with the ports of Napier and Lyttelton, sharing information on common critical risks and discussing methods of continuous improvement.

### Training and development

We are using technology to improve training outcomes and enhance the professional development of our team. We have increased the use of our simulator for crane and straddle training. We partner with the New Zealand Maritime School to provide our pilots with continual training and development and have access to its simulators for use in training and risk assessment.

We ensure our pilots are well trained when working with new ships. This year we were visited by a new quantum class ship, *MS Ovation of the Seas*. We worked jointly with the ship operator to ensure that our senior pilots were simulator trained prior to the ship's arrival.

We are also exploring new technologies, such as virtual reality for training. This will allow us to carry out more realistic training for more people across the business, saving time and money. We are currently developing a virtual reality training programme for the use of pilot ladders and will provide an update on progress in next year's report.

### A culture of innovation

Many industries and professions are facing the prospect of disruption from new technologies. Our industry is no different. We can't just react to these changes, we need to anticipate and proactively plan the kind of future we believe will be best for our staff, our customers and the community we serve. We are working to develop a culture of Future Foresight and innovation to make the most of the opportunities the changing environment provides.

The Board and Senior Management Team are working with futurists to ensure that new thinking and approaches are embedded into our strategy.

This year our senior and middle managers were trained in Future Foresight methodologies and we have established an active Futures Forum. The Forum meets regularly to focus on the social, technological, environmental, economic and political trends that may influence our business. We will continue to involve more staff in this programme during the coming year. Our virtual reality training programme is a result of an idea from the Futures Forum and we hope to see more innovative ideas in the future.

Our collaborative project management tool, i-lign, continues to encourage staff to submit ideas and innovations from across the business. This year 80 ideas have been submitted and more than 400 conversations have taken place. Twenty-five of these ideas are now being implemented. Staff have also been invited to explore parts of the business that they do not currently work in through a familiarisation programme. This is helping us to explore how different areas of the business can work together.

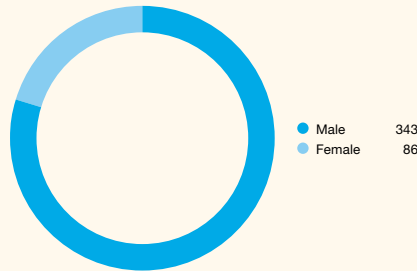
### Future of Work programme

We are planning a series of internal workshops to help prepare staff for the impact of technological disruption in our industry and the wider economy. A recent report from the International Labour Organization found that nearly three in five jobs face a high risk of automation. We feel that businesses like ours, which are adopting new technologies, have a responsibility to help staff and their families to adapt. The workshops will bring together people who can help us to understand what lies ahead and provide our team with advice on how to navigate the future. The workshops are currently being developed and will be open to all staff and whanau. The next stage is to provide interactive learning sessions where staff can explore how they can manage and navigate these new opportunities.

### Our strong commitment to diversity

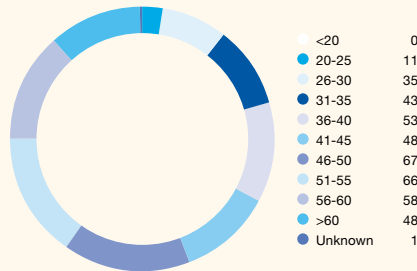
We recognise the benefits of diversity and inclusion, and these are a key part of our people strategy and culture. A diverse workforce brings different perspectives, improving our decision-making processes and our ability to innovate.

### Staff gender balance\*\*†

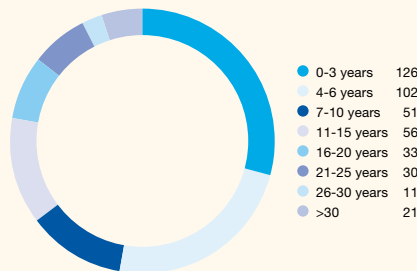


† 1 person noted as 'unknown' in 2017.

### Staff age profile\*\*



### Staff years of service\*\*



\*\* Permanent staff only (does not include casual, fixed term and contractors).

We feel that businesses like ours, which are adopting new technologies, have a responsibility to help staff and their families to adapt.

While we operate in a traditionally male-dominated industry, we have been successful in developing opportunities for women. Today, 20% of our staff are female and we aim to raise this to 30% in the coming year. We are achieving this without quotas, but instead by systematically addressing the barriers and biases (many unconscious) that stop women from considering a career in our industry. We continue to be a major sponsor of Global Women and a key sponsor of the Women's International Shipping and Trading Association New Zealand (WISTA NZ). These sponsorships ensure that our team is provided with development and networking opportunities.

Ethnic diversity is also a priority for us. We currently have more than 40 nationalities within our workforce, contributing different ideas and perspectives. We are looking to increase the number of Māori, Pasifika and Asian leaders within the Port.

We recognise the benefits of different age groups in the workforce. Increasingly healthy lifespans are influencing how long people choose to work, and are blurring the line between work and retirement. This provides opportunities to retain skills and talent in the business. This year we have been recognised for our positive approach to the ageing workforce, with Payroll Manager Robyn Roff, aged 69, and engineer Graeme Doherty, aged 67 featuring in the *New Zealand Herald* and on TVNZ's *What Next?* discussing their roles and opportunities at the port.

We have introduced an innovative new graduate programme where our graduates are not only learning about the Port, but also taking on active reverse-mentoring roles. They are partnering with older staff, where together they can explore and discuss



the future, technology and the new career opportunities that may be possible. We also have an ongoing communications internship in partnership with AUT under which we employ one or two students in their final years of study. All our interns are paid the living wage and we offer them meaningful and challenging work, which helps them get the experience they need when they fully enter the workforce.

Celebrating our cultural diversity throughout the year is also very important to us. Diwali, Matariki and Christmas are all celebrated with our Port family coming together for food and fun activities. Hāngi, Indian food and traditional Kiwi Christmas fare all feature on the menu!

**Supporting our staff sporting endeavours**

Each year we offer a staff sponsorship programme where staff can apply for support for their own sporting efforts or those of teams they are involved in. This year we supported stevedore Tai Kilisome, who coached and managed one of Tuvalu’s volleyball teams that competed at The Trusts Arena in Auckland in 2016, with gear for their competition. We also supported stevedore Ricky Pereira with training gear and kit for his charity boxing match to raise money for Cure Kids.

We do what we can to help local budding athletes and sports teams to compete with the best in their fields. We were proud to support the J19 Elite Girls Squad from the New Zealand Waka Ama team with new paddles this year. The squad travelled to Tahiti to compete in the 2017 IVF World Distance Championships, in which they placed first, completing an impressive 27-kilometre race in just two hours and 18 minutes.



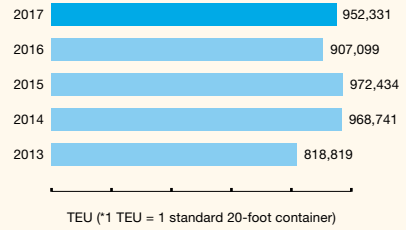
**Delighted customers**

For the second consecutive year, we have been recognised by our customers, by being voted the Best Port in Oceania at the Asian Freight, Logistics and Supply Chain Awards. Our team is proud of this accolade, and continues to look for ways to improve the services we provide.

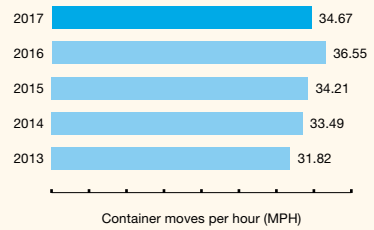
Flexibility is a key requirement for our customers today. The container shipping industry continues to feel the pressure of over-capacity. This year has seen further shipping line and service consolidation. For us this means we need to provide efficient and flexible supply chain solutions to our customers.

In the past six months more than half of container ships arrived at our port outside of their scheduled berth windows. When ships are running late they have to speed up, increasing fuel consumption, and cost. By providing a fast, flexible service we add value by helping lines to regain lost time. The productivity improvements we have achieved since 2011 and our ‘can do’ attitude help us to deliver this service level.

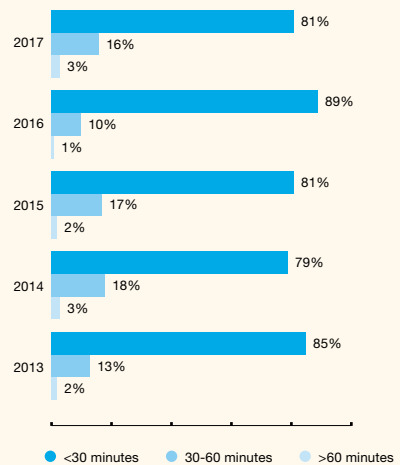
**Container throughput (TEU\*)**



**Crane rate (Australasian Waterline Standard)**



**Truck turnaround (% trucks turned around in time)**



We continue to evolve our operations and innovate to best meet the changing and growing demands of our customers. We have several projects underway to ensure that we continue to increase our capacity through automation and by developing flexible supply chain options. These are outlined in more detail below in 'Keeping ahead of trade needs'.

Aucklanders' demand for cars means our car import business continues to grow, putting pressure on our multi-cargo wharves. We are working closely with all parts of the motor vehicle supply chain to help address these issues, as outlined on pages 24 and 25.

We continue to develop our e-commerce solutions with our customers to provide more transparency and visibility for the efficient handling of cargo through the port and the wider supply chain. These include more efficient e-gate solutions in the container terminal and the management of car flows through the Port. In collaboration with the Port of Tauranga we have developed PortConnect, which provides a one-stop shop-front for container movements through either port and our respective freight hubs at Wiri and Metroport. It is an innovation that makes life easier for customers who use both ports, while we retain our independence and the benefits of healthy competition between ports.

We actively listen to and engage with customers. In addition to day-to-day dealings we have a formal Customer Satisfaction Survey twice a year to measure our performance and identify areas to work on. We operate a 'no surprises' policy with customers and try to be as proactive as possible around operational changes and service impacts. Looking ahead, we are reviewing our business processes to further lift transparency and optimise flexibility and value for customers.



**8.15**  
CUSTOMER  
SATISFACTION

The average score for customer satisfaction in the six months to April 2017 is 8.15/10.



## Keeping ahead of trade needs

One of our key objectives is to ensure that we can handle the freight needs of Auckland and New Zealand today and tomorrow. We are constantly engaging with customers and stakeholders to understand their changing requirements. We consider the implications of changes to industry, economics, technology and society to help us be future-focused and ready.

Container shipping consolidation continues as we anticipated, with only 12 global container carriers expected to remain in the market by 2018 compared with 20 in 2016. The impact of this locally is the withdrawal of some shipping lines from our market and changing alliances.

We continue to focus on maximising our productivity, flexibility and efficiency through innovation and investing in our supply chain to offer cargo owners excellent value and service.

Volumes through the port continue to increase, in line with Auckland's growth and reflecting an economy that is in good shape. More than half (53%) of New Zealand's population lives in the upper North Island, with the area experiencing 3.1% annual real GDP growth. Almost two-thirds (64%) of New Zealand's cargo by value is traded through upper North Island ports. More than half of our inbound cargo is destined for Auckland, which means short-distance, quick and efficient delivery. Freight movement by land from distant ports, even if to an inland port close to Auckland, adds cost and negative environmental impact.

We are investing in our people, technology and infrastructure to ensure that we can continue to meet the growing needs of the Auckland and the upper North Island while also respecting Aucklanders' desire to protect the Waitematā Harbour. The projects we have underway enable capacity growth without the need for reclamation. The history of the Port is one of using less and less land but improving

productivity through technology and good management. We'll also need new wharf space at our general cargo terminal as ships get bigger and trade volumes increase.

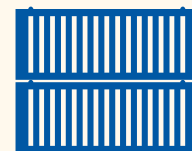
## Future-proofing container terminal capacity through automation

Since 2011 we've delivered dramatic improvements in container handling performance as volume has risen to 952,331 TEU this year. We have achieved greater productivity by improving our systems and processes, but this approach alone is no longer enough to address the rising demand. As a smart, future-focused port, we are investing in technology and automation that will create a step change in our container handling, enhance our ability to serve customers efficiently, and deliver better returns to our owners, the people of Auckland.



**1,286** TEU

per running metre of container quay



**24,591** TEU

per hectare of container terminal, including rail grid and yard

To achieve this, we have invested in 27 new automated straddle carriers (A-Strads) and will automate the yard and truck operations at the container terminal.

The first new A-Strads have been built in Germany and will be delivered in December 2017 for assembly and testing. We have started work to convert our truck grid for automated operation, and the groundworks for a new refrigerated container stack are underway. Some of the new equipment



that will be used to control the A-Strads has been installed on our existing machines and is being tested on site. Automation is due to go live in 2019. We will be the first New Zealand port to automate.

We are in the final stages of the container terminal expansion project, a 10-hectare reclamation and berth project started in 2001. We have finished construction of a new 300-metre deep-water berth at the north end of the terminal and three new cranes have been ordered. The reclamation itself will be completed around 2020. At some point in the next ten years, when we need the capacity, we will demolish our existing office building and build a modern, new office for all our staff, close to the port boundary. This will provide additional valuable container terminal land for productive use.

We also have smaller innovation initiatives underway to maximise the performance of our container terminal. In September 2017 we will install a hatch platform on one of our cranes. Hatch platforms allow ships' hatches to be stored off the ground, freeing up space on the terminal for container handling. Once the first installation has been tested we intend to install hatch platforms on all our cranes.

Innovation, automation and layout changes on our existing container terminal footprint will increase our capacity from 900,000 TEU a year now to around 1.7 million TEU. That is enough capacity for an Auckland population of around 2.7 million, or 30–40 years of capacity at Auckland's current rate of growth. We estimate that with further investment in technology our existing land area could handle up to three million TEU, catering for an Auckland population of around five million people.



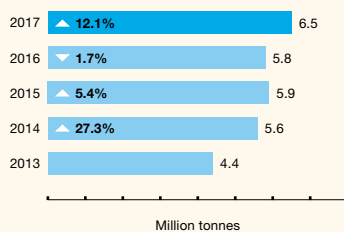
## 0.9m TEU CONTAINER CAPACITY

Our target is to have 1.5 million capacity by the end of 2020.

### General cargo growth

Our general cargo wharves are operating above capacity, which is increasing pressure on our facilities and the wider supply chain. In 2016/17 we handled 6.5 million tonnes of break-bulk cargo (including cars), an increase of 12.1% on last year. We have experienced unacceptable delays to shipping as some ships wait for free berths.

### Bulk and break-bulk\*



\* Ports of Auckland's Waitematā seaport and Onehunga seaport. Vessels ceased calling at Onehunga seaport in November 2016. Includes cars.

We have experienced increased volumes across all cargo types. Auckland's construction boom continues to drive the volume growth. Cement volume increased 14.1% over the previous year and is up almost 50% over the past two years. This year nearly 600,000 tonnes of cement were imported via our general cargo wharf to be used in everything from the Waterview Connection and City Rail Link to building houses and office buildings and Aucklanders' own DIY projects.

In the past year Holcim New Zealand has started importing cement via its new cement facility on Jellicoe wharf and stopped using the Port of Onehunga. We have also worked with Golden Bay Cement (GBC) to modify one of our wharves to accommodate its larger new cement carrier *Aotearoa Chief*. Both companies have made the move to larger vessels to accommodate increased demand in Auckland and the upper North Island. We also handle steel for construction, as well as gypsum, grains, coal and iron sand. We expect the infrastructure developments in the region to continue to fuel growth and demand for our services.

Our general cargo wharves play vital role in getting supplies to many Pacific Islands. For some islands, services through Auckland are their only link to the wider world. We work closely with our sister ports in the Pacific, and in late 2016 supported the Pacific Economic Cooperation Council (PECC) conference in Auckland, which was focused on building trade in the Pacific region.

The Pacific Island trade through Auckland is made up of a mix of containerised freight and break-bulk, served mainly by smaller vessels with their own cranes. The trade has continued to build steadily over the year and we expect slow but steady increases into the future. While the ships are smaller, even on this trade we are seeing a growth in vessel size that is putting pressure on our general cargo wharves, particularly Jellicoe wharf, the main wharf for this trade. As mentioned above, we are looking at how we can change the shape and size of our general cargo wharves to cater for this trend.

### Vehicle and project cargo handling capacity

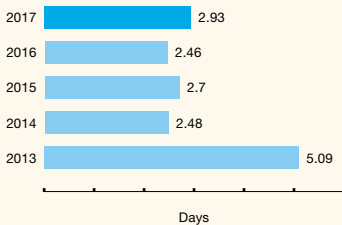
Car imports have increased again this year, with 297,383 units imported, up 19.9% from last year. Volumes remained strong in July 2017 and we expect continued strong numbers for the rest of the 2017/18 financial year. The increase appears to be driven by population growth plus the strong economy, with many New Zealanders upgrading to newer cars. As well as cars, the large 'car ships' carry a wide range of heavy vehicles and project cargo. These have included trucks, buses, diggers and giant earth-moving equipment, tractors, planes, helicopters and boats. Project cargo also includes large prefabricated



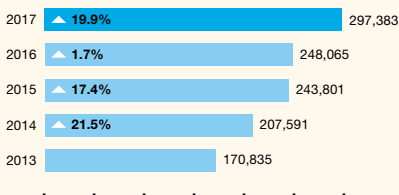
items for the construction sector, wind turbines, electrical sub-stations and more.

This level of growth has caused increased pressure on our facilities and the wider supply chain, with our wharves operating well above capacity. As a result we have seen an increase in the number of ships having to wait at sea or at berth until space can be cleared on the port. Demand for these services looks set to continue. Light vehicle imports have already exceeded the forecast for 2041 made in the PwC upper North Island port study (2012) and are over the upper bound of forecasts made in the 2015 NZIER port study. Growth will continue to be supported by the replacement of ageing vehicles, strong economic growth and a move to electric cars.

**Car dwell times**



**Cars\* (units)**



\* In 2012/13 we introduced automated manifest and billing. This has meant that all other vehicles other than cars are measured in tonnes and not units.

We are working closely with industry partners as this issue cannot be solved by Ports of Auckland alone. Many of the reasons for the delays in clearing cars off our wharves are supply chain issues. Examples are the need for more trucks and drivers to move the vehicles off port and for compliance centres and receiving yards to operate longer hours so the industry can make better use of off-peak times when there is less congestion on Auckland roads. We are investigating how technology might help, for example by using electronic locators to aid truck drivers to find their cargo. Larger-scale solutions will come from collaboration across the supply chain. We have improved our data collection for car movements and analysis of this data is helping us to identify problems in the

**In our initial thinking, we have adopted the principle that any new port building should look good, be green, have public access and be able to be repurposed should the port one day be moved.**

supply chain, then eliminate or mitigate them.

We have looked at the cost and sustainability of alternative supply chains through other ports, and this has given us confidence that Auckland is the cheapest and most environmentally friendly supply chain for the industry. A study of the imports of cars carried out for us by Enviro-Mark showed that diverting the vehicle trade through Northport, for example, would increase carbon emissions by 21,522 tonnes per year, based on current volumes. To put that in perspective, that is more than the annual operating emissions for the entire port. Importing cars via another port kilometres away from the main market for those cars is not a sustainable alternative.

It is not as straightforward to increase capacity with general cargo as it is with containers. Cargo comes in all shapes

and sizes and automation is not yet an option. To help address this, one idea we are exploring is the construction of a multi-storey car building on Bledisloe wharf. This would provide more room without reclamation, hide cars from view, and possibly even free up space for other uses.

In our initial thinking, we have adopted the principle that any new port building should look good, be sustainable, have public access and be able to be repurposed should the port one day be moved. We are planning to share our ideas with Aucklanders later this year. We believe this approach would enhance the waterfront while at the same time improving general cargo capacity.

We are also looking at how we can increase our berth space. Auckland Council's Port Future Study recommended building a new wharf on the northern end of Bledisloe terminal, and we are investigating how this can be achieved with the least impact on the harbour. We aim to have more information on both these projects later in 2017.

**Supporting cruise tourism**

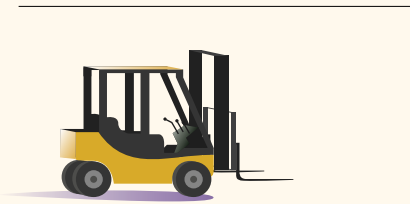
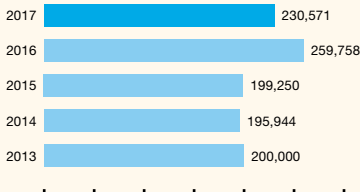
This year has seen 100 cruise ships and more than 230,000 passengers visit Auckland via the Port. Cruise tourism is on the rise, and we want to ensure Auckland can enjoy the economic benefits and vibrancy it brings. A key trend in this sector is that ships are getting bigger and many have outgrown Auckland's cruise infrastructure.



We have no wharves long enough to cater to the largest cruise ships that would like to call here. During this year's cruise season, *Ovation of the Seas* had to moor in the harbour, creating a less satisfactory experience for cruise visitors. We are not the only city facing the issues and opportunities created by larger cruise ships. Christchurch has committed to building new cruise infrastructure while Brisbane is investing in a new AUD\$100 million cruise ship terminal.

Queens Wharf, the main cruise berth in Auckland, is owned by Auckland Council, not Ports of Auckland. As a result of public opposition to building any new infrastructure into the harbour, the proposed construction of a mooring dolphin off Queens Wharf to handle the berthing of larger ships has stalled. A resolution of this issue is required to ensure that these larger ships do not bypass Auckland. The economic impact of not resolving this urgently is far-reaching for Auckland city.

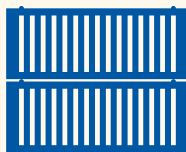
**Number of cruise ship passengers**



**Volume growth through sustainable supply chain solutions**

We recognise that our customers seek flexible and efficient supply chain solutions. Our strategy is to develop a rail-connected North Island freight hub network that provides greater choice for our customers while allowing us to better balance our freight flows. Auckland has traditionally been an import-dominant port, due to our proximity to the city. This strategy will allow us to handle more exports, and it also reduces the need for the unnecessary movement of customers' empty containers around New Zealand, which is inefficient and increases emissions.

Our hub network will provide better international freight links for the regions, encouraging local employment and growth. Our hubs are port neutral to encourage customers to use the most efficient supply chains for their needs. This approach has financial and environmental benefits for our customers and our business.



**98,590 TEU**

TEU volume handled by supply chain.

**Creating a reliable, responsive and sustainable supply chain**

Over the years we have consciously moved as many activities as we can inshore to ensure that we use our sea-edge site as efficiently as possible. We currently have three freight hubs in operation (South Auckland, Manawatū and Bay of Plenty), and a fourth under construction in Waikato. All are strategically located next to rail and are at the centre of current and planned freight generation and consumption areas.

The development of our South Auckland Freight Hub at Wiri is progressing well. We have now finished building a new cross-dock, which has been leased to Transport Investments. A cross-dock allows the efficient transfer of freight to and from containers. Construction of two further cross-docks is likely to start later this year.

The Manawatū Freight Hub at Longburn is a joint venture with strategic partner Napier Port and landowner Halls Logistics. This hub provides rapid access to the import market in the lower North Island, and easy rail access to Napier Port for exporters in the area. Crucially, it helps provide resilience in the supply chain by giving cargo owners greater choice. The disruption created by the Kaikōura earthquake and Manawatū Gorge closure highlights the need for supply chain resilience.

This year we have expanded the cross-dock facility at Longburn and the MPI has established an office on site. The Manawatū Freight Hub will become the regional MPI Transitional Facility in line with MPI's strategy to improve biosecurity and reduce costs by limiting the number of sites where import containers may be emptied.

In May we were granted final resource consent for the development and operation of our Waikato Freight Hub.



Our hub network will provide better international freight links for the regions, encouraging local employment and growth.

The speed of the consenting process in Waikato was exemplary. The consent provides for all the operations and infrastructure necessary to operate a freight hub, 24/7. Earthworks started on site in November 2016, and were blessed by local Iwi, Tainui. While work was delayed slightly due to heavy rainfall during the construction season, this is not expected to have any material impact on the overall development. Work has stopped over winter and will start again later in 2017. We aim to have operations underway in 2018.

### Streamlining our supply chain

In May 2017 we acquired Netlogix's 50% shareholding of Nexus Logistics and its 100% subsidiary CONLINXX. This is a key part of our supply chain strategy, giving us the ability to control our infrastructure and provide our customers with the most efficient end-to-end solutions.

Nexus Logistics is what is known as a '4PL' – a company that helps businesses to use existing freight networks to move freight more efficiently. Nexus finds ways to reduce waste in the freight supply chain through technology and innovation, generating significant cost savings, which fits well with our overall supply chain strategy.

CONLINXX, which already operated our South Auckland Freight Hub, is a '3PL' – a company that provides freight handling services such as trucking, rail handling and freight hub operations. CONLINXX has now been separated from Nexus Logistics so it can better focus on its core business, delivering the strategic capability and capacity required to enable the efficient flow of freight to and from the Port.



### Strong strategic relationships

A key component of our supply chain strategy is to develop strong strategic relationships and alliances with complementary organisations and ports. As discussed above, we are working in partnership with Napier Port at our Manawātū Freight Hub. We have also developed a strategic alliance with KiwiRail to ensure that our freight hubs are connected by dedicated, point-to-point trains as the primary freight movers. This not only reduces congestion on roads, but provides a cost-effective and efficient solution for customers. We hope that the recent Government announcement of a third main line in Auckland (matched by the Labour and Green Parties) will eventually be followed by the construction of a fourth main line and improvements to the eastern line to the port. While we have ample rail capacity at present, our strategy to increase rail use significantly will generate the need for future investment.

### An active part of the maritime community

In November 2016 we hosted the New Zealand Marine Pilot Association conference at the Port, welcoming more than 70 local and international pilots and exhibitors. The conference ran concurrently with the Royal New Zealand Navy's International Review in which we also participated. This was a highlight of the Navy's 75-year anniversary celebrations, which welcomed 14 international vessels through the port and surrounding wharves.

We also partner with the New Zealand Maritime School on staff training and development for our team, working with its simulation equipment and trainers.



### Active in the community

The Port has been at the heart of Auckland since the city was officially founded in 1840. We are a part of the special character of Auckland and are proud to contribute to the local economy and community.

We are actively engaged with the local community and our stakeholders. This year we have hosted more school, community, business, political and international representatives at the port than ever before. This ensures that we are well connected and engaged with our diverse stakeholders and enjoy an open dialogue. It also builds a greater understanding of the vital role of the Port and the challenges and opportunities we face. We are committed to being open and transparent with all stakeholders.



### Connecting with Aucklanders

One of the challenges of being an inner-city port is that as the city has grown around us the external impacts of the port – things like emissions, congestion and noise – are being felt by a greater number of people. To help us understand those impacts and better manage them, we regularly meet with our Community Reference Group, which has been advising us for seven years. The Group represents local businesses and our closest residential neighbours and has been invaluable in sharing feedback and thoughts with us on a range of topics, from our new sustainability framework to shipping emissions.

One of the biggest issues we are dealing with is noise from ships, cargo handling and trucks. This year we have introduced new rules on the handling of heavy plate steel exports, restricting the hours that this cargo can be handled from 07:00 in the morning to 21:00 at night. Previously this cargo was handled at any time. This is an example of where we are trying to operate more in line with community sentiment, rather than simply abiding by the rules and regulations.

Working with National Road Carriers and local residents, we have been monitoring truck noise on The Strand to try to address concerns about night-time noise from trucks. This work is ongoing, with further monitoring underway. A large part of the problem appears to be related to driver behaviour, so we will work with trucking companies to find a solution.

Ship noise is harder to deal with, as we have no control over the types of vessel that visit New Zealand. When possible, we berth ships with their funnels facing away from the neighbours, although this is a difficult operational procedure that can only be done when conditions are exactly right. It is not a long-term solution. Longer term we will investigate the feasibility of introducing shore power to our freight wharves, an innovation that would, if successful, eliminate engine noise at berth.

We have also been working with the Employers and Manufacturers Association and other business partners to investigate the cost of congestion to Auckland and to offer ideas for solutions to the problem. We helped fund a study

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## We need investment in road, rail, public transport, technology and demand management, and we need to be much smarter and think further ahead in how we plan transport for the future.

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by NZIER into the issue and the report was published early in August 2017. The monetary cost of congestion was put as high as \$1.9 billion annually, with social costs over and above that. This is an important issue that affects all of us living and working in Auckland. No-one wants to be spending time in traffic when we could be spending time with friends and family.

The report showed a need for a multifaceted approach to reducing congestion. We need investment in road, rail, public transport, technology and demand management, and we need to be much smarter and think further ahead in how we plan transport for the future.

The work we are doing to build rail-connected freight hubs is a part of the solution, and we are working to reduce the number of trucks on local roads near the port by shifting more containers by rail to our Wiri Freight Hub.

## Welcoming the community at SeePort

More than 50,000 people were welcomed this year to explore the port during the SeePort Festival, which ran over two days. This is a unique chance for our port and the community to come together for a few days, and is a key part of our community calendar. Now in its fourth year, our annual open weekend has been enjoyed by 193,000 visitors. Attendees explore the port by bus, boat or helicopter, and meet many of our maritime partners. A highlight of the Festival is the 82-year-old *William C Daldy* steam tug, which is the oldest floating tug of her kind.

## Supporting a vibrant waterfront

As part of our commitment to a vibrant waterfront, we sponsor two important community events, the Ports of Auckland Round the Bays and the Ports of Auckland Anniversary Day Regatta.

We have sponsored the Ports of Auckland Round the Bays for eight years, and are proud to support an event that celebrates getting out and about and enjoying our beautiful waterfront. Through the event this year we made donations to the Child Cancer Foundation, Great Potentials Foundation and Variety – the Children’s Charity of New Zealand, providing support to our youth.

The Ports of Auckland Anniversary Day Regatta is Auckland’s oldest sporting event and the largest regatta in the world. We’re the primary sponsor for the event, and our tugs compete in the annual tugboat race. The tugboat race is

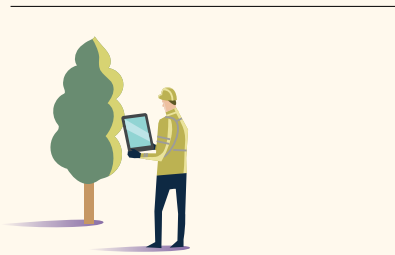


a highlight in the racing schedule, always proving to be as much fun for our tug masters as it is for spectators.

### Supporting Auckland youth

We are also working to ensure that Auckland school children get to experience the port. Almost every week we run boat tours of the port with the New Zealand Maritime Museum, hosting kids from schools all over Auckland. From early childhood education groups to high school students, these tours continue to be popular – often a first boat ride for many of the children. The tours are free to school groups during the school term, while in the holidays we open the tours to families for a small fee. We use the money raised from the school holiday tours to subsidise transport to the tours for schools from less well-off areas.

We have a close relationship with two local primary schools, Wiri Central School and Te Papapa School. Two of our executives contribute as members of the school boards and our staff often volunteer to participate in school book weeks and other activities. This year also marks the third year of a partnership with SCOUTS New Zealand, providing funding to help develop scouting in the region.



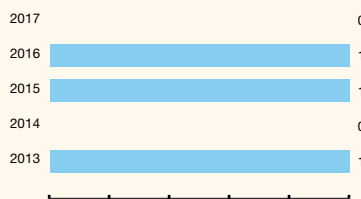
### Improved environment

Our vision is to become a leading sustainable port at a global level, woven into the fabric of Auckland and driving the city’s sustainable growth to improve the environment for future generations.

We have set a goal to become a zero-emission port and to become net positive for energy by 2040. This is an ambitious goal and will be difficult to meet, but we have taken our first steps.

For instance, we have partnered with Forum for the Future to develop a sustainability framework that sets clear goals and a roadmap for achieving them.

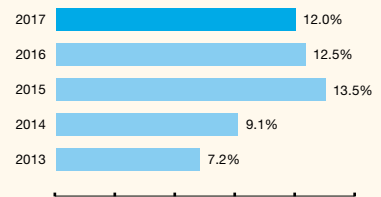
#### Environmental spills\*



Note: Environmental measurements are currently only made at the Waitematā seaport

\* The spills data refers to spills for which Ports of Auckland has assumed responsibility.

### Rail moves as % of total land-side moves to/from the Port



Note: Volumes refer to the Waitematā seaport only.

To help us get started we set a number of short-term (up to three-year) targets. Our 2017 targets were designed to help us to build our internal capability through a number of pilot projects, and measure our current performance so we could set a baseline for our future work. The 2017 targets are summarised below.

### Progress to date

#### Energy, emissions, water quality and waste

This year we signed a collaboration agreement with the Energy Efficiency & Conservation Authority (EECA) and we are working with EECA to develop an energy management plan with the aim of further reducing energy consumption company-wide. We have completed our first energy audit, which identified potential energy savings (fuel and electricity) of up to four gigawatt hours annually.

We have joined the Certified Emissions Measurement and Reduction Scheme (CEMARS) programme and, as part of

### The 2017 targets

Determine metrics and gather baseline data for energy, emissions, waste and water quality.	<b>In progress, but behind schedule</b>
Set 2018 and 2025 targets based on baseline data.	<b>In progress, but behind schedule</b>
Begin to develop a plan for a zero-emissions container terminal, then complete and launch plan for zero-emissions terminal.	<b>In progress, but behind schedule</b>
Commence the development of an Environmental Management System that is ISO 14001 compliant; work with a relevant local partner to develop and execute improvements to achieve ISO 14001 accreditation by June 2018.	<b>On schedule</b>
Continued contribution to healthy marine environment through the Bryde’s whales project.	<b>Achieved</b>
<b>Pilot Project:</b> Complete feasibility study for cruise shore power.	<b>Achieved</b>
<b>Pilot Project:</b> Consult Port of Los Angeles (and perhaps others) on how to develop a clean truck programme. Identify willing trucking company partners.	<b>Not achieved</b>

this, we have prepared an emissions inventory. This will feed into the preparation of our energy management plan and be used to develop emission reduction goals. The emissions inventory is currently being peer reviewed and will be audited later in 2017.

The total carbon dioxide (CO<sub>2</sub>) emissions for Ports of Auckland (including our 100%-owned subsidiaries) for this financial year is in the order of 19,000 tonnes (unaudited). This includes emissions from all Port-owned and -operated emission sources, and those indirect sources that are a result of Port operations, such as waste to landfill, electricity and air travel. The inventory has been prepared in accordance with the requirements of the measure step of the CEMARS programme and this is based on the Greenhouse Gas Protocol and ISO 14064-1:2006. As such, emissions from ships and trucks visiting the port are not included due to their being owned and operated by third parties. In time we will gather this data and propose to include it as additional indirect sources in the future.

As we begin to develop a plan to be an emission-free port, it is clear that the hardest part of this goal will be the elimination of emissions from the diesel used in our tugs, pilot boats and heavy machinery. In achieving this goal, we will be reliant on the development of new technology. We will be looking for partnerships with like-minded organisations to help accelerate progress toward this goal.

We have a few initiatives underway which will help us take the first, small steps. This year we completed another EECA partnership project, the installation of LED floodlights on our general cargo wharves. This project is now in the evaluation stage, to assess if the actual energy savings match the projected savings of 1.17 gigawatt hours of electricity – which would be enough to run 147 Auckland houses for a year.

In the next two years we will install LED floodlights in the container terminal as part of our automation project. All of the energy savings delivered by the LED project are over and above those identified in our CEMARS energy audit.

Our new automated straddles, which will enter service in 2019, are expected to deliver up to 10% in fuel savings.




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Our goal is to outperform our sector where possible, and during the past year we have made a number of key improvements.

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We have several solar generation projects to be completed in the 2018 financial year, which will make a further contribution and begin the journey towards our net positive energy goal. The container cranes ordered for our new berth at the The Fergusson Container Terminal will be fitted with 26-kilovolt solar panels to offset their electricity use. We have also entered into a partnership with Waikato University to develop a prototype for a DC microgrid system that uses electricity generated from solar. This technology has potential applications on-port and in our freight hubs to make our smaller auxiliary buildings independent of the main power grid.

We have bought our first two electric vehicles (small vans) which are now being used by our Marine and Safety & Well-Being Teams. Over time we will replace all our petrol and diesel auxiliary vehicles with electric vehicles. This approach of replacing older equipment with more sustainable options is being explored across the business. We will need to buy a new tug in the next few years, so we are investigating options for hybrid or alternative fuel propulsion systems to reduce emissions.

We have increased the energy efficiency of our container operations again this year, with both electricity and diesel use

per TEU down. However, it is important to note that due to volume growth, total energy usage has increased.

We have started a three-year monitoring programme for all our storm-water treatment devices. We will look for further opportunities to treat runoff where feasible (the legacy storm-water systems on-port make this challenging) and we may sample the quality of runoff from representative areas across the Port to compare them with the treated areas and gain information on the effectiveness of our current controls.

We have an objective to achieve zero waste. This year we have focused on collecting waste data to allow us to set our future reduction targets. We have also established a 'zero-waste' working group made up of staff volunteers, who are leading the development and implementation of this programme.

#### Environmental Management System

In partnership with Enviro-Mark, we have started work to develop an Environmental Management System which is ISO 14001 compliant, with the aim of seeking accreditation by mid-2018. We have appointed a dedicated environmental advisor to lead this work and strengthen our existing environmental management processes.

Our goal is to outperform our sector where possible, and during the past year we have made a number of key improvements.

We introduced a new procedure for shore-to-ship bunkering to improve the management of this activity and reduce the risk of spills. Bunkering is the shipping word for refuelling, dating back to when steamships stored coal in bunkers. The new procedures are well understood by our shipping

customers and all are implementing them successfully. This is an important part of our environmental risk management. We are pleased to report that Ports of Auckland has not had any reportable spills this year.

As it is with all ports, dredging is an integral part of our business. Both the shipping channel and our berths require maintenance dredging to remove silt that washes in from the city and the wider harbour. Maintenance dredging in our berths produces about 20,000 cubic metres of material annually, and channel maintenance around 5,000-10,000 cubic metres annually. Currently we mix the dredged material with cement and use it as part of the Fergusson Container Terminal reclamation – our biggest recycling project.

The Fergusson Container Terminal reclamation project is due for completion around 2020, so we will be unable to continue using dredged material in this way. In the past we have also accepted dredged materials from the wider waterfront, including marinas, so we are not alone in having to find a new method of disposal. It is likely that we will have to start disposing of dredged material offshore once the reclamation is complete. We are starting work to investigate the options available, the nearest of which is the offshore disposal site 27 nautical miles east of Cuvier Island, off Coromandel Peninsula.

Much of our storm-water is ultimately discharged into the harbour (as is storm-water from the wider city). We are very conscious of the need to maintain good water quality and we work hard to capture/collect sediments etc prior to discharge. We closely manage our operational procedures in order to minimise the outflow of contaminants into the harbour and have installed treatment devices where possible. This year we completed an evaluation of storm-water treatment options for Freyberg Wharf where bulk cargos such as sand and scrap steel are handled. As a result of this evaluation we will be installing an above-ground treatment device and building a new wash-pad adjacent to Freyberg to create environmentally safe areas for washing and refuelling heavy equipment (loaders, excavators etc).

Partnerships are essential in achieving our environmental management goals, especially as we have a number of independent stevedores and other contractors working on the port.

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Partnerships are essential in achieving our environmental management goals.

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We work closely with these contractors to ensure they are on board with our goals and working with us to deliver improvements. We achieve this through open dialogue backed up by an annual third-party compliance audit of our environmental practices and management framework. This year the auditor noted ongoing improvements in both areas.

We also partner with other ports to share best practice and learn from each other. This year we attended a Ports Environmental Forum hosted by Lyttelton Port of Christchurch. The Forum found a number of areas where improved co-operation among New Zealand ports would deliver environmental benefits. We will continue to work with these ports in the coming year to share learnings and best practice.

#### **Bryde's whale project**

The Bryde's whales project continues to be successful, with no whale deaths due to ship strike reported again this financial year. There have now been no whale deaths for three years, compared with an average of two a year before the initiative started. Shipping companies continue to work closely with us on this project and support for the voluntary 10-knot target speed in the Hauraki Gulf remains high. Speeds through the restricted area average around 10.5 knots. This is a very positive result, and demonstrates excellent collaboration between scientists, local government, environmental groups and the industry.



### Shore power study

We have completed our study to investigate the feasibility of installing shore power for cruise ships. Shore power involves connecting ships into the electricity grid to provide their power while at berth, eliminating berth-side emissions. As this project progressed it broadened into a study of all the alternative emission-reduction options available. We are now consulting with stakeholders and the study will be published once this is complete.

### Clean truck pilot programme

We have not been able to progress the idea of a clean truck pilot programme. This will be moved into the 2018 year. Trucking remains a key issue for our communities, with congestion and noise the biggest concerns. We continue to look for ways we can reduce truck traffic near the Port, particularly in peak times. We continue to utilise rail, and this year 12% of total land-side moves to and from the Port were made by rail and 45% of containers were moved off-peak.



### Reducing, reusing and recycling indicator

	2013	2014	2015	2016	2017
Electricity used by port operation (kWh)	17,358,646	17,772,839	18,164,150	17,256,149	17,303,217
Electricity used by port operation (kWh) per TEU*	21.20	18.35	18.68	19.02	18.17
Diesel used by port operations (litres)	2,778,502	3,211,682	3,113,857	2,763,529	2,802,525
Diesel used by port operations (litres) per TEU*	3.39	3.32	3.20	3.05	2.94
Diesel used by straddles (litres) per engine hour	21.58	21.69	20.71	20.87	21.21
Diesel used by port service - Marine (litres)	650,233	735,825	839,044	775,361	740,665**
Water used by port operations (cubic metres)	83,870	81,242	68,949	88,160	103,305***
Water used by port operations (cubic metres) per TEU*	0.10	0.08	0.08	0.10	0.11
Total dredgings used as environmentally friendly fill, including mudcrete (cubic metres)	87,100	34,000	13,700	47,854	31,000

\* 1 TEU is a standard 20-foot container.

\*\* Also includes diesel purchased but not yet used.

\*\*\* Higher consumption this year due to new concrete drenching by Brian Perry Civil on Fergusson North wharf.



# Our Board

## Liz Coutts ONZM BMS FCA CFInstD

### Chair

Liz was appointed Chair in December 2015 and has been a Director since December 2010. She is also Chair of Oceania Healthcare and Skellerup Holdings and a Director of EBOS Group, Yellow Pages Group and Sanford. Liz is President and a Chartered Fellow of the Institute of Directors in New Zealand.

Liz has extensive governance and executive experience across a range of industries and sectors. She has previously been Chief Executive of Caxton Group, Chair of Meritec Group, Industrial Research and Life Pharmacy, Deputy Chair of Public Trust, and a Commissioner of both the Commerce Commission and the Earthquake Commission. She has been a Director of Ravensdown, the Health Funding Authority, PHARMAC, Air New Zealand, Sport New Zealand and Trust Bank New Zealand. Liz was a member of the Financial Reporting Standards Board of the Institute of Chartered Accountants and the Monetary Policy Committee of the Reserve Bank of New Zealand. She was also Chair of the Risk and Assurance Committee of the Inland Revenue.

## Rodger Fisher Deputy Chairman

Rodger was appointed a Director in December 2013. He was a Director of the Lyttelton Port Company from 2003 to 2013 and Chairman from 2007. He is currently Chairman of Ultrafast Fibre, PTI Group, and The Property Group. He was Managing Director of Owens Group from 1987 to 1999 and has previously been Chairman of WEL Networks, the Civil Aviation Authority, the Aviation Security Service and Auckland Blues.

Rodger is a Chartered Fellow of the Institute of Directors in New Zealand, a Fellow of Governance New Zealand, a Fellow of the New Zealand Institute of Management and a Fellow of The Chartered Institute of Logistics and Transport in New Zealand.

## Andrew Bonner BA (Hons) Director

Andrew has been a Director since December 2009. He was previously a

Director and founder of Marlborough Wines Limited and remains a Director of associated vineyard companies and of West Auckland Trusts.

Andrew was formerly an executive with Foster's Group where he ran the import arm of the Foster's business in Australia and was Managing Director of Foster's Group New Zealand and also Managing Director and Chairman of Foster's Group Pacific in Fiji.

## Patrick Snedden BCom BA Director

Patrick has been a director since May 2012. He Chaired the Housing New Zealand Corporation and the Auckland and Counties District Health Boards. He was also a Director of Watercare Services, Auckland's wastewater and water company.

In 2011 he helped to establish a new educational trust devoted to accelerating improvement in Māori and Pasifika educational outcomes. Manaiakalani Education Trust works in Tamaki and around NZ with 50 low decile schools and 12,000 children to use high-end technology to accelerate learning improvement for these children. Patrick is the Executive Chair of the Trust.

## Jonathan Mayson CNZM MBA Director

Jon was appointed a Director in October 2014. He is a professional Director, having been CEO of the port of Tauranga from 1997 to 2005. He was honoured for his services to the shipping industry and the export sector in 2006 when he was made a Companion of the New Zealand Order of Merit.

Jon was Chair of New Zealand Trade and Enterprise from 2008 to 2012 and is currently Chairman of both Martin Aircraft Company and Ziwipeak, and a Director of the Chiefs Rugby Club.

## Sarah Haydon BSc FCA CMIInstD Director

Sarah was appointed a Director in August 2016. She is also a Director of The Co-operative Bank, Co-Operative Life, and Wairaka Land Company Limited. Sarah Chairs the Boards of Cavalier Corporation and New Zealand Riding for the Disabled Association and

is the Deputy Chairman for the Institute of Geological and Nuclear Sciences. She is also a Council Member for the Unitec Institute of Technology.

She is a Chartered Accountant and a Chartered Member of the Institute of Directors in New Zealand.

Sarah has previously been a Director of AsureQuality Limited and Chief Financial Officer of OfficeMax New Zealand Limited. Her previous executive roles were with British Petroleum plc.

## Karl Smith BCom CA CMIInstD Director

Karl was appointed a Director in October 2016. He is currently Group Chief Executive for Gough Group and has held senior management roles with PDL Holdings, Progressive Enterprises, Crane Group and Citibank.

Past directorships include Lyttelton Port Company and Crusaders Partnership. He is currently a Director of Geosystems New Zealand, Building Point New Zealand, Sitech Construction NZ and Atlantic Murriner.

He is a Chartered Member of the Institute of Directors and a graduate of The Advanced Management Program at Harvard Business School. Karl is also a Chartered Accountant.

## Bill Osborne MBA Director

Bill Osborne was appointed a Director in May 2017. He has an extensive business background including past roles as Group Manager International for New Zealand Post, CEO of Quotable Value New Zealand, inaugural Chairman of 2 Degrees Mobile and chair of CoreLogic New Zealand. He has served on boards of New Zealand Māori Rugby, the New Zealand Sports Foundation and Sport New Zealand (SPARC) as well as being Trustee and Director of a number of Māori trusts and enterprises.

Bill is now a professional director. He was previously a Director of the Chiefs Rugby Club and is currently the Vice President NZ Rugby. He also currently serves on the Boards of Transpower and Rangitira Services.

# Corporate Governance

## Our Governance Framework

The Board of Directors of Ports of Auckland Limited has responsibility for the company's strategic direction and performance, ensuring that shareholder value is protected and enhanced, and stakeholder interests are taken into account.

We believe that effective corporate governance is the foundation for a sustainable business. Therefore we are committed to ensuring that we apply and adhere to good governance practices by monitoring our performance and reviewing it against best practice codes.

This section provides an overview of our corporate governance for the year. The Board regularly reviews and assesses the Ports of Auckland governance policies, procedures and practices to ensure they are appropriate and effective.

## Board composition

Our shareholder, Auckland Council Investments Limited, determines director appointments, reappointments and terminations. The Board currently has eight members, all of whom are independent and none perform any management function. The Board considers that individually and collectively, these Directors have an appropriate mix of skills, qualifications and experience to enable them to appropriately discharge their duties effectively. Directors appointed during the year were Sarah Haydon, Karl Smith and Bill Osborne. All new directors undertake a formal induction programme.

We believe that diversity and inclusivity are essential to driving sustainable commercial success and creating a high performing values driven culture. The Board aims to have a diversity of skills, experience, length of service, knowledge and gender. The POAL Diversity and Inclusion Policy helps us drive these practices throughout the business.

For more information on diversity at the Port, please see page 21.

Information about our Directors is disclosed on our website and on page 33.

## Board committees

The Board is supported by two committees, Audit Committee and Remuneration Committee. The Board and the committees have charters that clearly set out their authorities, responsibilities and processes.

## Director Attendance and Remuneration

The Board's remuneration is set by our shareholder, Auckland Council Investments Limited. The attendance of directors at formal directors meetings and director remuneration for the year ending 30 June 2017 are in the table below. Directors also visit sites and meet with management as part of their ongoing engagement to ensure they are familiar with all aspects of the business.

DIRECTOR	ATTENDANCE AT BOARD MEETINGS	ATTENDANCE AT AUDIT COMMITTEE MEETINGS	ATTENDANCE AT REMUNERATION COMMITTEE MEETINGS	TOTAL REMUNERATION PAID FOR THE YEAR	COMMENTS
Liz Coutts	11/11	6/6	3/3	\$120,000	Appointed 20 December 2010 Board Chairman Remuneration Committee Chairman Audit Committee member
Rodger Fisher	11/11	6/6	3/3	\$90,000	Appointed 5 December 2013 Deputy Board Chairman Audit Committee member Remuneration Committee member
Wayne Walden	6/6	3/3		\$39,997	Appointed 1 August 2011 Retired 31 December 2016 Audit Committee Chairman
Sarah Haydon	9/10	4/4		\$60,000	Appointed 1 August 2016 Appointed Audit Committee Chairman 1 January 2017
Andrew Bonner	11/11		3/3	\$60,000	Appointed 14 December 2009 Remuneration Committee member
Pat Snedden	11/11			\$60,000	Appointed 2 May 2012
Jon Mayson	10/11			\$60,000	Appointed 1 October 2014
Karl Smith	7/8			\$45,000	Appointed 1 October 2016
Bill Osborne	2/2			\$10,000	Appointed 1 May 2017

## Risk management

We have a Risk Management Policy which describes our risk management framework, assigns accountability for managing risk, requires risks to be managed, and outlines risk reporting.

Our risk management approach allows us to pursue business opportunities and grow shareholder value as well as developing and protecting our people, assets, the environment and our reputation.

Our risk management framework ensures a comprehensive approach across the business with oversight by management and the Board. Self-assessment is ongoing within each area of the

business to identify, evaluate and manage risk, and results are regularly updated to our Key Risk Register, which is reviewed by the Executive team and Board on an annual basis.

The health, safety and wellbeing of our staff is our number one priority. We have an experienced health and safety team and operate several health and safety committees, overseen by an Executive Committee, to ensure our health and safety risks are well managed. We are focused on ensuring that operating safely and responsibly is embedded in our culture. We have programmes in place to ensure that our workers have the right attitude towards safety and that all entities operating at the port take all

practical steps to protect not only their own workers but all people at the port. All Executive and Board meetings have Health and Safety on the agenda. See page 20 for more on our approach to health and safety. We manage our Health and Safety and Environmental risks using CMO Compliance, a market leader in EHS and GRC web-based solutions.

Cyber risk is a key focus for us. This year we have appointed a Head of Information Security, developed new policies and response procedures, initiated a programme of cyber awareness and response training, and started a cyber incident testing programme.





# Independent Auditor's report

## To the readers of Ports of Auckland Limited Group's Financial statements

FOR THE YEAR ENDED 30 JUNE 2017

The Auditor-General is the auditor of Ports of Auckland Limited and its New Zealand domiciled subsidiaries and other controlled entities (collectively referred to as 'the Group'). The Auditor-General has appointed me, Bryce Henderson, using the staff and resources of Deloitte Limited, to carry out the audit of the financial statements of the Group on his behalf.

### Opinion

We have audited the financial statements of the Group on pages 38 to 78, that comprise the statement of financial position as at 30 June 2017, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

In our opinion, the financial statements of the Group:

- present fairly, in all material respects:
  - its financial position as at 30 June 2017; and
  - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Our audit was completed on 21 August 2017. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements, and we explain our independence.

### Basis for our opinion

We carried out 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 Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

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

### Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible on behalf of the Group for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible on behalf of the Group for assessing the company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Port Companies Act 1988.

### Responsibilities of the Auditor for the audit of the financial statements

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

Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error.

Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements.

We did not evaluate the security and controls over the electronic publication of the 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. Also:

- We identify and assess the risks of material misstatement of the 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 one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We 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.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of 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 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.
- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial statements of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of 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.

Our responsibilities arise from the Public Audit Act 2001.

## Independence

We are independent of the Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than audit and analytical services, we have no relationship with, or interests in, the Group.



Bryce Henderson, Partner  
for Deloitte Limited  
On behalf of the Auditor-General  
Auckland, New Zealand

This audit report relates to the consolidated financial statements of Ports of Auckland Limited (the 'Company') for the year ended 30 June 2017 included on Ports of Auckland's website. The Board of Directors is responsible for the maintenance and integrity of Ports of Auckland's website. We have not been engaged to report on the integrity of Ports of Auckland's website. We accept no responsibility for any changes that may have occurred to the consolidated financial statements since they were initially presented on the website. The audit report refers only to the consolidated financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these consolidated financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited consolidated financial statements and related audit report dated 21 August 2017 to confirm the information included in the audited consolidated financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Financial statements

## Income statement FOR THE YEAR ENDED 30 JUNE 2017

	NOTES	2017 \$'000	2016 \$'000
<b>Revenue</b>	A1	<b>222,368</b>	<b>211,108</b>
<b>Expenses</b>			
Operating expenses	A2	(119,622)	(103,549)
Depreciation and amortisation	B1, B4	(23,867)	(24,458)
Finance costs	A2	(11,644)	(11,517)
<b>Total expenses</b>		<b>(155,133)</b>	<b>(139,524)</b>
Net (impairment) / reversal of impairment of assets	B1, H1	(1,621)	17,584
Fair value change to investment properties	B3	12,374	12,213
Impairment of investments	F1, F2	(5,451)	(2,614)
Share of profit from equity accounted investments	F1	(113)	1,168
<b>Profit before income tax</b>		<b>72,424</b>	<b>99,935</b>
Income tax expense	A3	(12,122)	(15,939)
<b>Profit for the period attributable to the owners of the Parent</b>		<b>60,302</b>	<b>83,996</b>

## Statement of comprehensive income FOR THE YEAR ENDED 30 JUNE 2017

	NOTES	2017 \$'000	2016 \$'000
<b>Profit for the period</b>		<b>60,302</b>	<b>83,996</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to the income statement:</b>			
Net change in fair value of land, buildings and wharves, net of tax	E1	16,702	71,625
Net change in fair value of equity securities	F3, E1	10,520	1,808
<b>Items that will not be reclassified to the income statement</b>		<b>27,222</b>	<b>73,433</b>
<b>Items that may be reclassified subsequently to the income statement:</b>			
Cash flow hedges, net of tax	E1	2,330	(5,817)
<b>Items that may be reclassified subsequently to the income statement</b>		<b>2,330</b>	<b>(5,817)</b>
<b>Other comprehensive income net of income tax</b>		<b>29,552</b>	<b>67,616</b>
<b>Total comprehensive income for the period net of tax attributable to the owners of the Parent</b>		<b>89,854</b>	<b>151,612</b>

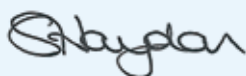
The notes and accounting policies form part of and are to be read in conjunction with these financial statements.

## Statement of financial position AS AT 30 JUNE 2017


	NOTES	2017 \$'000	2016 \$'000
<b>Current assets</b>			
Cash and cash equivalents	D1	812	360
Trade and other receivables	D2	32,086	32,470
Inventories	D3	3,116	3,797
Tax receivable		-	108
Derivative financial instruments	G2	318	-
Non-current assets held for sale	H1	68,705	24,194
<b>Total current assets</b>		<b>105,037</b>	<b>60,929</b>
<b>Non-current assets</b>			
Property, plant and equipment	B1	821,021	752,878
Intangible assets	B4	23,937	18,994
Investment properties	B3	114,835	149,105
Equity securities	F3	35,752	25,232
Investments and advances	F1	2,935	5,992
Derivative financial instruments	G2	1,607	-
<b>Total non-current assets</b>		<b>1,000,087</b>	<b>952,201</b>
<b>Total assets</b>		<b>1,105,124</b>	<b>1,013,130</b>
<b>Current liabilities</b>			
Interest bearing liabilities	E3	6,202	8,786
Trade and other payables	D4	34,276	28,419
Tax payable		438	-
Provisions	D5	8,694	7,022
Derivative financial instruments	G2	5,325	3,579
Deferred income		23	21
<b>Total current liabilities</b>		<b>54,958</b>	<b>47,827</b>
<b>Non-current liabilities</b>			
Interest bearing liabilities	E3	291,713	246,767
Derivative financial instruments	G2	8,154	11,210
Provisions	D5	1,053	1,170
Deferred income		600	623
Deferred tax liabilities	A3	64,251	63,552
<b>Total non-current liabilities</b>		<b>365,771</b>	<b>323,322</b>
<b>Total liabilities</b>		<b>420,729</b>	<b>371,149</b>
<b>Net assets</b>		<b>684,395</b>	<b>641,981</b>
<b>Equity</b>			
Share capital		146,005	146,005
Reserves		208,717	179,165
Retained earnings		329,673	316,811
<b>Total equity</b>	E1	<b>684,395</b>	<b>641,981</b>

These financial statements were approved by the Board on 21 August 2017.

Signed on behalf of the Board by:



S. E. F. Haydon  
Director



E.M. Coutts  
Director

The notes and accounting policies form part of and are to be read in conjunction with these financial statements.

## Statement of changes in equity

FOR THE YEAR ENDED 30 JUNE 2017

	NOTES	ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP			
		SHARE CAPITAL \$'000	OTHER RESERVES \$'000	RETAINED EARNINGS \$'000	TOTAL EQUITY \$'000
<b>Balance at 1 July 2015</b>		<b>146,005</b>	<b>111,549</b>	<b>263,764</b>	<b>521,318</b>
Profit for the period		-	-	83,996	83,996
Other comprehensive income	E1, B2	-	67,616	-	67,616
<b>Total comprehensive income</b>		<b>-</b>	<b>67,616</b>	<b>83,996</b>	<b>151,612</b>
<b>Transactions with owners in their capacity as owners</b>					
Dividends paid	E2	-	-	(42,184)	(42,184)
Tax benefit of losses received from owner	E1	-	-	11,235	11,235
<b>Total other movements</b>		<b>-</b>	<b>-</b>	<b>(30,949)</b>	<b>(30,949)</b>
<b>Balance at 30 June 2016</b>	E1	<b>146,005</b>	<b>179,165</b>	<b>316,811</b>	<b>641,981</b>
Profit for the period		-	-	60,302	60,302
Other comprehensive income	E1, B2	-	29,552	-	29,552
<b>Total comprehensive income</b>		<b>-</b>	<b>29,552</b>	<b>60,302</b>	<b>89,854</b>
<b>Transactions with owners in their capacity as owners</b>					
Dividends paid	E2	-	-	(53,667)	(53,667)
Tax benefit of losses received from owner	E1	-	-	6,227	6,227
<b>Total other movements</b>		<b>-</b>	<b>-</b>	<b>(47,440)</b>	<b>(47,440)</b>
<b>Balance at 30 June 2017</b>	E1	<b>146,005</b>	<b>208,717</b>	<b>329,673</b>	<b>684,395</b>

The notes and accounting policies form part of and are to be read in conjunction with these financial statements.



## Statement of cash flows

FOR THE YEAR ENDED 30 JUNE 2017

	NOTES	2017 \$'000	2016 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		250,905	230,513
Payments to suppliers and employees		(151,809)	(138,524)
Dividends received		3,481	3,119
Interest received		43	53
Interest paid		(11,584)	(11,191)
Income taxes paid		(3,800)	(5,390)
<b>Net cash flows from operating activities</b>		<b>87,236</b>	<b>78,580</b>
<b>Cash flows from investing activities</b>			
Payment for acquisition of subsidiary, net of cash acquired		298	-
Payments for investment property		(11,127)	(39,681)
Payments for intangible assets		(6,761)	(4,409)
Payments for property, plant and equipment		(70,454)	(38,260)
Interest paid - capitalised		(1,229)	-
Advances to related parties		(2,200)	(70)
Proceeds from sale of property, plant and equipment		455	144
Proceeds from sale of investment properties		15,285	-
Repayment of loans by related parties		200	100
<b>Net cash flows from investing activities</b>		<b>(75,533)</b>	<b>(82,176)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares			
Proceeds from borrowings		146,500	220,000
Repayment of borrowings		(101,500)	(178,000)
Dividends paid	E2	(53,667)	(42,184)
<b>Net cash flows from financing activities</b>		<b>(8,667)</b>	<b>(184)</b>
<b>Net cash flows</b>		<b>3,036</b>	<b>(3,780)</b>
Cash at the beginning of the year		(8,426)	(4,646)
<b>Cash at the end of the year</b>	D1	<b>(5,390)</b>	<b>(8,426)</b>

The notes and accounting policies form part of and are to be read in conjunction with these financial statements.

## Statement of cash flows (continued) FOR THE YEAR ENDED 30 JUNE 2017

### Reconciliation of profit after income tax to net cash flows from operating activities

	2017 \$'000	2016 \$'000
<b>Profit for the period</b>	<b>60,302</b>	<b>83,996</b>
<b>Adjusted for:</b>		
Depreciation and amortisation	23,867	24,458
Movements in borrowings allocated to interest paid	(54)	(269)
Tax benefit of losses received from owner	6,227	11,235
Movement in deferred revenue	(22)	(21)
Net (gain) / loss on sale of investments	(9)	-
Net (gain) / loss on sale of other non-current assets	(1,188)	(127)
Fair value movements in property, plant and equipment	1,621	(17,584)
Fair value adjustment to investment property	(12,374)	(12,213)
Impairment of investments	5,451	2,614
<b>Change in operating assets and liabilities:</b>		
Trade and other receivables	501	(9,710)
Trade and other payables	2,078	(8,219)
Income tax payable	1,193	(1,607)
Deferred tax liability	(208)	3,920
Other provisions	1,556	(2,512)
Other operating assets	681	409
Movement in associates and joint ventures	(2,797)	979
Capital items included in working capital movements	411	3,231
<b>Net cash flows from operating activities</b>	<b>87,236</b>	<b>78,580</b>

The notes and accounting policies form part of and are to be read in conjunction with these financial statements.

## Notes to the financial statements

### Reporting entity and nature of operations

The financial statements presented are those of Ports of Auckland Limited ("Ports of Auckland") and its subsidiaries, associates and joint ventures (the "Group" or "Ports of Auckland").

Ports of Auckland operates Auckland's main seaport on the Waitematā harbour, and a small regional port at Onehunga on the Manukau harbour. Ports of Auckland also operates regional freight hubs in South Auckland, Manawatu and the Bay of Plenty.

### Statutory base

Ports of Auckland Limited is a company incorporated and domiciled in New Zealand and registered under the Companies Act 1993 and prepares its financial statements in accordance with the Financial Reporting Act 2013 and Companies Act 1993.

The address of its registered office is Ports of Auckland Building, Sunderland Street, Mechanics Bay, Auckland 1010.

### Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

These financial statements have been prepared in accordance with Generally Accepted Accounting Practice (GAAP). For the purposes of complying with GAAP, the Group is a for-profit entity. They comply with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

The financial statements were approved by the Board of Directors on 21 August 2017.

### Basis of measurement

The financial statements have been prepared on the historical cost basis, modified by the revaluation of property, plant and equipment, financial assets measured at fair value through other comprehensive income, derivative financial instruments and investment properties and are presented in New Zealand dollars which is the Group's functional currency. All values are rounded to the nearest thousand dollars (\$'000).

### Accounting policies

Accounting policies that summarise the measurement basis and are relevant to the understanding of the financial statements are included in the accompanying notes. Certain comparative information has been reclassified to conform with the current year's presentation.

### Basis of consolidation

The consolidated financial statements include those of the Group and its subsidiaries, accounted for using the acquisition method, and the results of its associates and joint ventures, accounted for using the equity method.

All material intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Unrealised gains on transactions between the Group, associates and joint ventures are eliminated to the extent of the interest in the associates and joint ventures.

### Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

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

### Goods and services tax (GST)

The income statement has been prepared so that all components are stated exclusive of GST. All items in the statement of financial position are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities is classified as part of operating activities.

Section A:

# Our performance

This section explains the financial performance of Ports of Auckland by:

- a) displaying additional information about individual items in the Income statement;
- b) providing analysis of the components of Ports of Auckland tax balances and the imputation credit account.

## A1. Revenue

	2017 \$'000	2016 \$'000
<b>Revenue</b>		
Port operations income	214,585	204,885
Rental income	5,382	5,015
Gain on disposal of property, plant and equipment	1,194	144
Gain on disposal of investment	9	-
Dividend income	1,155	1,011
Interest income	43	53
<b>Total revenue</b>	<b>222,368</b>	<b>211,108</b>

### Recognition and measurement

#### Revenue

Revenue comprises the fair value for the sale of services, excluding goods and services tax, rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

#### Port operations income

Port operations income is recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

#### Rental income

Rental income is recognised on a straight line basis over the lease term.

#### Dividend income

Dividend income is recognised when the right to receive payment is established.

#### Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

## A2. Expenses

### Operating Expenses

#### Employee benefit expenses

	2017 \$'000	2016 \$'000
Salaries and wages	58,573	55,188
Restructuring costs	228	99
Pension costs	2,054	2,076
<b>Total employee benefit expenses</b>	<b>60,855</b>	<b>57,363</b>

#### Other Operating Expenses

Contracted services	21,502	16,757
Repairs and maintenance	17,090	15,050
Fuel and power	4,489	4,433
Loss on disposal of property, plant and equipment - refer note B1	5	17
Reversal of prior year impairment costs for Bledisloe Wharf extensions - refer note B1	-	(1,423)
Reversal of prior year cost provisions for Bledisloe Wharf extensions	-	(781)
Other expenses	15,321	11,898
Auditor's fees		
Audit and review of statutory financial statements	281	235
Analytical services	79	-
<b>Total other operating expenses</b>	<b>58,767</b>	<b>46,186</b>
<b>Total operating expenses</b>	<b>119,622</b>	<b>103,549</b>

### Finance costs

	2017 \$'000	2016 \$'000
Interest and finance costs	12,873	11,574
Capitalised interest	(1,229)	(57)
<b>Total finance costs</b>	<b>11,644</b>	<b>11,517</b>

Directors fees for the year are \$545,000 (2016: \$449,000) and are recognised within employee benefit expenses. Donation expenses are \$57,000 (2016: \$57,000) and are recognised within other expenses.

## Recognition and measurement

### Expenses

#### Impairment

Ports of Auckland reviews the recoverable amount of its tangible and intangible assets at each balance date. If the carrying value of an asset exceeds the recoverable amount, an impairment expense is recognised in the income statement. Any reversal of previous losses is recognised immediately in the income statement, unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase in equity.

#### Employee expenses

Provision is made for benefits owing to employees in respect of wages and salaries, annual leave, long service leave and sick leave when earned by employees at rates expected to be incurred when the benefit is utilised.

Provisions for long service leave and sick leave entitlements that are expected to be paid in future periods, but have not yet vested, are recognised reflecting the probability that benefits will vest.

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to contributions.

Bonus plans are recognised as a liability and an expense based on a formula that takes into consideration the profit attributable to the Group's shareholders after certain adjustments. The provision is recognised where contractually obliged or where there is a past practice that has created a constructive obligation.

#### Finance costs

Finance costs include bank interest and amortisation of costs incurred in connection with borrowings facilities. Finance costs are expensed immediately as incurred unless they relate to acquisition and development of qualifying assets, in which case the finance cost is capitalised.

### A3. Taxation

	2017 \$'000	2016 \$'000
<b>Income statement</b>		
<i>Current income tax</i>		
Current year	20,169	17,318
Adjustment for prior years	282	(1,326)
Loss offset utilisation	(6,767)	(2,745)
Tax credit utilisation	(1,354)	(1,228)
<i>Deferred income tax</i>		
Temporary differences	(50)	3,056
Adjustment for prior years	(158)	864
<b>Income tax expense</b>	<b>12,122</b>	<b>15,939</b>
<b>Statement of changes in equity</b>		
Cash flow hedges and property, plant and equipment	907	(30)
<b>Income tax reported in equity</b>	<b>907</b>	<b>(30)</b>

	2017 \$'000	2016 \$'000
<b>Reconciliation of effective tax rate</b>		
Profit before income tax	72,424	99,935
Tax at 28%	20,279	27,982
<i>Adjustments</i>		
Non-taxable income	(3,467)	(8,960)
Non-deductible expenses	2,624	1,077
Adjustment for prior years	124	(462)
Loss offset utilisation	(6,767)	(2,745)
Tax credit utilisation	(1,354)	(1,228)
Sundry items	683	275
<b>Income tax expense</b>	<b>12,122</b>	<b>15,939</b>

Ports of Auckland Limited will utilise losses from the Auckland Council Tax Group in the 2017 tax return. Auckland Council has a subvention payment agreement and loss offset election with Watercare Services Limited which will be utilised for any residual taxable income. \$6,174,000 (2016: \$5,368,000) has been provided for payment to Watercare Services Limited for this subvention agreement.

	2017 \$'000	2016 \$'000
<b>Imputation credits</b>		
Imputation credits available for subsequent reporting periods	70,234	68,878

### Movement in deferred tax balance

	CASH FLOW HEDGES \$'000	PROPERTY, PLANT AND EQUIPMENT \$'000	INVESTMENT PROPERTY \$'000	INTANGIBLE ASSETS \$'000	PROVISIONS \$'000	DEFERRED REVENUE \$'000	TAX LOSSES \$'000	TOTAL \$'000
<b>Balance at 1 July 2015</b>	<b>(1,878)</b>	<b>63,487</b>	<b>933</b>	<b>466</b>	<b>(5,322)</b>	<b>2,229</b>	<b>(253)</b>	<b>59,662</b>
Recognised in income statement	-	(364)	233	1,589	2,237	(28)	253	3,920
Recognised in other comprehensive income	(2,263)	2,233	-	-	-	-	-	(30)
<b>Balance at 30 June 2016</b>	<b>(4,141)</b>	<b>65,356</b>	<b>1,166</b>	<b>2,055</b>	<b>(3,085)</b>	<b>2,201</b>	<b>-</b>	<b>63,552</b>
Recognised in income statement	-	(1,262)	1,348	699	(965)	(28)	-	(208)
Recognised in other comprehensive income	907	-	-	-	-	-	-	907
<b>Balance at 30 June 2017</b>	<b>(3,234)</b>	<b>64,094</b>	<b>2,514</b>	<b>2,754</b>	<b>(4,050)</b>	<b>2,173</b>	<b>-</b>	<b>64,251</b>

### Recognition and measurement

#### Income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised on the income statement, except to the extent that it relates to items recognised in the statement of comprehensive income or directly in equity. In this case, the tax is also recognised in the statement of comprehensive income or directly in equity, respectively.

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the income tax rate. This is then adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements and by unused tax losses.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only to the extent it is probable they will be utilised.

The purchase of losses from related parties under commercial arrangements is debited to income tax in the income statement.

Tax losses received from entities within the Auckland Council tax group flow through equity as a contribution by the shareholder.

#### Imputation credits

The amounts represent the balance of the imputation account as at the end of the reporting period, adjusted for:

- Imputation credits that will arise from the payment of the amount of the provision for income tax;
- Imputation debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
- Imputation credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

## Section B:

# Capital assets used to operate our business

This section explains the capital assets such as property, plant and equipment that Ports of Auckland uses to operate the business. It also includes detail on the revaluation methodologies used to value different types of capital assets.

## B1. Property, plant and equipment

	FREEHOLD LAND \$'000	WHARVES \$'000	FREEHOLD BUILDINGS \$'000	PLANT AND EQUIPMENT \$'000	PAVEMENT \$'000	OTHER \$'000	TOTAL \$'000
<b>Net book value at 1 July 2015</b>	<b>232,785</b>	<b>236,287</b>	<b>28,980</b>	<b>94,427</b>	<b>63,789</b>	<b>10,366</b>	<b>666,634</b>
<b>Movement</b>							
Additions	-	21,689	76	10,127	2,680	3,111	37,683
Disposals	-	-	-	-	-	(17)	(17)
Impairment reversal	-	1,423	-	-	-	-	1,423
Revaluations - Reserves	65,883	8,199	(224)	-	-	-	73,858
Revaluations - Income Statement	18,170	72	(658)	-	-	-	17,584
Assets held for sale	(7,770)	(8,465)	(1,145)	(27)	(872)	(115)	(18,394)
Reclassifications / Transfers	-	-	-	-	(4,049)	-	(4,049)
Depreciation charge	-	(3,592)	(751)	(13,798)	(1,389)	(2,314)	(21,844)
<b>Movement to 30 June 2016</b>	<b>76,283</b>	<b>19,326</b>	<b>(2,702)</b>	<b>(3,698)</b>	<b>(3,630)</b>	<b>665</b>	<b>86,244</b>
<b>Balances</b>							
Cost and/or fair value	309,068	230,116	26,500	230,574	73,611	40,366	910,235
Work in progress at cost	-	25,586	-	7,702	3	1,282	34,573
Accumulated depreciation	-	(89)	(222)	(147,547)	(13,455)	(30,617)	(191,930)
<b>Net book value at 30 June 2016</b>	<b>309,068</b>	<b>255,613</b>	<b>26,278</b>	<b>90,729</b>	<b>60,159</b>	<b>11,031</b>	<b>752,878</b>
<b>Movement</b>							
Additions	-	38,922	85	23,334	317	8,693	71,351
Acquisitions	-	-	297	-	-	2	299
Disposals	-	-	-	(4)	-	(1)	(5)
Revaluations - Reserves	16,702	-	-	-	-	-	16,702
Revaluations - Income Statement	563	-	-	-	-	-	563
Depreciation charge	-	(3,730)	(712)	(12,379)	(1,386)	(2,560)	(20,767)
<b>Movement to 30 June 2017</b>	<b>17,265</b>	<b>35,192</b>	<b>(330)</b>	<b>10,951</b>	<b>(1,069)</b>	<b>6,134</b>	<b>68,143</b>
<b>Balances</b>							
Cost and/or fair value	326,333	232,797	26,850	231,634	73,829	45,227	936,670
Work in progress at cost	-	61,827	32	27,645	103	4,949	94,556
Accumulated depreciation	-	(3,819)	(934)	(157,599)	(14,842)	(33,011)	(210,205)
<b>Net book value at 30 June 2017</b>	<b>326,333</b>	<b>290,805</b>	<b>25,948</b>	<b>101,680</b>	<b>59,090</b>	<b>17,165</b>	<b>821,021</b>

Property, plant and equipment additions include capitalised finance costs of \$1,229,329 (2016: \$57,000). The average effective interest rate used is 3.2% (2016: 3.0%).

An impairment reversal recognised in respect of property, plant and equipment during the prior financial year amounted to \$1,423,000. The impairment losses were a result of a High Court ruling revoking existing resource consents for the Bledisloe wharf extensions and the resulting provisioning. The impairment reversal was a recovery from this provision with the reuse of structural materials in the Fergusson North berth project.

Assets reclassified to non-current assets held for sale of \$nil (2016: \$18,394,000) within property, plant and equipment comprise Onehunga Wharf and related assets.

Reclassification / transfers in the prior financial year of \$4,049,000 represent a transfer from pavement to investment properties.



## Recognition and measurement

### Property, plant and equipment

Properties held for use in the supply of services for port operation purposes are classified as property plant and equipment.

Property, plant and equipment are initially recognised at cost. The cost of property plant and equipment includes expenditure that is directly attributable to bring the item to working condition for its intended use.

Costs may include materials used in construction, direct labour, transfers from equity of gains / losses on qualifying cash flow hedge reserves of foreign currency purchases and associated borrowing costs.

Borrowing costs may be capitalised where they are directly attributable to the acquisition or construction of a qualifying asset. A qualifying asset is deemed as having significant expenditure and takes more than six months to bring the item to working condition for its intended use. The capitalisation rate used to determine the amount of borrowings to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the year.

Expenditure on an asset is recognised as an asset if it is probable that the future economic benefits will flow to the entity, and if the cost of the asset can be measured reliably. This principle applies for both initial and subsequent expenditure. All other repairs and maintenance are charged to the income statement during the period in which they are incurred.

Plant and equipment, pavement and other assets are carried at cost less accumulated depreciation and impairment losses.

### Revaluations

Land, buildings and wharves are carried at fair value as determined by an independent register valuer, less accumulated depreciation and any impairment losses recognised after the date of any revaluation.

Land, buildings and wharves acquired or constructed after the latest revaluation are carried at cost, which approximates fair value. Revaluations are carried out with sufficient regularity, at least triennial, to ensure that the carrying amount does not differ materially from fair value at balance date.

Revaluation increments are recognised in other comprehensive income and accumulated as a separate component of equity in the property, plant and equipment revaluation reserve, except to the extent that they reverse a revaluation decrease of the same asset previously recognised in the income statement, in which case the increase is recognised in the income statement.

Revaluation decreases are recognised in the income statement, except to the extent that they offset a previous revaluation increase for the same asset, in which case the decrease is recognised in other comprehensive income and accumulated as a separate component of equity in the property, plant and equipment revaluation reserve.

Accumulated depreciation as at revaluation date is eliminated against the gross carrying amount of the assets and the net amounts are restated to the revalued amounts of the assets.

### Depreciation

Depreciation is calculated on a straight line basis to allocate the cost or revalued amount of an asset, less any residual value, over its estimated useful life. Land is not depreciated.

The estimated useful lives of property, plant and equipment are as follows:

Buildings	20 - 50 years
Wharves	50 - 100 years
Plant and equipment	5 - 20 years
Pavement	25 - 85 years
Other assets	3 - 20 years

### Disposals

An item of property, plant and equipment is derecognised upon disposal or when no further future benefits are expected from its use.

Gains or losses arising on derecognition of an asset, calculated as the difference between the net disposal proceeds and the carrying amount of the asset, are included in the income statement in the year the asset is derecognised.

Any revaluation reserve relating to the particular asset being disposed or derecognised is transferred to retained earnings.

## B2. Property, plant and equipment valuation

### Valuation approach

At the end of each reporting period the Group makes an assessment of whether the carrying amounts differ materially from fair value and whether a revaluation is required. For the year ended 30 June 2017, all land was revalued as at 30 June 2017 in accordance with financial reporting and the New Zealand Institute of Valuers asset valuation standards. The valuation of land was undertaken by NAI Harcourt, registered valuers.

The valuations of the independent valuers are reviewed by the Group and adopted as the carrying value in the financial statements subject to any specific adjustments required. The Group verifies all major inputs to the valuation, assesses valuation movements when compared to the prior year and holds discussions with the independent valuers as part of the process. The valuation process was peer reviewed in a prior financial period.

This valuation approach has been undertaken in order to provide an independent assessment of the current value of the assets.

The Group's land, buildings and wharves are all categorised as Level 3 in the fair value hierarchy as described in the note G1 financial risk management - fair value note.

During the financial year there were no transfers between the levels of the fair value hierarchy.

### Land valuation

Freehold land is the land used as part of the core port operations (Port Operations Land) or is required to be held for other operational purposes (Other Operations Land).

Port Operations Land has been valued using the income approach by way of a discounted cash flow model. Other Operations Land is valued with a combination of the market approach using a comparable sales model and the income approach using a capitalised market income model.

The following table summarises the valuation techniques and key assumptions used by the valuers to arrive at fair value for Port Operations Land:

ASSET VALUATION TECHNIQUE	INPUTS USED TO MEASURE FAIR VALUE	2017	2016
		RANGE OF SIGNIFICANT UNOBSERVED INPUTS	RANGE OF SIGNIFICANT UNOBSERVED INPUTS
<b>Discounted Cash Flow model</b> Given the size and location of the land, the discounted cash flows are based on the assumption that the land will be developed and sold in 150 allotments over a 30 year period.	Land sales price	\$4,875 per sqm, for a 2,300 sqm allotment	\$4,500 per sqm, for a 2,300 sqm allotment
	The rate is based on site intensity and height being lower than that in the CBD because of the zoning of the port precinct.		
	Sell down rate	150 allotments over 30 years	150 allotments over 30 years
	The site development costs have been estimated based on work undertaken by Beca Group, Engineering Consultants, adjusted for cost escalation.	Development costs adjusted for cost escalation based on "Producers Price Index – Construction Sector".	Development costs as adjusted for cost escalation based on "Producers Price Index – Construction Sector".
	Discount rate	12.75%	12.50%
	Sales price escalation	Range 2.00% to 5.00% over the term	Range 2.50% to 3.00% over the term
	Cost escalation	Range 2.55% to 3.00% over the term	Range 2.55% to 3.00% over the term

The sensitivity table below is related to the valuation of the Port Operations Land – Discounted Cash Flow Valuation and shows the impact of changes in the discount rate and base rate on the valuation.

DISCOUNT RATE CHANGE	BASE RATE - PER SQM				
	-10.00%	-5.00%	0.00%	5.00%	10.00%
12.70%	(42,530)	(20,815)	1,966	22,615	44,331
12.75%	(29,031)	(7,422)	-	35,797	57,406
12.80%	(46,078)	(24,574)	(1,952)	18,435	39,940

The following table summarises the valuation techniques and key assumptions used by the valuers to arrive at fair value for Other Operations Land:

ASSET VALUATION TECHNIQUE	INPUTS USED TO MEASURE FAIR VALUE	2017	2016
		RANGE OF SIGNIFICANT UNOBSERVED INPUTS	RANGE OF SIGNIFICANT UNOBSERVED INPUTS
Comparable sales model	Land sales price	\$2,900 per sqm to \$4,500 per sqm	\$2,650 per sqm to \$4,000 per sqm
Capitalised market income model	Market capitalisation rate	6.25% to 8.75%	6.25% to 9.25%

### Port operations wharves and freehold buildings valuation

Port operations wharves and buildings are valued every three years and were last revalued at 30 June 2016 by John Foord (International), industrial valuers and Ortus International, registered Quantity Surveyors, as at 30 June 2016 to fair value.

The fair value for the wharves, buildings, structures, civil works and support assets was derived using the Depreciated Replacement Cost (DRC) methodology. The calculation of fair value has been prepared using straight line depreciation.

In preparing the financial values for wharves, buildings, structures, civil works and support assets, the valuers have researched estimated Gross Current Replacement Costs (GCRC), these are required in order to calculate the depreciation amounts to arrive at the Depreciated Replacement costs (DRC).

The following table summarises the valuation technique and key assumptions used by the valuers to arrive at fair value:

ASSET VALUATION TECHNIQUE	INPUTS USED TO MEASURE FAIR VALUE	2016
		RANGE OF SIGNIFICANT UNOBSERVED INPUTS
Depreciated replacement cost derived from modern equivalent asset rate	Wharves economic life	100 years
	Wharf buildings economic life	50 years
	Residual value at the end of economic life	15%
	Depreciation	Straight line
	Piles unit cost of construction per sqm	\$919
	Wharf Platform unit cost of construction per sqm	\$1,449
	Fenders unit cost of construction per sqm	\$75
	Services unit cost of construction per sqm	\$103
	Total unit cost of construction per sqm	\$2,546

The following table shows the impact on the fair value due to a change in significant unobservable inputs for Land, Buildings and Wharves:

		FAIR VALUE MEASUREMENT SENSITIVITY TO SIGNIFICANT:	
		INCREASE IN INPUT	DECREASE IN INPUT
<b>Land</b>			
Land sales price	The rate per square metre of recently sold properties of a similar nature	Increase	Decrease
Discount rate	The rate, determined through analysis of comparable market-related sales transactions, which is applied to a property's future net cash flows to convert those cash flows into a present value.	Decrease	Increase
Sale price escalation	The annual escalation rate applied to property sales prices over an assumed holding period.	Increase	Decrease
Site development costs escalation	The annual escalation rate applied to site development costs over an assumed holding period.	Decrease	Increase
Market capitalisation rate	The rate used to calculate market value from the property's deemed annual market rental.	Decrease	Increase
<b>Buildings and Wharves</b>			
Unit cost of construction	The costs of constructing various asset types based on a variety of sources including recent local competitive tendered construction works, published cost information, the valuer's database of costing information and experience of typical industry rates and indexed historical cost information.	Increase	Decrease

### B3. Investment properties

	2017 \$'000	2016 \$'000
<b>At fair value</b>		
<b>Balance at 1 July</b>	<b>149,105</b>	<b>103,011</b>
Capitalised subsequent expenditure	10,753	39,532
Disposals	(4,902)	(3,900)
Reclassifications / Transfers	-	4,049
Transfers to assets held for sale	(52,495)	(5,800)
Net gain / (loss) from fair value adjustment	12,374	12,213
<b>Balance at 30 June</b>	<b>114,835</b>	<b>149,105</b>

Investment property reclassified to non-current assets held for sale of \$52,495,000 (2016: \$5,800,000) comprise investment property which is currently subject to a sales and purchase agreement.

Reclassifications / transfers in the prior financial year of \$4,049,000 represent a transfer from pavement to investment property.

The Group's investment properties are all categorised as Level 3 in the fair value hierarchy as described in the financial risk management - fair value note G1.

At the end of the reporting period there were no transfers of investment properties between the levels in the fair value hierarchy.

#### Recognition and measurement

##### Investment properties

Investment properties includes properties which are not intended for port operation purposes and are held with the principal objective to earn rental and/or capital appreciation or both (including property being constructed or developed for future use as investment property). Investment properties are carried at fair value, representing open market value determined annually by an independent registered valuer. Changes in fair values are recorded in the income statement in the year in which they arise. Investment properties are not depreciated for financial accounting purposes.

Transfers are made to investment properties when there is a change in use. This may be evidenced by ending owner occupation, commencement of an operating lease to another party or commencement of construction or development for future use as investment property.

If the fair value of investment properties under construction cannot be reliably determined but it is expected the fair value of the property can be reliably determined on construction completion, the investment properties will be measured at cost until a fair value can be reliably determined or construction completion.

Investment properties are derecognised when they have been disposed of. The net gain or loss on disposal is calculated as the difference between the carrying amount of the investment property at the time of the disposal and the proceeds on disposal and is included in the income statement in the reporting period in which the disposal settled.

##### Valuation approach

The Group's accounting policy is for investment properties to be measured at fair value, which reflects market conditions at the statement of financial position date. To determine fair value, the Group obtain an investment properties valuation annually by an independent registered valuer.

The valuations as at 30 June 2017 and 30 June 2016 were performed by Seagar & Partners (Auckland) Limited and Colliers International. The valuers are registered valuers and have experience in the location and category of the investment properties being valued.

The valuations of the independent valuers are reviewed by the Group and adopted as the carrying value in the financial statements subject to any specific adjustments required. The Group verifies all major inputs to the valuation, assesses valuation movements when compared to the prior year and holds discussions with the independent valuers as part of the process.

The Group's investment property portfolio comprises a mixture of lessor's interest in both terminating and perpetual ground leases together with freehold land and waterspace licences. The waterspace licences are treated in the same way as land in this portfolio as their value as investments have similar characteristics.

The value of the lessor's interest in the land is essentially only the right to receive the rental income and the right to review the income periodically when scheduled reviews and renewals occur.

The valuation is based on market evidence at the date of valuation. The valuation methodologies used were based on direct sales comparison, or a direct capitalisation of rental income using market comparisons of capitalisation rates, supported by a discounted cash flow approach.

The following table summarises the valuation techniques and the key assumptions used in establishing the fair values:

ASSET VALUATION TECHNIQUE	INPUTS USED TO MEASURE FAIR VALUE	2017	2016
		RANGE OF SIGNIFICANT UNOBSERVED INPUTS	RANGE OF SIGNIFICANT UNOBSERVED INPUTS
<b>Market capitalisation</b> A valuation technique which determines fair value by capitalising a property's sustainable net income at an appropriate, market derived rate of return with subsequent capital adjustments for near-term events, typically including letting up allowances, capital expenditure and the difference between contract and market rentals.	Market capitalisation rate – rental income	5.50% to 6.50%	5.50% to 6.50%
	Market capitalisation rate – Waterspace licences	8.00%	8.00%
<b>Direct sales comparison</b> A valuation technique whereby the subject property is compared to recently sold properties of a similar nature with fair value determined through the application of positive and negative adjustments for their differing attributes.	Industrial land sales per sqm	\$400 per sqm to \$550 per sqm	\$300 per sqm to \$550 per sqm

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

		FAIR VALUE MEASUREMENT SENSITIVITY TO SIGNIFICANT:	
		INCREASE IN INPUT	DECREASE IN INPUT
<b>Unobservable inputs within the market capitalisation valuation approach</b>			
Gross market rent or licence fee	The annual amount for which a tenancy or licence within a property is expected to achieve under a new arm's length leasing or licensing transaction, including a fair share of property operating expenses.	Increase	Decrease
Market capitalisation rate	The rate of return, determined through analysis of comparable, market-related sales transactions, which is applied to a property's sustainable net income to derive value.	Decrease	Increase
<b>Unobservable inputs within direct sales comparison valuation approach</b>			
Rate per sqm	The rate per square metre of recently sold properties of a similar nature.	Increase	Decrease

## B4. Intangible assets

	<b>COMPUTER SOFTWARE \$'000</b>
<b>Net book value at 1 July 2015</b>	<b>17,200</b>
Movement	
Additions	4,408
Amortisation charge	(2,614)
Movement to 30 June 2016	1,794
<b>Balances</b>	
Cost	30,150
Work in progress at cost	2,248
Accumulated amortisation and impairment	(13,404)
<b>Net book value at 30 June 2016</b>	<b>18,994</b>
<b>Movement</b>	
Additions	7,121
Acquisitions	922
Amortisation charge	(3,100)
Movement to 30 June 2017	4,943
<b>Balances</b>	
Cost	33,602
Work in progress at cost	6,840
Accumulated amortisation and impairment	(16,505)
<b>Net book value at 30 June 2017</b>	<b>23,937</b>

### Recognition and measurement

#### Computer software

Computer software licences are capitalised and are recognised as intangible assets. The internal costs directly attributable to the development of business software are only recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits.

These assets have a finite life and are amortised on a straight line basis over their estimated useful lives of three to ten years.

Where estimated useful lives have diminished due to technology change, amortisation is accelerated.

Subsequent to initial recognition, intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses.

## Section C:

# Key judgements made

**This section includes the critical judgments, estimates and assumptions made by Ports of Auckland about the carrying amounts of certain assets and liabilities.**

## C1. Critical accounting estimates and assumptions

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, and are reviewed on an on-going basis. Actual results may differ from those estimates.

The following are the critical estimates and judgements management has made in the process of applying the Group's accounting policies and that have the most significant impact on the amounts recognised in the financial statements.

### Useful lives of property, plant and equipment

The Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. The determination of the estimated useful lives has a significant impact on the timing of recognition of depreciation expense (refer to note B1).

### Fair value of property, plant and equipment and investment property

The Group revalues investment property annually and property, plant and equipment (specifically land, buildings and wharves) every three years or when the fair value of a revalued asset differs materially from its carrying amount. The valuation is performed by independent registered valuers. The revaluation requires an estimation of the amounts for which these assets could be sold in an orderly transaction between market participants at the measurement date. The determination of value for these assets has a significant impact on the total asset value reported and in the case of property, plant and equipment the depreciation expense recognised (refer to note B1).

### Fair value of derivative financial instruments

The fair value of derivative financial instruments is determined by valuation experts using various valuation techniques. The fair value of interest rate swaps is calculated as the present value of estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward foreign exchange market rates at the balance date (refer to note G2).

### Income tax

The Group has historically utilised tax losses from the Auckland Council Group of companies for nil consideration. The quantum of losses estimated for the current financial year is based on management's best estimate of the losses to be provided by Auckland Council (refer to note A3).

## C2. Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment and whenever there is an indication of impairment. At each balance date, the Group reviews the carrying amounts of its other tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation can be identified.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying of the asset (or cash generating unit) is reduced to its recoverable value. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Section D:

# Operating assets and liabilities used to operate our business

This section provides further analysis of the operating assets and liabilities of Ports of Auckland. These comprise the significant working capital balances used by the Group to run its day to day operating activities.

## D1. Cash and cash equivalents

	2017 \$'000	2016 \$'000
<b>Cash and cash equivalents</b>		
Cash on hand	1	1
Bank balances	811	359
Total cash and cash equivalents	812	360
<b>Interest Bearing Liabilities</b>		
Bank overdrafts - refer to note E3	(6,202)	(8,786)
<b>Total cash as per statement of cash flows</b>	<b>(5,390)</b>	<b>(8,426)</b>

## Recognition and measurement

### Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

The carrying amount for cash and cash equivalents equals the fair value.

### Bank overdraft

Bank overdrafts are shown within interest bearing liabilities in current liabilities on the statement of financial position.

The bank overdraft facility limit and maximum amount of credit to be made available to the Group is \$10,000,000, which is primarily used for short term working capital requirements. The interest rate is based upon the Reserve Bank of New Zealand's "Official Cash Rate" plus a marginal rate of 1.0% (2016: 1.0%) and interest is calculated on the daily balance outstanding refer to note E3.

### Risk exposures

Details of the Group's exposure to risks arising from current and non-current borrowings are set out in note G1 and note E3.

### Fair value disclosures

Details of the fair value of interest bearing liabilities for the Group are set out in note E3.

Details of the security relating to each of the unsecured liabilities and further information on the bank overdrafts and bank loans are set out in note E3.

### Statement of cash flows

The following explains the terms used in the statement of cash flows:

- Operating activities are the principal revenue producing activities of the Group and other activities that are not investing or financing activities.
- Investing activities are the acquisition and disposal of long term assets and other investments not included in cash equivalents.
- Financing activities are the activities that result in changes in the size and composition of the contributed equity and borrowings of the entity.

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand, bank balances and deposits on call, net of outstanding bank overdrafts. Cash and cash equivalents at balance date as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position.



## D2. Trade and other receivables

	2017 \$'000	2016 \$'000
<b>Trade receivables</b>		
Trade receivables	30,227	25,049
Related party receivables	50	2,088
Sundry receivables	122	4,137
Provision for impairment of trade receivables	(199)	(227)
Net trade receivables	30,200	31,047
<b>Other receivables</b>		
Prepayments	1,886	1,423
<b>Total trade and other receivables</b>	<b>32,086</b>	<b>32,470</b>

The aging of trade receivables at reporting date was:

	2017 \$'000	2016 \$'000
<b>Aged receivables</b>		
Current	20,080	17,845
30 days	7,419	5,438
60 days	1,970	2,016
90 days	447	700
Over 90 days	361	1,138
<b>Total aged receivables</b>	<b>30,277</b>	<b>27,137</b>

As at 30 June 2017 current trade receivables of the Group with a nominal value of \$137,000 (2016: \$107,000) were impaired.

Trade receivables of \$9,257,000 (2016: \$9,170,000) were past due but not impaired as at 30 June 2017. These relate to a number of independent customers for whom there is no recent history of default, refer to note G1 for credit risk analysis.

The average credit period for trade receivables at 30 June 2017 is 47.12 days (2016: 41.89 days).

### Recognition and measurement

#### Trade receivables

Trade receivables are recognised at fair value, less provision for doubtful debts.

Trade receivables are generally on terms 7 to 30 days.

#### Impairment of trade receivables

Collectability of trade receivables is reviewed on an ongoing basis and an impairment of trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due from its customers. Objective evidence of impairment includes financial difficulties of the customer, the probability that the customer will enter bankruptcy or financial reorganisation and default or delinquency in payments. When a trade receivable is considered uncollectable, it is written off against the provision.

The carrying amount of the trade receivables is reduced through the use of the provision for impairment of trade receivables and the amount of the loss is recognised in the income statement within 'other expenses'. Subsequent recoveries of amounts previously written off are credited against 'other expenses' in the income statement.

### D3. Inventories

	2017 \$'000	2016 \$'000
<b>Inventories at cost</b>		
Net realisable value reclassification	2,977	3,705
Total inventories	139	92
<b>Total inventories</b>	<b>3,116</b>	<b>3,797</b>

The cost of inventories recognised as an expense during the year was \$7,810,000 (2016: \$6,957,000).

#### Recognition and measurement

##### Inventories

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs.

### D4. Trade and other payables

	2017 \$'000	2016 \$'000
Trade payables	16,545	11,968
Related party payables	6,305	5,324
Accruals	11,426	11,127
<b>Total trade and other payables</b>	<b>34,276</b>	<b>28,419</b>

#### Recognition and measurement

##### Trade and other payables

The fair value of trade and other payables approximates their carrying value.

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

## D5. Provisions

	2017 \$'000	2016 \$'000
<b>Current</b>		
Employee benefits	7,661	5,946
ACC partnership programme	249	292
Other provisions	784	784
Total current provisions	8,694	7,022
<b>Non-current</b>		
Employee benefits	1,053	1,170
Total non-current provisions	1,053	1,170
<b>Total provisions</b>	<b>9,747</b>	<b>8,192</b>

### Recognition and measurement

#### Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

#### Insurance contracts

The Group is a partner in the Accident Compensation Commission (ACC) Partnership Programme. Under the Partnership Programme the Group is liable for all its claim costs for a period of two years up to a specified maximum. At the end of the two year period, the Group pays a premium to ACC for the value of residual claims, the liability for on-going claims from that point passes back to ACC.

The liability for ACC Partnership Programme is recognised in provisions and measured as the present value of expected future payments to be made in respect of the employee injuries and claims up to the reporting date using actuarial techniques.

#### Liability valuation

An independent actuarial valuer (AON New Zealand) has calculated the Group's liability, as at 30 June 2017. The valuer has attested satisfaction as to the nature, sufficiency and accuracy of the data used to determine the outstanding liability.

The valuation carried out as at 30 June 2017 produced a value for the ACC reserve of \$248,900 (2016: \$291,700). Pre valuation date claim inflation has been taken as 50% (2016: 50%) of movements in the CPI and 50% (2016: 50%) of the movements in the Average Weekly Earnings (AWE) Index. Post valuation date claim inflation rates has changed from a constant of 1.7% per annum to Treasury issued yearly rates. The discount rate used to value the liabilities has changed from a constant of 4.2% per annum to Treasury issued yearly risk free rates as at 31 March 2017. These changes in future discount and inflation rates resulted in no material impact on the valuation.

The Group is not exposed to any significant concentrations of insurance risks as work related injuries are generally the result of an isolated event to an individual employee.

## Section E:

# How we fund the business

This section explains how Ports of Auckland funds its business and shows the source of other funding facilities that can be used to fund future operational or investing activities.

## E1. Equity and reserves

Share Capital	2017 SHARES	2016 SHARES	2017 \$'000	2016 \$'000
<b>Ordinary shares</b>				
Balance at 1 July	156,005,192	156,005,192	146,005	146,005
<b>Balance at 30 June</b>	<b>156,005,192</b>	<b>156,005,192</b>	<b>146,005</b>	<b>146,005</b>

At 30 June 2017, there were 156,005,192 (2016: 156,005,192) ordinary shares issued, 146,005,192 ordinary shares are fully paid (\$1.00 per share) and 10,000,000 ordinary shares remain unpaid at the end of the financial year.

Reserves	CASH FLOW HEDGES \$'000	PROPERTY, PLANT AND EQUIPMENT REVALUATION \$'000	FAIR VALUE CHANGES OF EQUITY SECURITIES \$'000	RETAINED EARNINGS \$'000	TOTAL \$'000
<b>Balance at 1 July 2015</b>	<b>(4,831)</b>	<b>110,380</b>	<b>6,000</b>	<b>263,764</b>	<b>375,313</b>
Profit for the period	-	-	-	83,996	83,996
Dividends	-	-	-	(42,184)	(42,184)
Revaluations	-	73,858	-	-	73,858
Changes in fair value of cash flow hedges	(10,385)	-	-	-	(10,385)
Transfer to profit / (loss)	2,305	-	-	-	2,305
Changes in fair value of investments	-	-	1,808	-	1,808
Deferred tax	2,263	(2,233)	-	-	30
Tax benefit of losses received from owner	-	-	-	11,235	11,235
<b>Balance at 30 June 2016</b>	<b>(10,648)</b>	<b>182,005</b>	<b>7,808</b>	<b>316,811</b>	<b>495,976</b>
Profit for the period	-	-	-	60,302	60,302
Dividends	-	-	-	(53,667)	(53,667)
Revaluations	-	16,702	-	-	16,702
Changes in fair value of cash flow hedges	36	-	-	-	36
Transfer to profit / (loss)	3,200	-	-	-	3,200
Changes in fair value of investments	-	-	10,520	-	10,520
Deferred tax	(906)	-	-	-	(906)
Tax benefit of losses received from owner	-	-	-	6,227	6,227
<b>Balance at 30 June 2017</b>	<b>(8,318)</b>	<b>198,707</b>	<b>18,328</b>	<b>329,673</b>	<b>538,390</b>

## Recognition and measurement

### Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

All ordinary shares rank equally with one vote attached to each fully paid ordinary share; they carry a right to dividends and a share of net assets on a wind up.

### Reserves

#### Hedging reserve - cash flow hedges

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge. The amounts are recognised in the income statement when the associated hedged transactions affect profit or loss.

#### Property, plant and equipment revaluation reserve

The property, plant and equipment revaluation reserve is used to record increments and decrements on the revaluation of non-current assets. The balance standing to the credit of the reserve may be used to satisfy the distribution of bonus shares to shareholders and is only available for the payment of cash dividends in limited circumstances as permitted by law.

#### Fair value changes of equity securities

The fair value through other comprehensive income reserve is used to record the fair value changes on listed securities. The fair value movements are recognised in the statement of comprehensive income.

## E2. Dividends

	CENTS PER SHARE	2017 \$'000	2016 \$'000
2015 Final dividend	11.14	-	16,259
2016 Interim dividend	17.76	-	25,925
2016 Final dividend	19.46	28,413	-
2017 Interim dividend	17.30	25,254	-
<b>Total dividends paid</b>		<b>53,667</b>	<b>42,184</b>

## Recognition and measurement

### Dividends

Provision is made for the amount of any dividend declared on or before the end of the financial year but not distributed at balance date.

### E3. Interest bearing liabilities

	2017			2016		
	AVAILABLE \$'000	DRAWN \$'000	UNDRAWN \$'000	AVAILABLE \$'000	DRAWN \$'000	UNDRAWN \$'000
<b>Current</b>						
<i>Unsecured</i>						
Bank overdraft - refer note D1	10,000	6,202	3,798	10,000	8,786	1,214
Total current interest bearing liabilities	10,000	6,202	3,798	10,000	8,786	1,214
<b>Non-Current</b>						
<i>Unsecured</i>						
Other bank loans	540,000	291,713	248,287	440,000	246,767	193,233
Total non-current interest bearing liabilities	540,000	291,713	248,287	440,000	246,767	193,233
<b>Total interest bearing liabilities</b>	<b>550,000</b>	<b>297,915</b>	<b>252,085</b>	<b>450,000</b>	<b>255,553</b>	<b>194,447</b>

#### Recognition and measurement

##### Interest bearing liabilities

Interest bearing liabilities are initially recognised at fair value, net of transaction costs incurred. Interest bearing liabilities are subsequently measured at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Interest bearing liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

##### Non-current interest bearing borrowings

A revolving advances facility agreement was signed on 27 July 2015. Bilateral revolving advance facility agreements were signed with Westpac New Zealand Limited, ANZ Bank New Zealand Limited, Commonwealth Bank of Australia and Bank of Tokyo Mitsubishi UFJ, Ltd. The duration period of the revolving advances facility at commencement ranged from two to five years.

At 30 June 2017 and 30 June 2016, the Group had in place a revolving advances facility, that is subject to a negative pledge deed dated 29 October 2013. This deed is entered into in substitution and replacement of an existing negative pledge deed dated 17 July 1995 (as varied and restated by a deed dated 19 December 2005 and as varied by deeds dated 18 May 2007, 24 November 2009 and 29 October 2013). The deed is for the benefit of Westpac New Zealand Limited, ANZ Bank New Zealand Limited, Commonwealth Bank of Australia and Bank of Tokyo Mitsubishi UFJ, Ltd and Bank of New Zealand.

The current and non-current borrowings are unsecured. The Group borrows under a negative pledge arrangement which requires certain certificates and covenants. The negative pledge deed sets out a minimum interest cover requirement (1.5:1) and a maximum gearing ratio percentage requirement (65%) (refer to note G1). There have been no breaches of this negative pledge during the financial year.

##### Fair value

The fair value of interest bearing liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for liabilities with similar risk profiles. The interest rate is based on BKBM (bank bill bid settlement) rate plus a margin range of 0.55% to 0.77% per annum (2016: 0.45% to 0.77% per annum). The Group generally borrows funds on a 90 days term (2016: 90 days term).

The carrying amounts of the current and non-current liabilities approximate their fair values as all debt amounts are based on either floating interest rates or short term (90 days or less) fixed rates.

Section F:

# Group Structure

This section provides information on the legal structure of the Group including how it affects financial performance and the financial position of the Group. It also includes details of acquired businesses.

## F1. Investments and advances

	INVESTMENT IN JOINT VENTURES \$'000	INVESTMENT IN ASSOCIATES \$'000	ADVANCES TO JOINT VENTURES \$'000	ADVANCES TO ASSOCIATES \$'000	TOTAL \$'000
<b>Balance at 1 July 2015</b>	<b>6,174</b>	<b>4</b>	<b>2,797</b>	<b>640</b>	<b>9,615</b>
Share of profits after income tax	1,168	-	-	-	1,168
Dividends received	(2,147)	-	-	-	(2,147)
Impairment	(2,614)	-	-	-	(2,614)
Movement in advances	-	-	(100)	70	(30)
<b>Balance at 30 June 2016</b>	<b>2,581</b>	<b>4</b>	<b>2,697</b>	<b>710</b>	<b>5,992</b>
Share of profits after income tax	38	-	(151)	-	(113)
Dividends received	(2,326)	-	-	-	(2,326)
Impairment	-	-	(2,618)	-	(2,618)
Movement in advances	-	-	1,700	300	2,000
<b>Balance at 30 June 2017</b>	<b>293</b>	<b>4</b>	<b>1,628</b>	<b>1,010</b>	<b>2,935</b>

Impairment of advances to joint ventures of \$2,618,000 relate to fair value adjustments to the carrying values held in Nexus Logistics Limited immediately prior to the acquisition of the remaining 50% of its shares (refer to note F2). The disclosed value of all other investments and advances approximates their fair values.

The shareholder advance to North Tugz Limited and PortConnect Limited are non-interest bearing. The advances are repayable on demand.

The shareholder advance to Longburn Intermodal Freight Hub Limited is non-interest bearing. The advance is repayable on demand.

Refer to note F2 - Related parties for disclosure on subsidiaries, investments in associates and joint ventures.

### Recognition and measurement

#### Investments and advances

On initial recognition, the Group classifies its advances in the following categories:

- financial assets measured at amortised cost;
- financial assets at fair value through profit or loss.

The classification depends on the business model for managing financial assets and the contractual cash flow characteristics on the financial asset and is determined at the time of initial recognition or only when a change in the business model occurs (with the exception of equity instruments).

Financial assets are recognised on trade date - the date on which the Group commits to purchase the asset.

Financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value. All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value.

#### Financial assets measured at amortised cost

The Group's financial assets held in order to collect contractual cash flows that are solely payments of principal and interest on the principal outstanding are measured at amortised cost. Cash and cash equivalents, trade receivables and advances are classified in this category.

## F2. Related parties

	PLACE OF BUSINESS	CLASS OF SHARES	EQUITY HOLDING	
			2017 %	2016 %
<b>Subsidiaries</b>				
Bunker Shipz Limited	New Zealand	Ordinary	100	100
Seafuels Limited	New Zealand	Ordinary	100	100
Waikato Freight Hub Limited	New Zealand	Ordinary	100	100
Nexus Logistics Limited	New Zealand	Ordinary	100	-
Conlinxx Limited	New Zealand	Ordinary	100	-

### Subsidiary acquisitions

On 1 May 2017 Ports of Auckland acquired the remaining 50% of shares in Nexus Logistics Limited leading to Nexus Logistics Limited becoming a wholly owned subsidiary of the Group. Nexus Logistics Limited is a logistics and distribution solutions provider targeting the New Zealand import/export sector and was previously a joint venture between Ports of Auckland and Netlogix Intermodal Limited. The acquisition included Conlinxx Limited, a wholly owned subsidiary of Nexus Logistics Limited. Conlinxx Limited provides freight handling services and manages the Group's inland freight hub at Wiri.

The acquisition supports the ongoing development of the Group's national supply chain network offering full logistics services based around the Auckland seaport and the North Island freight hubs.

The following table summarises the consideration paid, and the fair value of assets and liabilities acquired from Nexus Logistics Limited as at 1 May 2017.

The accounting for the acquisition of Nexus Logistics Limited has only been provisionally determined at the end of the reporting period.

	2017 \$'000	2016 \$'000
<b>Current assets</b>		
Cash and cash equivalents	298	-
Trade and other receivables	4,120	-
Tax receivable	647	-
Current assets	5,065	-
<b>Non-current assets</b>		
Property, plant and equipment	1,220	-
Non-current assets	1,220	-
Total assets	6,285	-
<b>Current liabilities</b>		
Trade and other payables	(3,754)	-
Current liabilities	(3,754)	-
Total liabilities	(3,754)	-
Net assets before intercompany balances	2,531	-
Net payables owing to Ports of Auckland	(2,531)	-
<b>Net assets</b>	-	-
Purchase price for 50% share	-	-
Carrying value of initial investment of shares	-	-
<b>Loss on purchase</b>	-	-



## Associates and joint ventures

	PRINCIPAL ACTIVITY	PLACE OF BUSINESS	CLASS OF SHARES	EQUITY HOLDING	
				2017 %	2016 %
<b>Associates</b>					
Longburn Intermodal Freight Hub Limited	Container terminal operation - marine cargo	New Zealand	Ordinary	33.3	33.3
<b>Joint ventures</b>					
North Tugz Limited	Marine towage	New Zealand	Ordinary	50	50
Port Connect Limited	Online cargo management system	New Zealand	Ordinary	50	50
Nexus Logistics Limited	Transport Operation	New Zealand	Ordinary	-	50

## Summary financial information of associates and joint ventures

	AGGREGATE BALANCE	
	2017 \$'000	2016 \$'000
<b>Assets and liabilities</b>		
Current assets	4,182	6,844
Non-current assets	32,272	47,497
Total assets	36,454	54,341
Current liabilities	6,036	23,760
Non-current liabilities	12,875	558
Total liabilities	18,911	24,318
<b>Net assets</b>	<b>17,543</b>	<b>30,023</b>
<b>Results</b>		
Revenue	13,843	30,544
Expenses	(9,263)	(28,449)
Net profit after tax	4,580	2,095
<b>Total comprehensive income</b>	<b>4,580</b>	<b>2,095</b>

The associates and joint ventures had contingent liabilities of \$nil as at 30 June 2017 (2016: \$nil). Capital commitments as at 30 June 2017 were \$nil (2016: \$nil).

## Related party outstanding balances

	2017 \$'000	2016 \$'000
<b>Current receivables</b>		
Auckland Council Group	23	33
Associates and joint ventures	27	2,055
Total current receivables	50	2,088
<b>Non-current receivables</b>		
Associates and joint ventures	2,638	3,407
Total non-current receivables	2,638	3,407
<b>Current payables</b>		
Auckland Council Group	6,269	5,221
Associates and joint ventures	36	103
Total current payables	6,305	5,324

Current receivables from associates and joint ventures have been impaired by \$2,833,000 to the estimated realisable value owing by Nexus Logistics Limited immediately prior to the acquisition of the remaining 50% of its shares.

No other provisions for impairment of receivables have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties.

## F2. Related parties (continued)

### Related party transactions

	2017 \$'000	2016 \$'000
<b>Auckland Council Group</b>		
Services provided by Ports of Auckland Ltd	422	444
Services provided to Ports of Auckland Ltd	2,201	1,552
Net dividend paid to ACIL	53,667	42,184
Subvention payment to Watercare Services Ltd for tax losses	3,903	5,368
Tax losses gifted by Auckland Council to Ports of Auckland Ltd	6,227	11,235
<b>Associates and joint ventures</b>		
Services provided by Ports of Auckland Ltd	3,174	3,020
Services provided to Ports of Auckland Ltd	2,608	776
Net dividends received	2,326	2,147
Advances	3,351	70
Advance repayments	1,250	100
Advance impairment	2,870	-

### Key management personnel compensation

	2017 \$'000	2016 \$'000
Directors' fees	545	449
Salaries and other short term employee benefits	3,134	3,393
Termination costs	-	83
<b>Total key management compensation</b>	<b>3,679</b>	<b>3,925</b>

## Recognition and measurement

### Related parties

All subsidiaries, associates and joint ventures are related parties to the Group. Auckland Council Investments Limited (ACIL) wholly owns Port of Auckland Limited, with the ultimate controlling party being Auckland Council. All council controlled organisations (CCOs) of Auckland Council are considered related parties to the Group.

### Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date the control ceases.

All intra group transactions, balances, income and expenses are eliminated in full on consolidation.

The results of subsidiaries acquired or disposed of during the year are included in the income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

- i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under NZ IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

As a result of loss of control of a subsidiary when a joint venture is formed through the contribution of the subsidiary, the Group's Board and management have chosen to account for the loss of control under NZ IAS 28. NZ IAS 28 requires that when non-monetary contributions are made to a joint venture, a gain or loss is recognised only in relation to the portion no longer owned.

### Associates and joint ventures

Associates are those entities over which the Group holds a significant but not controlling interest. Joint ventures are entities whose activities are jointly controlled by the Group and the Group has rights to the net assets of the entity. Investments in associates and joint ventures are accounted for using the equity method and are measured in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets. Goodwill relating to associates and joint ventures is included in the carrying amount of the investment. Dividends reduce the carrying value of the investment.

The amount recognised in the income statement and statement of comprehensive income reflects the Group's share of earnings of associates and joint ventures and its movement in reserves. Investments in associates and joint ventures are carried at the lower of the equity accounted amount and the recoverable amount. When the Group's share of accumulated losses in an associate or joint venture equals or exceeds its carrying value, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group has applied NZ IFRS 11 to all joint arrangements. Under NZ IFRS 11 Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

The interests in North Tugz Limited, PortConnect Limited and Longburn Intermodal Freight Hub Limited are accounted for in the consolidated financial statements using the equity method of accounting.

All joint ventures and associates have a 30 June year end.

### Related party transactions

All services provided by and to Ports of Auckland are entered into in the normal course of business on standard commercial terms.

#### Auckland Council Group

Auckland Council Group entities include: Auckland Council Investments Limited (Parent), Auckland Council, Watercare Services Limited, Panuku Development Auckland, Auckland Transport and Auckland Tourism Events and Economic Development Group.

The services provided to Ports of Auckland from Auckland Council Group entities is made up of operating costs such as water and rates charged. The transactions between Ports of Auckland and Auckland Council Group entities include dividends, tax loss offsets, management fees and port charges.

#### Associates and joint ventures

The services provided to Ports of Auckland from associates and joint ventures are made up of port operating costs. The services provided by Ports of Auckland to associates and joint ventures include lease arrangements for property, management fees and port charges.

Ports of Auckland receives a dividend stream from North Tugz Limited.

Ports of Auckland has advanced funds to PortConnect Limited and Longburn Intermodal Freight Hub Limited. Refer to note F1 for further information.

### Directors

During the year, the Group entered into transactions with companies in which there are common directorships. These transactions have occurred on an arm's length commercial basis, without special privileges.

### Key management personnel compensation

The key management personnel are all the directors of the company, the Chief Executive Officer and his direct reports who have the greatest authority for the strategic direction and management of the company.

The Group does not provide any non-cash benefits to directors and other key management personnel in addition to their fees or salaries.

### F3. Equity securities

	2017 \$'000	2016 \$'000
<b>Balance at 1 July</b>	25,232	23,424
Movements through reserves	10,520	1,808
<b>Balance at 30 June</b>	<b>35,752</b>	<b>25,232</b>

Equity securities represent an investment holding of 19.9% in Marsden Maritime Holdings Limited, that offer the Group the opportunity for return through dividend income and fair value gains.

The fair value of these securities is based on quoted market prices. Fair value changes in the investment are recognised in other comprehensive income.

The Group's equity securities are all categorised as Level 1 as described in the financial risk management - fair value note G1.

#### Recognition and measurement

##### Investments and other financial assets

On initial recognition, the Group classified its equity securities at fair value through other comprehensive income as the investment is held for strategic rather than trading purposes.

At initial recognition, the Group makes an irrevocable election (on an instrument by instrument basis) to present in other comprehensive income the gains and losses in fair value of investments in equity instruments that are not held for trading. When the investment is disposed of, the cumulative gain or loss previously accumulated in the reserves is not recycled to profit or loss.

The Group assesses at each balance date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Equity instruments are deemed to be impaired when there is a significant or prolonged decline in fair value below the original purchase price.

Financial assets are derecognised when the rights to receive cash flows from the asset have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

The fair values of quoted investments are based on current bid prices.

Dividend income from equity instruments are recognised in the income statement when the right to receive payment is established.

Section G:

# How we manage risk

**This section describes the financial risks that Ports of Auckland has identified and how it manages these risks to protect its financial position and performance. Risk management includes the use of financial instruments to hedge against unfavourable interest rate and foreign currency movements.**

## G1. Financial risk management

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

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

The Group's overall 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 Group has a treasury policy which limits exposure to market risk for changes in interest rates and foreign currency, counter-party credit risk and liquidity risk.

The Group uses derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures.

The Group does not hold derivative financial instruments for speculative purposes.

### Credit risk

Credit risk is the potential loss from a transaction in the event of default by a counterparty on its contractual obligations.

Financial instruments which potentially subject the Group to credit risk, principally consist of bank balances, trade and other receivables, advances to equity accounted investees and derivative financial instruments.

Credit risk is managed for cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to trade receivables transactions. Derivative counterparties and cash transactions are limited to high credit quality financial institutions who currently have a Standard & Poors long-term credit rating of AA- or better. Limits are placed on the exposure to any one financial institution and the usage of these limits is determined by assigning product weightings to the principal amount of the transaction. The Group minimises its credit risk by spreading such exposures across a number of counterparties.

The carrying amount of financial assets recorded in the financial statements, which is net of impairments losses, represents the Group's maximum exposure to credit risk.

The Group's credit risk is also attributable to trade receivables which comprise of a large number of customers, spread across diverse industries. The Group has a policy that manages exposure to credit risk by way of customers who wish trade on credit terms are subject to a credit assessment, which may include a review of their financial strengths, previous credit history with the Group, payment habits with other suppliers, bank references and credit rating agency reports.

Approximately 60% (2016: 59%) of trade receivables at balance date is reflected by the Group's ten largest customers. At balance date approximately 13% (2016: 12%) of the trade receivables related to one customer. The Group is satisfied with the credit quality of the customer and does not anticipate any non-performance.

## G1. Financial risk management (continued)

### Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet obligations as they fall due. The Group manages the risk by targeting a minimum liquidity level by monitoring continuously forecasting actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group's exposure to liquidity risk based on undiscounted contractual cash flows relating to non-derivative financial liabilities is shown below:

	LESS THAN 6 MONTHS \$'000	6-12 MONTHS \$'000	1-2 YEARS \$'000	2-5 YEARS \$'000	5+ YEARS \$'000	TOTAL \$'000 CONTRACTUAL CASH FLOWS	CARRYING AMOUNT LIABILITIES \$'000
<b>Balance at 30 June 2016</b>							
Trade and other payables	28,419	-	-	-	-	28,419	28,419
Borrowings	12,545	3,719	56,161	200,630	-	273,055	255,553
<b>Total non-derivative liabilities</b>	<b>40,964</b>	<b>3,719</b>	<b>56,161</b>	<b>200,630</b>	<b>-</b>	<b>301,474</b>	<b>283,972</b>
<b>Balance at 30 June 2017</b>							
Trade and other payables	34,276	-	-	-	-	34,276	34,276
Borrowings	10,351	3,902	125,944	173,957	-	314,154	297,915
<b>Total non-derivative liabilities</b>	<b>44,627</b>	<b>3,902</b>	<b>125,944</b>	<b>173,957</b>	<b>-</b>	<b>348,430</b>	<b>332,191</b>

The Group's exposure to liquidity risk based on undiscounted contractual cash flows relating to derivative financial liabilities is shown below:

	LESS THAN 6 MONTHS \$'000	6-12 MONTHS \$'000	1-2 YEARS \$'000	2-5 YEARS \$'000	5+ YEARS \$'000	TOTAL \$'000 CONTRACTUAL CASH FLOWS	CARRYING AMOUNT LIABILITIES \$'000
<b>Balance at 30 June 2016</b>							
Interest rate swaps (net settled)	1,422	1,680	3,048	6,310	339	12,799	11,689
Forward exchange contracts							
Inflows	(30,867)	(12,938)	(5,287)	-	-	(49,092)	
Outflows	32,944	13,589	5,697	-	-	52,230	
Net forward exchange contracts	2,077	651	410	-	-	3,138	3,100
<b>Total derivative liabilities</b>	<b>3,499</b>	<b>2,331</b>	<b>3,458</b>	<b>6,310</b>	<b>339</b>	<b>15,937</b>	<b>14,789</b>
<b>Balance at 30 June 2016</b>							
Interest rate swaps (net settled)	1,799	1,624	2,725	2,620	(172)	8,596	8,343
Forward exchange contracts							
Inflows	(46,140)	-	-	-	-	(46,140)	
Outflows	51,304	-	-	-	-	51,304	
Net forward exchange contracts	5,164	-	-	-	-	5,164	5,135
<b>Total derivative liabilities</b>	<b>6,963</b>	<b>1,624</b>	<b>2,725</b>	<b>2,620</b>	<b>(172)</b>	<b>13,760</b>	<b>13,478</b>

## Market risk

### Foreign currency risk

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

The Group does not have any material exposure to currency risk except for the one off purchases of assets (e.g. plant and equipment) denominated in foreign currencies. The Group treasury policy requires that foreign exchange contracts must be entered into for the purchase of major items of plant and equipment and that the full amount of the purchase must be hedged.

Foreign exchange instruments approved under the treasury policy are forward exchange contracts and currency options.

### Interest rate risk

Interest rate risk is the risk of loss to the Group arising from adverse fluctuation in interest rates.

The Group has exposure to interest rate risk as a result of long-term borrowings which are used to fund on-going activities. The Group aims to reduce uncertainty of changes in interest rates by entering into floating-to-fixed interest rate swaps to fix the effective rate of interest to minimise the impact of interest rate volatility on earnings.

By using floating-to-fixed interest rate swaps, the Group agrees with other parties, to exchange, at specific intervals (normally quarterly), the difference between the fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amount. Generally the Group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly.

As at the reporting date, the Group had the following variable rate borrowings and interest rate swap contracts outstanding:

	30 JUNE 2017		30 JUNE 2016	
	WEIGHTED AVERAGE INTEREST RATE %	BALANCE \$'000	WEIGHTED AVERAGE INTEREST RATE %	BALANCE \$'000
Bank overdrafts and bank loans	2.7%	298,202	3.0%	255,786
Interest-rate swaps	4.3%	185,000	4.5%	225,000

An analysis by maturities of interest rate swaps is provided in note G2 and a summary of terms and conditions of bank overdrafts and bank loans in note E3.

### Equity price risk

The Group is exposed to equity price risk because of equity securities held in Marsden Maritime Holdings Limited. The fair value of the equity securities is based on quoted market prices from NZX at the end of the financial period.

The Group is not exposed to commodity price risk.

### Summarised sensitivity analysis

At balance date, the Group had the following mix of financial assets and liabilities exposed to interest rate risk, foreign exchange risk and equity price risk after considering hedging instruments.

	2017 \$'000	2016 \$'000
<b>Financial assets</b>		
Cash and cash equivalents	812	360
Equity securities	35,752	25,232
<b>Total financial assets</b>	<b>36,564</b>	<b>25,592</b>
<b>Designated in hedge relationship</b>		
Derivative financial assets		
Interest rate swaps	525	-
Forward exchange contracts	1,400	-
Derivative financial liabilities		
Interest rate swaps	8,344	11,689
Forward exchange contracts	5,135	3,100
<b>Total designated in hedge relationship</b>	<b>11,554</b>	<b>14,789</b>
<b>Financial liabilities</b>		
Interest bearing liabilities	297,915	255,553
<b>Total financial liabilities</b>	<b>297,915</b>	<b>255,553</b>

## G1. Financial risk management (continued)

A change in the variables below with all other variables held constant, would increase/(decrease) the Group's net exposure by the amounts shown below:

	2017		2016	
	PROFIT BEFORE TAX \$'000	EQUITY \$'000	PROFIT BEFORE TAX \$'000	EQUITY \$'000
<b>Interest rate risk</b>				
25 basis point increase (2016: 25 basis points)	(343)	1,532	(289)	1,557
25 basis point decrease (2016: 25 basis points)	343	(1,591)	289	(1,585)
<b>Foreign exchange risk</b>				
10% increase in value of NZ dollar	-	(8,368)	-	(4,408)
10% decrease in value of NZ dollar	-	10,228	-	5,388
<b>Equity price risk</b>				
10% increase in equity prices	-	3,575	-	2,523
10% decrease in equity prices	-	(3,575)	-	(2,523)

### Fair value

#### Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

##### Level 1

A valuation technique which determines fair value by capitalising a property's sustainable net income at an appropriate, market derived rate of return with subsequent capital adjustments for near-term events, typically including letting up allowances, capital expenditure and the difference between contract and market rentals.

##### Level 2

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined by using the following valuation techniques:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the financial year end date, with the resulting value discounted back to present value;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

##### Level 3

The Group engages external, independent and qualified valuers to determine:

- The fair value of the Group's investment property at the end of every annual reporting period, and
- The fair value of the Group's land, buildings and wharves that are classified as property plant and equipment every three years.

Transfer in the fair value hierarchy is disclosed in note B2, and an analysis for the fair value approaches used.



The following table presents the Group's assets and liabilities measured and recognised at fair value on a recurring basis:

	LEVEL	2017 \$'000	2016 \$'000
<b>Equity securities</b>	1	35,752	25,232
<b>Derivative financial assets</b>			
Interest rate swaps	2	525	-
Foreign exchange contracts	2	1,400	-
<b>Total derivative financial assets</b>		<b>1,925</b>	-
<b>Derivative financial liabilities</b>			
Interest rate swaps	2	8,344	11,689
Foreign exchange contracts	2	5,135	3,100
<b>Total derivative financial liabilities</b>		<b>13,479</b>	<b>14,789</b>
<b>Non-financial assets</b>			
Investment properties	3	114,835	149,105
Land	3	326,333	309,068
Buildings	3	25,948	26,278
Wharves	3	290,805	255,613
<b>Total non-financial assets</b>		<b>757,921</b>	<b>740,064</b>

## Financial instruments

The Group's financial instruments consist of cash and cash equivalents, trade and other receivables (excluding prepayments), investments and advances, trade and other payables, interest bearing liabilities (bank overdraft and bilateral bank facilities) and derivative financial instruments.

The total carrying amount of the Group's financial assets and liabilities are detailed below:

	2017			2016		
	CARRIED AT COST OR AMORTISED COST \$'000	CARRIED AT FAIR VALUE \$'000	CARRIED AT FAIR VALUE THROUGH OCI \$'000	CARRIED AT COST OR AMORTISED COST \$'000	CARRIED AT FAIR VALUE \$'000	CARRIED AT FAIR VALUE THROUGH OCI \$'000
<b>Financial assets</b>						
Cash and cash equivalents	812	-	-	360	-	-
Trade receivables	30,200	-	-	31,047	-	-
Joint venture and associate advances	2,638	-	-	3,407	-	-
Equity securities	-	-	35,752	-	-	25,232
<b>Designated in a hedge relationship</b>						
Derivative financial assets	-	1,925	-	-	-	-
Derivative financial liabilities	-	(13,479)	-	-	(14,789)	-
<b>Financial liabilities</b>						
Trade and other payables	(34,276)	-	-	(28,419)	-	-
Interest bearing liabilities	(297,915)	-	-	(255,553)	-	-

## Capital risk management

The Group's objective when managing capital is to safeguard its ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors balance sheet strengths and flexibility using cash flow forecast analysis and detailed budgeting processes. In addition, consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the Group's statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

The gearing ratio as at 2017 is 30% (2016: 28%).

## G2. Derivative financial instruments

	2017 \$'000	2016 \$'000
<b>Current assets</b>		
Forward foreign exchange contracts	318	-
Total current derivative assets	318	-
<b>Non-current assets</b>		
Forward foreign exchange contracts	1,082	-
Interest rate swaps	525	-
Total non-current derivative assets	1,607	-
<b>Total derivative assets</b>	<b>1,925</b>	<b>-</b>
<b>Current liabilities</b>		
Forward foreign exchange contracts	5,135	2,701
Interest rate swaps	190	878
Total current derivative liabilities	5,325	3,579
<b>Non-current liabilities</b>		
Forward foreign exchange contracts	-	399
Interest rate swaps	8,154	10,811
Total non-current derivative liabilities	8,154	11,210
<b>Total derivative liabilities</b>	<b>13,479</b>	<b>14,789</b>

The notional principal amounts of the interest rate swap contracts are as follows:

	2017 \$'000	2016 \$'000
Less than 1 year	15,000	65,000
1 - 2 years	40,000	15,000
2 - 3 years	10,000	40,000
3 - 4 years	40,000	10,000
4 - 5 years	40,000	40,000
Greater than 5 years	40,000	55,000
<b>Total</b>	<b>185,000</b>	<b>225,000</b>

### Recognition and measurement

#### Derivatives

The Group uses derivative financial instruments to reduce exposure to fluctuations in interest rates and foreign currency exchange rates. The use of hedging instruments is governed by treasury policy approved by the Board.

Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured to fair value, at balance date, with an adjustment made for credit risk in accordance with NZ IFRS13 'Fair Value Measurement'. The fair values are estimated on the basis of the quoted market prices for similar instruments in an active market or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument. Changes in the fair value of derivatives which have been successfully designated as part of a cash flow hedge relationship are recognised in the cash flow hedge reserve, to the extent they are effective. Any accounting ineffectiveness is recognised in the income statement. If the derivative is not designated as a hedged instrument, the resulting gain or loss is recognised immediately in the income statement.

### Hedge accounting

The Group manages its exposure to fluctuations in interest rate and foreign currency exchange rates through the use of derivatives.

At the start of a hedge relationship, the Group formally designates and documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an on-going basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge) or hedges of exposure to variability in cash flows that is attributable to a particular risk associated with an asset or liability or to highly probable forecast transactions (cash flow hedges).

### Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the cash flow hedge reserve, while the gain or loss relating to the ineffective portion is recognised in the income statement.

Amounts recognised in equity are recycled in the income statement in the period when the hedged item will affect profit or loss (for instance when the interest payment that is hedged takes place). The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings are recognised in the income statement within finance costs when the related interest is recognised. When the forecast transaction that is hedged results in the recognition of an item of plant, property and equipment, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the item of property, plant and equipment. The deferred amounts are ultimately recognised in the income statement when the item of property, plant and equipment is depreciated.

If a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any amounts previously recognised in equity at that time remains in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur amounts previously recognised in equity are transferred to the income statement.

### Fair value

The Group's derivative financial assets and liabilities are all categorised in Level 2 in the fair value hierarchy as described in note G1 financial risk management – fair value.

### Instruments used by the Group

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates in accordance with the Group's financial risk management policies.

All derivatives are designated as hedging instruments.

### Interest rate swap contracts - cash flow hedges

Bank loans of the Group currently bear a weighted average variable interest rate of 2.70% (2016: 3.00%). It is policy to protect part of the loans from exposure to increasing interest rates. Accordingly, the Company has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates.

Swaps currently in place cover approximately 55% (2016: 57%) of the loan principal outstanding and are timed to expire as interest and loan repayments fall due. The fixed interest rates range between 2.85% and 5.79% (2016: 2.85% and 5.79%) and the maturity dates range between 21 December 2017 and 21 June 2026.

During the current financial year several new interest rate swap contracts were put in place with start date 31 January 2017. This equates to 13.5% of the total notional principal amount.

The contracts require settlement of net interest payable or receivable each quarter. The settlement dates coincide with the dates on which interest is payable on the underlying debt. The contracts are settled in a net basis.

### Forward exchange contracts - cash flow hedges

The Group is party to forward exchange contracts in order to manage foreign exchange risk. The Group's risk management policy is to hedge purchases of major items of plant and equipment in foreign currencies only.

The cash flows are expected to occur at various dates between six months to one year from the balance date.

At 30 June 2017, the Group had outstanding forward exchange contracts equivalent to \$97,125,468 (2016: \$52,230,000) for three quay cranes and intelligent terminals.

Section H:

# Other disclosures

This section includes the remaining information for Ports of Auckland that is required to be presented to comply with financial reporting requirements.

## H1. Non-current assets held for sale

	2017 \$'000	2016 \$'000
Land	7,770	7,770
Buildings, Wharves and Improvements	8,440	10,624
Investment Properties - Land	52,495	5,800
<b>Balance at 30 June</b>	<b>68,705</b>	<b>24,194</b>

Ports of Auckland has received from The New Zealand Transport Agency (NZTA) notices to acquire the Port of Onehunga and Pikes Point properties required under the Public Works Act 1981 for use in the construction of the East-West Link.

Investment property transferred to non-current assets held for sale includes a property that is currently subject to a sale and purchase agreement.

Buildings, wharves and improvements have been impaired by \$2,184,000 at 30 June 2017 (2016: \$nil).

### Recognition and measurement

#### Assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable.

Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell, except for investment properties which are measured at fair value.

## H2. Capital commitments

	2017 \$'000	2016 \$'000
<b>Property, plant and equipment</b>		
Property, plant and equipment	2,146	440
Intelligent terminals	45,822	-
Northern berth	2,230	33,277
Northern berth dredging (stage 1)	1,500	-
Tug berth	136	1,618
<b>Total property, plant and equipment</b>	<b>51,834</b>	<b>35,335</b>
<b>Investment properties</b>		
Wiri Freight Hub	-	5,772
Waikato Freight Hub	1,088	3,926
<b>Total investment properties</b>	<b>1,088</b>	<b>9,698</b>
<b>Total capital commitments</b>	<b>52,922</b>	<b>45,033</b>

## H3. Lease commitments

	2017 \$'000	2016 \$'000
<b>Operating lease commitments: Group as lessee (i)</b>		
Within one year	961	647
Greater than one year but not more than five years	2,026	1,675
<b>Total operating lease commitments</b>	<b>2,987</b>	<b>2,322</b>
<b>Operating lease commitments: Group as lessor (ii)</b>		
Within one year	7,381	6,689
Greater than one year but not more than five years	27,276	14,974
More than five years	39,906	36,772
<b>Total operating lease commitments</b>	<b>74,563</b>	<b>58,435</b>

- (i) The Group leases land and premises under a non-cancellable operating lease agreement. The lease reflects normal commercial arrangements with escalation clauses and renewal rights. On renewal, the terms of the lease are renegotiated.
- (ii) The majority of operating leases relate to investment property owned by the Group with lease terms between 1 to 17 years. Further operating leases relating to buildings within port operation boundaries included in property, plant and equipment also owned by the Group with a lease term between 1 to 25 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

### Recognition and measurement

#### Lease commitments

##### (i) The Group is the lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the period of the lease.

##### (ii) The Group is the lessor

Assets leased to third parties under operating leases are included in investment property and property, plant and equipment in the statement of financial position. Rental income (net of any incentives given to lessees) is recognised on a straight line basis over the lease term.

## H4. Contingencies

### Contingent liabilities

The Group had \$nil contingent liabilities at 30 June 2017 (2016: \$nil).

Ports of Auckland Limited has a performance bond of \$810,000 (2016: \$810,000) with Auckland Council to ensure that the final finishing of the reclamation of the Fergusson Container terminal is undertaken and that an accessible esplanade reserve is provided. Ports of Auckland Limited pays Westpac a premium to take on the bond risk. No event has occurred that would cause this guarantee to be called upon.

Ports of Auckland Limited potentially has a liability for repairs and maintenance on Queens Wharf of up to \$1.5 million. The expense is likely to be incurred within a ten to fifteen year time horizon.

## H5. Events occurring after the reporting period

On 21 August 2017, subsequent to year end the Board of Directors resolved to pay an unimputed dividend of 17.87 cents per ordinary share, a total of \$26,092,000. The dividend will be paid on 25 August 2017.

## H6. Standards and interpretations in issue not yet adopted

Standards, interpretations and amendments to published standards that are not yet effective:

### Amendments to NZ IAS 12 'Recognition of Deferred Tax Assets for Unrealised Losses'

Effective for reporting periods beginning on or after 1 January 2017.

### Amendments to NZ IAS 7 'Disclosure Initiative'

Effective for reporting periods beginning on or after 1 January 2017.

### NZ IFRS 9 (2014) 'Financial Instruments'

Effective for reporting periods beginning on or after 1 January 2018.

### NZ IFRS 15 'Revenue from Contracts with Customers'

Effective for reporting periods beginning on or after 1 January 2018.

### NZ IFRS 16 Leases

Effective for reporting periods beginning on or after 1 January 2019.

### Amendments to NZ IFRS 10 and NZ IAS 28 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'

Effective for reporting periods beginning on or after 1 January 2020.

### Amendments to NZ IAS 40 Transfer of Investment Property

Effective for reporting periods beginning on or after 1 January 2018.

### Annual Improvements to NZ IFRSs 2014-2016 cycle

Various effective dates with the earliest beginning for reporting periods beginning on or after 1 January 2017.

A formal assessment has not been completed on impacts of the new standards.





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