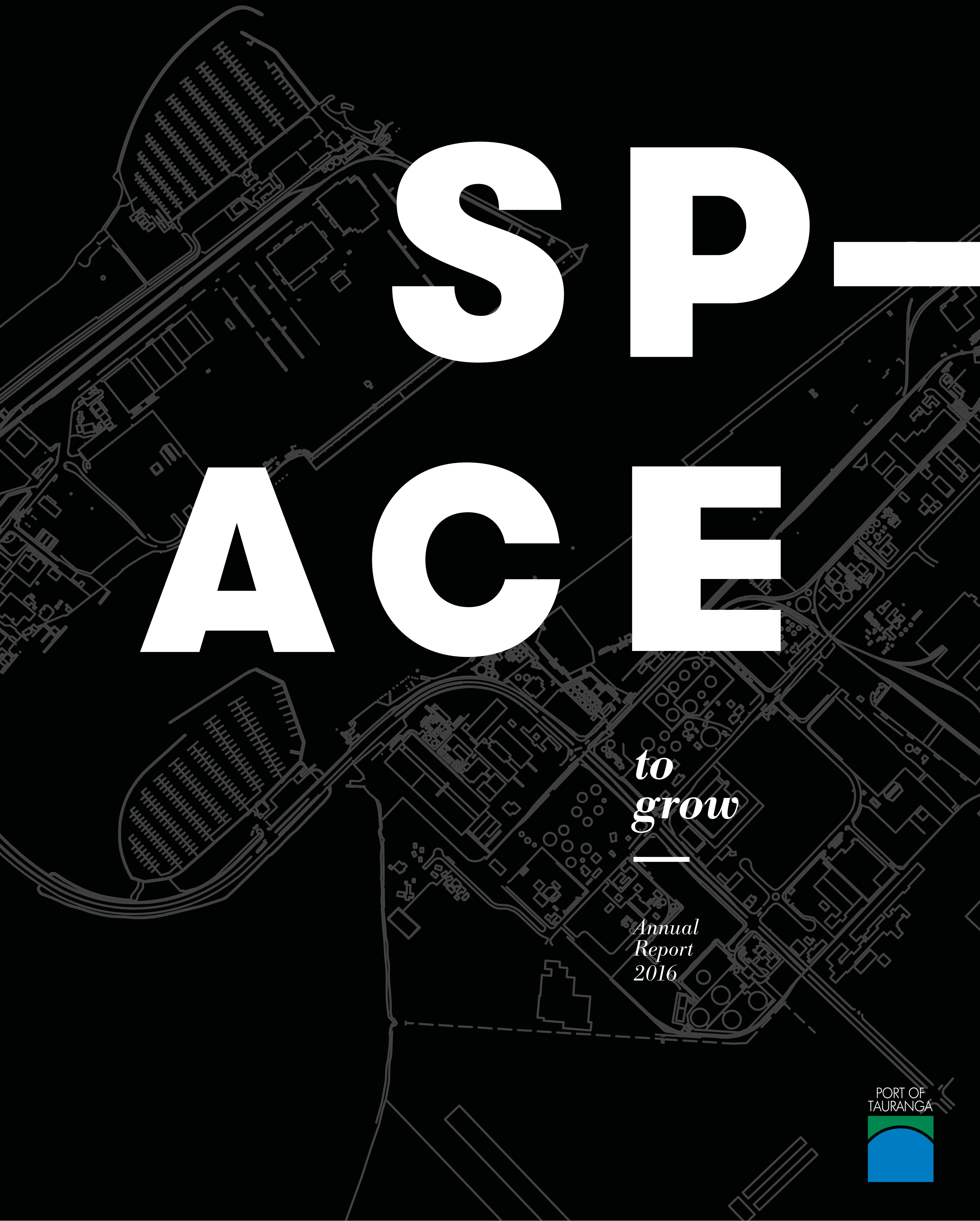


SP— ACE

to grow

Annual Report 2016

PORT OF TAURANGA

Contents

Port of Tauranga has the space to expand to meet New Zealand's growing need for import and export capacity.

Our space, and our spread across the country, gives us the room to pursue larger cargo volumes, greater efficiencies and more integration across the supply chain.

We have made diligent preparations to ensure we are ready for an expanded reality that is just over the horizon.

We are New Zealand's Port for the Future.

INNER SPACE

Annual Report 2016

Port of Tauranga's strategic land holdings around Tauranga Harbour total 190.3 hectares, with 141.3 hectares currently utilised for port operations.

Long-term plans allow for a further extension to the Tauranga Container Terminal berth space of 385 metres, to the south of the current wharf. There is also scope for an additional two berths on the Mount Maunganui side of the port.

At the container terminal, the present throughput of around 950,000 TEU (twenty foot equivalent units) per annum could potentially be trebled utilising the available land area.

We have the capacity – in equipment, land and expertise – to handle the much larger volumes of cargo that will arrive with bigger ships.

190.3ha

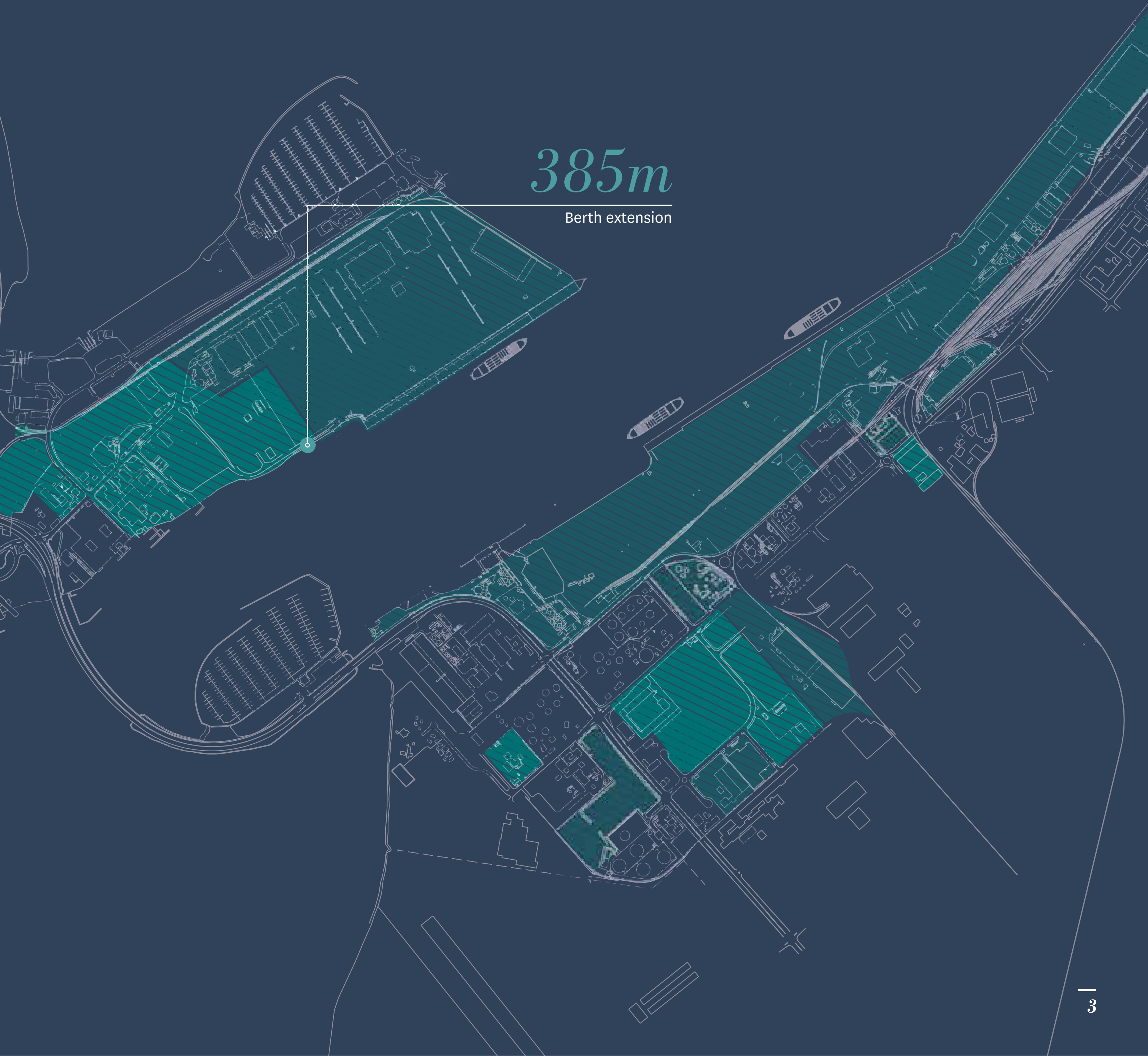
Total land available

141.3ha

Land currently used by port operations

49.0ha

Available land for future development



DEEP SPACE

Larger vessels, with their lower operating costs and greater fuel efficiency, will enhance New Zealand's global competitiveness.

Port of Tauranga is the first New Zealand port capable of hosting container ships with a capacity of more than 5,500 TEU (twenty foot equivalent units), with New Zealand's largest container ship (with a capacity of 9,500 TEU and 347 metres in length), due to call at Tauranga in October 2016.

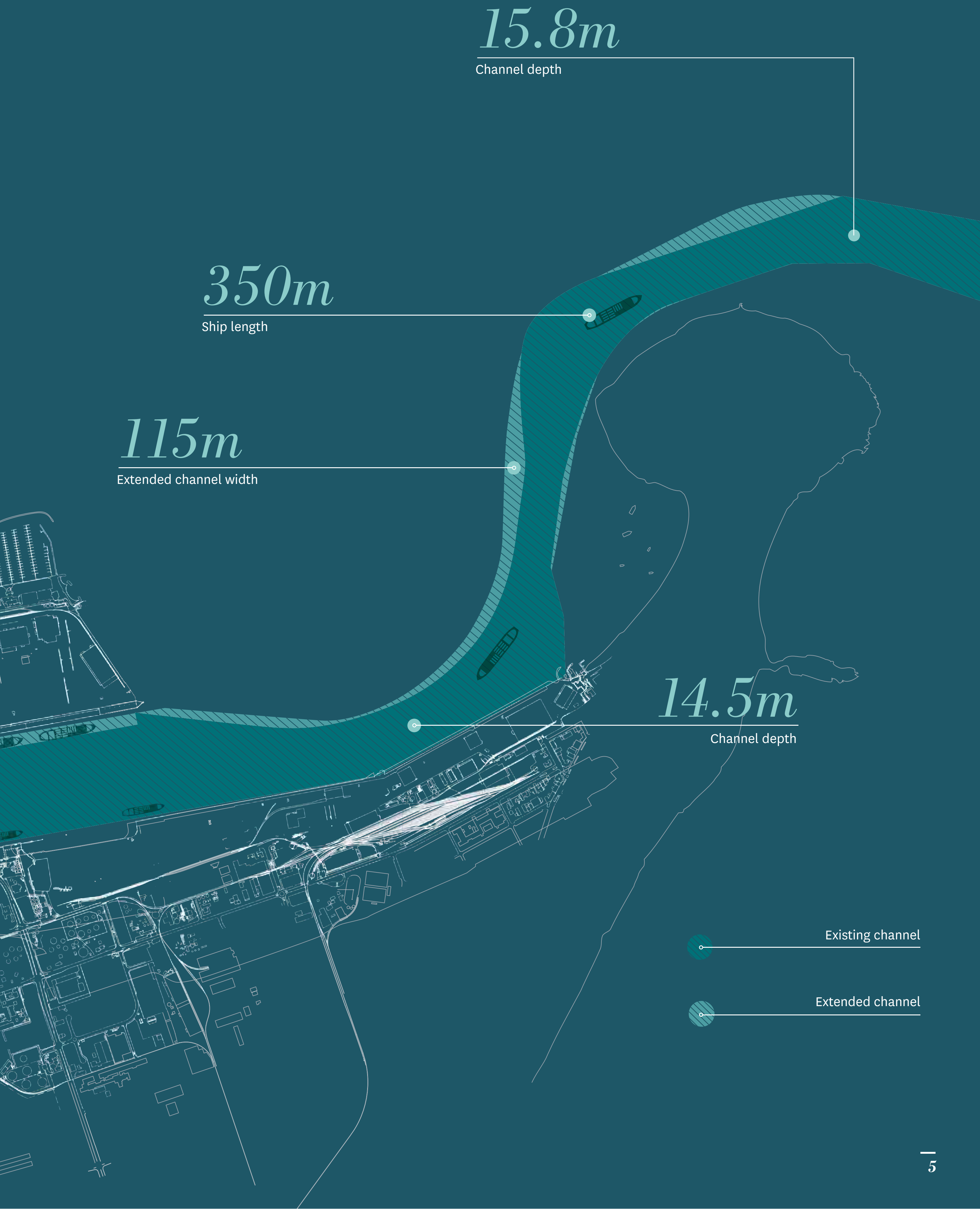
Port of Tauranga has undertaken a $30 million dredging project, the first stage of which has just been completed, to deepen and widen Tauranga Harbour to accommodate bigger ships.

We have deepened the shipping channels from 12.9 to 14.5 metres inside the harbour, and 15.8 metres outside the harbour.

This will allow us to accommodate larger container vessels, but it will also allow us to serve bulk cargo and cruise ships that are also increasing in size.

Overall, the average length of ships visiting Tauranga has grown from 177 metres in 2011 to 190 metres in 2016.

Port of Tauranga Shipping Channel



SPACE TO EXPAND

Annual Report 2016

Port of Tauranga is New Zealand's largest freight gateway, with unrivalled sea, road and rail connections.

Our network spans the North and South Islands and our locations all have extensive capacity for growth.

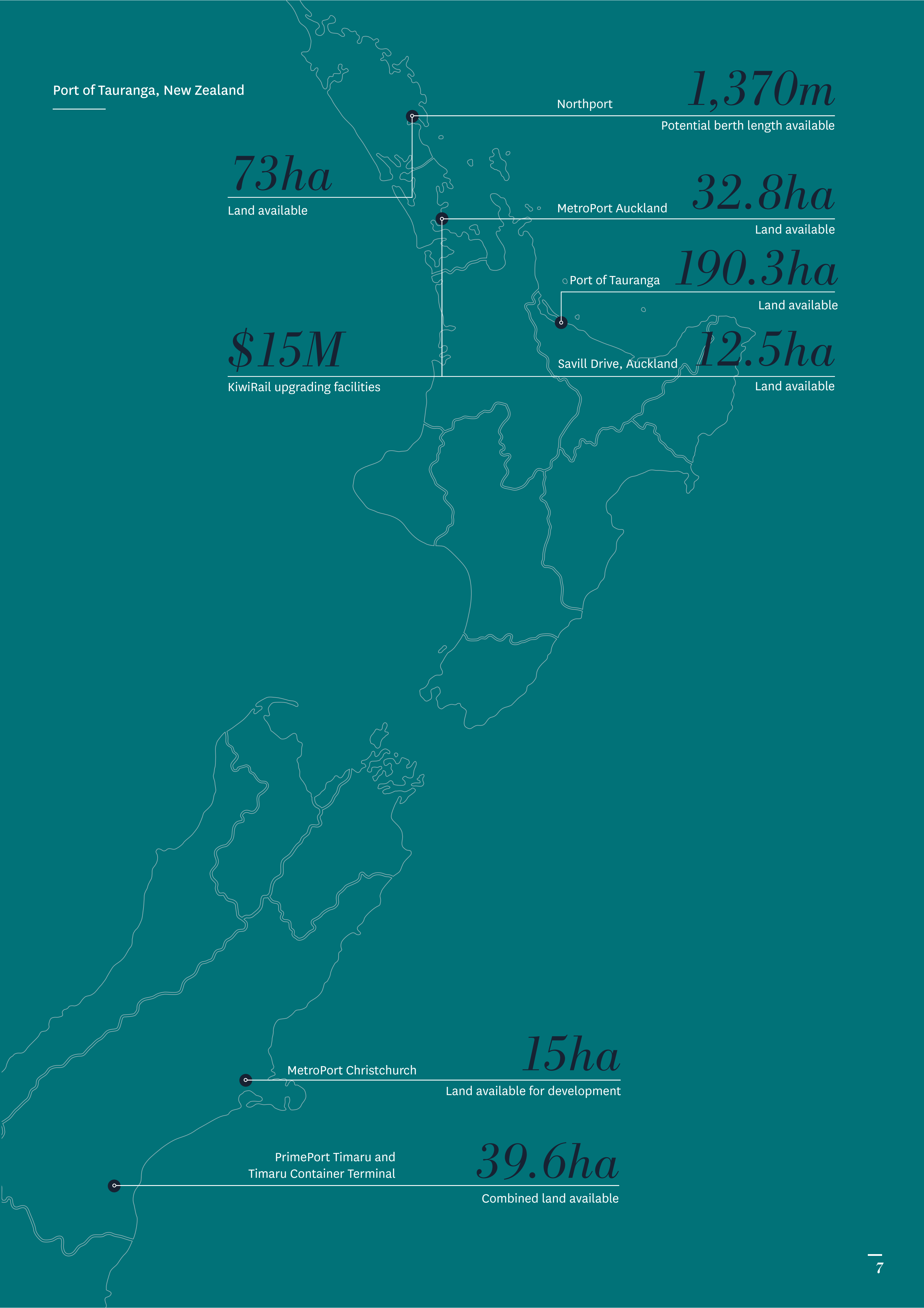
Seventeen years ago, we expanded our hinterland from Tauranga and built a base in Auckland. MetroPort Auckland was the country's first inland port. Since then, we have extended our reach as far as Northport, near Whangarei, and PrimePort Timaru in the south.

At Northport, resource consent is in hand to expand capacity from 48 to more than 50 hectares, and increase berth length from 570 to 840 metres. There is also potential to increase the port's footprint to 73 hectares and 1,370 metres of berth.

In the South Island, we have purchased 15 hectares at Rolleston and developed our second inland port, MetroPort Christchurch. This freight hub is connected by rail to PrimePort Timaru and warehousing facilities will be developed as required.

PrimePort Timaru itself occupies 27.5 hectares, with another 10 hectares dedicated to the Timaru Container Terminal operations. PrimePort increased its strategic land holdings with the purchase of an adjacent 2.1 hectare site in June.

Our diverse network is critical to providing the efficient connectivity demanded by importers and exporters.


Northport
1,370m
Potential berth length available
73ha
Land available
MetroPort Auckland
32.8ha
Land available
Port of Tauranga
190.3ha
Land available
$15M
KiwiRail upgrading facilities
Savill Drive, Auckland
12.5ha
Land available
MetroPort Christchurch
15ha
Land available for development
PrimePort Timaru and
Timaru Container Terminal
39.6ha
Combined land available

DEFINING NEW SPACE

Port of Tauranga has cast off the definition of a traditional port. Instead, we have forged connections with partners across the supply chain and sought truly integrated solutions for our customers.

Our long-term freight agreements with major exporters such as Oji Fibre Solutions, Kotahi and Zespri International give us the certainty to plan well for the future. We can ensure we have the right infrastructure and services in place as cargo volumes increase.

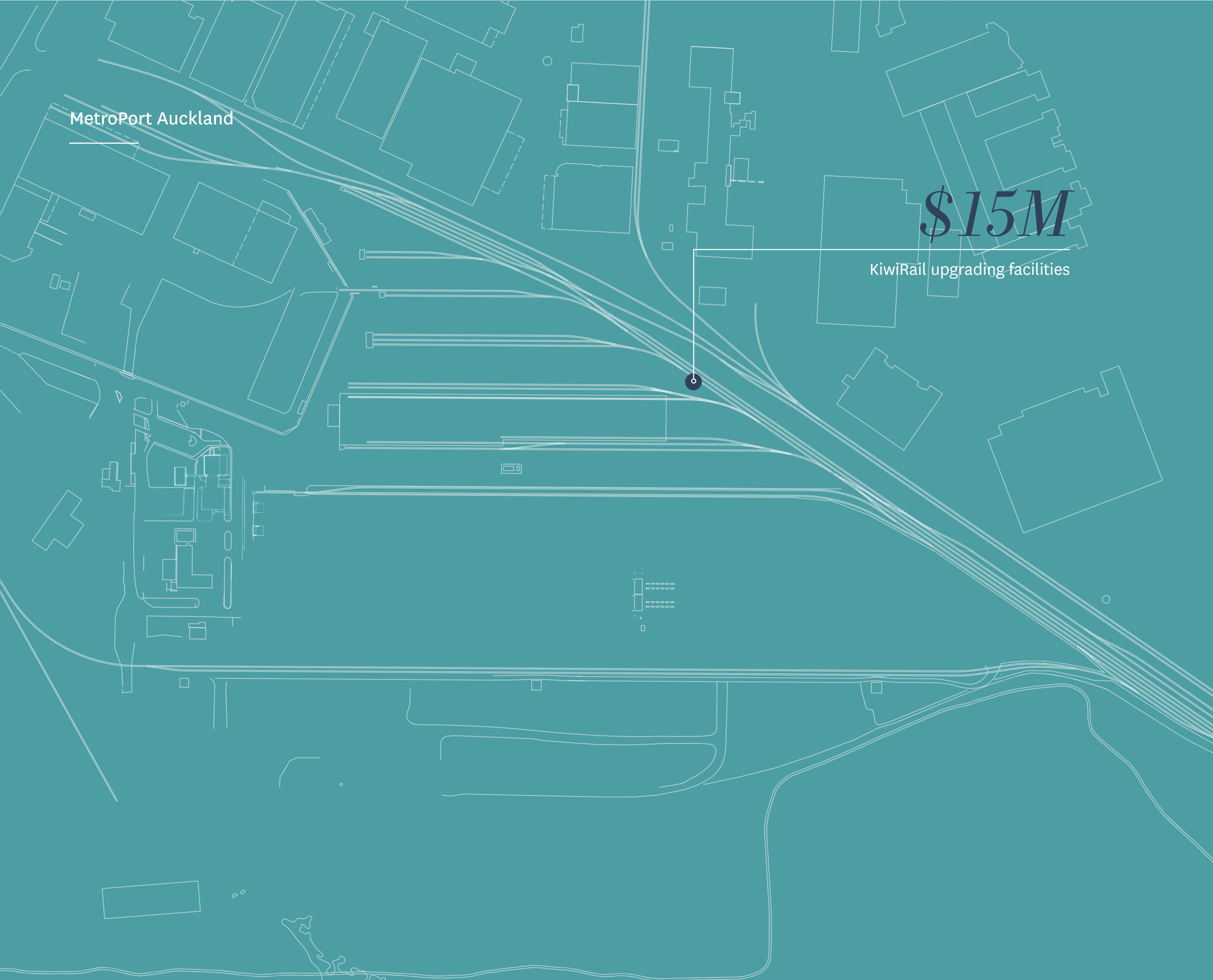
We have also partnered with KiwiRail to ensure we have the rail capacity we need to be certain it can remain our land transport of first choice.

KiwiRail is currently spending around $15 million to upgrade its facilities at MetroPort Auckland. It is also spending $45 million on new locomotives, a good proportion of which will be allocated to the Auckland-Tauranga rail line.

Our newest venture, Coda Group, gives us the platform to integrate across all modes of transport, including road and domestic shipping.

Coda's recent establishment of a rail-connected freight management hub in Savill Drive complements our nearby MetroPort Auckland inland port as a cargo consolidation point with unrivalled connectivity.

MetroPort Auckland



$15M

KiwiRail upgrading facilities

Golden Triangle

$45M

Investment in new locomotives

Annualised savings from utilising the freight rail network:

21.3

Million litres of diesel fuel savings

57,923

Tonnes of Co_2 emission savings

HIGHLIGHTS

For the Year Ended 30 June 2016

Annual Report 2016

62% injury reduction

Reduction in Total Recordable Injury Frequency Rate (TRIFR) by 62% to 5.6**

2.2ha

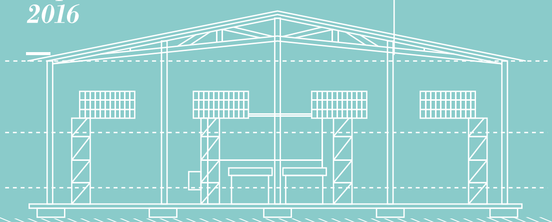
Commenced the building of a 2.2 hectare shed at Tauranga Container Terminal

up 39%

Container throughput at MetroPort Auckland up 39% to 249,390 TEUs*

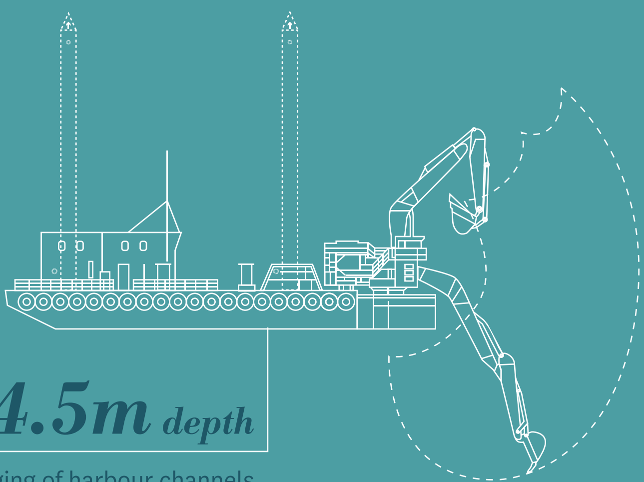
10 year partnership

Signed a ten-year Strategic Partnership Agreement with Zespri and Tauranga Kiwifruit Logistics (TKL)



up 21%

Milk powder volumes up 21% to 2,053,026 tonnes

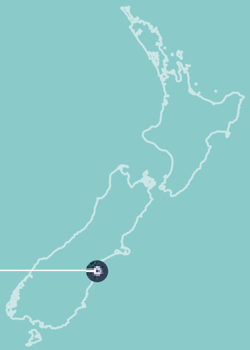


14.5m depth

Dredging of harbour channels

**TEU = twenty foot equivalent units*

***Number of lost time claims per million hours worked*



up 18%

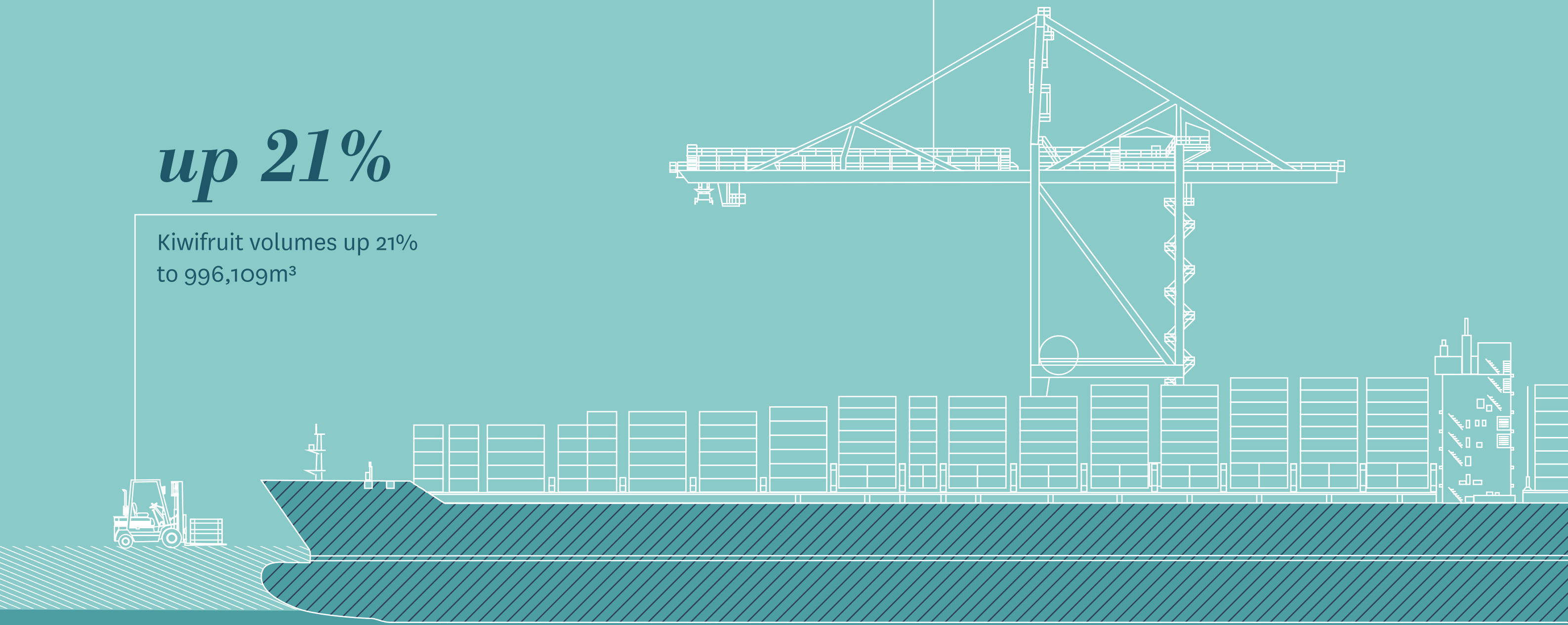
Record container volumes at Timaru Container Terminal Limited up 18% to 84,402 TEUs*

up 12%

Container throughput up 12% to 954,006 TEUs*

up 21%

Kiwifruit volumes up 21% to 996,109m³



up 2%

Parent EBITDA up 2% to $125.7 million

RESULTS IN BRIEF

For the Year Ended 30 June 2016	Year 2016 $000	Year 2015 $000
Operating income	**245,521**	268,460
Surplus after taxation – reported	**77,314**	79,148
Surplus after taxation – underlying	**77,314**	79,007
Total assets	**1,322,367**	1,297,018
Total equity	**885,684**	887,550
Dividends paid/proposed (per share)	**78 cents**	52 cents
Shareholders' equity (%)	**67.0**	68.4
Net asset backing per share ($)	**6.51**	6.52
Return on average equity (%)	**8.7**	9.3
Cargo throughput (000 tonnes)	**20,120**	20,179
Containers (TEU)*	**954,006**	851,106

The Board approved a final dividend of 30.0 cents per share ($40.8 million) and a special dividend of 25.0 cents per share ($34.0 million) after year end payable on 7 October 2016.

David Pilkington - Chair

WE ARE IN A GREAT SPACE

We are at the end of our $350 million investment programme in preparation for the imminent arrival of the next generation of ships.

From October 2016, Maersk Line ships of up to 9,500 TEUs (twenty foot equivalent units) will start calling at Port of Tauranga. This follows the completion of the Company's dredging project to widen and deepen the harbour channel to a depth of 14.5 metres.

Until now, the biggest ships visiting the port have had capacity of around 4,500 TEUs.

The arrival of these new ships, part of Maersk Line's Triple Star service, will offer exporters significant potential cost savings. They will also give them direct links to important North Asian markets.

Port of Tauranga is the first New Zealand port able to berth ships this size. This development is the culmination of a five year $350 million investment programme to extend our freight catchment.

It also stems from the signing of freight agreements with major exporters such as Kotahi. These agreements provide the Port with the forward cargo commitments necessary to undertake the significant investment in infrastructure that is required to handle these larger ships.

It is not just larger container ships that are calling at Tauranga. The world's biggest log carrier, the 200-metre, 35,000 tonne *SBI Maia*, chartered by TPT Forests, made its maiden voyage to Port of Tauranga in October 2015.

Also, in the 2016-2017 summer cruise season we will welcome the 347-metre long mega cruise liner *Ovation of the Seas*, which will bring 4,900 passengers and 1,500 crew to the Bay of Plenty.

Chair's Report

FINANCIAL PERFORMANCE

We have turned in a strong performance for the 2016 financial year. Parent EBITDA for the year to 30 June 2016 rose 2.2% to $125.7 million from $123 million in the prior year, as container traffic rose 12.1% to a record of more than 954,000 TEUs, from 851,000 TEUs in the prior year.

These gains were offset by a decline in bulk cargoes reflecting continuing challenges in New Zealand's forestry and agricultural sectors. Notably, log exports fell as did imports of fertiliser, bulk liquids and stock feed.

Revenues fell to $245.5 million from $268.5 million. The decrease in revenue is due to the merger of our former subsidiary Tapper Transport into our Coda logistics partnership with Kotahi.

Net profit after tax fell 2.4% to $77.3 million as the Company's now largely completed $350 million infrastructure investment programme resulted in higher depreciation charges, which are up $2.7 million in the 2016 year.

CAPITAL STRUCTURE

As signalled at last year's Annual Meeting, the completion of our infrastructure investment programme warranted a review of the Company's capital structure. We have now resolved to return up to $140 million to shareholders over the next four years. The final amount to be returned will be dependent on our requirements to fund any new future growth initiatives over and above those currently planned for.

Port of Tauranga is delivering $34 million of this sum to shareholders this year with a 25 cents per share fully-imputed special dividend.

Directors have also declared a 30 cents per share fully-imputed final dividend, which combined with the special dividend, lifts total payments to shareholders for the 2016 financial year to 78 cents per share. The record date for dividend entitlements is 23 September 2016 and the payment date is 7 October 2016.

The capital restructure will return excess capital to shareholders in a tax efficient manner, while optimising shareholder returns.

Port of Tauranga will retain its strong financial position and the payment of the targeted capital return of $140 million still ensures that we will retain a conservative level of debt.

Our strategic partnerships give us the confidence that underpins our investment in infrastructure and efficiencies across all of our locations.

Ovation of the Seas - Cruise Ship

Separately we have announced a 5:1 share split to lift liquidity of the Company's shares. Shareholders will receive five shares for every one share held at 5.00 pm on the record date of 17 October 2016.

Shareholders' proportionate holding in the Company will not change with the share split, and voting and distribution rights will be unaffected.

DIRECTORS

At the 2016 Annual Meeting, Directors Bill Baylis and Kim Ellis will retire by rotation and seek re-election. Both Bill and Kim have the unanimous support of the Board.

INDUSTRY ENVIRONMENT

Shareholders will be aware of the Future Port Study undertaken on behalf of Ports of Auckland Limited to overcome that port's growing capacity constraints.

Subsequent comments have suggested that a new mega port in the Firth of Thames could be built to incorporate sufficient capacity to accommodate both Auckland and Tauranga cargo growth over the next 50 years.

We have seen no economic justification for the plan, nor have we been privy to the assumptions that lead to its conclusions. What we do know is that our investment programme, our extensive Tauranga land holdings and our rail-linked MetroPort facility in Onehunga, ensures we can significantly expand the volume of imports that can be delivered into Auckland.

Such an approach will have the additional benefit of reducing traffic flows in downtown Auckland City and negate the need to expand the city's port operations further into the Waitemata Harbour.

While we are always willing to engage in a rigorous economic study to examine the optimal port solution for the upper North Island, we are optimistic that ultimately, the market will drive any rationalisation required. The arrival of bigger ships – and the efficiencies they can bring – will be a game changer.

THE FUTURE

Low global prices for dairy products and log exports will continue to have an impact on bulk cargo volumes in the near term. Other export cargoes, such as kiwifruit, are expected to continue their strong growth trajectory.

Port of Tauranga will remain somewhat protected from the fluctuations of international demand through its diverse cargoes, income sources and locations, as well as our long-term freight agreements with key exporters.

We will provide earnings guidance for the full 2016/2017 year at our Annual Shareholders' Meeting on 20 October 2016, when we have a better feel for the first quarter's trade volumes.

David Pilkington
Chair

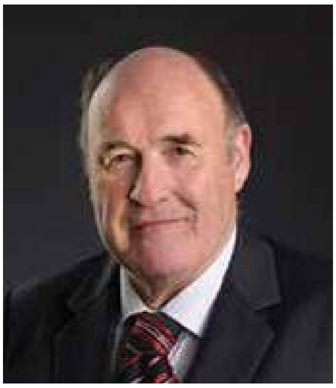
BOARD OF DIRECTORS

Board of Directors

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

INDEPENDENT DIRECTOR

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



A W BAYLIS, MCom 1st Class Honours, FCA, FNZIM, AFInstD

INDEPENDENT DIRECTOR

Bill Baylis is a Director of PrimePort Timaru Limited. He has broad governance experience over a wide range of industries. Mr Baylis chairs the Audit Committee and joined the Board in February 2006.

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

INDEPENDENT DIRECTOR

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

J C HOARE, BCom, FCA, MInstD

INDEPENDENT DIRECTOR

Julia Hoare has a comprehensive range of commercial, financial, tax, regulatory and sustainability expertise which she developed over the course of 20 years as a partner with PwC. She retired from the PwC partnership on 31 December 2012 to pursue a full time corporate governance career. Julia is a Fellow of the New Zealand Institute of Chartered Accountants and a Member of the Institute of Directors.

Other directorships include: AWF Madison Group Limited, New Zealand Post Limited, The A2 Milk Company Limited, and Watercare Services Limited, and Member of Auckland Committee, Institute of Directors, Advisory Panel to External Reporting Board, and the Institute of Directors Council. Julia joined the Board in August 2015.

A R LAWRENCE, BCA Business Admin

INDEPENDENT DIRECTOR

Alastair Lawrence is a very experienced corporate advisor and financier. He was a Director of private investment bank Antipodes Consult Limited from 1998-2014. Previous governance roles include Landcare Research Limited, and membership of the Takeovers Panel which developed and implemented the Takeovers Code. Mr Lawrence is a Director of Coda GP Limited.

Alastair is currently a Director of, and investor in, a number of private New Zealand companies. He joined the Board in February 2014.

D LEEDER

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

M J SMITH, LLB

Michael Smith, a Tauranga lawyer, is Chair of Quayside Group of Companies, Craigs Investment Partners Superannuation Management Limited and Quay Street Asset Management Limited, and a Director of Custodial Services Limited, First Mortgage Managers Limited and Norfolk Southern Cross Limited. He has an extensive corporate and commercial legal background. Mr Smith chairs the Remuneration Committee and joined the Board in August 2001.

NEW SPACE

Our dredging project is almost complete and our upgraded infrastructure is ready. We are poised to welcome the largest ever container ship to visit New Zealand waters.

We are delighted that the investment we have made in our infrastructure will be utilised so quickly after completion of the $350 million capital spending programme of the past five years.

We have looked at every aspect of our operations to ensure that we are ready.

2016 IN REVIEW

Total trade decreased 0.3% to 20.1 million tonnes. Exports decreased by 1.2% to 13.1 million tonnes, while imports increased by 1.4% to 7.0 million tonnes.

Container traffic continued to grow apace, with container throughput increasing 12.1% to 954,006 TEUs (twenty foot equivalent units). The largest increase in containers was in imports, which increased by 34,260 TEUs.

We continue to cement our customer relationships by formalising partnerships. We signed a ten-year Strategic Partnership Agreement with Zespri and Tauranga Kiwifruit Logistics (TKL).

TRADE TRENDS

Milk powder exports increased 21.5% in volume, to just over 2.0 million tonnes. Dairy industry-related imports decreased, including fertilisers (down 10%), bulk liquids (down 23.4%) and palm kernel (down 28.2%).

Kiwifruit volumes increased 21.1% and are expected to continue growing at this rate.

Exports of logs decreased 18.2% in volume to 4.6 million tonnes. Volumes of value-added forest products increased, including pulp and paper exports growing by 5%.

Mark Cairns - Chief Executive

The drop in bulk cargo exports was offset by the increase in container traffic, which now makes up more than half of total trade through the Port, up from 42% of total trade two years ago.

TAURANGA OPERATIONS

The arrival of the first 9,500 TEU container ships in October 2016 will usher in a new era of sea-borne freight transport in New Zealand. Port of Tauranga is the first New Zealand port able to berth ships this size. The efficiencies they will bring and the cost savings for New Zealand's importers and exporters are significant.

In preparation for larger ships, we have expanded ground slots at the container terminal to more than 5,000 and increased overall refrigerated container connection points to more than 1,800.

A further 650 container ground slots will be added when Shed 12 is demolished and replaced by a larger facility at the southern end of the terminal, which will be utilised by Oji Fibre Solutions.

Another two container cranes and 13 new straddle carriers have just been delivered to the port. Once the Port's original and oldest crane is retired, the ship-to-shore crane fleet will number eight.

SOUTH ISLAND OPERATIONS

We reached a new record in container volumes at the Timaru Container Terminal, handling 18% more cargo in the financial year and reaching a total of 84,402 TEUs.

Our South Island-based customers are also starting to utilise our new intermodal freight hub at Rolleston, 12 kilometres south of Christchurch. The 15-hectare site opened in August 2015 and is used for the receipt, packing and distribution of containerised cargo, as well as an empty container depot.

Dredging at Mount Maunganui

We have had strong growth in containers for a number of years, but the new bigger vessels will require us to manage much larger exchanges in shorter timeframes.

AUCKLAND OPERATIONS

Container throughput at MetroPort Auckland increased 39% to 249,390 TEUs.

The continued growth has prompted KiwiRail to invest $15 million in upgrading its facilities at MetroPort. We are also working with them to introduce a vehicle booking system to further enhance the efficiency of truck movements to and from the rail exchange.

OUR PEOPLE

Investment in capacity is vital, but it is pointless without our people. They are what really makes this port. They include the team at Port of Tauranga as well as the staff of the numerous port-related companies in Tauranga and beyond.

THE FUTURE

I believe we have created the right spaces to future-proof the Port for the next 20 to 30 years.

I look forward to seeing the fruition of our vision to bring the efficiencies of larger vessels to our wide variety of customers in both the North and South Islands.

Mark Cairns
Chief Executive

Senior Management Team

Steven Gray - Chief Financial Officer   *Leonard Sampson - Commercial Manager*   *Mark Cairns - Chief Executive*

Sara Lunam - Corporate Services Manager   Dan Kneebone - Property & Infrastructure Manager

OUR CUSTOMERS

Our Customers

We prefer long-term partnerships over short-lived platitudes. We take the time to understand our customers' needs, their wants and their challenges. In the next few pages, we profile some of those companies we proudly do business with.

24–33

TAURANGA KIWIFRUIT LOGISTICS

Our Customers

"It's vital that the Port and the industry work together to ensure we have the space and the resources to handle rapidly growing export volumes."

The New Zealand kiwifruit industry has teamed with Port of Tauranga to ensure wharf-side capacity can cope with rising exports.

Tauranga Kiwifruit Logistics (TKL) and Zespri International have entered a 10-year freight agreement with the port to formalise their long standing relationship and move to the next step in providing on-port infrastructure.

TKL Chief Executive Ian Mearns says kiwifruit export volumes have been increasing by 20% per year since 2014, when exports began to recover from the impact of an outbreak of PSA disease. The trend is expected to continue through to at least 2020.

TKL, Zespri and the Port are currently working together on the demolition and rebuilding of the 30-year old kiwifruit coolstore at the Mount Maunganui wharves, which will reopen in time for the 2017 export season.

Kiwifruit is shipped via specialist refrigerated vessels – to those markets equipped with the necessary port infrastructure – and in containers to those markets that better suit this mode. The proportion of containerised exports is expected to increase, eventually making up around half of all shipments.

A dedicated truck exchange is being used at the Tauranga Container Terminal for the first time this season to ensure faster turnaround times for containerised kiwifruit. This has also benefited other shippers as it has freed up capacity at the general truck exchange.

"We're also in constant discussions around berth allocations and shipping trends so that we can be as efficient as possible. It's not just about adding capacity, it's about using existing resources smarter," says Ian.

Ian Mearns - Chief Executive

Richard Wyeth - Chief Executive Officer

MIRAKA

"Port of Tauranga has a similar approach in the essence of what we strive to create – quality products and the integrity, innovation and commitment to meet our customer's needs."

Dairy product exporter Miraka uses Port of Tauranga to ship products from its Taupo factory to 23 international markets.

Although it is 142 kilometres away, the Port can provide the storage space, vessel frequency and efficiency that Miraka needs.

"We also need flexibility. It's important that our partners can react as quickly as we do," says Chief Executive Richard Wyeth.

Miraka collects from 100 farms within an 85 kilometre radius of the factory. Milk is processed into powder and UHT long-life milk.

The powder products are palletised for truck transfer to a Mount Maunganui warehouse, where it is loaded onto truck-based containers for the journey to the Tauranga Container Terminal.

Multiple award-winning Miraka is just five years old and built its UHT plant three years ago. It will ship 60 million litres of cartoned long-life milk next year, or 3,000 containers per annum, plus 1,500 containers of milk powder.

"We started with a growth mindset, even when all we had was just a paddock. It had to be very well planned… and the Port has been with us on that journey," says Richard.

Miraka has a focus on building and maintaining strong relationships and sustainable business practices.

"That's our starting point, strong values founded on the cultural beliefs of our owners."

KIWIRAIL

"KiwiRail has a shared vision with Port of Tauranga to grow New Zealand economically, and with rail we can do that in a highly sustainable way."

Port of Tauranga's partnership with KiwiRail has helped keep 458,388 truck movements off roads.

Utilising the freight rail network also saves around 21.3 million litres of diesel and reduces carbon emissions by 57,923 tonnes annually.

KiwiRail Chief Executive Peter Reidy says those savings will only increase as freight volumes grow. Containers moved via rail between Auckland and Tauranga increased by 39% in the last year.

Forecasted continued growth has prompted KiwiRail to invest $15 million in upgrading its facilities adjacent to MetroPort Auckland. The project will future-proof the freight hub. A new vehicle booking system will speed up truck turnaround times.

KiwiRail is also investing another $45 million in new locomotives.

Peter says KiwiRail's strategic partnership with the Port allows it to plan for the future and invest with confidence.

"We are planning our fleet purchases 10 to 15 years ahead," he says. "We're here to help New Zealand grow and improving our export connectivity to the world is an integral part of that."

He says KiwiRail's freight customers demand a high level of reliability, cost efficiency, service frequency and speed.

"They need to know we've got the capacity, when and where they need it.

"The strong relationship with Port of Tauranga is critical. We need to manage the daily capacity to ensure our trains are full, as well as ensure we are linking with them about long term investment."

Peter Reidy - Chief Executive

Murray Horne - General Manager

OJI FIBRE SOLUTIONS

"Long-term contracts and good relationships are not just about a piece of paper. It's how you conduct yourself and the interactions you have on a day-to-day basis."

A continuous drive for enhanced efficiency and quality will see pulp and paper export operations move into larger, purpose-built premises at Port of Tauranga.

Oji Fibre Solutions (formerly Carter Holt Harvey Pulp & Paper) will operate from a new, purpose-built 17,900 square metre facility at Sulphur Point from early 2017.

The new premises will provide Oji Fibre Solutions with greater flexibility around product storage, handling, packing and despatching, thereby enhancing overall export efficiencies.

Murray Horne is General Manager of Oji Fibre Solutions' logistics arm Lodestar.

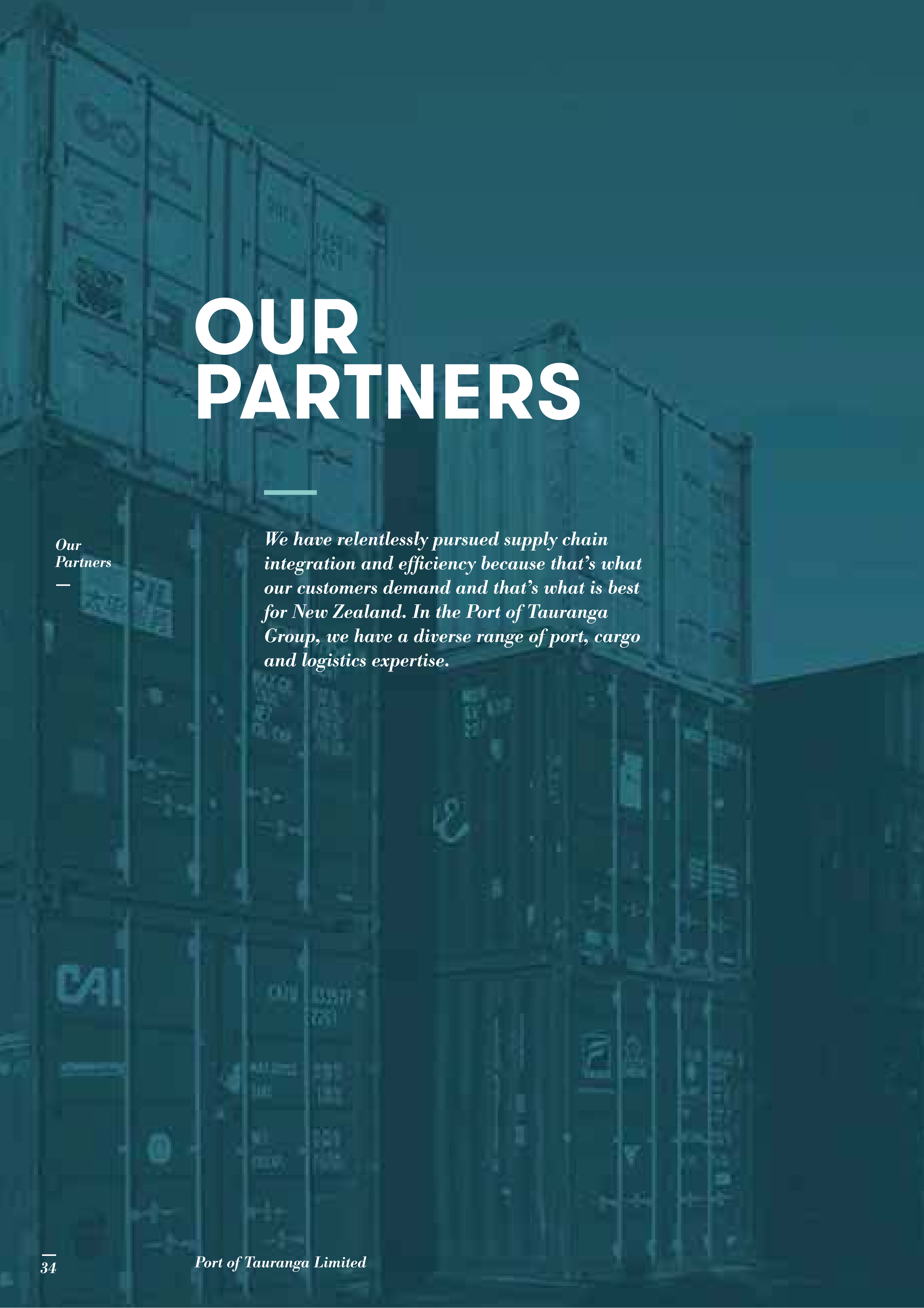
He says in a highly competitive international market, Oji Fibre Solutions is looking to differentiate itself through high quality customer service.

"It is important that our relationships with the Port of Tauranga and our key shipping lines support our strategy around quality customer service," says Murray.

"New Zealand is geographically distant from some of our markets and it is vital that we all work together to provide a timely, efficient service.

"We expect the Port, along with our shipping lines, to be responsive to our needs and those of our customers."

On the domestic front, Oji Fibre Solutions is driving efficiencies by working alongside its logistics partners, to optimise transport networks across road, rail and coastal shipping corridors.



OUR PARTNERS

Our Partners

We have relentlessly pursued supply chain integration and efficiency because that's what our customers demand and that's what is best for New Zealand. In the Port of Tauranga Group, we have a diverse range of port, cargo and logistics expertise.

34–45

Jon Moore - Chief Executive

NORTHPORT

"Expansion is very much on our agenda here at Northport. We have significant consented development plans to expand our cargo storage areas and berth space."

Cargo volumes handled by Northport continue to grow, increasing 6.7% to a new record in the 2016 financial year.

Log exports increased 8.5%, and average vessel sizes also grew.

Chief Executive Jon Moore says Northport still has plenty of space to expand as cargo and traffic increases.

The current site has a paved area of 38 hectares, and a further 10 hectares to the south-west of the site is being progressively developed in a $20 million project over five to seven years.

Northport already has resource consent to increase overall capacity from 48 to more than 50 hectares, and increase berth length from 570 to 840 metres. There is potential (not yet consented) to increase the port's footprint to 73 hectares and 1,370 metres of berth.

There is also 180 hectares of commercially-zoned bare land owned by Marsden Maritime Holdings (50% shareholder of Northport) adjacent to the port's boundary.

Jon says the company continues to look afresh at all aspects of port operations to ensure space is being used effectively as cargo volumes rise.

Log storage areas have been reconfigured and more than 200 'book ends' installed to increase the maximum allowable height of stacked logs.

New berth allocation procedures will provide greater flexibility as cargoes become more diverse.

In September 2015, Northport took delivery of its first $5 million mobile harbour crane to handle container ship servicing, as well as bulk and break bulk goods.

QUALITY MARSHALLING

"Our future is in specialist logistics operations. We're lean and agile and we're in a great position for future growth."

Our Partners

Quality Marshalling's new strategic direction has resulted in the divestment of its forestry operations at Northport, Red Stag sawmill near Rotorua and Napier.

General Manager Shayne Jenkins says the consolidation has helped Quality Marshalling improve profitability and secure new, niche cargo contracts utilising its systems, machinery and customer service focus.

In December 2015, the company won a contract to handle cement cargo at Holcim's new facility at PrimePort Timaru.

It also expanded its container handling services, with the addition of new Kalmar reach stackers at both Tauranga and Timaru container terminals. Quality Marshalling is the first company in the Southern Hemisphere to operate new "G" series container reach stackers. They offer improved operating performance, using 20% less fuel, and ensure customers benefit from the very latest technology.

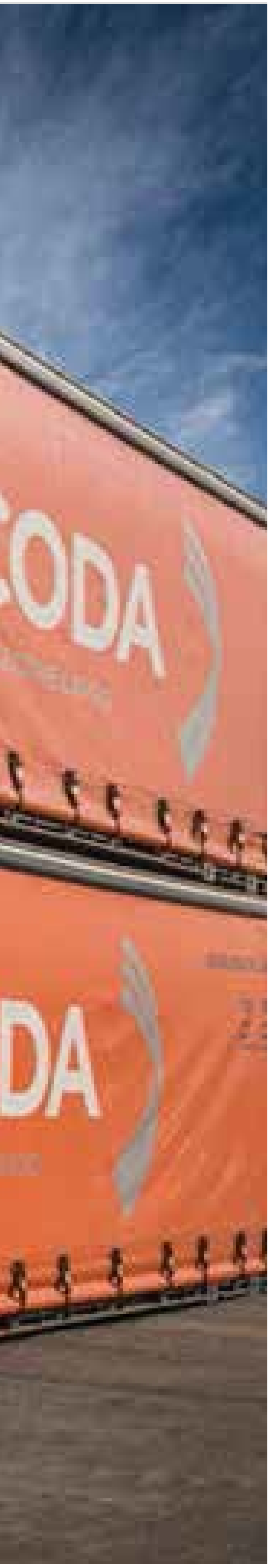
Quality Marshalling operates the rail exchange at the Tauranga Container Terminal, and runs the dedicated kiwifruit truck exchange during the export season. The company also operates the mobile harbour cranes and container handling services at the Timaru Container Terminal, including receiving cargo and loading vessels.

Shayne says Quality Marshalling will work closely with customers on customised logistics solutions and will bid for service contracts as they become available.

"We're in a great space to respond to increased cargo with the arrival of larger vessels in New Zealand," he says.

Shayne Jenkins - General Manager

Scott Brownlee - Chief Executive



CODA GROUP

“Separately, we could offer some of the solution. By working together, we can provide customers with a much broader service offering and that’s got the market excited.”

Coda Group has created one of New Zealand’s largest intermodal freight hubs in Auckland that will consolidate export, import and domestic cargo.

By 2017, the facility at Savill Drive in Otahuhu, will move the equivalent of 8,000 truckloads of cargo on rail services and save 4,000 tonnes of carbon a year.

Coda Group Chief Executive Scott Brownlee says linking Savill Drive to the rail network is a significant milestone for Coda in the development of a more integrated and efficient land transport network in the North Island. Intermodal hubs are an important part of the solution needed to service the larger ships that will soon visit, he says.

“By working together with our customers and partners, we can better balance freight flows up and down the North Island and this will ultimately provide value to everyone in the supply chain,” he says.

Despite these exciting steps forward, the year was marred by the tragic workplace accident in which a Priority Logistics employee lost his life. Our thoughts and condolences are again extended to the family. Scott says his colleagues and the wider port community are still devastated by his death, but remain committed to ensure Coda is a safe place to work.

Coda Group was formed by integrating four complementary logistics businesses: Port of Tauranga’s Tapper Transport, Priority Logistics, MetroPack and a shareholding in MetroBox, plus Kotahi’s Dairy Transport Logistics.

TIMARU CONTAINER TERMINAL

"It's been a solid year. With the opening of MetroPort Christchurch, the connections are now all in place and we can build on the networks we've created."

Timaru Container Terminal has broken all previous records for container numbers handled at the port, just over two years since Port of Tauranga took over the operation.

The terminal handled more than 84,400 TEUs in the year to 30 June 2016, more than quadrupling container volumes since 2014.

The increased volume was partly attributable to the opening of MetroPort Christchurch in August 2015.

The inland freight hub at Rolleston, 12 kilometres south of Christchurch, is connected by rail to Timaru and is available to importers and exporters for freight consolidation.

Timaru Container Terminal Manager John Bromley says some shippers have already achieved much faster Australia-Christchurch transit times by utilising the hub.

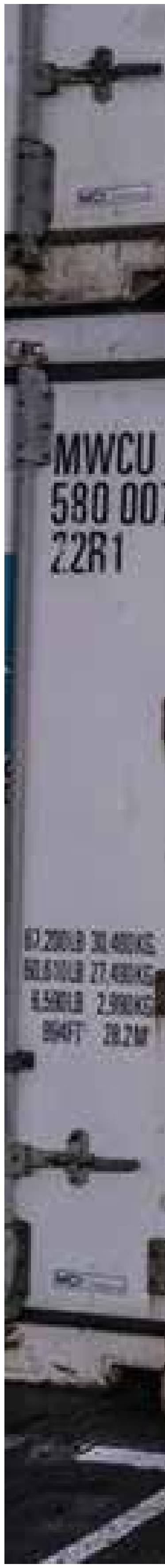
John says productivity was boosted by the commissioning in December 2015 of a new $6.5 million Liebherr mobile harbour crane. The terminal's two older cranes have also been refurbished.

The company has created two new fulltime roles to cater for the expansion.

John says the loss of the weekly Pacifica coastal shipping service between Timaru and Tauranga at the end of 2015 was a blow. But he is hopeful that a replacement service will soon be possible.

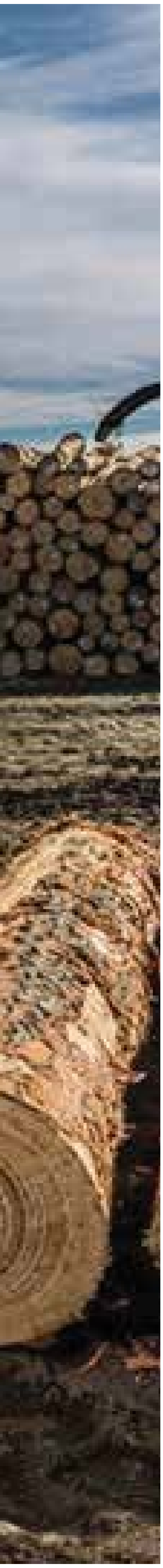
"We've got strong interest from local manufacturers and producers, to utilise Timaru so there is great potential to grow our terminal" says John.

"That pressure will lead to increased services over time."



John Bromley - Terminal Manager

Phil Melhopt - Chief Executive



PRIMEPORT TIMARU

"PrimePort has acquired more space to grow with the purchase of a strategically located piece of land."

Timaru's new Holcim cement facility has opened at PrimePort as the company continues to expand.

Holcim constructed a new cement silo and PrimePort upgraded its number two wharf for the $50 million facility. Around 20 import bulk vessels are expected to call each year.

The cement terminal's opening in December 2015 was a highlight for the port company, which had a profitable year despite a dairy industry downturn.

Chief Executive Phil Melhopt says PrimePort managed to reduce expenses and its diverse income base has allowed it to cope with the reduction in dairy farm related imports.

The port saw a strong performance in the export log trade.

PrimePort made a strategic land acquisition with the $8.1 million purchase of a 2.1 hectare property in Hayes Street that has a private rail siding and runs parallel with the KiwiRail yard.

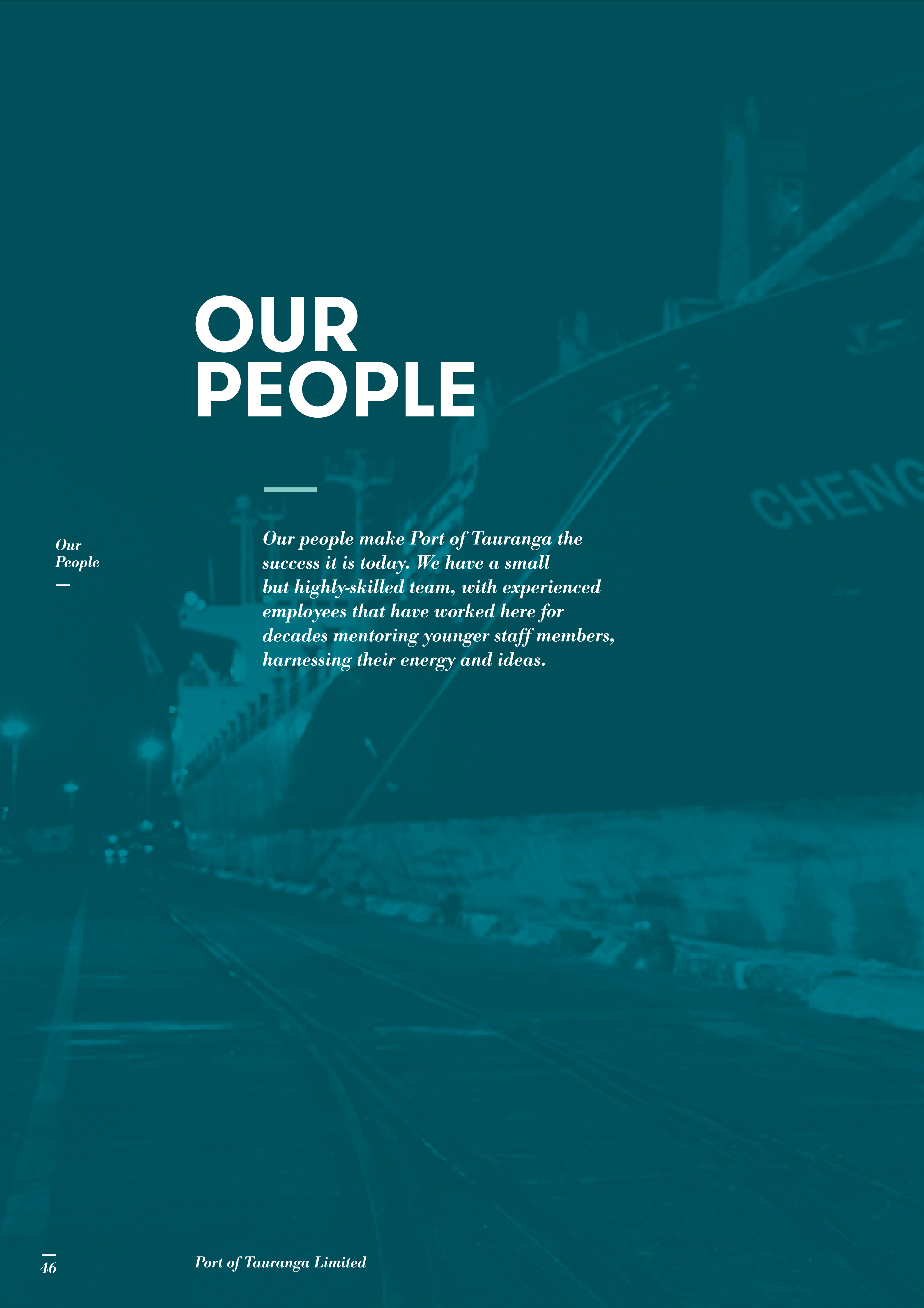
"It gives us more space to grow and expand," says Phil.

The company has a major focus on infrastructure renewals and repairs, and has recently upgraded security across its premises.

"We're spending significant sums to ensure we can deliver quality services as the port continues to grow," says Phil.

The port has ordered a new $2.4 million pilot launch to replace the 38-year-old *Ohau*. It will be delivered next July.

The company has also completed a 30-metre extension to the breakwater, further protecting the harbour.



OUR PEOPLE

Our People

Our people make Port of Tauranga the success it is today. We have a small but highly-skilled team, with experienced employees that have worked here for decades mentoring younger staff members, harnessing their energy and ideas.

46–53

JESS BARNES

Assistant Accountant

"I love the variety of work and really getting to know the business from the inside. It's a great perspective."

Jess Barnes grew up on a dairy farm in Dannevirke, a long way from the sea. She's now working at the other end of the supply chain, seeing dairy exports departing Port of Tauranga from her harbourside office.

Jess, who is twenty-five years old, was appointed Port of Tauranga's Assistant Accountant nearly two years ago. She is responsible for monthly reporting, preparing accounts and implementing projects.

"It's a fascinating place to work," she says.

Living in the Bay of Plenty has fostered Jess' love of the great outdoors and a multitude of sports. She has played for the Bay of Plenty women's sevens rugby team.

However, her sporting career has had to take a bit of a back seat to her day job in recent times. Jess has just completed her chartered accountants' qualification, involving three years of study.

It's time to get back on the bike now – literally – to prepare for the Port of Tauranga Half multisport event in January 2017, when Jess will compete as part of a Company team.

"I'm very competitive and I can't say no to a challenge, so it is inevitable that I'd end up doing it."

LYALL REID

Operations Supervisor

Lyall Reid has worked on the Port's frontline for more than 30 years so knows its operations inside out. Even he has had to learn a few new tricks though, with the introduction of new health and safety regulations.

Lyall is one of two Operations Supervisors, ensuring visiting vessels are serviced 24-hours, seven-days a week.

With colleague Kevin Merrie, he assigns one of three work crews to tie up ships, provide water supplies and telephone connections, and supply hoppers and other equipment.

They are the link between their teams, the Port's Customer Service Centre, and ship Pilots guiding vessel movements in the harbour.

It's a job with risks that have to be managed and Lyall says new safety practices and equipment are helping.

"We have to be on top of our game at all times," he says.

The imminent arrival of much larger vessels such as the 9,500 TEU (twenty foot equivalent units) vessel being introduced by Maersk in October 2016, and the 4,900 passenger cruise ship *Ovation of the Seas* arriving next summer, will present their own logistical challenges.

"We've done a lot of planning to ensure we've got the support services we need to handle such large numbers of passengers and big amounts of cargo," says Lyall.

ALAN KIRKPATRICK

Rail & Road Services Supervisor

"I like setting a target and achieving it – whether it's at work or on the weekend. It's good to get outside your comfort zone."

Alan Kirkpatrick jumped ship to Port of Tauranga more than two years ago after a decade working on site as a government-appointed Biosecurity Officer.

His knowledge of the ins and outs of port operations helped him quickly settle into his role as Rail & Road Services Supervisor at the Tauranga Container Terminal. His team is on duty around the clock, managing the receival and dispatch of containers via truck and train and matching terminal resources to need.

"When I started we had about 56 trains a week. We will soon reach 78 trains a week, just on the MetroPort line to Auckland," says Alan. "It's certainly an exciting place to be."

Developments over the past year, including a new northern truck exchange, have reduced truck waiting times and enhanced efficiency.

"We're always striving to make sure we are making the most of what we've got in both machinery and manpower," says Alan.

That drive also fuels a bit of friendly rivalry off site, with Alan and his co-workers challenging their Mount Maunganui counterparts to compete in the Port of Tauranga Half.

"It's more social than competitive, but it's good to set those little goals all the time."

OUR SUSTAINABLE FUTURE

Sustainability

Port of Tauranga is a business leader in the Bay of Plenty and wider New Zealand economy. We have a responsibility as kaitiaki of our harbour and our people.

54–65

WORKING SPACE

Sustainability

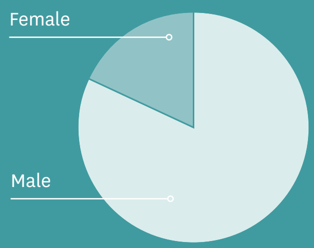
The Company employs a total of 194 permanent staff. Nearly a quarter have been with the Company for more than 25 years. At the other end of the scale, 36% have less than five years' service, giving a balance of experience and fresh ideas.

Our staff engagement survey showed a clearly majority are very satisfied with their jobs. Our people indicated they have a strong relationship with, and are proud to work for, the Port. They strongly identify with our 'can do' customer focus and high performance standards.

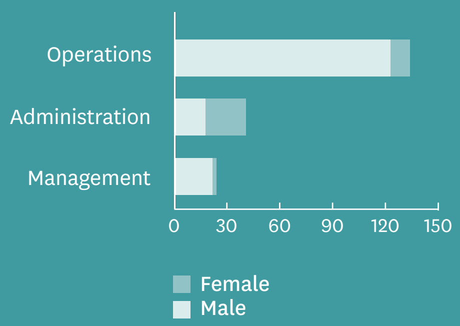
This attitude is reflected in our staff turnover, which in 2015/2016 was again very low at only 2.5%.

Around 18% of the team are women and, of these, more than 30% are employed in operational roles.

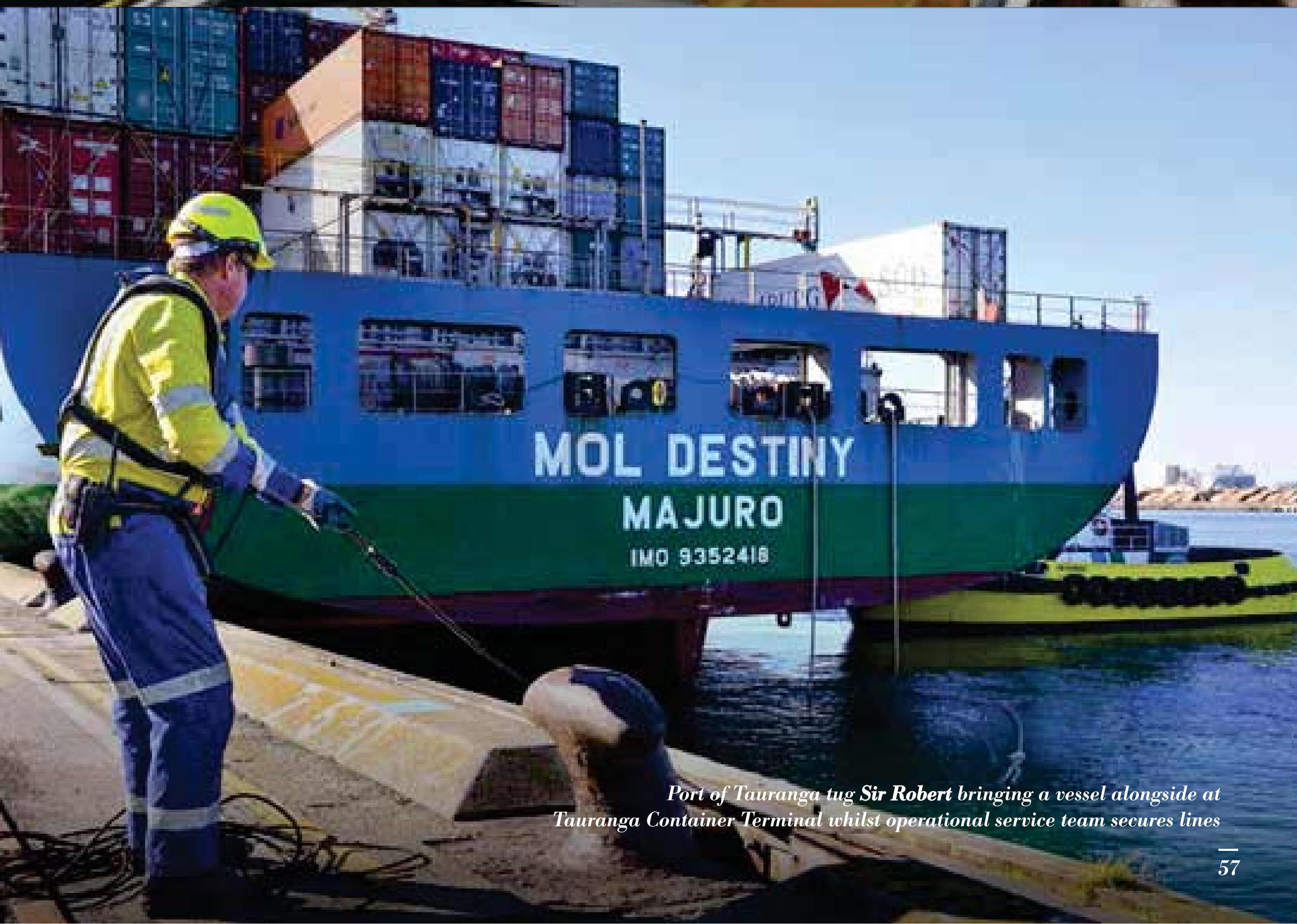
DIVERSITY % TOTAL



DIVERSITY



Tauranga Container Terminal staff performing an emergency evacuation exercise



*Port of Tauranga tug **Sir Robert** bringing a vessel alongside at Tauranga Container Terminal whilst operational service team secures lines*

SAFE SPACE

Port of Tauranga expects every worker to go home healthy and uninjured, every day. We have assisted our industry, our customers and our suppliers to redefine the changing space of workplace health and safety.

The new Health and Safety at Work Act and associated regulations, introduced in 2016, cemented Port of Tauranga's existing ways of working, collaborating, consulting and communicating as best practice. We have taken a leading role in the port sector and participated in a range of industry and agency working and advisory groups nationally, including the Stevedores and Ports Association.

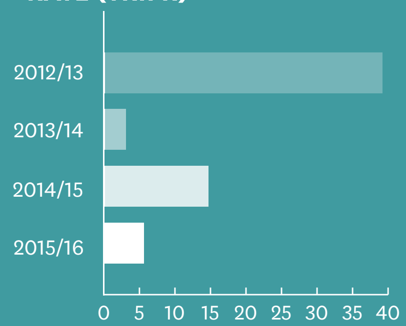
Our focus on proactive operational health and safety, and in particular, dynamic risk management, has resulted in a significant and satisfying increase in key lead indicator metrics. For example safety-related observations increased 154%, indicating a heightened awareness across our operations.

We are also encouraged by the continual flow of fresh ideas and new thinking. Simple and effective innovations – including modifications to equipment and standard operational practices – have made our work environment safer.

The total recordable injury frequency rate (TRIFR) reduced 62% to 5.6*. Property damage decreased by 72%.

These results are testament to the commitment of Port of Tauranga employees to this core aspect of our daily operations. This was reflected in high engagement scores in the health and safety section of our recent employee survey. It's clear that health and safety has become integral to the way we operate.

TOTAL RECORDABLE INJURY FREQUENCY RATE (TRIFR)*



**Number of lost time claims per million hours worked*

Pat Kirk, Group Health & Safety Manager working with Mike Macartney, Straddle Driver/Trainer

COMMUNITY SPACE

Sustainability

Cruise ship passengers contributed an estimated $40 million to the Bay of Plenty economy in 2015/2016, with visitors increasing 7% to 160,425. In the coming summer, the new mega cruise ship *Ovation of the Seas* will call three times, bringing around 4,900 passengers and 1,500 crew members to Tauranga each visit, and providing an attraction for local residents.

Port of Tauranga has renewed its sponsorship deal in support of the Trustpower TECT Rescue Helicopter for another three years.

The Company sponsors the rescue winch aboard the chopper, which flew 134 emergency missions during the year. The rescue winch was used seven times to save injured, lost or stranded trampers, hunters and rafters. The winch is also used frequently for training. In the past year, the winch was used more than 100 times in 15 training sessions.

Cruise Ship

Trustpower TECT Rescue Helicopter

Photographer: Andrius Ramonas

Braden Currie
2016 Port Half winner

The Port of Tauranga Half is now in its 28th year and is one of the longest running and most popular triathlon events in New Zealand, attracting elite athletes and enthusiastic amateurs. Port of Tauranga has been the naming rights sponsor since 1991 and is proud of the many individuals and team competitors from the port community.

Foodbank presentation

In what has become an annual tradition, the Company made a donation to the Tauranga Community Foodbank in lieu of Christmas gifts to our customers. The Child Cancer Foundation also received a donation this year.

Delwynne Hahunga
Child Cancer presentation

During the year, Port of Tauranga supported the Coast Guard, local schools, sports clubs and teams, individual athletes and other causes.

Three other local charities benefited from the philanthropic efforts of Port of Tauranga's staff members, with their fundraising supporting the National Heart Foundation, the Breast Cancer Foundation and – through the annual fishing tournament – the Waipuna Hospice.

Marine Reach vessel Pacific Hope

Another organisation supported by the Port is Marine Reach, which specialises in taking medical teams to remote, inaccessible islands of the South Pacific. In the past two decades, Marine Reach has provided more than 450,000 people with free medical services – restoring sight through cataract surgeries, prescribing glasses and giving dental treatment.

Port of Tauranga has supported Marine Reach for many years, supplying free tugs, pilots and wharf spaces for its vessels, as well as hosting the launch of its latest vessel *Pacific Hope* in 2015.

In education, Turirangi Te Kani Memorial Scholarships have been awarded annually by the Port for 26 years. Five young tertiary students received funds in the past year in honour of one of Tauranga's leading community figures.

An additional three tertiary scholarships were granted this year by the Ngā Mātarae Charitable Trust, of which the Port is a member. The Trust also funded a pipi enhancement project in the harbour involving local schools.

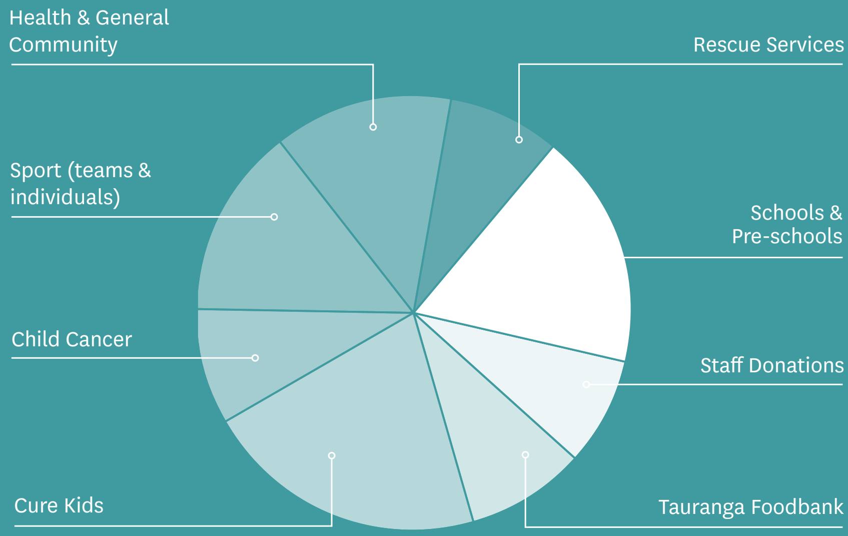
Jordan Hart
Electrical Apprentice

Through our partnership with Waiariki Bay of Plenty Polytechnic, a young logistics student was again taken on as a cadet for the year and provided with work experience at the Tauranga Container Terminal which assists them both with their studies and financially. In the four years we have had the partnership in place, five students have successfully completed the programme, with some having chosen to stay on in a casual capacity.

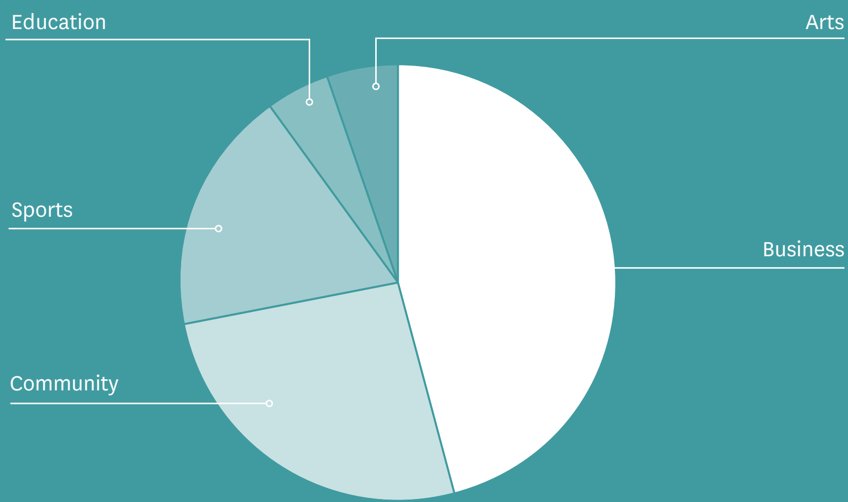
Two apprentices are currently learning their trade at the Port - one in the electrical team, the other in the mechanical workshop.

COMMUNITY SPACE

DONATIONS



COMMUNITY SPONSORSHIP



GREEN AND BLUE SPACE

Sustainability

Port of Tauranga's environmental practices and performance are the focus of a continuous improvement programme. A major accomplishment in the past year has been the successful project to deepen and widen the Tauranga harbour shipping channels, utilising the latest in environmental protection measures.

Port of Tauranga's 24-hour, seven-day monitoring of water quality ensured high standards and compliance throughout the harbour dredging project, which is due for completion in August 2016.

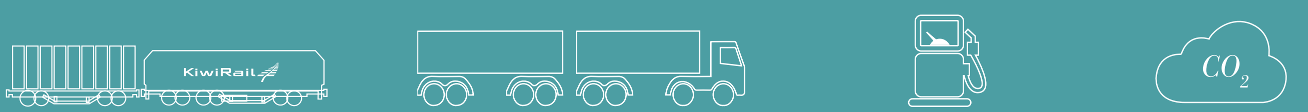
Meanwhile, Port of Tauranga is gradually converting its fleet of container straddle carriers to diesel-electric power, resulting in a drop in diesel consumption of nearly 30% to date.

Another 13 new straddle carriers have just been delivered to the Port, allowing older, less efficient straddles to be retired.

The Port has also been working with KiwiRail to increase the volume of cargo moved by rail. Together, we have removed 460,000 truck movements from roads in the last year, saving 21.3 million litres of fuel and nearly 58,000 tonnes of CO_2 emissions.

Port of Tauranga continues to seek innovative ways to better manage cargoes to avoid environmental impact. One example is the cover used between the wharf and the ship when unloading bulk cargoes, to prevent cargo accidentally escaping into the tide. Trials are underway on a new, permanent cover arrangement to avoid potential mishaps.

Annualised savings from utilising the freight rail network:



1.5B Net Tonne Kilometres (NTK's) = *458,388* Reduced heavy vehicle road impact + *21.3M* Fuel savings (L) + *57,923* CO_2 emission savings (T)

Straddle Carrier

FINANCIAL STATEMENTS

Annual Report 2016

For the Year Ended 30 June 2016:
Port of Tauranga Limited and Subsidiaries

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Report of Directors to Shareholders

For the Year Ended 30 June 2016: Port of Tauranga Limited

Your Directors take pleasure in presenting their Annual Report including the financial statements of the Company and its subsidiaries for the year ended 30 June 2016.

The report includes all information required to be disclosed under the Companies Act 1993 and by NZX.

ACTIVITIES

The Company operates a port located at Tauranga with an inland port located in Auckland (MetroPort). The main activities undertaken are:

- wharf facilities;
- back up land for the storage and transit of import and export cargo;
- berthage;
- cranes;
- tug and pilotage services for exporters, importers and shipping companies;
- leasing of land and buildings; and
- a container terminal.

On 28 July 2000 Port of Tauranga entered a joint venture with Northland Port Corporation (NZ) Limited (now Marsden Maritime Holdings Limited) to operate a port at Marsden Point which trades as Northport Limited.

Northport Limited has formed a 50:50 venture company (North Tugz Limited) with Ports of Auckland Limited to undertake towage operations within the Whangarei harbour, in particular, providing marine services at Marsden Point.

Port of Tauranga purchased 100% of Quality Marshalling (Mount Maunganui) Limited on 31 January 2013. Quality Marshalling sold its log marshalling activities in May 2016. It provides container terminal services at Timaru and operates the rail siding at the Tauranga Terminal.

On 29 November 2013 Port of Tauranga Limited purchased a 50% shareholding in PrimePort Timaru Limited. PrimePort operates the bulk port and marine fleet, as well as leases the container terminal to Timaru Container Terminal Limited.

On 29 November 2013 Port of Tauranga Limited acquired a 100% shareholding in Timaru Container Terminal Limited, a newly formed company that leases and operates the container terminal at PrimePort Timaru and an inland port at Rolleston. On 1 August 2014 Port of Tauranga Limited sold 49.9% of its shareholding in Timaru Container Terminal Limited to Kotahi.

On 27 May 2014 PortConnect Limited, a 50:50 joint venture company with Ports of Auckland Limited, was set up to operate an online cargo management system, connecting ports to their logistics companies.

On 1 May 2015 Port of Tauranga Limited formed a 50:50 joint venture named the Coda Group Limited Partnership (Coda Group) with freight and logistics management company Kotahi Limited Partnership (Kotahi). Port of Tauranga Limited contributed the assets of Tapper Transport, MetroPack and their 37.5% shareholding in MetroBox. The joint venture is designed to create leaner, more efficient pathways to and from distribution centres and key New Zealand ports. The Coda Group comprises two operating subsidiaries, Coda Services Limited Partnership (Coda Services) and Coda Operations Limited Partnership (Coda Operations).

RESULTS

Underlying surplus after tax for the year was $77.314 million (2015: $79.007 million).

Equity of the Group at year end totalled $885.684 million, compared with the 2015 year end total of $887.550 million.

Total net interest bearing debt at year end was $308.420 million, compared with $287.379 million in 2015.

DIVIDENDS

An interim dividend on shares of 23.0 cents per share was paid during the year.

Directors have approved a final dividend of 30.0 cents per share and a special dividend of 25.0 cents per share. The final dividend will be paid on Friday 7 October 2016 to all shareholders on the Company's register at the close of business on Friday 23 September 2016. A solvency certificate has been completed in support of the dividend resolution.

All dividends are fully imputed. Non resident shareholders will receive an additional amount under the foreign investor tax credit regime in lieu of imputation credits.

DIRECTORS

Messrs Baylis and Ellis are retiring by rotation and are seeking re-election, at the Annual Meeting on Thursday 20 October 2016.

AUDITORS

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

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

For and on behalf of the Board of Directors

....

Chair

....

Director

18 August 2016

Independent Auditor's Report

TO THE SHAREHOLDERS OF PORT OF TAURANGA LIMITED GROUP
REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

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

OPINION

We have audited the financial statements of the Group on pages 70 to 103, that comprise the statement of financial position as at 30 June 2016, 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 2016; 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.

Our audit was completed on 18 August 2016. This is the date at which our opinion is expressed.

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

BASIS OF OPINION

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence shareholders' overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Group's financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of the disclosures in the financial statements; and
- the overall presentation of the financial statements.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements. Also, we did not evaluate the security and controls over the electronic publication of the financial statements.

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

RESPONSIBILITIES OF THE BOARD OF DIRECTORS

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

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

The Board of Directors is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for the publication of the financial statements, whether in printed or electronic form.

RESPONSIBILITIES OF THE AUDITOR

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit. Our responsibility arises from the Public Audit Act 2001.

INDEPENDENCE

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

In addition to the audit we have carried out assignments in the area of security assessment which are compatible with those independence requirements. Other than this assignment, we have no relationship with or interests in the Group.

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

Consolidated Income Statement

For the Year Ended 30 June 2016: Port of Tauranga Limited and Subsidiaries

	Note	2016 NZ$000	2015 NZ$000
Total operating revenue	5	**245,521**	268,460
Contracted services for port operations		**(52,700)**	(45,159)
Contracted services for transport operations		**0**	(6,648)
Employee benefit expenses	6	**(32,101)**	(42,662)
Direct fuel and power expenses		**(6,995)**	(10,032)
Maintenance of property, plant and equipment		**(10,021)**	(15,026)
Other expenses		**(13,961)**	(16,441)
Operating expenses		**(115,778)**	(135,968)
Results from operating activities		**129,743**	132,492
Depreciation and amortisation	11, 13	**(23,722)**	(23,238)
Reversal of impairment/(impairment) of property, plant and equipment		**(30)**	160
Impairment of property, plant and equipment on revaluation	3	**0**	(1,876)
		(23,752)	(24,954)
Operating profit before finance costs and taxation		**105,991**	107,538
Finance income	8	**666**	2,259
Finance expenses	8	**(17,006)**	(17,092)
Net finance costs	8	**(16,340)**	(14,833)
Share of profit from Equity Accounted Investees	15	**13,437**	10,298
Net gain on disposal of investments	3	**0**	8,609
Impairment of goodwill	3, 13	**0**	(6,221)
		13,437	12,686
Profit before income tax		**103,088**	105,391
Income tax expense	9	**(25,774)**	(26,243)
Profit for the period		**77,314**	79,148
Basic and diluted earnings per share (cents)	18	**56.8**	58.2

Supplementary (Non Statutory) Disclosure

Underlying Profit After Tax

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

Underlying profit after tax	3	**77,314**	79,007
Underlying earnings per share (cents)	18	**56.8**	58.1

These statements are to be read in conjunction with the notes on pages 76 to 103.

Consolidated Statement of Comprehensive Income

For the Year Ended 30 June 2016: Port of Tauranga Limited and Subsidiaries

	2016 NZ$000	2015 NZ$000
Profit for the period	**77,314**	79,148
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Cash flow hedge – changes in fair value*	**(9,198)**	(4,584)
Cash flow hedge – reclassified to profit or loss*	**2,126**	1,624
Changes in cash flow hedges transferred to property, plant and equipment, net of tax*	**(452)**	461
Share of net change in cash flow hedge reserves of Equity Accounted Investees	**(395)**	(269)
Items that will never be reclassified to profit or loss:		
Impairment of property, plant and equipment taken to revaluation reserve, net of tax	**(459)**	0
Asset revaluation, net of tax*	**0**	67,587
Share of net change in revaluation reserve of Equity Accounted Investees	**(57)**	(328)
Total other comprehensive income	**(8,435)**	64,491
Total comprehensive income	**68,879**	143,639

**Net of tax effect as disclosed in notes 9 and 10.*

These statements are to be read in conjunction with the notes on pages 76 to 103.

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2016: Port of Tauranga Limited and Subsidiaries

	Share Capital NZ$000	Share Based Payment Reserve NZ$000	Hedging Reserve NZ$000	Revaluation Reserve NZ$000	Retained Earnings NZ$000	Total Equity NZ$000
Balance at 30 June 2014	**68,397**	**0**	**(3,686)**	**598,897**	**148,811**	**812,419**
Profit for the period	0	0	0	0	79,148	79,148
Other comprehensive income	0	0	(2,768)	67,259	0	64,491
Total comprehensive income	**0**	**0**	**(2,768)**	**67,259**	**79,148**	**143,639**
Increase/(decrease) in share capital	(130)	0	0	0	0	(130)
Dividends paid during the period (refer to note 17)	0	0	0	0	(69,419)	(69,419)
Equity settled share based payment accrual	0	1,041	0	0	0	1,041
Total transactions with owners in their capacity as owners	**(130)**	**1,041**	**0**	**0**	**(69,419)**	**(68,508)**
Balance at 30 June 2015	**68,267**	**1,041**	**(6,454)**	**666,156**	**158,540**	**887,550**
Profit for the period	0	0	0	0	77,314	77,314
Other comprehensive income	0	0	(7,919)	(516)	0	(8,435)
Total comprehensive income	**0**	**0**	**(7,919)**	**(516)**	**77,314**	**68,879**
Increase/(decrease) in share capital	(5)	0	0	0	0	(5)
Dividends paid during the period (refer to note 17)	0	0	0	0	(72,142)	(72,142)
Equity settled share based payment accrual	0	1,402	0	0	0	1,402
Total transactions with owners in their capacity as owners	**(5)**	**1,402**	**0**	**0**	**(72,142)**	**(70,745)**
Balance at 30 June 2016	**68,262**	**2,443**	**(14,373)**	**665,640**	**163,712**	**885,684**

These statements are to be read in conjunction with the notes on pages 76 to 103.

Consolidated Statement of Financial Position

As at 30 June 2016: Port of Tauranga Limited and Subsidiaries

	Note	2016 NZ$000	2015 NZ$000
Assets			
Property, plant and equipment	11	**1,127,386**	1,097,401
Intangible assets	13	**18,426**	21,357
Derivative financial instruments	20	**0**	280
Investments in Equity Accounted Investees	15	**123,290**	118,972
Receivables		**46**	0
Total non current assets		**1,269,148**	1,238,010
Cash and cash equivalents		**11,580**	17,918
Receivables and prepayments	16	**41,546**	39,489
Derivative financial instruments	20	**0**	1,066
Inventories		**93**	535
Total current assets		**53,219**	59,008
Total assets		**1,322,367**	1,297,018
Equity	17		
Share capital		**68,262**	68,267
Share based payment reserve		**2,443**	1,041
Hedging reserve		**(14,373)**	(6,454)
Revaluation reserve		**665,640**	666,156
Retained earnings		**163,712**	158,540
Total equity attributable to owners of the Parent Company		**885,684**	887,550
Total equity		**885,684**	887,550
Liabilities			
Loans and borrowings	19	**130,200**	125,065
Derivative financial instruments	20	**17,063**	8,384
Provisions	23	**1,627**	1,607
Deferred tax liabilities	10	**55,408**	60,357
Total non current liabilities		**204,298**	195,413
Loans and borrowings	19	**190,000**	180,297
Deferred consideration		**0**	500
Derivative financial instruments	20	**1,438**	977
Trade and other payables	22	**30,107**	20,242
Provisions	23	**2,293**	2,120
Income tax payable		**8,547**	9,919
Total current liabilities		**232,385**	214,055
Total liabilities		**436,683**	409,468
Total equity and liabilities		**1,322,367**	1,297,018
Net tangible assets per share (dollars per share)		**6.37**	6.36

For and on behalf of the Board of Directors who authorised these financial statements for issue on 18 August 2016.

Chair

Director

These statements are to be read in conjunction with the notes on pages 76 to 103.

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2016: Port of Tauranga Limited and Subsidiaries

	Note	**2016 NZ$000**	2015 NZ$000
Cash flows from operating activities			
Receipts from customers		**248,342**	270,150
Interest received		**666**	740
Payments to suppliers and employees		**(115,737)**	(135,470)
Taxes paid		**(28,991)**	(28,886)
Interest paid		**(16,211)**	(15,980)
Net cash inflow from operating activities		**88,069**	90,554
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**11,040**	512
Proceeds from sale of marshalling operations (excluding property, plant and equipment)		**3,120**	0
Proceeds from disposal of Equity Accounted Investee		**0**	167
Finance lease payments received, including interest		**6**	2,116
Repayment of advances from Equity Accounted Investees	16	**600**	0
Dividends from Equity Accounted Investees	15	**8,667**	8,504
Purchase of property, plant and equipment		**(58,863)**	(54,327)
Purchase of computer software assets	13	**(434)**	(196)
Cash transferred to Coda Operations Limited Partnership on disposal of Subsidiary operations		**0**	(929)
Purchase of Equity Accounted Investees		**0**	(3,829)
Interest capitalised on property, plant and equipment		**(933)**	(350)
Payments under finance leases, including interest		**0**	(197)
Advances to Equity Accounted Investee		**0**	(6,180)
Payment of deferred and contingent consideration		**(500)**	0
Total net cash used in investing activities		**(37,297)**	(54,709)
Cash flows from financing activities			
Proceeds from borrowings		**15,157**	95,180
Proceeds from close out of foreign exchange derivative		**222**	0
Dividends paid		**(72,142)**	(69,419)
Repayment of borrowings		**0**	(45,000)
Repurchase of shares in the Parent Company		**(347)**	(248)
Net cash used in financing activities		**(57,110)**	(19,487)
Net (decrease)/increase in cash held		**(6,338)**	16,358
Add opening cash brought forward		**17,918**	1,560
Ending cash and cash equivalents		**11,580**	17,918

These statements are to be read in conjunction with the notes on pages 76 to 103.

Reconciliation of Profit After Taxation to Cash Flows from Operating Activities

For the Year Ended 30 June 2016: Port of Tauranga Limited and Subsidiaries

	Note	**2016 NZ$000**	2015 NZ$000
Profit after taxation		**77,314**	79,148
Items classified as investing/financing activities:			
Finance lease interest revenue	8	**(2)**	(258)
Finance lease interest expense		**0**	101
Gain on sale of property, plant and equipment	5	**(495)**	(95)
		(497)	(252)
Add/(less) non cash items and non operating items:			
Depreciation	11	**23,175**	22,189
Amortisation expense	13	**547**	1,049
Decrease in deferred taxation expense	10	**(1,845)**	(3,282)
Ineffective portion of change in fair value of cash flow hedge		**180**	(1,261)
Effective portion of change in fair value of ineffective cash flow hedges taken to property, plant and equipment		**0**	640
Additional provisions net of reversals		**0**	(546)
Share of surpluses retained by Equity Accounted Investees	15	**(13,437)**	(10,277)
Impairment of property, plant and equipment		**30**	(160)
Share based payment reserve		**1,402**	1,041
Impairment of property, plant and equipment on revaluation		**0**	1,876
Net gain on disposal of investments		**0**	(8,609)
Impairment of goodwill		**0**	6,221
Increase in impairment of trade receivables		**0**	(29)
		10,052	8,852
Add/(less) movements in working capital:			
Change in trade receivables and prepayments		**(2,813)**	(4,748)
Change in inventories		**444**	473
Change in income tax payable		**(1,375)**	108
Change in trade and other payables		**4,944**	6,973
		1,200	2,806
Net cash flows from operating activities		**88,069**	90,554

These statements are to be read in conjunction with the notes on pages 76 to 103.

1 COMPANY INFORMATION

Reporting Entity

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

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

The Parent Company is a company domiciled in New Zealand, and registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange (NZX). The Parent Company is a Financial Markets Conduct (FMC) reporting entity for the purposes of the Financial Reporting Act 2013 and Financial Markets Conduct Act 2013. The financial statements comply with these Acts.

The financial statements of the Group for the year ended 30 June 2016 comprise the Parent Company and its Subsidiaries (together referred to as the Group) and the Group's interest in Equity Accounted Investees.

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

2 BASIS OF PREPARATION

Statement of Compliance and Basis of Preparation

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

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

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

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

Accounting Estimates and Judgements

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

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

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

- valuation of land, buildings, harbour improvements, and wharves and hardstanding (refer to note 11);
- assessment of control in relation to Equity Accounted Investees (refer to note 15);
- valuation of financial instruments (refer to note 21);
- impairment assessment of intangible assets (refer to note 13); and
- valuation of provisions (refer to note 23).

Fair Value Hierarchy

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

- *Level 1:* quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2:* inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices).
- *Level 3:* inputs for the asset or liability that are not based on observable market data (unobservable inputs).

New and Amended Accounting Standards Adopted

The following new standard has been early adopted and applied in preparing these financial statements.

- **Disclosure Initiative (Amendments to NZ IAS 1)**
  This standard was issued in February 2015, and applies for reporting periods beginning on or after 1 January 2016. The early adoption of these amendments only affects the presentation and disclosure of the financial statements.

- **NZ IFRS 15 Revenue From Contracts With Customers**
  This standard was issued by the International Accounting Standards Board (IASB) on 28 May 2014. The standard replaces NZ IAS 11 *Construction Contracts*, NZ IAS 18 *Revenue*, IFRS Interpretations Committee (IFRIC) 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers* and Standards Interpretations Committee (SIC) 31 *Revenue – Barter Transactions Involving Advertising Services*. The change has had no significant impact on the measurement of the Group's revenue.

2 BASIS OF PREPARATION (CONTINUED)

New Accounting Standards and Interpretations Not Yet Adopted

The following standards and interpretations which are considered relevant to the Group but not yet effective for the year ended 30 June 2016 have not been applied in preparing these financial statements:

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

- **NZ IFRS 16 Leases**
  This standard becomes mandatory for the Group's 2020 consolidated financial statements and removes the classification of leases as either operating or finance leases for the lease, effectively treating all leases as finance leases. Management is currently in the process of evaluating the potential effect of the adoption of NZ IFRS 16.

3 UNDERLYING PROFIT AFTER TAX (NON STATUTORY DISCLOSURE)

	2016 NZ$000	2015 NZ$000
Profit after tax	**77,314**	79,148
Disposal of investments	**0**	(8,609)
Profit and loss impact of revaluation of property, plant and equipment		
Impairment of property, plant and equipment on revaluation	**0**	1,876
Tax effect of impairment of property, plant and equipment on revaluation	**0**	(297)
Total	**0**	1,579
Impairment of goodwill		
Impairment of goodwill in Quality Marshalling (Mount Maunganui) Limited	**0**	6,221
Impairment of goodwill in MetroBox Limited	**0**	668
Total	**0**	6,889
Total underlying profit after tax	**77,314**	79,007

4 SEGMENTAL REPORTING

Operating Segments

The Group determines and presents operating segments based on the information that is internally provided to the Chief Executive, who is the Group's Chief Operating Decision Maker (CODM).

The Group operates in three primary reportable segments, being:

- *Port Operations:* This consists of providing and managing port services, and cargo handling facilities through the Port of Tauranga and MetroPort. The Port's terminal and bulk operations have been aggregated together within the Port Operations Segment, due to the similarities in economic characteristics, customers, nature of products and processes, and risks.
- *Property Services:* This consists of managing and maintaining the Port's property assets.
- *Marshalling Services:* This consists of the contracted terminal operations, stevedoring, marshalling and scaling activities of Quality Marshalling (Mount Maunganui) Limited (Quality Marshalling).

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

In 2015 the Group also operated an additional segment – Transport Services – which consisted of the road transport and freight handling activities, of Tapper Transport Limited, Tapper SIP Limited and MetroPack Limited. The operations of the Transport Services Segment were disposed of on 1 May 2015.

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

4 SEGMENTAL REPORTING (CONTINUED)

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

The Group segment results are as follows:

2016	Port Operations NZ$000	Property Services NZ$000	Marshalling Services NZ$000	Unallocated [1] NZ$000	Group NZ$000
Total segment revenue (external)	**207,948**	**24,679**	**12,399**	**0**	**245,026**
Share of profit from Equity Accounted Investees	0	0	0	13,437	13,437
Interest income	0	0	6	660	666
Other income	0	0	407	88	495
Interest expense	0	0	0	(17,006)	(17,006)
Depreciation and amortisation expense	0	0	(2,163)	(21,559)	(23,722)
Other unallocated expenditure	0	0	(8,775)	(107,033)	(115,808)
Income tax expense	0	0	(499)	(25,275)	(25,774)
Total segment result	**207,948**	**24,679**	**1,375**	**(156,688)**	**77,314**

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

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

[1] *The operations of the Transport Services Segment were disposed of on 1 May 2015.*
[2] *Operating costs are not allocated to individual business segments within the Parent Company. Unallocated includes results for Equity Accounted Investees.*

5 OPERATING REVENUE

	2016 NZ$000	2015 NZ$000
Revenue		
Port services revenue	**207,948**	200,135
Rental revenue	**24,679**	23,538
Marshalling services revenue	**12,399**	12,493
Transport services revenue	**0**	32,199
Total revenue	**245,026**	268,365
Other income		
Gain on sale of property, plant and equipment	**495**	95
Total other income	**495**	95
Total operating revenue	**245,521**	268,460

Policies	Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of GST, rebates and discounts. Revenue is recognised as follows: • *Port services, marshalling services and transport services revenues:* are recognised when the related service is performed. If at reporting date, the service is in progress, then the portion performed, determined using the percentage completion method, is recognised in the current year. • *Rental revenue:* from property leased under operating leases is recognised in the income statement on a straight line basis over the term of the lease. Lease incentives provided are recognised as an integral part of the total lease income, over the term of the lease.

6 EMPLOYEE BENEFIT EXPENSES

	2016 NZ$000	2015 NZ$000
Wages and salaries	**30,738**	40,784
ACC levy	**20**	439
KiwiSaver contribution	**1,027**	1,220
Medical subsidy	**316**	219
Total employee benefit expenses	**32,101**	42,662

7 OTHER EXPENSES

The following items of expenditure are included in other expenses:

	2016 NZ$000	2015 NZ$000
Operating lease payments	**1,496**	3,880
Directors' fees	**514**	506
Auditors fees:		
Audit fees paid to principal auditor	**133**	164
Review of half year financial statements	**12**	13
Fees paid for other services provided by the principal auditor:		
Accounting advisory	**0**	76
Payments data analysis review	**0**	22
Security assessment and awareness	**23**	0

8 FINANCIAL INCOME AND EXPENSE

	2016 NZ$000	2015 NZ$000
Interest on finance lease	**2**	258
Interest income on bank deposits	**664**	740
Ineffective portion of changes in fair value of cash flow hedges	**0**	1,261
Finance income	**666**	2,259
Interest expense on borrowings	**(17,730)**	(17,291)
Less:		
Interest capitalised to property, plant and equipment	**933**	350
	(16,797)	(16,941)
Interest on finance leases	**0**	(101)
Interest on deferred consideration	**(29)**	(50)
Ineffective portion of changes in fair value of cash flow hedges	**(180)**	0
Finance expenses	**(17,006)**	(17,092)
Total net finance costs	**(16,340)**	(14,833)

Policies	Finance income comprises interest income on bank deposits, finance lease interest and gains on hedging instruments that are recognised in the income statement. Interest income is recognised as it accrues, using the effective interest method. Finance lease interest is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return. Finance expenses comprise interest expense on borrowings, finance lease interest expense, unwinding of the discount of provisions and losses on hedging instruments that are recognised in the income statement. Except for interest capitalised directly attributable to the purchase or construction of qualifying assets, all borrowing costs are recognised in the income statement using the effective interest method.
Capitalised Interest	The average weighted interest rate for interest capitalised to property, plant and equipment, was 5.35% for the current period (2015: 5.36%).

9 INCOME TAX

Components of Tax Expense

	2016 NZ$000	2015 NZ$000
Profit before income tax for the period	**103,088**	105,391
Income tax on the surplus for the period at 28.0 cents	**28,865**	29,509
Tax effect of amounts which are non deductible/(taxable) in calculating taxable income:		
Net gain on disposal of investments	**0**	(2,411)
Share of Equity Accounted Investees after tax income, excluding Coda Group	**(2,918)**	(2,883)
Impairment of goodwill	**0**	1,742
Other	**(173)**	286
Total income tax expense	**25,774**	26,243
The income tax expense is represented by:		
Current tax expense		
Tax payable in respect of the current period	**27,477**	29,460
Adjustment for prior period	**142**	65
Total current tax expense	**27,619**	29,525
Deferred tax expense		
Adjustment for prior period	**43**	(64)
Origination/reversal of temporary differences	**(1,888)**	(3,218)
Total deferred tax expense (refer to note 10)	**(1,845)**	(3,282)
Total income tax expense	**25,774**	26,243

Income tax recognised in other comprehensive income:

	2016 NZ$000	2015 NZ$000
Impairment of property, plant and equipment	**(178)**	0
Revaluation of property, plant and equipment	**0**	15,808
Cash flow hedges	**(2,926)**	(971)
Total income tax recognised in other comprehensive income (refer to note 10)	**(3,104)**	14,837

Policies	Income tax expense comprises current and deferred tax, calculated using the rate enacted or substantively enacted at balance date and any adjustments to tax payable in respect to prior years. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or equity.
Imputation Credits	Total imputation credits available for use in subsequent reporting periods are $59.094 million at 30 June 2016 (2015: $67.943 million).

10 DEFERRED TAXATION

	Assets		Liabilities		Net	
	2016 NZ$000	2015 NZ$000	**2016 NZ$000**	2015 NZ$000	**2016 NZ$000**	2015 NZ$000
Deferred tax (asset)/liability						
Property, plant and equipment	**0**	0	**61,788**	63,675	**61,788**	63,675
Intangible assets	**0**	0	**422**	354	**422**	354
Finance lease receivables	**0**	0	**2**	0	**2**	0
Derivatives	**(5,310)**	(2,384)	**0**	0	**(5,310)**	(2,384)
Provisions and accruals	**(1,494)**	(1,288)	**0**	0	**(1,494)**	(1,288)
Total	**(6,804)**	(3,672)	**62,212**	64,029	**55,408**	60,357

	Derecognised in the Statement of Financial Position on the Sale of 49.9% Shareholding in Subsidiary		Recognised in the Income Statement		Recognised in Other Comprehensive Income	
	2016 NZ$000	2015 NZ$000	**2016 NZ$000**	2015 NZ$000	**2016 NZ$000**	2015 NZ$000
Property, plant and equipment	**0**	84	**(1,709)**	(2,484)	**(178)**	15,808
Intangible assets	**0**	0	**68**	(497)	**0**	0
Finance lease receivables	**0**	0	**2**	(520)	**0**	0
Derivatives	**0**	0	**0**	0	**(2,926)**	(971)
Trade receivables	**0**	0	**0**	8	**0**	0
Provisions and accruals	**0**	0	**(206)**	201	**0**	0
Finance lease payables	**0**	0	**0**	10	**0**	0
Total	**0**	84	**(1,845)**	(3,282)	**(3,104)**	14,837

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

11 PROPERTY, PLANT AND EQUIPMENT

	Freehold Land NZ$000	Freehold Buildings NZ$000	Wharves and Hardstanding NZ$000	Harbour Improvements NZ$000	Plant and Equipment NZ$000	Work in Progress NZ$000	**Total NZ$000**
Gross carrying amount:							
Balance at 1 July 2014	477,895	84,886	217,587	122,755	183,738	5,027	**1,091,888**
Additions	27	333	0	1,152	5,919	48,596	**56,027**
Disposals	0	(3,371)	0	0	(17,036)	(58)	**(20,465)**
Transfers from work in progress	15,059	685	4,058	796	11,206	(31,804)	**0**
Transferred to intangible assets (refer to note 13)	0	0	0	0	0	(238)	**(238)**
Transfers to profit or loss	0	0	0	0	0	(103)	**(103)**
Transfers between asset classes	(2,100)	2,100	0	0	0	0	**0**
Derecognised on the sale of 49.9% shareholding in Subsidiary	0	0	0	0	(913)	0	**(913)**
Revaluation	25,934	(2,476)	30,146	(4,697)	0	0	**48,907**
Balance at 30 June 2015	**516,815**	**82,157**	**251,791**	**120,006**	**182,914**	**21,420**	**1,175,103**
Balance at 1 July 2015	516,815	82,157	251,791	120,006	182,914	21,420	**1,175,103**
Additions	43	12	117	16	1,734	62,737	**64,659**
Disposals	0	(246)	0	0	(21,222)	0	**(21,468)**
Transfers from work in progress	0	624	9,746	1,074	18,983	(30,427)	**0**
Transferred to intangible assets (refer to note 13)	0	0	0	0	0	(349)	**(349)**
Balance at 30 June 2016	**516,858**	**82,547**	**261,654**	**121,096**	**182,409**	**53,381**	**1,217,945**
Accumulated depreciation and impairment:							
Balance at 1 July 2014	0	(3,950)	(14,120)	(3,152)	(71,924)	0	**(93,146)**
Depreciation expense	0	(2,317)	(7,604)	(1,740)	(10,528)	0	**(22,189)**
Reversal of impairment	0	0	0	0	160	0	**160**
Disposals	0	216	0	0	4,603	0	**4,819**
Derecognised on the sale of 49.9% shareholding in Subsidiary	0	0	0	0	42	0	**42**
Revaluation	0	5,996	21,724	4,892	0	0	**32,612**
Balance at 30 June 2015	**0**	**(55)**	**0**	**0**	**(77,647)**	**0**	**(77,702)**
Balance at 1 July 2015	0	(55)	0	0	(77,647)	0	**(77,702)**
Depreciation expense	0	(3,283)	(8,757)	(1,519)	(9,616)	0	**(23,175)**
Impairment	0	(637)	0	0	(30)	0	**(667)**
Disposals	0	53	0	0	10,932	0	**10,985**
Balance at 30 June 2016	**0**	**(3,922)**	**(8,757)**	**(1,519)**	**(76,361)**	**0**	**(90,559)**
Carrying amounts:							
Total net book value as at 30 June 2015	**516,815**	**82,102**	**251,791**	**120,006**	**105,267**	**21,420**	**1,097,401**
Total net book value as at 30 June 2016	**516,858**	**78,625**	**252,897**	**119,577**	**106,048**	**53,381**	**1,127,386**

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	2016 Notional Carrying Amount NZ$000	2015 Notional Carrying Amount NZ$000
Freehold land	**117,748**	117,705
Freehold buildings	**54,324**	57,849
Wharves and hardstanding	**92,958**	88,729
Harbour improvements	**28,534**	28,814
Total notional carrying amount	**293,564**	293,097

Policies

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

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

Land, buildings, harbour improvements, and wharves and hardstanding are measured at fair value, based upon periodic valuations by external independent valuers.

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

Major useful lives are:

Freehold buildings	33 to 85 years
Maintenance dredging	3 years
Wharves	10 to 60 years
Wharf rocks	150 to 200 years
Wharf piles	60 to 130 years
Basecourse	50 years
Asphalt	15 years
Gantry cranes	10 to 40 years
Floating plant	10 to 25 years
Other plant and equipment	5 to 25 years
Electronic equipment	3 to 5 years

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

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

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

Restriction on Title

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

Security

Certain items of property, plant and equipment have been pledged as security against certain loans and borrowings of the Group (refer to note 19).

Occupation of Foreshore

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

Capital Commitments

The estimated capital expenditure for property, plant and equipment contracted for at balance date but not provided for is $40.150 million (2015: $23.798 million).

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Judgements

All land, buildings, harbour improvements, and wharves and hardstanding, have been revalued to fair value, being market value, for non specialised assets and depreciated replacement cost (DRC) for specialised assets. The last valuation was carried out as at 30 June 2015 by Opus International Consultants Limited (wharves and hardstanding, and harbour improvements), Preston Rowe Paterson Tauranga Pty Limited, CBRE Limited and Colliers International New Zealand Limited (land and buildings).

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

Wharves and hardstanding, and harbour improvements assets owned by the Parent Company are classified as specialised assets and have accordingly been valued on a depreciated replacement cost basis.

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

- *Replacement unit cost – replacement unit costs were calculated taking into account:*
  - Port of Tauranga Limited's historic cost data including any recent competitively tendered construction works.
  - Published cost information.
  - The Opus construction cost database.
  - Long run price trends.
  - Historic costs adjusted for changes in price levels.
  - An allowance which has been included for costs directly attributable to bringing assets into working condition, management costs and the financing cost of capital held over construction period.
- *Depreciation – the calculated remaining lives of assets were reviewed, taking into account:*
  - Observed and reported condition, performance and utilisation of the asset.
  - Expected changes in technology.
  - Consideration of current use, age and operational demand.
  - Discussions with the Parent Company's operational officers.
  - Opus Consultants in-house experience from other infrastructure valuations.
  - Residual values.
- *Highest and best use of land:* Subject to relevant local authority's zoning regulations.
- *Current market expectations:* This is based on yield and recent local sales.
- *Market value of buildings:* This is made on a depreciated replacement cost basis with that assessment compared against actual or likely market rental capitalised at an appropriate rate of return between 5% and 10%.
- *Current occupancy rates of premises.*
- *Future Port plans:* The impact of major building relocation and demolition planned by the Parent Company to facilitate better utilisation of the wharf areas, including the prospect of increased berthage at Sulphur Point.
- *No restriction of title:* Valuation is made on the assumption that having no legal title to the Tauranga harbour foreshore does not impact on the value of the Parent Company's assets.

12 OPERATING LEASES

Operating Leases Where the Group is the Lessor

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

	2016 Valuation NZ$000	**2016 Accumulated Depreciation NZ$000**	2015 Valuation NZ$000	2015 Accumulated Depreciation NZ$000
Land	**267,109**	**0**	236,772	0
Buildings	**47,904**	**2,123**	51,662	0
Total	**315,013**	**2,123**	288,434	0

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

	2016 NZ$000	2015 NZ$000
Within one year	**13,673**	16,768
One year to two years	**12,779**	17,161
Two years to five years	**14,120**	17,264
Greater than five years	**13,800**	18,522
Total	**54,372**	69,715

Policies	Where the Group is the Lessor, assets leased under operating leases are included in property, plant and equipment, in the statements of financial position, as appropriate. Payments and receivables made under operating leases are recognised in the income statement on a straight line basis over the term of the lease. Lease incentives are recognised as an integral part of the total lease expense, over the term of the lease.

13 INTANGIBLE ASSETS

	Goodwill NZ$000	Computer Software NZ$000	Rail Services Agreement NZ$000	**Total NZ$000**
Cost:				
Balance at 1 July 2014	38,444	10,104	10,000	**58,548**
Additions	0	196	0	**196**
Disposals	0	(3,576)	0	**(3,576)**
Transfers from work in progress (refer to note 11)	0	238	0	**238**
Impairment	(6,221)	0	0	**(6,221)**
Transport Services Segment goodwill derecognised	(13,613)	0	0	**(13,613)**
Balance at 30 June 2015	**18,610**	**6,962**	**10,000**	**35,572**
Balance at 1 July 2015	18,610	6,962	10,000	**35,572**
Additions	0	434	0	**434**
Disposals	(3,120)	(108)	0	**(3,228)**
Transfers from work in progress (refer to note 11)	0	349	0	**349**
Balance at 30 June 2016	**15,490**	**7,637**	**10,000**	**33,127**
Accumulated amortisation:				
Balance at 1 July 2014	0	(5,994)	(8,681)	**(14,675)**
Amortisation expense	0	(711)	(338)	**(1,049)**
Disposals	0	1,509	0	**1,509**
Balance at 30 June 2015	**0**	**(5,196)**	**(9,019)**	**(14,215)**
Balance at 1 July 2015	0	(5,196)	(9,019)	**(14,215)**
Amortisation expense	0	(424)	(123)	**(547)**
Disposals	0	61	0	**61**
Balance at 30 June 2016	**0**	**(5,559)**	**(9,142)**	**(14,701)**
Carrying amounts:				
Total net book value 30 June 2015	**18,610**	**1,766**	**981**	**21,357**
Total net book value 30 June 2016	**15,490**	**2,078**	**858**	**18,426**

Policies

Goodwill that arises upon the acquisition of Subsidiaries is included in intangible assets. The Group measures goodwill as the fair value of consideration transferred, less the fair value of the net identifiable assets and liabilities assumed at acquisition date.

Goodwill is measured at cost less accumulated impairment losses.

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

The estimated useful lives for the current and comparative periods are as follows:

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

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

Goodwill is tested for impairment annually, based upon the value in use of the cash generating unit to which the goodwill relates. Value in use was determined by discounting five year future cash flows, generated from the continuing use of the units.

Judgements

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

On 27 May 2016, Quality Marshalling sold its forestry marshalling operations to Qube Logistics Limited. As a result of this transaction $3.120 million of goodwill relating to forestry marshalling operations has been derecognised.

The remaining goodwill was tested for impairment at 30 June 2016 and confirmed that no adjustment was required.

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

- Cash flows were projected using management forecasts over the five year period.
- The anticipated growth rates used in the cash flow projections average 6% over the period.
- Terminal cash flows were estimated using a constant growth rate of 2% after year five.
- A pre-tax discount rate of 12% was used.

14 INVESTMENTS IN SUBSIDIARIES

Investments in Subsidiaries Comprises:

Name of Entity	Principal Activity	**2016 %**	2015 %	Balance Date
MetroPack Limited	Entity amalgamated into Parent Company entity	**0**	100.00	30 June
Port of Tauranga Trustee Company Limited	Holding company for employee share scheme	**100.00**	100.00	30 June
Quality Marshalling (Mount Maunganui) Limited	Marshalling and terminal operations services	**100.00**	100.00	30 June
Tapper SIP Limited	Entity amalgamated into Parent Company entity	**0**	100.00	30 June
Tapper Transport Limited	Entity amalgamated into Parent Company entity	**0**	100.00	30 June

Policies	Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In assessing control, potential voting rights that presently are exercisable, are taken into account. The financial statements of Subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.
Amalgamation of Subsidiaries	On 30 June 2016 subsidiary shell companies, MetroPack Limited, Tapper SIP Limited and Tapper Transport Limited, were amalgamated into the Parent Company.

15 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES

Investments in Equity Accounted Investees Comprises:

Name of Entity	Principal Activity	**2016 %**	2015 %	Balance Date
Coda Group Limited Partnership	Freight logistics and warehousing	**50.00**	50.00	30 June
Northport Limited	Sea port	**50.00**	50.00	30 June
PortConnect Limited	On line cargo management	**50.00**	50.00	30 June
PrimePort Timaru Limited	Sea port	**50.00**	50.00	30 June
Timaru Container Terminal Limited	Sea port	**50.10**	50.10	30 June

	2016 NZ$000	2015 NZ$000
Carrying value of investments in Equity Accounted Investees		
Balance at 1 July	**118,972**	71,079
Group's share of net profit after tax	**13,437**	10,298
Group's share of hedging reserve	**(395)**	(269)
Group's share of revaluation reserve	**(57)**	(328)
Group's share of total comprehensive income	**12,985**	9,701
Disposals	**0**	(3,491)
Purchase of interest in Coda Group Limited Partnership	**0**	43,285
Group's investment in Timaru Container Terminal Limited	**0**	5,003
Purchase of shares in MetroBox Limited	**0**	1,899
Dividends received	**(8,667)**	(8,504)
Balance at 30 June	**123,290**	118,972

15 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES (CONTINUED)

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

Summarised Financial Information of Equity Accounted Investees:

2016	Northport Limited NZ$000	Coda Group Limited Partnership NZ$000	Individually Immaterial Equity Accounted Investees NZ$000	**Total NZ$000**
Cash and cash equivalents	321	2,875	2,692	**5,888**
Total current assets	**4,612**	**23,734**	**6,989**	**35,335**
Total non current assets	**131,548**	**24,173**	**84,256**	**239,977**
Total assets	**136,160**	**47,907**	**91,245**	**275,312**
Current financial liabilities excluding trade and other payables and provisions	1,994	1,588	8,319	**11,901**
Total current liabilities	**6,651**	**16,758**	**12,727**	**36,136**
Non current financial liabilities excluding trade and other payables and provisions	36,450	0	27,391	**63,841**
Total non current liabilities	**36,450**	**0**	**27,391**	**63,841**
Total liabilities	**43,101**	**16,758**	**40,118**	**99,977**
Net assets	**93,059**	**31,149**	**51,127**	**175,335**
Group's share of net assets	**46,530**	**15,575**	**25,569**	**87,674**
Goodwill acquired on acquisition of Equity Accounted Investees	**0**	**30,754**	**4,862**	**35,616**
Carrying amount of Equity Accounted Investees	**46,530**	**46,329**	**30,431**	**123,290**
Revenues	38,829	204,761	29,140	**272,730**
Depreciation and amortisation	(4,186)	(1,477)	(1,731)	**(7,394)**
Interest expense	(1,858)	0	(809)	**(2,667)**
Net profit before tax	**22,590**	**6,026**	**5,565**	**34,181**
Tax expense	(5,730)	0	(1,525)	**(7,255)**
Net profit after tax	**16,860**	**6,026**	**4,040**	**26,926**
Other comprehensive income	(1,464)	0	560	**(904)**
Total comprehensive income	**15,396**	**6,026**	**4,600**	**26,022**
Group's share of net profit after tax	**8,430**	**3,013**	**1,994**	**13,437**
Group's share of total comprehensive income	**7,698**	**3,013**	**2,274**	**12,985**

15 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES (CONTINUED)

2015	Northport Limited NZ$000	Coda Group Limited Partnership NZ$000	Individually Immaterial Equity Accounted Investees NZ$000	**Total NZ$000**
Cash and cash equivalents	320	1,953	3,167	**5,440**
Total current assets	**4,963**	**22,465**	**8,496**	**35,924**
Total non current assets	**129,795**	**22,077**	**60,440**	**212,312**
Total assets	**134,758**	**44,542**	**68,936**	**248,236**
Current financial liabilities excluding trade and other payables and provisions	2,698	1,240	8,919	**12,857**
Total current liabilities	**5,624**	**18,853**	**13,692**	**38,169**
Non current financial liabilities excluding trade and other payables and provisions	35,442	1,949	7,450	**44,841**
Total non current liabilities	**35,442**	**1,949**	**7,450**	**44,841**
Total liabilities	**41,066**	**20,802**	**21,142**	**83,010**
Net assets	**93,692**	**23,740**	**47,794**	**165,226**
Group's share of net assets	**46,846**	**11,870**	**23,897**	**82,613**
Goodwill acquired on acquisition of Equity Accounted Investees	**0**	**31,497**	**4,862**	**36,359**
Carrying amount of Equity Accounted Investees	**46,846**	**43,367**	**28,759**	**118,792**
Revenues	36,799	27,943	48,884	**113,626**
Depreciation and amortisation	(3,939)	(535)	(1,117)	**(5,591)**
Interest expense	(2,039)	(9)	(97)	**(2,145)**
Net profit before tax	**21,823**	**164**	**6,274**	**28,261**
Tax expense	(5,495)	0	(2,149)	**(7,644)**
Net profit after tax	**16,328**	**164**	**4,125**	**20,617**
Other comprehensive income	(2,012)	0	818	**(1,194)**
Total comprehensive income	**14,316**	**164**	**4,943**	**19,423**
Group's share of net profit after tax	**8,164**	**82**	**2,052**	**10,298**
Group's share of total comprehensive income	**7,158**	**82**	**2,461**	**9,701**

Policies

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

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Equity Accounted Investees are accounted for using the equity method.

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

Tax Treatment of Coda Group

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

Judgements

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

The investment in Coda Group was tested for impairment at 30 June 2016 and confirmed that no adjustment was required.

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

- Cash flows were projected using management forecasts over the five year period.
- Terminal cash flows were estimated using a constant growth rate of 2% after year five.
- A pre-tax discount of 14% was used.

16 RECEIVABLES AND PREPAYMENTS

	2016 NZ$000	2015 NZ$000
Trade receivables	**30,640**	28,696
Less:		
Provision for impairment of trade receivables	**0**	0
Trade receivables from Equity Accounted Investees and related parties	**434**	758
	31,074	29,454
Advances to Equity Accounted Investees (refer to note 24)	**6,919**	7,519
Prepayments and sundry receivables	**3,553**	2,516
Total receivables and prepayments	**41,546**	39,489

The ageing of trade receivables at reporting date was:

	2016 NZ$000	2015 NZ$000
Not past due	**25,841**	23,946
Past due 0 – 30 days	**3,002**	4,030
Past due 30 – 60 days	**795**	591
Past due 60 – 90 days	**454**	126
More than 90 days	**548**	3
Total of ageing of trade receivables	**30,640**	28,696

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

17 EQUITY

Share Capital

	2016	2015
Ordinary shares issued		
Balance as at 1 July	**136,068,776**	134,071,596
Shares issued during year	**30,640**	2,014,460
Shares repurchased by the Group during the year	**(22,220)**	(17,280)
Balance as at 30 June	**136,077,196**	136,068,776

Dividends

The following dividends were declared and paid during the period:

	2016 NZ$000	2015 NZ$000
Final 2015 dividend paid 30.0 cents per share (2014: 29.0 cps)	**40,835**	39,474
Interim 2016 dividend paid 23.0 cents per share (2015: 22.0 cps)	**31,307**	29,945
Total dividends	**72,142**	69,419

Policies	*Capital Management* The Parent Company's policy is to maintain a strong capital base, which the Group defines as total shareholders' equity, so as to maintain investor, creditor and market confidence, and to sustain the future business development of the Group. The Group has established policies in capital management, including the specific requirements that interest cover is to be maintained at a minimum of three times and that the [debt/(debt + equity)] ratio is to be maintained at a 40% maximum. It is also Group policy that the dividend payout is maintained between a level of between 70% and 100% of profit for the period. The Group has complied with all capital management policies during the reporting periods.
Share Capital	All shares are fully paid and have no par value. All shares rank equally with one vote attached to each fully paid ordinary share. During the year 30,640 shares at $11.17 per share were issued to employees from the Port of Tauranga Trustee Company Limited as part of the Employee Share Ownership Plan (2015: 14,460 shares at $8.09 per share). In 2016 nil shares (2015: 2,000,000 shares) were also issued to Kotahi as a 10 year volume rebate. During the year 22,220 shares were repurchased on market and transferred to the Port of Tauranga Trustee Company Limited as part of the Employee Share Ownership Plan (2015: 17,280 shares).
Dividends	The dividends are fully imputed. Supplementary dividends of $374,868 (2015: $373,275) were paid to shareholders that are not tax residents in New Zealand, for which the Group received a foreign tax credit entitlement.
Share Based Payment Reserve	On 1 August 2014 the Parent Company issued 2,000,000 shares as a volume rebate to Kotahi as part of a 10 year freight alliance. The shares are subject to a call option allowing the Parent Company to "call" shares back at zero cost if Kotahi fails to meet the volume commitments specified in the 10 year Container Volume Commitment Agreement. The increase in the reserve recognises the shares earned based on containers delivered during the period. *Equity Settled Share Based Payments* The grant-date fair value of equity settled share based payments is recognised as a rebate against revenue, with a corresponding increase in equity, over the vesting period. The amount recognised as a rebate is adjusted to reflect the number of awards for which the related service is expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service conditions at the vesting date.
Hedging Reserve	The hedging reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedging instruments, related to hedged transactions that have not yet occurred.
Revaluation Reserve	The revaluation reserve relates to the revaluation of land, buildings, wharves and hardstanding, and harbour improvements.

18 EARNINGS PER SHARE

	2016	2015
Earnings per share		
Net profit attributable to ordinary shareholders (NZ$000)	**77,314**	79,148
Weighted average ordinary shares on issue of the Parent Company	**136,116,246**	135,946,383
Earnings per share (cents)	**56.8**	58.2
Underlying earnings per share		
Underlying net profit attributable to ordinary shareholders (NZ$000)	**77,314**	79,007
Weighted average ordinary shares on issue of the Parent Company	**136,116,246**	135,946,383
Underlying earnings per share (cents)	**56.8**	58.1

Policies	The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Parent Company by the weighted average number of ordinary shares outstanding for the Parent Company during the period. There are no potential dilutive ordinary shares.

19 LOANS AND BORROWINGS

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

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

19 LOANS AND BORROWINGS (CONTINUED)

2015	Maturity	Coupon	Committed Facilities NZ$000	Undrawn Facilities NZ$000	Carrying Value NZ$000
Non current					
Fixed rate bond – 2nd issue	2021	4.792%	75,000	0	75,000
Fixed rate bond – 1st issue	2019	5.865%	50,000	0	50,000
Standby revolving cash advance facility	2019	Floating	130,000	130,000	0
Standby revolving cash advance facility	2017	Floating	50,000	50,000	0
Revolving cash advance facility	2016	Floating	30,000	30,000	0
Advances from employees	Various	0%	0	0	65
Total non current			**335,000**	**210,000**	**125,065**
Current					
Standby revolving cash advance facility	2016	Floating	100,000	100,000	0
Multi option facility	2015	Floating	5,000	5,000	0
Commercial papers	<3 months	Floating	0	0	180,000
Advances from employees	Various	0%	0	0	297
Total current			**105,000**	**105,000**	**180,297**
Total			**440,000**	**315,000**	**305,362**

Policies	Loans and borrowings are recognised at fair value, plus any directly attributable transaction costs, if the Group becomes a party to the contractual provisions of the instrument. Loans and borrowings are derecognised if the Group's obligations as specified in the contract expire or are discharged or cancelled. Subsequent to initial recognition, loans and borrowings are measured at amortised cost using the effective interest method, less any impairment losses.
Fixed Rate Bonds	The Parent Company has issued two six-year fixed rate bonds, a $50 million fixed rate bond with a final maturity on 29 October 2019 and a $75 million fixed rate bond with final maturity on 29 January 2021. The Parent Company incurred costs of $0.244 million in connection with the issuance of bonds which is being amortised over the term of the bonds.
Commercial Papers	Commercial papers are secured, short term discounted debt instruments issued by the Parent Company for funding requirements as a component of its banking arrangements. The commercial paper programme is fully backed by committed term bank facilities. At 30 June 2016 the Group had $190.000 million of commercial paper debt that is classified within current liabilities (2015: $180.000 million). Due to this classification, the Group's current liabilities exceed the Group's current assets. Despite this fact, the Group does not have any liquidity or working capital concerns as a result of the commercial paper debt being interchangeable with direct borrowings within the standby revolving cash advance facility which is a term facility.
Standby Revolving Cash Advance Facility Agreement	The Parent Company has a $280.000 million (2015: $280.000 million) financing arrangement with ANZ Bank New Zealand Limited, Bank of New Zealand Limited and the Commonwealth Bank of Australia, New Zealand branch. The facility, which is secured, provides for both direct borrowings and support for issuance of commercial papers.
Revolving Cash Advance Facility	The Parent Company has a $30.000 million (2015: $30.000 million) revolving cash advance facility with ANZ Bank New Zealand Limited, used for headroom purposes. The facility expires 13 months after the date of notice given by the Parent Company or ANZ Bank New Zealand Limited.
Security	Bank facilities and fixed rate bonds are secured by way of a ships' mortgage over certain floating plant assets ($19.271 million, 2015: $1.981 million), mortgages over the land and building assets ($595.341 million, 2015: $598.559 million), and by a general security agreement over the assets of the Parent Company ($1,286.675 million, 2015: $1,272.926 million).
Covenants	The Parent Company has complied with all covenants during the reporting periods.
Fair Values	The fair value of fixed rate loans and borrowings is calculated by discounting the future contractual cash flows at current market interest rates that are available for similar financial instruments. The amortised cost of variable rate loans and borrowings is assumed to closely approximate fair value as debt facilities mature every 90 days.
Interest Rates	The average weighted interest rate of interest bearing loans was 3.616% at 30 June 2016 (2015: 4.326%).

20 DERIVATIVE FINANCIAL INSTRUMENTS

	2016 NZ$000	2015 NZ$000
Current assets		
Foreign currency derivatives – cash flow hedges	**0**	1,066
Total current assets	**0**	1,066
Non current assets		
Foreign currency derivatives – cash flow hedges	**0**	280
Total non current assets	**0**	280
Total assets	**0**	1,346
Current liabilities		
Foreign currency derivatives – cash flow hedges	**(983)**	0
Interest rate derivatives – cash flow hedges	**(455)**	(977)
Total current liabilities	**(1,438)**	(977)
Non current liabilities		
Interest rate derivatives – cash flow hedges	**(17,063)**	(8,384)
Total non current liabilities	**(17,063)**	(8,384)
Total liabilities	**(18,501)**	(9,361)

Policies

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

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

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

Cash Flow Hedges

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

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

Fair Values

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

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

Valuation inputs for valuing derivatives are as follows:

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

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

21 FINANCIAL INSTRUMENTS

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

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

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

21 FINANCIAL INSTRUMENTS (CONTINUED)

Financial Risk Management

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

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

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

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

(a) Credit Risk

Exposure to Credit Risk

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

	2016 NZ$000	2015 NZ$000
Derivative financial instruments	**0**	1,346
Receivables	**38,039**	36,973
Cash and cash equivalents	**11,580**	17,918
Total	**49,619**	56,237

Credit Risk Management Policies

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

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

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

Concentration of Credit Risk

The only significant concentration of credit risk at reporting date relates to bank balances and advances to Equity Accounted Investees. The nature of the Group's business means that the top ten customers account for 56.5% of total Group revenue (2015: 49.6%). The Group is satisfied with the credit quality of these debtors and does not anticipate any non performance.

21 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity Risk

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

2016	Statement of Financial Position NZ$000	Contractual Cash Flows NZ$000	6 Months or Less NZ$000	6 – 12 Months NZ$000	1 – 2 Years NZ$000	2 – 5 Years NZ$000	More Than 5 Years NZ$000
Non derivative financial liabilities							
Loans and borrowings	(320,200)	(351,364)	(199,092)	(3,737)	(7,398)	(141,137)	0
Trade and other payables	(10,874)	(10,874)	(10,874)	0	0	0	0
Total non derivative financial liabilities	**(331,074)**	**(362,238)**	**(209,966)**	**(3,737)**	**(7,398)**	**(141,137)**	**0**
Derivatives							
Interest rate derivatives							
Cash flow hedges – outflow	(17,518)	(20,426)	(2,279)	(1,988)	(3,527)	(7,618)	(5,014)
Foreign currency derivatives							
Cash flow hedges – outflow	(983)	(17,232)	(16,669)	(563)	0	0	0
Cash flow hedges – inflow	0	16,244	15,726	518	0	0	0
Total derivatives	**(18,501)**	**(21,414)**	**(3,222)**	**(2,033)**	**(3,527)**	**(7,618)**	**(5,014)**
Total	**(349,575)**	**(383,652)**	**(213,188)**	**(5,770)**	**(10,925)**	**(148,755)**	**(5,014)**

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

21 FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity and Funding Risk Management Policies	Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient cash and borrowing facilities available to meet its liabilities when due, under both normal and adverse conditions. The Group's cash flow requirements and the utilisation of borrowing facilities are continuously monitored, and it is required that committed bank facilities are maintained at a minimum of 10% above maximum forecast usage. Funding risk is the risk that arises when either the size of borrowing facilities or the pricing thereof is not able to be replaced on similar terms, at the time of review with the Group's banks. To minimise funding risk it is Board policy to spread the facilities' renewal dates and the maturity of individual loans. Where this is not possible, extensions to, or the replacement of, borrowing facilities are required to be arranged at least six months prior to each facility's expiry.

(c) Market Risk

Interest Rate Risk

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

	Carrying Amount	
	2016 NZ$000	2015 NZ$000
Fixed rate instruments		
Fixed rate bond	**(125,000)**	(125,000)
Deferred consideration	**0**	(500)
Interest rate derivatives	**(17,519)**	(9,361)
Total	**(142,519)**	(134,861)
Variable rate instruments		
Commercial papers	**(190,000)**	(180,000)
Standby revolving cash advance facility	**(5,000)**	0
Cash balances	**11,580**	17,918
Total	**(183,420)**	(162,082)

Sensitivity Analysis

If, at reporting date, bank interest rates had been 100 basis points higher/lower, with all other variables held constant, the result would increase/(decrease) post tax profit or loss and the hedging reserve by the amounts shown below. The analysis is performed on the same basis for 2015.

	Profit or Loss		Cash Flow Hedge Reserve	
	100 bp Increase NZ$000	100 bp Decrease NZ$000	100 bp Increase NZ$000	100 bp Decrease NZ$000
Variable rate instruments	(1,284)	1,309	0	0
Interest rate derivatives	1,570	(1,570)	6,716	(7,430)
Total as at 30 June 2016	**286**	**(261)**	**6,716**	**(7,430)**
Variable rate instruments	(1,023)	1,046	0	0
Interest rate derivatives	1,360	(1,111)	5,161	(6,064)
Total as at 30 June 2015	**337**	**(65)**	**5,161**	**(6,064)**

Market Risk Management Policies	Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and commodity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The Group uses derivative financial instruments such as interest rate swaps and foreign currency options to hedge certain risk exposures. All derivative transactions are carried out within the guidelines set out in the Group's Treasury Policy which has been approved by the Board of Directors. Generally the Group seeks to apply hedge accounting in order to manage volatility in the income statement.
Interest Rate Risk	Interest rate risk is the risk of financial loss, or impairment to cash flows in current or future periods, due to adverse movements in interest rates on borrowings or investments. The Group uses interest rate derivatives to manage its exposure to variable interest rate risk by converting variable rate debt to fixed rate debt.

22 TRADE AND OTHER PAYABLES

	2016 NZ$000	2015 NZ$000
Accounts payable	**10,823**	7,134
Accrued employee benefit liabilities	**3,530**	3,055
Accruals	**15,720**	10,048
Payables due to Equity Accounted Investees and related parties	**34**	5
Total trade and other payables	**30,107**	20,242

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

23 PROVISIONS

	Long Service Leave NZ$000	Management Long Term Incentive Scheme NZ$000	Profit Sharing and Bonuses NZ$000	**Total NZ$000**
Balance at 30 June 2015	1,212	737	1,778	**3,727**
Additional provision	314	107	2,050	**2,471**
Unused amounts reversed	(5)	0	0	**(5)**
Utilised during the period	(143)	(342)	(1,788)	**(2,273)**
Balance at 30 June 2016	**1,378**	**502**	**2,040**	**3,920**
Total current provisions	**0**	**253**	**2,040**	**2,293**
Total non current provisions	**1,378**	**249**	**0**	**1,627**

Policies	A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.
Employee Benefits – Long Service Leave	Underlying assumptions for provisions relate to the probabilities of employees reaching the required vesting period to qualify for long service leave. Probability factors for reaching long service leave entitlements are based on historic employee retention information.
Employee Benefits – Management Long Term Incentive Scheme	Members of the Parent Company's Executive Management Team are eligible to receive payment under the Management Long Term Incentive Scheme. The scheme is classified as a cash settled share based payment scheme and is based upon a combination of total shareholder return versus an index and earnings per share growth, both over a three year period. The amount recognised in the income statement during the period is $0.107 million, (2015: $0.333 million).
Employee Benefits – Profit Sharing and Bonuses	The Profit Sharing and Bonus Scheme rewards eligible employees based on a combination of Company performance against budget and personal performance. The incentive is generally paid biannually.

24 RELATED PARTY TRANSACTIONS

Related party transactions with related parties:

	2016 NZ$000	2015 NZ$000
Transactions with Equity Accounted Investees		
Services provided to Port of Tauranga Limited	**386**	300
Services provided by Port of Tauranga Limited	**2,126**	741
Accounts receivable by Port of Tauranga Limited	**138**	1,733
Accounts payable by Port of Tauranga Limited	**34**	836
Advances by Port of Tauranga Limited	**6,919**	7,519
Services provided to Quality Marshalling (Mount Maunganui) Limited	**45**	49
Services provided by Quality Marshalling (Mount Maunganui) Limited	**3,210**	2,738
Accounts receivable by Quality Marshalling (Mount Maunganui) Limited	**292**	575
Accounts payable by Quality Marshalling (Mount Maunganui) Limited	**0**	4
Accounts receivable by Port of Tauranga Trustee Company Limited	**4**	0
Transactions with key management personnel		
Directors' fees recognised during the period	**513**	506
Executive officers' salaries and short term employee benefits recognised during the period	**2,654**	3,266
Executive officers' share based payments recognised in the income statement during the period	**107**	333

Related Parties	Related parties of the Group include the joint ventures disclosed in note 15 and the Controlling Entity (Quayside Securities Limited) or Ultimate Controlling Party (Bay of Plenty Regional Council). Quayside Securities Limited owns 54.14% (2015: 54.14%) of the ordinary shares in Port of Tauranga Limited. Quayside Securities Limited is beneficially owned by Bay of Plenty Regional Council. Transactions with the Ultimate Controlling Party during the period include services provided to Port of Tauranga Limited, \$0.018 million (2015: \$0.016 million). No related party debts have been written off, forgiven or provided for as doubtful during the year.
Transactions With Key Management Personnel	During the year, the Group entered into transactions with companies in which Group Directors hold directorships. These directorships have not resulted in the Group having a significant influence over the operations, policies, or key decisions of these companies. The Group does not provide any non cash benefits to Directors and Executive Officers in addition to their Directors' fees or salaries. All Executive Officers participate in a cash settled share based incentive scheme.

25 CONTINGENT LIABILITIES

Disclosures	No material contingent liabilities or assets have been identified.

26 SUBSEQUENT EVENTS

Approval of Financial Statements	The financial statements were approved by the Board of Directors on 18 August 2016.
Final Dividend	A final dividend of 30 cents (2015: 30 cents) per share to a total of $40,834,874 (2015: $40,834,874) and a special dividend of 25 cents per share to a total of $34,029,061 has been approved subsequent to reporting date. The final dividend was not approved until after year end, therefore it has not been accrued in the current year financial statements.

Corporate Governance Statement

For the Year Ended 30 June 2016: Port of Tauranga Limited

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

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

For the reporting period to 30 June 2016, the Board considers Port of Tauranga's corporate governance practices reflect and satisfy the NZX (New Zealand Exchange) Corporate Governance Best Practice Code and the Financial Markets Authority Corporate Governance Principles. The Board of Port of Tauranga chooses to also comply (except where noted) with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations as it considers these standards to be relevant to any large New Zealand listed company whether ASX listed or not.

Port of Tauranga's corporate governance documents are available on the Corporate Governance page of the Company's website http://www.port-tauranga.co.nz/Investors/Corporate-Structure.

These documents should be read in conjunction with this Statement.

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

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

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

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

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

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

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

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

Board Committees: The Board has established an Audit Committee, a Nomination Committee and a Remuneration Committee. The role, responsibilities and decision making authority of each committee is set out in its Charter. The Charters are available in the Investors section of the Company's website (under Corporate Structure).

All Directors are able to attend any Committee Meeting.

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

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

Senior Management Team Evaluation: Role descriptions and any agreed key performance metrics are included in employment agreements and provide a framework against which to evaluate executive performance. Written employment agreements setting out the terms of appointment are provided to all Group staff. Formal performance reviews are conducted for all staff at least on an annual basis. The Senior Management Team's performance reviews for the financial year ended 30 June 2016 were conducted in July 2016.

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

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

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

PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

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

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

As at 30 June 2016 the Board comprised seven Directors:

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

The Directors bring a wide range of skills to the Board including governance, senior executive management experience, marketing, international business, corporate and commercial law and supply chain logistics. Collectively, the Directors have professional qualifications in law, accounting, engineering, finance, business, economics, agriculture and management. The Board considers that individually and collectively, the Directors have an appropriate mix of skills, qualifications and experience to enable them to appropriately discharge their duties effectively. Biographies of the current Board members are set out on page 16 and are also available in the Investors section of the Company's website (under Corporate Structure/Board of Directors).

Audit Committee: Details about the Audit Committee, its membership and its responsibilities are included under Principle 4. The Audit Committee's Charter is approved by the Board and reviewed by external auditors each year. The Charter is provided in the Investors section of the Company's website (under Corporate Structure).

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

Nomination Committee: The Nomination Committee operates under a Charter which requires it to review the composition of the Board, to ensure that the Board has the appropriate mix of expertise and experience. The Charter is available in the Investors section of the Company's website (under Corporate Structure).

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

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

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

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

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

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

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

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

As at 30 June 2016 David Pilkington (Chair), Bill Baylis, Kim Ellis, Julia Hoare and Alastair Lawrence were considered by the Board to be independent Directors in accordance with the Constitution, NZX Listing Rules and ASX Corporate Governance Guidelines.

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

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

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

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

Attendance: The individual attendances of Directors at Board and Committee Meetings for the 2016 financial year are as follows:

	Board	Audit	Nomination	Remuneration
A W Baylis	7	2	2	
J M Cronin*	3		2	
K R Ellis	7	2	2	1
J C Hoare**	4	1	1	
A R Lawrence	7	2	2	
D W Leeder***	4		1	
D A Pilkington	7	2	2	1
M J Smith	6	2	2	1
K Tempest*	1			1
Total meetings held	**7**	**2**	**2**	**1**

**Retired 22 October 2015.*

***Appointed 20 August 2015 (and appointed to Audit and Nomination Committees 18 December 2015).*

****Appointed 22 October 2015 (and appointed to Nomination and Remuneration Committees 18 December 2015).*

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

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

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

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

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

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

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

Retirement and Re-election: Bill Baylis and Kim Ellis are eligible for re-election at the 2016 Annual Meeting and will be seeking re-election. Profiles are contained in the Notice of Meeting which will be sent to shareholders.

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

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

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

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

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

Director Share Ownership: There is no requirement for Directors to own shares in the Company or to reinvest a portion of Director remuneration in Company shares, however non executive Directors are encouraged to own shares. All Directors and employees must comply with the Company's Insider Trading Policy and seek the approval of the Chief Financial Officer before any trading is undertaken. The table of Directors' shareholdings is shown on page 114.

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

PRINCIPLE 3 – PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

Code of Ethics: The Company requires the highest standards of honesty and integrity from its Directors, Senior Management Team and employees. The Code of Ethics has been developed and approved by the Board which sets out the ethical and behavioural standards expected by the Company's Directors, Senior Management Team and employees. The policy guides and facilitates decision making that is consistent with the Company's values, business goals, and legal and policy obligations.
The Code of Ethics is located in the Investors section of the Company's website (under Corporate Structure).

Discretionary Expenditure – Standard Operating Procedure Policy: The policy sets out the Company's expectations on discretionary or sensitive expenditure incurred by Directors or employees. The Discretionary Expenditure – Standard Operating Procedure Policy is located in the Investors section of the Company's website (under Corporate Structure).

Diversity Policy: The Company and its Board are committed to providing a workplace that recognises and values different skills, abilities, genders, ethnicity and experiences. They are also committed to providing equal employment opportunities with all appointments being merit-based. A copy of the Diversity Policy is available in the Investors section of the Company's website (under Corporate Structure).

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

As at 30 June 2016, the gender balance of the Company's Directors, officers and all permanent employees was as follows:

	Female		Male	
	Number	%	Number	%
Directors	1	14	6	86
Officers	1	20	4	80
All permanent employees	35	18	160	82
Total	**37**	**18**	**170**	**82**

"Officers" has the meaning under the Securities Markets Act 1988. As at 30 June 2016, the officers were the Chief Executive and his four direct reports.

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

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

A copy of the Insider Trading Policy is available in the Investors section of the Company's website (under Corporate Structure).

Whistleblowing Policy (Protected Disclosure Act 2000): The Board is committed to ensuring the Company's practices and procedures are safe and the behaviour of all employees is of the highest ethical standard. The Company's Whistleblowing Policy provides an internal procedure for staff to report any serious wrongdoing. Staff will be protected from any retaliatory action by the Company if the report of serious wrongdoing is made in accordance with this policy and the Protected Disclosures Act. The Whistleblowing Policy (Protected Disclosure Act 2000) is located in the Investors section of the Company's website (under Corporate Structure).

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

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

Membership: The Audit Committee comprises five Directors, all of them are non executive Directors and four are independent. The independent Directors are Bill Baylis, Kim Ellis, Julia Hoare and Alastair Lawrence. Michael Smith is Chair of Quayside Securities Limited and is not independent. David Pilkington, Chair of the Board, is an ex-officio member of the Committee and independent. Bill Baylis, the Chair of the Audit Committee, is a qualified accountant and is not the Chair of the Board. Details of the relevant qualifications and experience of all Audit Committee members are disclosed in their biographies which are available on page 16 and on the Company's website in the Investors section (under Corporate Structure/Board of Directors).

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

Meetings: The Audit Committee meets at least twice a year and has direct access to the Company's auditors and Senior Management Team. The Committee meets with the auditors without management being present. In the 2016 financial year, the Audit Committee met two times.

The individual attendances of the members at those meetings are set out on page 105.

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

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

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

The Company is subject to the disclosure and reporting obligations imposed under the NZX Listing Rules and legislation including the Companies Act and the Port Companies Act. The disclosure framework through which the Company will communicate its goals, strategies and performance and comply with its reporting obligations including continuous disclosure is outlined in its Continuous Disclosure and Communication Policy. This policy is located in the Investors section of the Company's website (under Corporate Structure).

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

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

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

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

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

Website: Operational and financial results announcements are available on the website together with Interim and Annual Reports and analyst presentations. Shareholders can receive media announcements automatically by joining the mailing list on the Media Room and Publications section of the Company's website.

PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS

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

Investor Communications: The protocols that apply to communications with analysts, investors and the media are set out in the Continuous Disclosure and Communication Policy which is available in the Investors section of the Company's website (under Corporate Structure).

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

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

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

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

One of the key responsibilities of the Board is to ensure that proper risk management systems and internal controls are in place, including the review of material risk exposures and the steps management has taken to monitor, control and report all such exposures including health and safety practices. Management reports to the Board annually on the effectiveness of the Company's management of material risks. The independent reviewer's and management's recommendations were accepted and agreed at the October 2015 meeting of the Board. The whole Board has the responsibility for risk management.

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

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

Areas subject to internal audit include:

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

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

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

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

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

The Company's Remuneration Policy has been set to ensure that the remuneration of Directors and all staff properly reflects each person's accountabilities, duties and their level of performance and will attract, motivate and retain staff of the highest quality.

All remuneration packages are reviewed at least annually, taking into account individual and Company performance, market movements and expert advice.

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

Director Remuneration: Non executive Directors are paid a fixed fee in accordance with the determination of the Board and are entitled to reimbursement of reasonable travel and other expenses incurred by them in connection with their attendance at Board or Annual Meetings, or otherwise in connection with the Group's business. There is no entitlement to retirement or superannuation benefits. The Director fee pool has been set at $506,479. Increases in the Director fee pool must be approved by shareholders at an Annual Meeting. The Remuneration Committee considers Directors' fees annually and makes a recommendation to the Board. The Board seeks to increase the pool at the 2016 Annual Meeting by 50.2%.

The non executive Directors receive $59,089 per annum and the Chair receives $118,178 per annum. The Chair of the Audit Committee, receives an additional $8,742 per annum. Other members of the Audit Committee, receive an additional $4,371 per annum. The Chair of the Remuneration Committee, receives an additional $4,371 per annum. Other Members of the Remuneration Committee, receive an additional $2,186 per annum. Director remuneration was set at a level advised by an independent Board remuneration consultant.

Disclosure of each Director's remuneration is included in this report at page 111.

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

Chief Executive Remuneration

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

Short Term Incentive Plan

The STI is set at 60% of FR. Seventy percent of the STI is linked to the Company's financial performance with the actual opportunity in the range of 0% to 110%. Thirty percent is based on achieving strategic objectives with the actual opportunity in the range of 0% to 100%. Objectives are set each year by the Remuneration Committee and for the 2016 year included financial and Group targets for the Company overall, as well as personal objectives and targets, appropriate for each individual's role.

Long Term Incentive Plan

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

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

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

**Earnings per share*

***Compounded annual growth rate*

As at 30 June 2016 $0.502 million has been accrued for LTI for the Chief Executive and direct reports (30 June 2015: $0.737 million).

The Chief Executive's remuneration for the year ended 30 June 2016 was made up as follows:

	$000
Fixed Remuneration (FY16)	739,025
Short Term Incentive (FY15)	288,003
Long Term Incentive (2012 Vesting)	178,203
Total	**$1,205,231**

Statutory Information

As at 30 June 2016: Port of Tauranga Limited

INTERESTS REGISTER

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

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

GENERAL NOTICE OF INTEREST BY DIRECTORS

The Directors of the Company have declared interests in the following identified entities as at 30 June 2016:

Director	Interest	Entity
Arthur William Baylis	Chair – resigned during the year	Blackhead Quarries Limited
	Chair – resigned during the year	Dairy Holdings Limited and subsidiaries
	Director / Shareholder	Edincorp Equities Limited
	Director	Edincorp Business Services Limited
	Director	PrimePort Timaru Limited
John Michael Cronin (retired 22 October 2015)	Chair / Trustee	South Waikato Investment Trust
	Councillor	Bay of Plenty Regional Council
	Director	Heretaunga Water Limited
	Director	Piccadilly Investments Limited
	Trustee	South Waikato Development Trust
Kimmitt Rowland Ellis	Chair	Metlifecare Limited
	Chair	NZ Social Infrastructure Fund Limited
	Director	Ballance Agri-Nutrients Limited
	Director	EnviroWaste Services Limited
	Director	Fonterra Shareholders Fund (FSF) Management Company
	Director	Freightways Limited
	Trustee	Wanganui Collegiate School
Julia Cecile Hoare (appointed 20 August 2015)	Director	AWF Madison Group Limited
	Director	New Zealand Post Limited
	Director	The A2 Milk Company Limited
	Director	Watercare Services Limited
	Member	Auckland Committee, Institute of Directors
	Member	External Reporting Advisory Panel
	Member	Institute of Directors Council
Alastair Roderick Lawrence	Chair	Brittain Wynyard Limited
	Chair	Glenorchy Pastoral Management Limited
	Director	Antipodes Properties Limited and subsidiaries
	Director	CBS Advisory Limited
	Director	Retail Dimension Limited
	Director	Coda GP Limited
	Trustee	JAB Hellaby Trust

Director	Interest	Entity
Douglas William Leeder (appointed 22 October 2015)	Chair	Bay of Plenty Regional Council
David Alan Pilkington	Chair	Hellers Limited
	Chair	Rangatira Limited
	Director / Shareholder	Excelsa Associates Limited
	Director	Douglas Pharmaceuticals Limited
	Director	Northport Limited
	Director	Port of Tauranga Trustee Company Limited
	Director	PrimePort Timaru Limited
	Director	Tuatara Brewing Company Limited
	Director	Zespri Group Limited
	Trustee	New Zealand Community Trust
Michael John Smith	Chair	Craigs Investment Partners Superannuation Management Limited
	Chair	Quay Street Asset Management Limited
	Chair	Quayside Group of Companies
	Chair / Trustee	FC Beazley Trust
	Director	Aurora Limited
	Director	Bethlehem Country Club Limited
	Director	Custodial Services Limited
	Director	First Mortgage Managers Limited
	Director	Norfolk Southern Cross Limited
	Director	NZ Golf
	Director	The Body Corporate Chair Limited
	Director	The Cascades Retirement Resort Limited
	Director	The Takahoa Bay Company Limited
	Consultant (no proprietary interest)	Holland Beckett
Keith Tempest (retired 22 October 2015)	Director	Bay Venues Limited
	Director	Crown Fibre Holdings
	Director	NZ Bus Limited
	Director	Transpower Limited

REMUNERATION OF DIRECTORS

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

	PARENT COMPANY	
	2016 $	2015 $
A W Baylis	**67,335**	65,377
J M Cronin*	**19,266**	56,951
K R Ellis	**65,167**	59,766
J C Hoare**	**46,502**	0
A R Lawrence	**62,998**	59,073
D W Leeder***	**40,484**	0
D A Pilkington	**123,828**	120,223
M J Smith	**67,338**	65,377
K Tempest*	**20,343**	59,059

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

Statutory Information (Continued)

As at 30 June 2016: Port of Tauranga Limited

REMUNERATION OF EMPLOYEES

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

	PARENT COMPANY	
Remuneration Range $000	**Number of Employees 2016**	Number of Employees 2015
100 – 109	**25**	18
110 – 119	**17**	18
120 – 129	**13**	13
130 – 139	**9**	9
140 – 149	**15**	8
150 – 159	**4**	6
160 – 169	**3**	5
170 – 179	**2**	2
180 – 189	**2**	2
190 – 199	**1**	2
200 – 209	**3**	1
210 – 219	**5**	7
220 – 229	**2**	4
230 – 239	**4**	2
240 – 249	**2**	0
250 – 259	**0**	1
360 – 369	**0**	1
370 – 379	**1**	0
400 – 409	**0**	1
410 – 419	**1**	1
470 – 479	**1**	0
540 – 549	**1***	0
580 – 589	**1***	1*
620 – 629	**0**	1*
1,200 – 1,210	**1***	0
1,320 – 1,329	**0**	1*

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

DIRECTORS' LOANS

There were no loans by the Company to Directors.

DIRECTORS' INSURANCE

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

SHAREHOLDER INFORMATION

The ordinary shares of Port of Tauranga Limited are listed on NZX. The information in the disclosures below has been taken from the Company's registers as at 18 August 2016.

TWENTY LARGEST ORDINARY EQUITY HOLDERS

Holder	Number of Shares Held	% of Issued Equity
Quayside Securities Limited	73,687,536	54.14
New Zealand Central Securities Depository Limited	13,810,784	10.15
Custodial Services Limited (3 a/c)	4,740,609	3.48
Custodial Services Limited (2 a/c)	2,059,088	1.51
Kotahi Logistics LP	2,000,000	1.47
FNZ Custodians Limited	1,749,842	1.29
Custodial Services Limited (4 a/c)	1,523,620	1.12
Custodial Services Limited (18 a/c)	1,274,139	0.94
Investment Custodial Services Limited	998,426	0.73
Forsyth Barr Custodians Limited	615,163	0.45
Masfen Securities Limited	545,000	0.40
Custodial Services Limited (1 a/c)	543,028	0.40
Custodial Services Limited (16 a/c)	485,950	0.36
JBWere (NZ) Nominees Limited (55215 a/c)	425,000	0.31
New Zealand Depository Nominee Limited	308,813	0.23
Lloyd James Christie	307,000	0.23
Karen Maureen Pensabene	260,000	0.19
ASB Nominees Limited (729140-ML)	203,125	0.15
Fraser Grant McKenzie and Dorothy Ann McKenzie	200,306	0.15
Colin John Boocock	192,900	0.14
Total	**105,930,329**	**77.84**

DISTRIBUTION OF EQUITY SECURITIES

Range of Equity Holdings	Number of Holders	Number of Shares Held	% of Issued Equity
1 – 5,000	9,168	13,470,969	9.90
5,001 – 10,000	825	6,088,615	4.47
10,001 – 50,000	430	8,160,905	6.00
50,001 – 100,000	17	1,194,231	0.88
100,001 and over	29	107,201,526	78.76
Total	**10,469**	**136,116,246**	**100.00**

Statutory Information (Continued)

As at 30 June 2016: Port of Tauranga Limited

SUBSTANTIAL SECURITY HOLDERS

The following information is given in accordance with section 26 of the Securities Amendment Act 1988. According to notices received, the following persons were substantial security holders in the Company as at 18 August 2016.

Holder	Number of Shares Held	%
Quayside Securities Limited	73,687,536	54.14

The total number of issued voting securities of the Company as at 18 August 2016 was 136,116,246.

DIRECTORS' SECURITY HOLDINGS

	Beneficially Held		Held by Associated Persons	
	30.06.16	30.06.15	**30.06.16**	30.06.15
A W Baylis	**0**	0	**10,000**	10,000
K R Ellis	**0**	0	**12,550**	12,550
J C Hoare*	**0**	0	**0**	0
A R Lawrence	**0**	0	**0**	0
D W Leeder**	**0**	0	**0**	0
D A Pilkington	**0**	0	**0**	0
M J Smith	**0**	0	**22,370**	22,370

**Appointed 20 August 2015.*

***Appointed 22 October 2015.*

DONATIONS

Donations of $28,490 were made during the year ended 30 June 2016.

STOCK EXCHANGE LISTING

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

NEW ZEALAND EXCHANGE (NZX) WAIVERS

The Company currently has no NZX waivers.

CREDIT RATING

The Company during the year ended 30 June 2016 had a Standard and Poor's rating of BBB+/Stable/A-2.

Financial and Operational Five Year Summary

As at 30 June 2016: Port of Tauranga Limited

FINANCIAL

	Year 2016 $000	Year 2015 $000	Year 2014 $000	Year 2013 $000	Year 2012 $000
Operating income	**245,521**	268,460	266,538	244,147	227,242
EBITDA	**143,180**	143,161	141,642	134,992	128,898
Surplus after taxation – reported	**77,314**	79,148	78,252	112,123	73,469
Surplus after taxation – underlying	**77,314**	79,007	78,252	77,228	73,469
Dividends paid related to earnings	**72,142**	69,419	63,035	63,035	44,258
Total equity	**885,684**	887,550	812,419	793,878	733,874
Net interest bearing debt	**308,420**	287,379	254,471	190,787	187,183
Total assets	**1,322,367**	1,297,018	1,154,883	1,112,581	1,033,878
Interest cover (times)	**7.0**	7.2	7.8	8.3	8.2
Shareholders' equity (%)	**67.0**	68.4	70.3	71.4	71.0
Return on average equity (%)	**8.7**	9.3	9.7	10.1	10.2
Share price ($)	**19.50**	17.30	15.45	13.90	11.08
Market capitalisation ($)	**2,654,267**	2,354,811	2,072,096	1,864,215	1,486,008
Net asset backing per share ($)	**6.51**	6.52	6.06	5.92	5.47
Underlying earnings per share (cents per share)	**56.8**	58.1	58.3	57.6	54.8

The Board approved a final dividend of 30.0 cents per share ($40.8 million) and a special dividend of 25.0 cents per share ($34.0 million) after year end payable on 7 October 2016.

OPERATIONAL

	Year 2016	Year 2015	Year 2014	Year 2013	Year 2012
Cargo throughput (000 tonnes)	**20,120**	20,179	19,737	19,065	18,452
Containers (TEU)	**954,006**	851,106	759,587	848,384	796,024
Net crane rate (container moves per hour)*	**35.6**	35.5	36.9	34.5	30.6
Ship departures	**1,482**	1,555	1,612	1,529	1,501
Berth occupancy (%)	**46**	46	43	40	40
Total cargo ship days in port	**2,504**	2,528	2,364	2,232	2,189
Turn-around time per cargo ship (days)	**1.6**	1.6	1.5	1.5	1.4
Cargo tonnes per ship	**13,549**	12,510	12,921	12,469	12,123
Average cargo ship gross tonnage (GT)	**26,665**	25,018	24,924	24,641	22,435
Average cargo ship length overall (metres)	**190**	185	187	187	179
Number of employees – Port of Tauranga Limited	**194**	193	191	185	169
Lost time injuries (LTI – frequency)**	**5.6**	2.9	3.1	14.1	5.9
Total injury (frequency rate)	**5.6**	14.7	3.1	31.0	26.8

**As measured by the Australian Productivity Commission.*

***Number of lost time claims per million hours worked.*

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

Company Directory

DIRECTORS

D A Pilkington
Chair

A W Baylis

J M Cronin (retired 22 October 2015)

K R Ellis

J C Hoare (appointed 20 August 2015)

A R Lawrence

D W Leeder (appointed 22 October 2015)

M J Smith

K Tempest (retired 22 October 2015)

EXECUTIVE

M C Cairns
Chief Executive

S G Gray
Chief Financial Officer

S M Lunam
Corporate Services Manager

L Sampson
Commercial Manager

D Kneebone
Property & Infrastructure Manager

REGISTERED OFFICE

Salisbury Avenue
Mount Maunganui

Private Bag 12504
Tauranga Mail Centre
Tauranga 3143
New Zealand

Telephone	07 572 8899
Facsimile	07 572 8800
Internet	www.port-tauranga.co.nz
Email	marketing@port-tauranga.co.nz

AUDITORS

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

SOLICITORS

Holland Beckett
Tauranga

BANKERS

ANZ National Bank Limited

Bank of New Zealand

Commonwealth Bank of Australia

CREDIT RATING AGENCY

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

SHARE REGISTRY

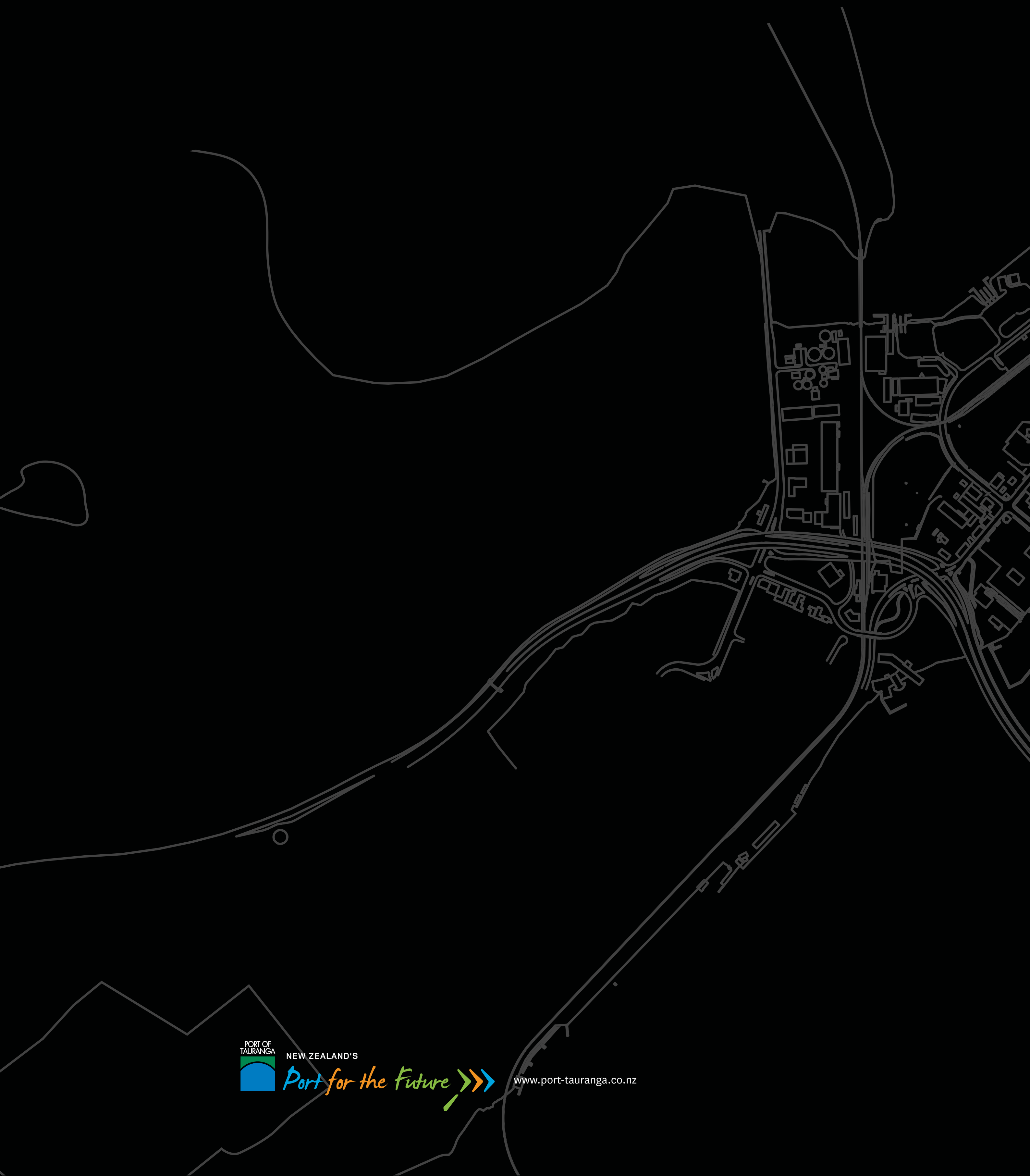
For enquiries about share transactions, change of address or dividend payments contact:

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

Telephone	09 375 5998
Facsimile	09 375 5990
Email	enquiries@linkmarketservices.co.nz

FINANCIAL CALENDAR

7 October 2016	Final dividend payment
20 October 2016	Annual Meeting
23 February 2017	Half year results announcement
March 2017	Interim Report published
10 March 2017	Interim dividend payment
30 June 2017	Financial year end
24 August 2017	Annual results announcement
September 2017	Annual Report published



PORT OF TAURANGA

NEW ZEALAND'S Port for the Future

www.port-tauranga.co.nz