PORTS OF AUCKLAND
TĀMAKI HERENGA WAKA

Interim Report

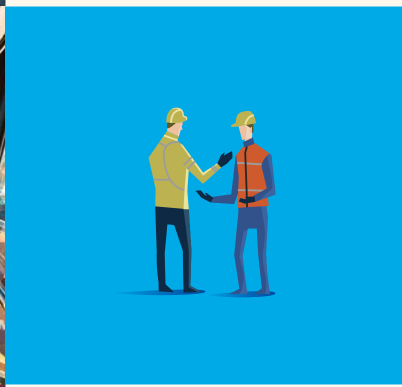
For the six months ended 31 December 2017

148,879

Car volume units, up 2.1%

42

Cruise ship calls up 50% on the same period last year



$120.6m

Group revenue, up 9.1% on the prior corresponding period

Successful upgrade of Portsafe, our health and safety system to include the monitoring and training of contractors

3.412m

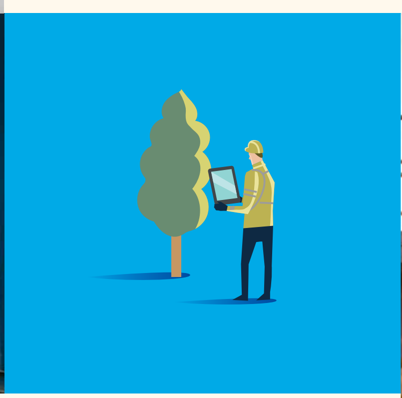
Total general cargo volume, up 4.7%

First New Zealand Port to gain accreditation to the Certified Emissions Measurement and Reduction Scheme (CEMARS®)

$23.8m

Interim dividend paid to Auckland ratepayers

Highlights



508,262

Container volume (TEU) up 3.0%

Chair's review

Welcome to Ports of Auckland's half year report to December 31, 2017.

The first six months of Ports of Auckland's 2018 financial year have been busy and exciting as we build on the strategy outlined in the 2017 Annual Report.

The Ports of Auckland story is one of growth, which is not surprising given we are in the heart of New Zealand's largest and fastest growing city. In the last six months we've seen an increase in volume of all the freight types we handle, and a marked increase in cruise ship visits as well.

Our focus is very much on the future and how we will evolve to handle the city's future freight needs.

Planning ahead

We finished work on our draft 30-year master plan in November and released it to the public for comment. The plan grew out of the recommendations of Auckland Council's Port Future Study, which was completed in 2015.

The study concluded that a new port was likely to be needed in the future, but that there were urgent capacity issues at the existing port that had to be addressed in the short term. The study also acknowledged that building a new port could take several decades, which is why we are planning sufficient capacity for the next 30 years.

Feedback on our plan has been largely positive. We hope to be able to finalise it in the first half of 2018 so we can focus on alleviating the capacity shortfall on our general cargo wharves and give our customers confidence that we can handle their growing freight needs until a new port can be built.

Automation

In 2019 Ports of Auckland will be the first port in New Zealand to automate its container terminal, part of our shift to become a smarter, technology-driven port. Work is well underway, and in November we took delivery of our first two automated straddle carriers. They have now been assembled and will soon start testing.

There are numerous other projects – large and small – underway to support our move to automation. We have just finished building a new deep-water wharf and have ordered three high-productivity cranes which will arrive in September 2018. We are installing ducting, upgrading pavement, modifying truck grids and much more. It is a challenge to keep operating at a high level with all this work going on, but our operational teams have been doing an excellent job and our productivity remains high.

Liz Coutts ONZM
Chair

23.8m

declared interim dividend delivered to Auckland Council

Sustainability

We have made progress toward our goals of being New Zealand's most sustainable port and emissions free by 2040. We used the Certified Emissions Measurement and Reduction Scheme (CEMARS®) to measure and manage our greenhouse gas emissions and are consequently the first port in New Zealand to become CEMARS-certified. We know how much we are emitting, we have a plan in place to reduce emissions and we will be able to measure our progress.

We completed our study into the feasibility of 'plugging in' berthed cruise ships, which found that shore power was feasible and would lead to a reduction in greenhouse gas and other harmful emissions. We are now developing a detailed business case for shore power at one cruise berth, and we are also looking at the possibility of doing the same for container ships. Not all ships are fitted with the equipment needed to use shore power, but if we can provide a facility for those ships which can, we may be able to deliver a significant reduction in emissions.

The Ports of Auckland story is one of growth, which is not surprising given we are in the heart of New Zealand's largest and fastest growing city.

Creating a positive future

With automation and other changes to the way we work, we are conscious of our responsibility to help our staff manage the transition and adapt to a rapidly changing world.

As well as the more traditional retraining and redeployment opportunities, we have committed to carrying out 'Future of Work' seminars with all of our employees, with the first of these planned for April 2018. Our aim is for all of our staff to be well informed about how the world is changing and how this will affect them. Following the seminars we will provide training and guidance to our staff based on their individual needs.

In December we welcomed Siobhan McKenna to the Board as part of the Institute of Directors (IoD) Future Directors programme. Started in 2013, the programme is about developing the next generation of directors and delivering new talent and fresh perspectives at board level.

Another good result

While we are in the midst of a significant investment programme, we have again produced another good result, with a declared interim dividend of $23.8 million for our owner, Auckland Council. Over the last five years Ports of Auckland has earned almost a quarter of a billion dollars for Auckland, money that can be used to fund vital infrastructure projects and manage the cost of Auckland rates.

I would like to thank the management and staff of Ports of Auckland for their work over the last six months. The company is in good health and well positioned to support Auckland's future growth.

Launched our Draft 30-year Master Plan

to keep delivering for Aucklanders ahead the Port being relocated in the future read more at masterplan.poal.co.nz

CEO's review

Our first six months of the financial year has been spent focussing on the future. We have released our Draft 30-year Master Plan, and have a number of key projects underway to ensure we continue to meet Auckland's growing freight needs.

Our company has had a good first six months of the financial year. Group revenue increased to $120.6m, up 9.1% on the prior corresponding period. This increase reflects larger volumes, and the inclusion of Conlinxx and Nexus Logistics which became wholly owned in May 2017. The acquisition of these companies was part of our strategy to strengthen our position in the supply chain giving us the ability to control our infrastructure and provide our customers with the most efficient end-to-end services.

Unaudited profit before income tax was $34 million, down 6% on the same period last year but unaudited net profit after tax is broadly in line with the same period last year at $29.2 million. The slight reduction in profit reflects our focus on investment, as we continue our programme to become a future-fit port, able to handle Auckland's relentless growth.

Investing for sustainable growth

As we carry out our investment programme capital expenditure for the six months has grown to $70.7 million, up from $44.9 million compared with the previous corresponding period.

We have nearly finished the physical expansion of Fergusson Container Terminal, a project started nearly 20 years ago. In the past six months we have completed construction of a new 300 metre deep-water berth, and we have ordered three high-productivity cranes to go on it. The cranes will be delivered in September 2018 and the wharf will be operational in early 2019.

We have many projects underway as part of our container terminal automation. We've built a temporary engineering workshop to house our new straddle carriers and in November, we took delivery of the first two. These have now been assembled and are ready for testing, which will begin in March on a specially constructed test area, at the north of the container terminal. Testing will continue for around 12 months. We've also built a new refrigerated container stack, prototype automated truck-handling lanes, moved our container wash and started installing hatch platforms on our cranes (see below). Work will continue on these and many other projects until automation goes live in 2019.

Off-port, we continue to invest in our freight hub network. Earthworks at our Waikato hub are nearly complete and later in the year we will start work on new road access to the site. At Wiri in South Auckland, we've built a new truck park and container hub, and will complete additional paving for container operations during the year. A new cross-dock is also planned for the site as volume grows. Since our takeover of Nexus Logistics the company has been focused on

Tony Gibson
Chief Executive Officer

$120.6m

Group revenue, up 9.1% on the prior corresponding period improving its company culture and back office systems. This will be completed with the implementation of a new truck management system in the first half of 2018, which will enable the company to offer better services to cargo owners.

We are also continuing with work in partnership with KiwiRail to investigate how we can move more operations onto rail and off the road. This continues to be a key focus for us.

Volume growth and operational performance

In the past six months we have had volume growth across all cargo types. Container volumes were up 3% and general cargo was up 4.7%, due to continued strong demand in the Auckland region. Car volumes were up 2.1% following a nearly 20% increase for the full year in 2017. We handled 148,879 units for the period. Non-car breakbulk volumes grew strongly, up 7.27% in six months as more heavy vehicles were imported. Our general cargo wharves also continue to provide a vital link to the Pacific Islands.

We've also seen good growth in cruise, with visits for the first half of the year up 50% due to an increase in the number of late winter and early spring sailings. The second half of the year will not be as strong for cruise and we are expecting an overall 10% increase for the full year.

The increase in volumes handled, combined with all the work going on around the port, has unavoidably put some pressure on our operations. I'm pleased to report that we have minimised the impact of this and have continued to deliver excellent service to our customers. Our average crane rate for the six months was 35.67 moves per hour, a 2% increase on the same period last year.

These results are a credit to our people and their passion for delivering the best possible service to our customers. We are automating an operational container terminal and still delivering world-class levels of productivity. Our general cargo wharves are at capacity, not having had any infrastructure development since the 1980s, yet our team always makes sure the freight gets through. This is down to the hard work of everyone at Ports of Auckland who, together, are responsible for delivering this result.

Our Draft 30-Year Master Plan

A key focus of the past six months has been our Draft 30-Year Master Plan which was released in November. The plan has been developed over the past two years following the Port Future Study and incorporates the recommended outcomes of that study plus detailed feedback from stakeholders in the shipping industry and the local community.

The plan marks a departure from our previous port planning in that it aims to right-size the port for the next 30 years, ahead of the proposed development of a new port for Auckland by local and central government.

The Draft Master Plan seeks to balance Auckland's economic, social and environmental needs and is based on a set of principles which will guide all our future developments:

- Operating transparently
- Delivering goods effectively
- Undertaking no more reclamation
- Building only what's needed, when it's needed
- Making the port more visually attractive
- Including more public access to the waterfront
- Ensuring our activities are environmentally friendly
- Building stronger relationships, and
- Creating a legacy for the city.

The plan was widely publicised in the media, on our website and through social media, and attracted a significant level of public interest. We have been meeting with key stakeholders to discuss the plan in more detail and will continue to do so. We have also been working closely with Auckland Council officials

Saving space at the Port

We have started installing hatch platforms on our cranes which will give us an extra half a hectare of usable space on the port. Hatches are the giant lids covering the holds which store containers below deck. Most ports store the hatches on the ground behind the cranes. We'll now store them on the crane, freeing up valuable space for container handling.

to ensure our plans integrate with Council plans for the wider waterfront and downtown area.

To date, feedback on the plan has been mostly positive and constructive. Auckland's growth is showing no sign of abating and in the general cargo area of the port where there has been a lack of infrastructure investment, operations are already very difficult at times. It would be a great boon for the port and for Auckland to have certainty around future port development so we can continue to deliver for Auckland.

We remain committed to engaging with the community and providing regular updates as we progress with the Draft 30-Year Master Plan initiatives.

Fostering a culture of innovation & foresight

We are focused on embedding a culture of Future Foresight into the Port. Our aim is to anticipate changes and plan for these and the future we believe will be best for our staff, customers and the communities we serve.

We believe that businesses like the Port which are adopting new technologies should be responsible for the impacts this will have on the workforce. As well as the more traditional retraining and redeployment opportunities, we have been working with a futurist to develop a 'future of work' training programme which will be available to all staff this year. We have committed to carrying out Future of Work seminars with all of our employees, with the first of these planned for April 2018. The idea is to illustrate how the world is changing and facilitate discussions with our employees about how this directly affects them. We will then provide training and guidance to our staff based on their individual needs.

In the past six months we have partnered with the University of Auckland to investigate different approaches to technology and disruption for our sector. In September, we sponsored a student challenge called Solve It at the Business School's Centre of Innovation and Entrepreneurship. Students worked on projects investigating what disruptive technology means for the future of the port. This was very successful and two of the students now work at the port. Their first job was to create an exhibition for SeePort about the Solve It challenge, showcasing their ideas about the future of ports. We're also sponsoring a PHD student to complete a thesis on innovation.

Health and Safety

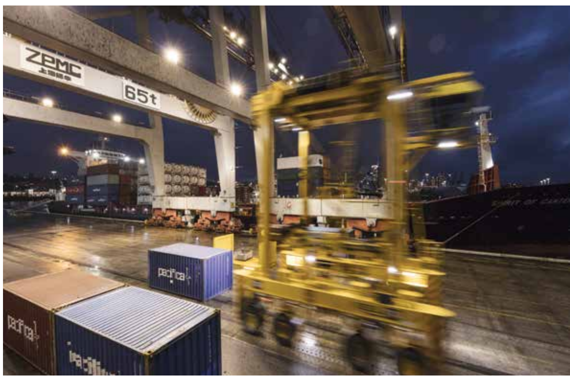
Health and safety continues to be a focus for us and we are constantly reviewing our processes to ensure they are as strong as possible and are firmly embedded in our day-to-day operations.

The port's health and safety system – Portsafe has been successfully upgraded, and now is not only helping us to monitor and train our staff, but can now allow us to improve our training with contractors.

We are focused on embedding a culture of Future Foresight into the Port. Our aim is to anticipate changes and plan for these and the future we believe will be best for our staff, customers and the communities we serve.

We are recruiting an additional health and safety advisor who will specialise in the management of our contractors and their sub-contractors. A daily toolbox meeting has now been set up with all major third-party operators to ensure that there is communication between them when work areas overlap. All meetings are recorded and distributed to all key stakeholders. We understand that communication is paramount when it comes to safety, and particularly when there are a number of different groups working alongside each other.

Following our review of our critical risks we are now conducting monthly deep dive reviews of the tasks and controls we currently have in place for each of these risks. We have recently focused on "Working at Heights" and have new



recommendations in place. We have also received the findings of a report into fatigue risk management and are reviewing those recommendations. We look forward to discussing this more in our next Annual Report.

New Zealand's most sustainable Port

We're working towards becoming New Zealand's most sustainable port, and our goal to be emissions free by 2040. Our sustainability operating principles are that activity must be conducive to good customer and stakeholder relationships, contribute to a financially sound operation and be environmentally friendly.

We completed the first step by measuring our emissions to get an accurate base line, and developing a plan to reduce them. We are using the Certified Emissions Measurement and Reduction Scheme (CEMARS®) to measure and manage our greenhouse gas emissions and are the first port in New Zealand to become CEMARS-certified. We have a number of projects underway to help us move towards this goal.

We are investigating the use of solar power to cut our emissions. Our Rail Office has been converted to run on solar power, with a solar panel array installed. This is a pilot project to evaluate the performance of solar panels in our port environment, and if successful will be rolled out to other areas of the business

We have partnered with Associate Professor Nihal Kularatna from the University of Waikato on a pilot programme to establish a DC micro grid for buildings at our sea port and inland freight hubs. Associate Professor Kularatna has been working on an international committee looking at the advantages of DC in buildings.

Houses and offices have traditionally been wired for AC (alternating current). Solar panels produce DC (direct current) energy, which needs to be converted to AC before it can be used. Up to 10 percent of energy can be lost in the conversion process, and that costs money. We have housed the research project in a container on the port with the intention of opening it up to the public later in the year, to show off the technology and its practical applications. We hope to have our first standalone DC building completed later in 2018.

We have a number of smaller initiatives underway to reduce energy use. For example, all of our drivers are being provided with training to help them drive more efficiently and reduce emissions. We've also started a procurement programme which replaces our vehicles with electric models as we upgrade our fleet. The first two are in use and four more have been purchased.

In December 2017, we released a study into the feasibility of using shore power for cruise ships. Shore power is the industry term for being able to 'plug-in' ships when they are at berth, instead of them having to use their engines to generate power. Around a third of all cruise ship visits to Auckland have the ability to plug in, but without the shore-side equipment they can't. We would like to be able to make use of ships' existing equipment to reduce emissions.

Our study showed that installing shore power was feasible and would deliver useful environmental benefits, so this year we will develop a detailed cost estimate, a cost-benefit analysis and an investigation of funding options. We will also look at how this approach can be used for container ships as well.

Finally, I would like to thank everyone at the Port for their contribution to our world-class operation and ongoing success. We are pleased with our result as it builds on the work we have done since 2011 to modernise the port and make our operations more efficient and sustainable.

We continue to maximise our performance through innovation and technology. We are transforming our operation to keep up with Auckland's growth, but doing it in a way that is sustainable and in line with community expectations. And we continue to deliver a good return to our owners, the people of Auckland.

Consolidated Interim Financial Statements

Income statement FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

	NOTES	31 DECEMBER 2017 UNAUDITED $'000	31 DECEMBER 2016 UNAUDITED $'000
Revenue	A1	**120,583**	**110,547**
Expenses			
Employee benefit expenses	A2	(34,587)	(29,315)
Other operating expenses	A2	(34,709)	(26,621)
Depreciation and amortisation		(11,240)	(12,042)
Finance costs	A2	(6,125)	(5,667)
Total expenses		**(86,661)**	**(73,645)**
Trading profit before income tax		**33,922**	**36,902**
Loss on disposal of investment property held for sale		(1,159)	-
Impairment of advances		-	(1,000)
Share of profit from equity accounted investments		1,248	284
Profit before income tax		**34,011**	**36,186**
Income tax expense	A3	(4,807)	(6,915)
Profit for the period		**29,204**	**29,271**

Statement of comprehensive income FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

	31 DECEMBER 2017 UNAUDITED $'000	31 DECEMBER 2016 UNAUDITED $'000
Profit for the period	**29,204**	**29,271**
Other comprehensive income		
Cash flow hedges, net of tax	4,559	4,425
Net change in fair value of equity securities	8,876	4,356
Other comprehensive income net of income tax	**13,435**	**8,781**
Total comprehensive income	**42,639**	**38,052**

These financial statements were approved by the Board on 16 February 2018.
Signed on behalf of the Board by:

E. M. Coutts
Director

S. Haydon
Director

These financial statements have not been audited. They have been the subject of review by the auditors pursuant to NZSRE 2410, issued by the External Reporting Board.
The notes and accounting policies form part of and are to be read in conjunction with these financial statements.

Statement of financial position AS AT 31 DECEMBER 2017

	NOTES	31 DECEMBER 2017 UNAUDITED $'000	30 JUNE 2017 AUDITED $'000
Current assets			
Cash and cash equivalents		1,591	812
Trade and other receivables		31,756	32,086
Inventories		3,561	3,116
Derivative financial instruments		2,977	318
Assets classified as held for sale	D1	62,810	68,705
Total current assets		**102,695**	**105,037**
Non-current assets			
Property, plant and equipment	B1	870,215	821,021
Intangible assets		28,558	23,937
Investment properties	B2	120,376	114,835
Equity securities		44,628	35,752
Investments and advances		2,923	2,935
Derivative financial instruments		1,206	1,607
Total non-current assets		**1,067,906**	**1,000,087**
Total assets		**1,170,601**	**1,105,124**
Current liabilities			
Interest bearing liabilities	C1	73,322	6,202
Trade and other payables		36,991	34,276
Tax payable		880	438
Provisions		9,292	8,694
Derivative financial instruments		1,132	5,325
Deferred income		22	23
Total current liabilities		**121,639**	**54,958**
Non-current liabilities			
Interest bearing liabilities	C1	270,803	291,713
Derivative financial instruments		8,273	8,154
Provisions		1,053	1,053
Deferred income		589	600
Deferred tax liabilities		65,761	64,251
Total non-current liabilities		**346,479**	**365,771**
Total liabilities		**468,118**	**420,729**
Net assets		**702,483**	**684,395**
Equity			
Share capital		146,005	146,005
Reserves		222,152	208,717
Retained earnings		334,326	329,673
Total equity		**702,483**	**684,395**

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Statement of changes in equity FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

		ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP			
	NOTES	SHARE CAPITAL $'000	OTHER RESERVES $'000	RETAINED EARNINGS $'000	TOTAL EQUITY $'000
Balance at 1 July 2016		**146,005**	**179,165**	**316,811**	**641,981**
Profit for the period		-	-	29,271	29,271
Other comprehensive income		-	8,781	-	8,781
Total comprehensive income		**-**	**8,781**	**29,271**	**38,052**
Transactions with owners in their capacity as owners					
Dividends paid	C2	-	-	(28,413)	(28,413)
Tax benefit of losses received from owner		-	-	4,687	4,687
Total other movements		**-**	**-**	**(23,726)**	**(23,726)**
Balance at 31 December 2016 (Unaudited)		**146,005**	**187,946**	**322,356**	**656,307**
Balance at 1 July 2017		**146,005**	**208,717**	**329,673**	**684,395**
Profit for the period		-	-	29,204	29,204
Other comprehensive income		-	13,435	-	13,435
Total current liabilities		**-**	**13,435**	**29,204**	**42,639**
Transactions with owners in their capacity as owners					
Dividends paid	C2	-	-	(26,092)	(26,092)
Tax benefit of losses received from owner		-	-	1,541	1,541
Total other movements		**-**	**-**	**(24,551)**	**(24,551)**
Balance at 31 December 2017 (Unaudited)		**146,005**	**222,152**	**334,326**	**702,483**

These financial statements have not been audited. They have been the subject of review by the auditors pursuant to NZSRE 2410, issued by the External Reporting Board.

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

Statement of cash flows FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

	31 DECEMBER 2017 UNAUDITED $'000	31 DECEMBER 2016 UNAUDITED $'000
Cash flows from operating activities		
Receipts from customers	137,980	123,362
Payments to suppliers and employees	(93,393)	(70,399)
Dividends received	2,044	1,917
Interest received	13	21
Interest paid	(5,699)	(5,476)
Income taxes paid	(2)	64
Net cash flows from operating activities	**40,943**	**49,489**
Cash flows from investing activities		
Payments for investment property	(4,093)	(3,521)
Payment for intangible assets	(5,796)	(3,195)
Payments for property, plant and equipment	(53,943)	(38,450)
Advances to related parties	(60)	(1,350)
Proceeds from sale of property, plant and equipment	21	-
Proceeds from sale of investment properties	4,821	15,435
Capitalised interest paid	(1,142)	(377)
Net cash flows from investing activities	**(60,192)**	**(31,458)**
Cash flows from financing activities		
Proceeds from borrowings	340,500	71,000
Repayment of borrowings	(291,500)	(51,000)
Dividends paid	(26,092)	(28,413)
Net cash flows from financing activities	**22,908**	**(8,413)**
Net cash flows	3,659	9,618
Cash at the beginning of the period	(5,390)	(8,426)
Cash at the end of the period	**(1,731)**	**1,192**

These financial statements have not been audited. They have been the subject of review by the auditors pursuant to NZSRE 2410, issued by the External Reporting Board.

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

Statement of cash flows (continued) FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

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

	31 DECEMBER 2017 UNAUDITED $'000	31 DECEMBER 2016 UNAUDITED $'000
Profit for the period	**29,204**	**29,271**
Adjusted for:		
Depreciation and amortisation	11,240	12,042
Movements in borrowings allocated to interest paid	90	(157)
Tax benefit of losses received from owner	1,541	4,687
Movement in deferred revenue	(14)	(10)
Net (gain) / loss on sale of other non-current assets	455	(929)
Movement in associates and joint ventures	72	1,992
Net (gain) / loss on sale of investment property	1,159	-
Change in operating assets and liabilities:		
Trade and other receivables	331	(5,139)
Trade and other payables	2,715	7,380
Income tax payable	442	894
Deferred tax liability	(263)	(497)
Other provisions	597	44
Other operating assets	(444)	(778)
Capital items included in working capital movements	(6,182)	689
Net cash flows from operating activities	**40,943**	**49,489**

Notes to the condensed interim financial statements

Reporting entity and nature of operations

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

Ports of Auckland Group is a designated profit-oriented entity, for the six months ended 31 December 2017.

Ports of Auckland Limited is a company domiciled in New Zealand and registered under the Companies Act 1993.

All the subsidiaries are incorporated in New Zealand.

Statutory base

These financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 2013.

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

Basis of preparation

The interim financial statements have been prepared in accordance with generally accepted accounting practice. The Group is a for-profit entity for the purpose of complying with GAAP. They comply with NZ IAS 34 Interim Financial Reporting and consequently do not include all the information required for full financial statements. These condensed interim financial statements should be read in conjunction with the Ports of Auckland Group financial statements for the year ended 30 June 2017.

The interim financial statements for the six month period ended 31 December 2017 and 31 December 2016 are unaudited. The comparative information for the year ended 30 June 2017 is audited.

The interim financial statements were approved by the Board of Directors on 16 February 2018.

Basis of measurement

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

Accounting policies

The accounting policies and methods of computation set out in these interim financial statements are consistent with those used in the financial statements for the year ending 30 June 2017.

Basis of consolidation

The interim financial statements incorporate the assets, liabilities and results of the subsidiaries, accounted for using the acquisition method, and the results of its associates and joint ventures, accounted for using the equity method.

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

Goods and services tax (GST)

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

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

Critical accounting estimates and assumptions

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

In preparing these financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty, were the same as those applied to the Group's consolidated financial statements for the year ended 30 June 2017.

Section A:

Our performance

This section explains the financial performance of the Group by:
a) displaying additional information about individual items in the Income statement;
b) providing analysis of the components of the Group's tax balances.

A1. Revenue

	31 DECEMBER 2017 UNAUDITED $'000	31 DECEMBER 2016 UNAUDITED $'000
Revenue		
Port operations income	117,177	106,185
Rental income	2,655	2,767
Gain on disposal of property, plant and equipment	14	933
Dividend income	724	641
Interest income	13	21
Total revenue	**120,583**	**110,547**

The financial results for the current period include the results of Nexus Logistics Limited and Conlinxx Limited. Both entities were wholly acquired in May 2017 (Ports of Auckland Ltd's shareholding prior to the acquisition in May 2017 was 50%).

A2. Expenses

	31 DECEMBER 2017 UNAUDITED $'000	31 DECEMBER 2016 UNAUDITED $'000
Employee benefit expenses		
Salaries and wages	33,267	28,215
Restructuring costs	213	75
Pension costs	1,107	1,025
Total employee benefit expenses	**34,587**	**29,315**
Other operating expenses		
Contracted services	15,401	9,029
Repairs and maintenance	8,816	8,326
Fuel and power	2,340	2,023
Loss on disposal of property, plant and equipment - refer note B1	469	4
Other expenses	7,558	7,043
Auditor's fees		
Audit fees	125	118
Other assurance services	-	78
Total other operating expenses	**34,709**	**26,621**
Total operating expenses	**69,296**	**55,936**
Finance costs		
Interest and finance costs	7,267	6,044
Capitalised interest	(1,142)	(377)
Total finance costs	**6,125**	**5,667**

The financial results for the current period include the results of Nexus Logistics Limited and Conlinxx Limited. Both entities were wholly acquired in May 2017 (Ports of Auckland Ltd's shareholding prior to the acquisition in May 2017 was 50%).

A3. Taxation

Income statement	31 DECEMBER 2017 UNAUDITED $'000	31 DECEMBER 2016 UNAUDITED $'000
Current income tax expense	5,070	7,412
Deferred tax expense/(benefit)	(263)	(497)
Income tax expense	**4,807**	**6,915**

Reconciliation of effective tax rate		
Profit before income tax	34,011	36,186
Tax at 28%	9,523	10,132
Adjustments		
Non-taxable income	(3)	-
Non-deductible expenses	377	217
Adjustment for prior years	-	1,798
Loss offset utilisation	(4,315)	(4,764)
Tax credit utilisation	(795)	(745)
Sundry items	20	277
Income tax expense	**4,807**	**6,915**

The Group utilises losses from the Auckland Council Group.

A subvention payment and loss offset election agreement with Watercare Services Limited has been agreed for the 2018 tax period.

Section B:

Capital assets used to operate our business

This section gives further information on the capital assets that the Group uses to operate the business.

B1. Property, plant and equipment

	FREEHOLD LAND $'000	WHARVES $'000	FREEHOLD BUILDINGS $'000	PLANT AND EQUIPMENT $'000	PAVEMENT $'000	OTHER $'000	TOTAL $'000
Net book value at 1 July 2016	**309,068**	**255,613**	**26,278**	**90,729**	**60,159**	**11,031**	**752,878**
Movement							
Additions	-	38,922	85	23,334	317	8,693	71,351
Acquisitions	-	-	297	-	-	2	299
Disposals	-	-	-	(4)	-	(1)	(5)
Revaluations - Reserves	16,702	-	-	-	-	-	16,702
Revaluations - Income Statement	563	-	-	-	-	-	563
Depreciation charge	-	(3,730)	(712)	(12,379)	(1,386)	(2,560)	(20,767)
Movement to 30 June 2017	17,265	35,192	(330)	10,951	(1,069)	6,134	68,143
Balances							
Cost	326,333	232,797	26,850	231,634	73,829	45,227	936,670
Work in progress at cost	-	61,827	32	27,645	103	4,949	94,556
Accumulated depreciation	-	(3,819)	(934)	(157,599)	(14,842)	(33,011)	(210,205)
Net book value at 30 June 2017 (Audited)	**326,333**	**290,805**	**25,948**	**101,680**	**59,090**	**17,165**	**821,021**
Movement							
Additions	-	5,617	1,297	37,762	3,384	10,758	58,818
Disposals	-	-	-	(14)	(16)	(9)	(39)
Depreciation charge	-	(1,876)	(356)	(5,316)	(705)	(1,332)	(9,585)
Movement to 31 December 2017	-	3,741	941	32,432	2,663	9,417	49,194
Balances							
Cost	326,333	232,797	26,379	224,566	74,250	46,152	930,477
Work in progress at cost	-	67,444	1,800	61,386	3,046	14,680	148,356
Accumulated depreciation	-	(5,695)	(1,290)	(151,840)	(15,543)	(34,250)	(208,618)
Net book value at 31 December 2017 (Unaudited)	**326,333**	**294,546**	**26,889**	**134,112**	**61,753**	**26,582**	**870,215**

B2. Investment properties

	31 DECEMBER 2017 UNAUDITED $'000	30 JUNE 2017 AUDITED $'000
At fair value		
Balance at 1 July	114,835	149,105
Capitalised subsequent expenditure	5,541	10,753
Disposals	-	(4,902)
Assets held for sale	-	(52,495)
Net gain / (loss) from fair value adjustment	-	12,374
Balance at 31 December (30 June)	**120,376**	**114,835**

Capital expenditure for the period includes the construction of blast freezer chambers and rail hardstands at the South Auckland Freight Hub and enabling works at the Waikato Freight Hub.

Section C:

How we fund our business

This section explains how the Group has managed its debt funding and shows dividends paid in the reporting period.

C1. Interest bearing liabilities

	31 DECEMBER 2017 UNAUDITED			30 JUNE 2017 AUDITED		
	AVAILABLE $'000	DRAWN $'000	UNDRAWN $'000	AVAILABLE $'000	DRAWN $'000	UNDRAWN $'000
Current						
Unsecured						
Bank overdraft	10,000	3,322	6,678	10,000	6,202	3,798
Other bank loans	70,000	70,000	-	-	-	-
Total current interest bearing liabilities	**80,000**	**73,322**	**6,678**	**10,000**	**6,202**	**3,798**
Non-Current						
Unsecured						
Other bank loans	470,000	270,803	199,197	540,000	291,713	248,287
Total non-current interest bearing liabilities	470,000	270,803	199,197	540,000	291,713	248,287
Total interest bearing liabilities	**550,000**	**344,125**	**205,875**	**550,000**	**297,915**	**252,085**

At reporting date, the Group had available $206 million of headroom facility (June 2017 $252 million). The Group will refinance the $70 million of current debt before 30 June 2018 in line with contractual maturity and taking advantage of the current favourable rates.

	0-1 YEAR $'000	1-2 YEARS $'000	2-3 YEARS $'000	3-4 YEARS $'000	4-5 YEARS $'000	TOTAL $'000
Debt Maturity Profile						
Other bank loans	70,000	250,000	170,000	50,000	-	540,000
Total other bank loans maturity profile	**70,000**	**250,000**	**170,000**	**50,000**	**-**	**540,000**

C2. Dividends

	CENTS PER SHARE	31 DECEMBER 2017 UNAUDITED $'000	30 JUNE 2017 AUDITED $'000
2016 Final dividend	19.46	-	28,413
2017 Interim dividend	17.30	-	25,254
2017 Final dividend	17.87	26,092	-
Total dividends paid		**26,092**	**53,667**

Section D:
Other disclosures

This section provides an update to significant disclosures since the June 2017 annual report.

D1. Non-current assets held for sale

	31 DECEMBER 2017 UNAUDITED $'000	30 JUNE 2017 AUDITED $'000
Land	7,770	7,770
Buildings, Wharves and Improvements	8,440	8,440
Investment Properties - Land	46,600	52,495
Balance at 31 December (30 June)	**62,810**	**68,705**

At 30 June 2017, the Group had classified Port of Onehunga and Pikes Point as held for sale, following receipt of New Zealand Transport Agency (NZTA) notices to acquire the Port of Onehunga and Pikes Point properties that were required under the Public Works Act 1981 for use in the construction of the East-West motorway link.

With the change in government a decision has since been made by the relevant authorities not to proceed with the current proposed link pending an examination of alternatives. A decision on the alternatives for the currently proposed East-West motorway link is expected to be made prior to 30 June 2018.

These properties are designated as being required by NZTA, and will remain classified as held for sale.

D2. Capital commitments

	31 DECEMBER 2017 UNAUDITED $'000	30 JUNE 2017 AUDITED $'000
Property, plant and equipment		
Intelligent Terminals	38,936	45,822
Northern berth	1,315	2,230
Northern berth cranes	22,721	-
Reefer relocation	4,259	-
Platforms	1,255	-
Tug berth	-	136
Northern berth dredging (stage 1)	-	1,500
Other	409	2,146
Total property, plant and equipment	**68,895**	**51,834**
Intangible assets		
Software	160	-
Total intangible assets	**160**	-
Investment properties		
Waikato Freight Hub	-	1,088
Total investment properties	-	1,088
Total capital commitments	**69,055**	**52,922**

Capital commitments for property, plant and equipment include:

- The intelligent terminals project enabling the partial automation of the Fergusson container terminal. The Group has remaining forecast spend of $117 million of which $38.9 million is committed at reporting date.
- Fergusson container terminal expansion which commenced in 2001. This includes reclamation and construction of the northern berth capable of taking vessels of up to 300 metres in length. The remaining forecast capital spend on this project is estimated to be $6.8 million ($1.3 million committed at reporting date).
- Three quay cranes for the northern berth. Remaining forecast spend will amount to $31.5 million, of which $22.7 million is committed at reporting date.
- Reconfiguration and enhancement of the operational areas at the Fergusson terminal. Remaining forecast spend will amount to $44.9m of which $4.3m is committed at reporting date.

D3. Contingencies

Contingent liabilities

Ports of Auckland Ltd has a performance bond of $810,000 with Auckland Council to ensure that an accessible esplanade reserve is provided upon completion of the Fergusson container terminal. A premium is paid to Westpac to take on the bond risk. No event has occurred that would cause this guarantee to be called upon.

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

D4. Events occurring after the reporting period

An unimputed interim dividend of 16.28 cents per ordinary share, totaling $23,768,000 was declared on 16 February 2018 for payment on 23 February 2018, in accordance with the Group's dividend policy.

Deloitte.

Independent Review Report

To the Shareholders of Ports of Auckland Limited

We have reviewed the condensed consolidated interim financial statements of Ports of Auckland Limited ('the Company') and its subsidiaries ('the Group') on pages 10 to 21 which comprise the consolidated statement of financial position as at 31 December 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the six months ended on that date, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the company's shareholders, as a body. Our review has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company's shareholders as a body, for our engagement, for this report, or for the opinions we have formed.

Directors' Responsibilities

The directors are responsible for the preparation and fair presentation of the condensed consolidated interim financial statements, in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting* and for such internal control as the Board of Directors determine is necessary to enable the preparation and fair presentation of the condensed consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

The directors are also responsible for the publication of the condensed consolidated interim financial statements, whether in printed or electronic form.

Our Responsibilities

The Auditor-General is the auditor of the Group pursuant to section 5(1)(f) of the Public Audit Act 2001. Pursuant to section 32 of the Public Audit Act 2001, the Auditor-General has appointed Bryce Henderson of Deloitte Limited to carry out the annual audit of the Group.

Our responsibility is to express a conclusion on the condensed consolidated interim financial statements based on our review. We conducted our review in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* ('NZ SRE 2410'). NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the condensed consolidated interim financial statements, taken as a whole, are not prepared, in all material respects, in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting.* As the auditor of Ports of Auckland Limited, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of the condensed consolidated interim financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on the condensed consolidated interim financial statements.

Other than in our capacity as auditor, we have no relationship with or interests in Ports of Auckland Limited or its subsidiaries.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 31 December 2017 and its financial performance and cash flows for the six months ended on that date in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*.

Bryce Henderson
Partner for Deloitte Limited
On behalf of the Auditor-General
16 February 2018
Auckland, New Zealand

Get in touch

Physical Address

Level 1, Ports of Auckland Building
Sunderland Street, Mechanics Bay
Auckland 1010, New Zealand

Mailing Address

Ports of Auckland Limited
PO Box 1281, Auckland 1140
New Zealand
+64 9 348 5000

Email us

feedback@poal.co.nz

Ports of Auckland Annual and Interim reviews can be accessed online at: www.poal.co.nz/media/reviews

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