PORTS OF AUCKLAND
TĀMAKI HERENGA WAKA

Annual Report 2021


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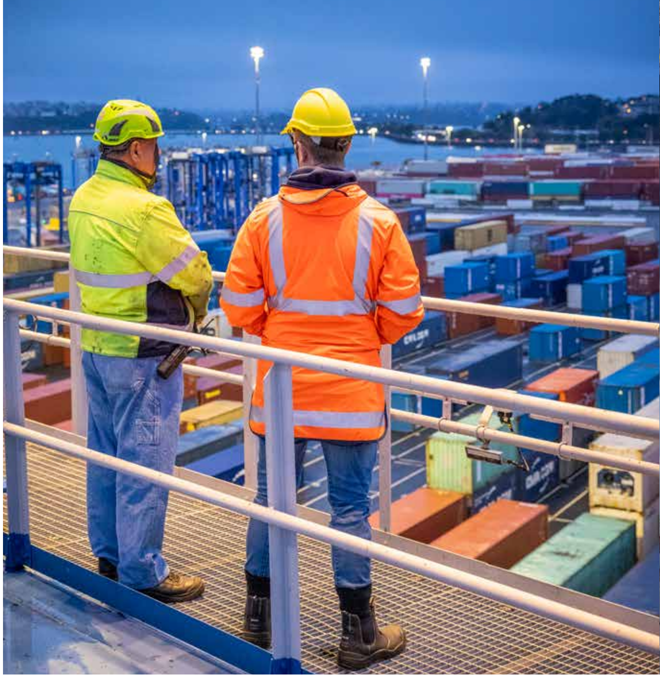
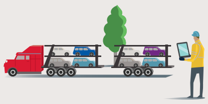


2021 **KEY STATS**

12+ safety workshops
held across all business units
to establish the 2021/22 safety
and wellbeing strategic plan

818,238
TOTAL CONTAINERS MOVED (TEU*)

108,113
CONTAINERS MOVED BY RAIL



2.07
DAYS - AVERAGE CAR WHARF-DWELL TIME

236,260
CARS HANDLED

6.7m
TONNES BULK AND BREAKBULK

631,384
TONNES CEMENT (A RECORD VOLUME)

750 meals donated after Ports of Auckland Round the Bays fun run was cancelled by a COVID-19 lockdown

* TEU (one TEU = one standard 20-foot container)

Cover image: Our night-shift stevedoring team trialling a new lighting-rig configuration, which is a safety improvement suggested by front line staff.
Photo courtesy of Graham Tahiwi, Operational Performance Coach.

Chair's Statement

Welcome to the Ports of Auckland annual report for the year to June 2021.

It has been another tough year for the business. The pandemic, lockdowns, supply chain disruption, our automation project and the tragic death of one of our colleagues, have put huge pressure on Ports of Auckland.

I want to acknowledge up front how hard this year has been for our people and commend them for the way they have pulled together to support each other.

It has been difficult for our customers too. The disruption to the global supply chain is on a scale never experienced before. It has been costly for everyone. While some parts of our business fared well, congestion at our container terminal added to the problems faced by our customers. I understand their predicament and assure them that keeping freight moving is the primary focus for the port.

Our financial result was close to expectations. A shortfall in the container-terminal revenue was offset by increased revenue from other cargo types: bulk, breakbulk (including cars) and non-terminal container volume. Statutory profit of $45.6 million was boosted by significant revaluations of our investment properties. Underlying profit at $20.7 million was just above budget of $20.4 million.

We will pay our owner Auckland Council a dividend of $3.72 million.

Looking ahead, our strategy for this year is simple. Put the interests of our people and our customers first. This means:

1. For our people we focus on safety and wellbeing. We will also focus on addressing shortcomings in company culture, which were highlighted by our first staff engagement survey in October 2020.

2. For our customers it means focusing on the core of our business: loading and unloading ships, trucks, and trains.

On top of these two primary areas of focus, we need to implement key strategies that will deliver Auckland's future. Automation will deliver the capacity and productivity needed to support Auckland's rapidly advancing growth without compromising environmental prerequisites such as reduced harbour creep and sustainability.

By getting these foundations right, we will once again be in a position to deliver high returns to our shareholder.

Finally, I would like to thank the directors and members of the senior leadership team for their hard work over a very difficult and stressful year. There have been significant changes at this level with the departure of the chair Liz Coutts; the CEO Tony Gibson; board members Rodger Fisher, Jon Mayson and Karl Smith; and executive team members Reinhold Goeschl, Lauren Salisbury and Angelene Powell. I would like to thank them all for their service and commitment to the port.

While this last year has been difficult, we have started to make progress on the issues confronting us. I am confident that the business is now focused on the things that matter most to get us back on the right track.

Bill Osborne
Chair

Chief Executive's Review

COVID-19 presented us with some major challenges this year, as it did for many New Zealand businesses.

Wayne Thompson
Interim Chief Executive

In our case, as a business on the border and a critical gateway for New Zealand's imports and exports, there have been some novel challenges that impacted generally on the business and personally on many of our people.

The disruption in the global supply chain has been felt right across our business. While the congestion at our container terminal was most prominent, the impact was felt on all cargo types. Car imports were hit by global supply chain issues and the relocation of Ministry for Primary Industries (MPI) inspections from Japan to Auckland, because of the pandemic. Coal volumes increased dramatically, because of lower hydro lake levels. There has been a surge in demand for supplies for the construction sector, because of the current building boom. For example cement volumes hit a record high (see page 11 for more information).

This surge in freight has put pressure on our people, and others who work for the many companies who work on the port and contribute to moving freight in and out of Auckland. Because many of these people work on or near ships, and potentially come into contact with international crew, they've had to adopt new ways of working to keep themselves safe and the border secure. Some are having to have weekly or fortnightly COVID-19 tests, which for anyone who hasn't had one, isn't fun. I want to pass on my thanks to everyone in our company, our contractors and our suppliers for going the extra mile to keep freight moving.

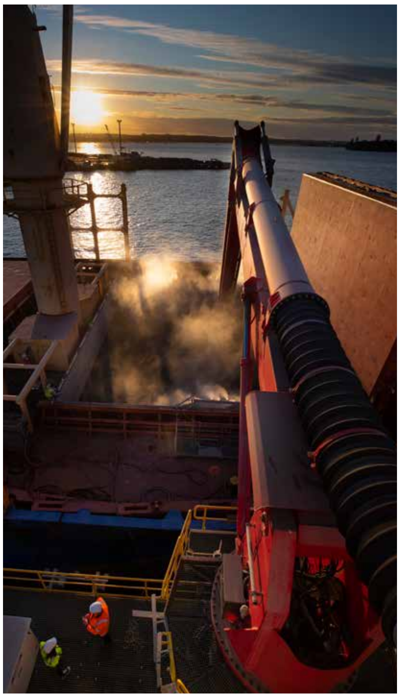
We have experienced the tragic death of one of our people while at work. This should never happen, and we have had to look closely at the way we work and the way we deal with safety. To do this, we have been fortunate to have the support of our shareholder Auckland Council and the help of Construction Health and Safety New Zealand (CHASNZ), which reviewed our approach to safety and made recommendations on how to improve it. We accepted those recommendations and intend to implement them all by the end of this financial year. We are making good progress so far (see page 6 for more information).

Ports of Auckland has committed to develop a Māori Outcomes Framework that recognises the unique relationship between iwi of Tāmaki Makaurau and the port. Through developing the framework, we will identify opportunities to incorporate te ao Māori concepts into our day-to-day work and culture and set out how they can be drawn meaningfully into our work culture.

The framework will recognise the need to focus on supporting our staff to achieve balance in their hinengaro (mental and emotional), tinana (physical), whānau (family and social) and wairua (spiritual) health and culture, and will detail how te ao Māori concepts will reinforce the safety and wellbeing of every person who works at, or visits, Ports of Auckland.

We have also been completing our ground-breaking automation project. This complex project has been made more difficult by implementing it during

> The focus for this financial year is very much on steadying the ship.



a global pandemic. There have been successes – we have handled over 100 ships using the system – and setbacks – we had to pause automated operations in June to address a safety risk. We've used that pause to reset the project and it has now been restarted.

The revised, four-stage project implementation plan has clear targets for safety and performance that must be met before the project can progress to the next stage. Under this plan we can complete the project and go live by late March 2022. March is normally a quieter time of year but, because of the pandemic, 'normal' no longer exists. There could still be a high demand for imports, plus the export season will start to ramp up from then. We want to ensure there is no further disruption to the container supply chain, so we may choose to delay going live. A decision on timing will be made later in the project. Our current priority is supporting our customers – New Zealand importers and exporters – to get their products efficiently through the port (see page 8 for more information).

Alongside the big projects and challenges, we have had success in delivering some smaller – but vital – initiatives.

In May 2021, in partnership with bp, we secured a supply of low-sulphur fuel for shipping through Auckland. This is important because it helps ensure New Zealand can meet its international obligations under Annex VI of the International Convention for the Prevention of Pollution from Ships (MARPOL), by providing international and domestic vessels calling New Zealand with MARPOL-compliant fuels.

We also successfully made the transition to a new vehicle booking system – Containerchain – at our seaport. This system is also used by Port of Tauranga and KiwiRail. We have moved to use it in response to demand from trucking companies for a standard approach to booking times and slots across the major logistics hubs in the upper North Island.

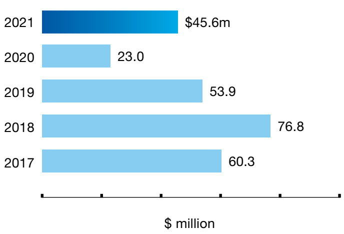
Operational update

Volumes for the year were mixed. The total port container volume, through the container terminal and multi-cargo wharves, was down 7.1% to 818,238 TEU, compared with 880,781 TEU in the previous corresponding period (pcp). However, at 6.666 million tonnes, bulk and breakbulk volumes were close to a record. Car volumes recovered, rising 9.2% to 236,260 units compared with 216,356 units the previous year. The cement volume hit a record 631,384 tonnes this year, up 10.5% on the pcp. The volumes of other cargo types through the multi-cargo wharves were also strong.

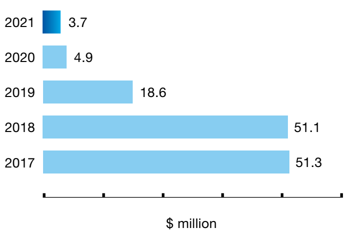
There were only 975 ship calls this financial year compared with 1,272 in the pcp. This 23.3% reduction reflects the loss of the cruise business and congestion in the container terminal.

Direct and indirect expenses were slightly lower this year, as an increase in corporate overheads was offset by a decrease in costs incurred during the initial COVID-19 response in 2020. There was a $3.6m increase in depreciation as automation and

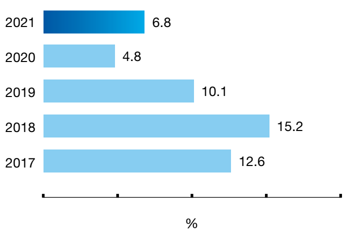
Net profit after tax



Ordinary dividends declared for the year



Return on equity
(excluding revaluations)



other capacity enhancing assets (e.g. the cranes) were considered in operational use from April.

The underlying profit for the year was $20.7 million, compared with $30.0 million in the pcp. This was largely driven by the COVID-19 response, the absence of cruise ships and the capacity-throughput challenges in the container terminal. This was partly offset by an increase in multi-cargo revenue but, overall, revenue for the year was $226.3 million, down $5.1 million on the pcp.

The revaluation of land, buildings, wharves, and investment property occurred in June. There were investment-property gains of $27.6 million, which were driven largely by the land owned at Wiri. These gains contributed to a statutory profit of $45.6 million, up from $23 million in the pcp.

Long term debt is $475.9 million, which is $10.8 million less than in June 2020.

Looking forward

The focus for this financial year is very much on steadying the ship: improving safety, completing automation, restoring our container terminal performance, and improving our returns.

Work on all these streams is well underway. We have put in place a new safety and wellbeing strategy, which includes work to implement all the CHASNZ report recommendations by 30 June 2022.

We're also working on improving staff engagement and our company culture. In October 2020, we undertook our first staff engagement survey with, it is fair to say, mixed results. Creating a good company culture is a key foundation for any business. People want to work in a place where their contributions are valued, their wellbeing is looked after and where they can make a difference.

We have made a start on this by feeding back the results to all of our staff, so they know their views have been heard. We've set up a stevedoring engagement group, with representatives from day and night shifts, to dig into the key issues for our stevedoring staff. This group has been very helpful in identifying and resolving some small but important workplace issues. The feedback from staff to date is that this process has been positive, so we are looking to set up similar groups in other parts of the business.

The automation project has been reset and the first stage is underway. To progress to each of the following stages, the system must meet safety, reliability and performance targets. This time we will have on-the-ground support from the vendor, something which wasn't possible previously. This in-person support will be extremely helpful.

One of the reasons for congestion at the container terminal this year was a shortage of labour. The shortage was caused by multiple factors, including changes to the pattern of imports (a continuous peak) and a need to reduce maximum staff hours. These factors are expected to continue for the foreseeable future. We also expect long-term freight volumes to grow in line with Auckland's growth.

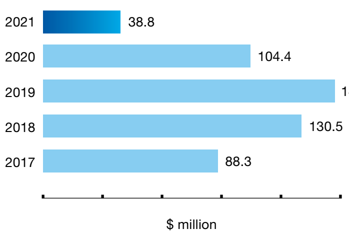
The only other major capital project underway is channel deepening. We received consent to deepen Auckland's shipping channel in August 2020 and hoped to start work on the project in 2021. Unfortunately, the consent was appealed and the appeal process has been slow. A lot of time has been taken up with mediation between the parties and a jurisdictional hearing, which was held in July 2021. The outcome of this hearing is due by October, after which a date for the appeal hearing can be set. At this stage it looks likely that work will not be able to start until 2022 at the earliest.

The channel deepening work is urgent. Auckland is the only port in the country which can't take the largest ships calling in New Zealand. We are increasingly finding that vessels with larger loads and deeper drafts are calling, leading to an increasing use of tidal windows and restricted loading and unloading times. This is not an ideal situation and we hope that the appeal can be resolved as soon as possible.

Thanks

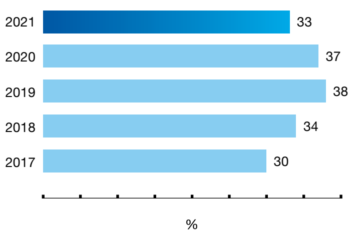
After a challenging year, I'd like to thank everyone who works at Ports of Auckland for their efforts. It has been tough, but we are making progress on the work we need to do to turn things around. There will continue to be challenges, not least because the pandemic is still having a significant impact worldwide, but I believe we have turned a corner. I look forward to working with you all over the coming year.

Capital expenditure

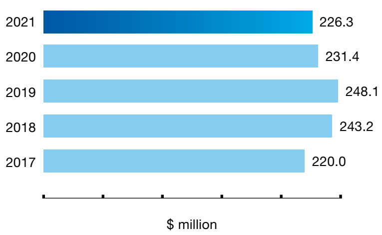


Capital expenditure is lower this period, because spending on major projects like automation is largely complete and other major projects, like channel deepening, have been deferred or delayed.

Interest-bearing debt to debt + equity



Revenue



Immediate action on safety report recommendations

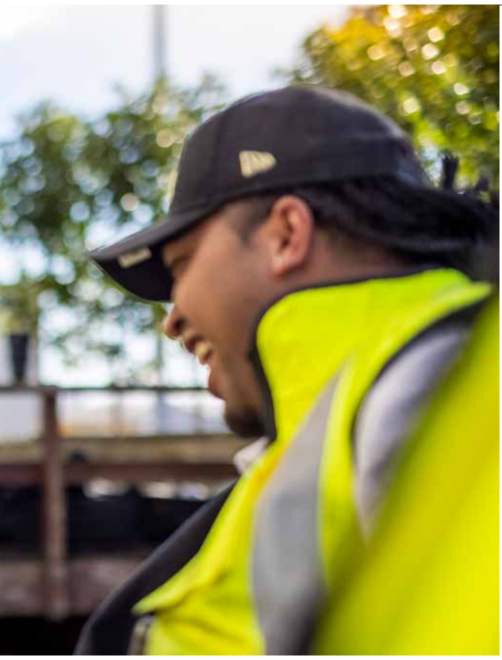
VANESSA MATAKATEA
Senior Manager Safety and Wellbeing

Auckland Council and Ports of Auckland commissioned Change to Construction Health and Safety New Zealand (CHASNZ). to carry out an independent review of safety at Ports of Auckland. This report, which was released at the end of March 2021, recommended 45 improvements.

The review was intended to assess and comment on Ports of Auckland's systemic management (including hazard identification, risk assessment, monitoring controls and resilience) of its critical health and safety risks, and its health and safety culture.

The report was designed to highlight what we need to improve, not what we are doing well. We understand that it is sometimes hard to see your own problems clearly, and we are grateful for CHASNZ's work on this report. We accept the findings and the responsibility for falling short of expectations.

The report identified two key themes. The first is strengthening our safety-management systems and controls, so that work is always carried out safely. The second is transforming our company culture to one of openness and respect,

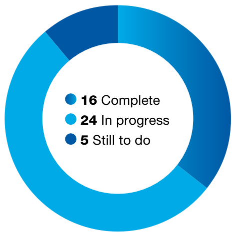


Safety and wellbeing are our top priorities.

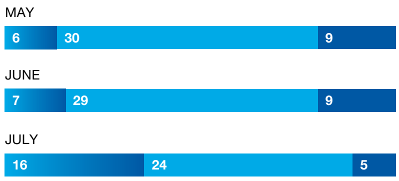
Our safety and wellbeing strategic plan is in place and includes work on the recommendations from the independent safety review. Seven of the 45 actions are now complete, 29 are in progress and the remainder will be completed by June 2022. We are working closely with our people to ensure they are engaged and are at the heart of this process, and are pleased to see progress being made.

PROGRESS AGAINST SAFETY REPORT RECOMMENDATIONS

Recommendation Status July 2021



Monthly Comparison



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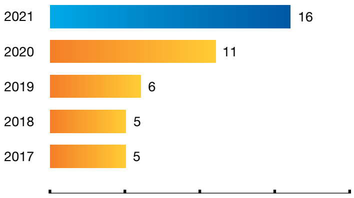
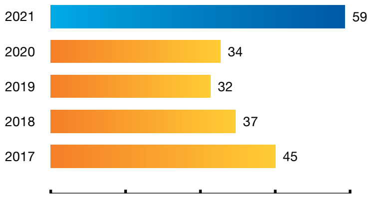
SAFETY RECOMMENDATIONS COMPLETE OR IN PROGRESS

Lost-time injuries (LTIs)



Medical treatment injuries



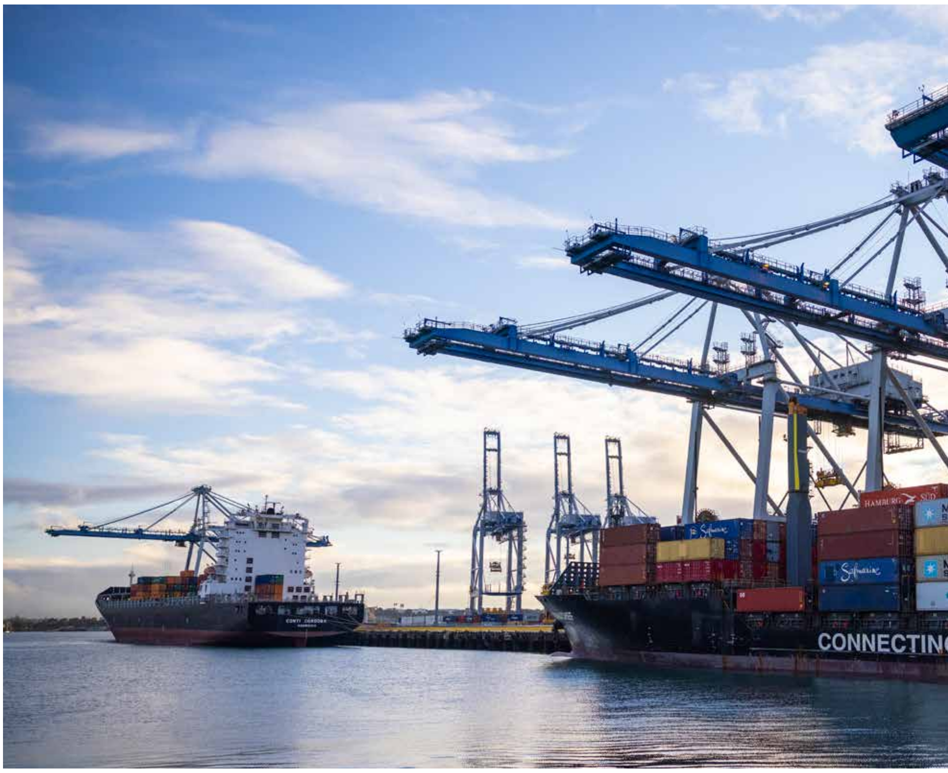
Health and safety metric is for the Waitematā seaport only.

where safety is the primary driver for everything we do, and shapes every decision we make. We are working closely with our people to ensure they are engaged and are at the heart of this process.

We did not wait for the report to be released before acting. Our new safety and wellbeing strategic plan was already in place and work was underway. We were pleased to see that many of the report's recommendations aligned with, and supported, the actions in our strategic plan. All the report recommendations are now included in our safety and wellbeing strategic plan and are being acted on.

We know that the people who work at Ports of Auckland have always cared deeply about safety and have worked hard over the years to improve it, but the fact that we had two fatal accidents in the last three years showed that we were not doing enough. The work we are doing now is changing that.

> We did not wait for the report to be released before acting. Our new safety and wellbeing strategic plan was already in place and work on it underway.



Navigating global shipping disruption

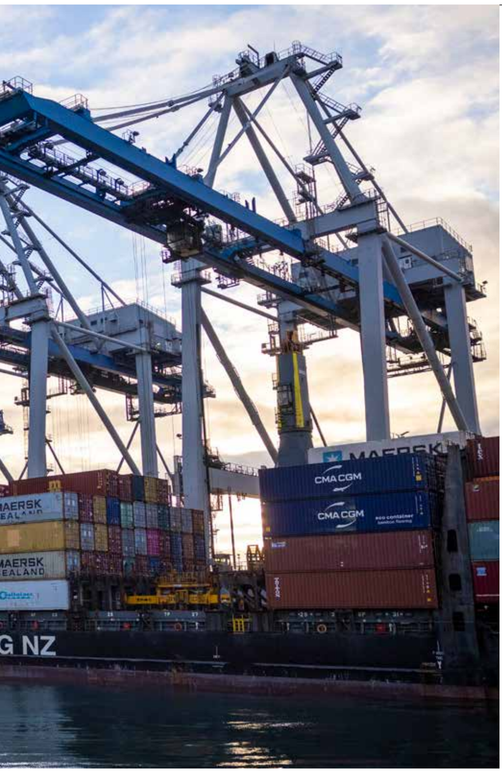
MIKE LIGHTFOOT
Chief Operating Officer

The pandemic has caused significant upheaval to global shipping. Increased demand combined with COVID-19 outbreaks and lockdowns have caused congestion at many container terminals. This has led to disrupted shipping schedules and a global shortage of shipping containers and vessels.

We are no exception. Here in Auckland, we've had the added complication of trying to complete our automation project during the pandemic, which added to our congestion problem. We're addressing this issue in multiple ways.

We remain committed to completing automation, as it delivers the capacity we need to cater for Auckland's growing freight demand. But we will complete the project in a way that prioritises our people and their safety, as well as our customer's needs.

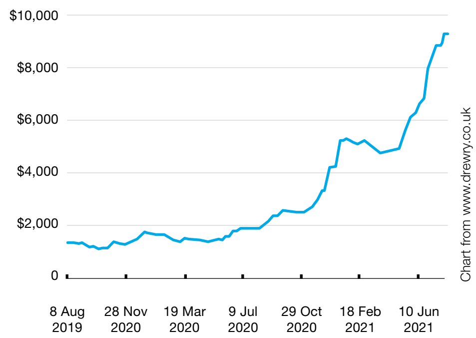
We have increased the scale of our manual operation to keep freight moving while we progress automation. We've completed almost all of the physical works like pavement remediation, which has increased terminal capacity.



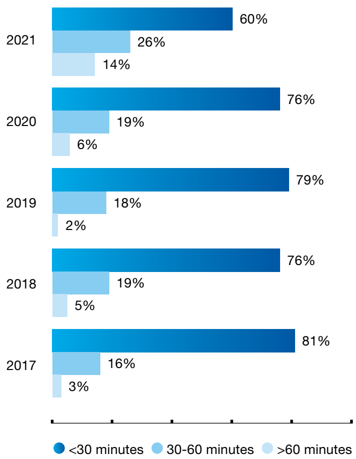
Moving freight through the container terminal

We have worked hard to keep freight moving through the port and support our customers, throughout the period of global supply chain disruption. The disruption, and its impact on costs, may be best represented by the the World Container Index (WCI), which provides a weekly assessment of container-freight prices. The WCI increased by 368% between June 2020 and June 2021.

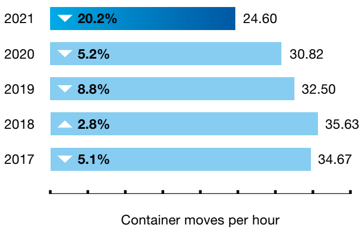
World Container Index (WCI) Assessed by Drewry
(USD$ per 40 ft container)



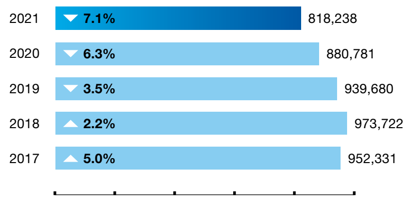
Truck turnaround
(% of trucks turned around in time)



Crane rate
(Australasian Waterline standard)



Container throughput (TEU*)



* TEU (one TEU = one standard 20-foot container)

Growing our team to help meet demand

One of the challenges of the current disruption has been finding the experienced stevedores we need to meet demand. These are skilled roles. We have recruited new crane drivers. They are a mix of our own people, who are trained over 18 months, and experienced operators from international markets.

We've also recruited and trained staff for most other stevedoring roles at the port, from lashers and straddle drivers to leading hands. This training will carry on, so we can meet our long-term need for staff.

> We remain committed to completing automation, as it delivers the capacity we need to cater for Auckland's growing freight demand.

368%

INCREASE IN WORLD CONTAINER INDEX PRICE

Supporting the flow of goods through the port

SPENCER BROWN
Manager Multi-Cargo

Our Multi-Cargo team members, alongside the independent stevedores, shipping-line customers and key service providers they work with, have been star performers over the past 12 months. Their understanding of, and ability to manage, the global supply-chain pressures, ensured we could continue to support the local supply chain safely and effectively.

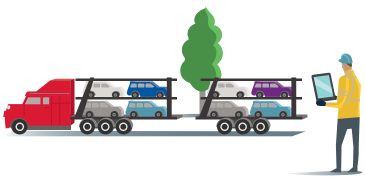
While, initially, they were significantly affected by COVID-19 lockdowns, freight volumes across the multi-cargo wharves have bounced back to higher-than-expected levels.

There has been a steady rise in car import volumes, which means our car-handling building and surrounding wharves have been well utilised. As a result of COVID-19, MPI removed its Biosecurity NZ officers from Japan, where they previously carried out vehicle inspections before vehicles departed. Inspections must now be completed in New Zealand, which increases the time that ships are in port. However, the average wharf-dwell time for cars remains at 2.07 days, which is a leading figure around the world, thanks to the work of the trucking community.

The ability of our Multi-Cargo team, and its associated partners, to work with, and alongside, regulators on biosecurity and

Freight volumes bounce back across Multi-Cargo wharves

Our multi-cargo wharves have seen volumes bounce back to higher-than-expected levels. We have worked with our partners to ensure we keep goods moving. While car volumes are increasing, we are maintaining dwell times at industry leading rates. We have also seen increased volumes of bulk commodities, as we support the economic recovery.



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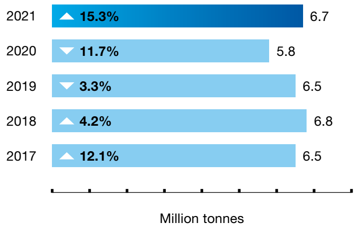
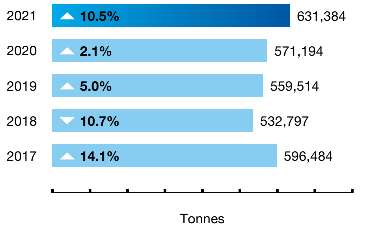
AVERAGE DAYS WHARF-DWELL TIME FOR CARS – AN INDUSTRY-LEADING METRIC

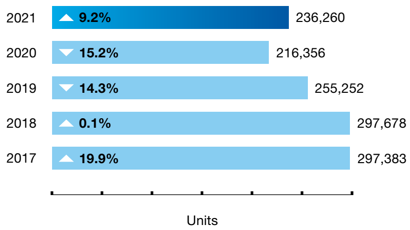
Bulk and breakbulk
(including cars)



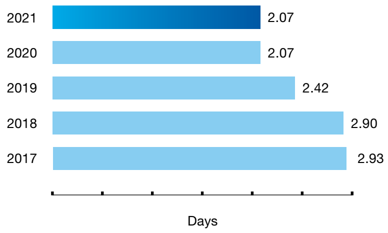
Cement volumes



Cars handled



Car dwell times



COVID-19 compliance, and to adapt to changing regulations, has ensured goods have continued to flow through the port.

Our multi-cargo wharves have seen a steady stream of supplies from a wide range of sectors. A key focus has been supporting the construction industry; we have seen record volumes of several bulk commodities including 631,384 tonnes of cement, 159,818 tonnes of steel and 232,036 tonnes of gypsum.

The increased volumes across Multi-Cargo have all been handled by a limited labour resource, on the same footprint and in the same timeframes.

We would like to acknowledge the pressure that this increase in flow has had on all parties involved. Without the support we've received from our people and our partners we would not have been able to facilitate this increased trade.

> Our Multi-Cargo team members, alongside the independent stevedores, shipping-line customers and key service providers they work with, have been star performers over the past 12 months.

Progressing our journey to zero emissions

ROSIE MERCER
General Manager Sustainability

Fuelling the future

Our goal is to serve New Zealand's freight needs in the most efficient and sustainable way possible. We are committed to doing our part to contribute to New Zealand's target to be net zero by 2050. We have made substantial progress over the past year.

Our emissions-reduction roadmap has been approved by the Science Based Targets initiative, which verifies it is aligned with a 'well below 2°C' target.

In the short to medium term, the roadmap involves replacing conventional diesel with renewable diesel, which is a second-generation biofuel that removes carbon emissions. We have tested the renewable diesel in a pilot boat, tugboat, reach stacker, empty stackers, forklifts and several light vehicles. The results were positive and have given us confidence to move forward with adopting the fuel in our operations. Renewable diesel will be a transition fuel while we test and trial other zero-emissions technologies. We will put much greater focus on this during the 2030s.

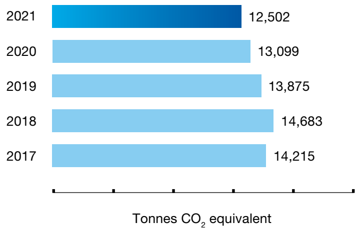
The world's first e-tug

We have commissioned the world's first full-size, electric ship-handling tug, which we

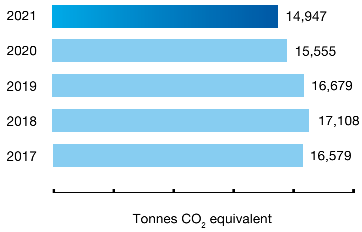
Playing our part in meeting New Zealand's low-carbon goals

We are committed to supporting New Zealand work towards being a low-carbon economy. We are playing our part to reduce our carbon footprint and protect our environment.

Total gross controlled emissions (scope 1 and 2)



Total gross emissions (scope 1, 2 and 3)



Note: Numbers for 2021 are unaudited. From 1 April 2020 we have calculated our scope 2 emissions using the market-based approach.

Zero

ENVIRONMENTAL SPILLS

Our goal is to serve New Zealand's freight needs in the most efficient and sustainable way possible.

Sustainable Development Goals (SDGs) we can directly influence

named *Sparky* after a public competition. Construction is complete and fit-out is underway. We expect to take delivery of *Sparky* in late 2021 or early 2022. COVID-19 has provided some challenges for our team as they have been unable to visit the shipyard in Vietnam as they would normally do for a project like this. However, we hope to send two staff members to Vietnam for sea trials later this year.

The tug will save approximately 500 tonnes of carbon emissions a year, or 12,500 tonnes over its planned 25-year life. This is a key milestone as we work towards being emissions free by 2040.

Leading the way with hydrogen

At the end of 2020 we received resource consent for a hydrogen production and refuelling facility. Consenting delays meant we needed to develop an interim refuelling solution, to support our partners Auckland Council and Auckland Transport trial a hydrogen bus. Working with H2H Energy and Gallagher NZ, we have planned, commissioned and installed a new gateway refueller. The gateway refueller is a small-scale refuelling system, that is now being successfully used to refuel Auckland Transport's new hydrogen fuel cell bus.

We have selected Obayashi Corporation as our equity partner to deliver the main refuelling facility. We're looking forward to working with a leading global company who shares our sustainability values and vision for the long term.

We are working with our shareholder, Auckland Council, to develop a Climate Response Framework and its related disclosures, aligned with the Taskforce for Climate-related Financial Disclosures (TCFD). Ports of Auckland's group disclosures are submitted annually to our shareholder and presented as part of the Auckland Council Group Climate Disclosures.

Meet our Board

BILL OSBORNE MBA CMInstD
Chair

Bill Osborne was appointed a Director in May 2017 and became Chair of Ports of Auckland in February 2021. Bill is a professional director and chairs Page & Macrae Limited and is on the board of Transpower. He is currently the President of New Zealand Rugby, having previously served as a Director of the Chiefs Rugby Club and New Zealand Māori Rugby.

He has an extensive business background including past roles as Group Manager International for New Zealand Post, Chief Executive of Quotable Value New Zealand, inaugural Chairman of 2 Degrees Mobile and Chair of CoreLogic New Zealand. He has served on boards of the Hillary Commission for Sport and the Sport and Recreation Commission (SPARC), as well as being trustee and director of a number of Māori trusts and enterprises. He is a Chartered Member of the Institute of Directors in New Zealand.

ANDREW BONNER BA (Hons) CMInstD
Deputy Chair

Andrew was appointed a Director in December 2009 and became Deputy Chair of Ports of Auckland in February 2021. He was previously a Director and founder of Marlborough Wines Limited and remains a Director of associated vineyard companies and of West Auckland Trusts. He is currently Chair of Centauri Communities Limited. He is also a Chartered Member of the Institute of Directors in New Zealand.

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

PATRICK SNEDDEN BCom BA
Director

Pat has been a director since May 2012. He is Chair of the Auckland District Health Board. He has been a Treaty of Waitangi negotiator for both iwi and the Crown. He has previously chaired the Housing New Zealand Corporation and was also a Director of Watercare Services, Auckland's wastewater and water company.

He was on the Board of NZ Health Partnerships Limited, engaged with procurement for the health sector. He has also served until this year as a trustee of Emerge Aotearoa Trust in service of people with mental health challenges.

In 2011, he helped to establish a new educational trust devoted to accelerating improvement in Māori and Pasifika educational outcomes. The Manaiakalani Education Trust works in Tāmaki and around New Zealand with over 100 low decile schools and supports 30,000 children to use high-end technology to accelerate learning improvement. Pat is the Executive Chair of the Trust.

SARAH HAYDON BSc FCA CMInstD
Director

Sarah was appointed a Director in August 2016. She is currently Chair of The Co-operative Bank Limited.

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

Sarah has previously been Chair of Cavalier Corporation Limited, Deputy Chair of the Institute of Geological and Nuclear Sciences Limited and a Director of AsureQuality Limited. Her previous executive roles were Chief Financial Officer of OfficeMax New Zealand Limited and with British Petroleum plc.

PETER CHRISP
Director

Peter Chrisp was appointed a Director in December 2020. He is currently the Chief Executive of New Zealand Trade and Enterprise, New Zealand's international business development agency. Prior to this, Peter spent 20 years in the engineering, manufacturing, and pulp and paper industries. Previous roles have included human resources, operations, logistics and supply chain, and General Manager of the Tasman paper mills in Kawerau. Peter has international experience as Senior Vice President Norske Skog Global, based in Norway, and Australasian Regional President based in Sydney. Peter has a BA/MA in Social Sciences with additional postgraduate studies in business. Peter is the current Chair of NZ G2G Partnerships Ltd (trading as G2G Know-How, the Govt to Govt commercialisation partnership), a member of the New Zealand China Council and a member of the Institute of Directors. He was the previous Chair of the NZ Government Investment Taskforce.

HAZEL ARMSTRONG
Director

Hazel Armstrong was appointed a Director of POAL on 1 February 2021. She is a partner in Armstrong Thompson which is a law firm specialising in ACC, employment, and health and safety, where she works on behalf of workers and ACC claimants. She was appointed as a Director on the KiwiRail Board in 2018. She has acted as an expert witness in health and safety matters and been involved in inquiries into health and safety.

Corporate Governance

We believe that effective corporate governance is the foundation for a sustainable business. We are committed to ensuring that we apply and adhere to good governance practices by monitoring our performance and reviewing it against best practice codes. Our Board regularly reviews and assesses our governance policies, procedures and practices to ensure they are appropriate and effective.

This section of our annual report provides an overview of our corporate governance for the year, including any key developments, based on the eight principles in the NZX Corporate Governance Code 2019. For more information about corporate governance, refer to the Corporate Governance Statement on our website.

Principle 1
CODE OF ETHICAL BEHAVIOUR

Our Board has adopted a Code of Ethics which documents the standards of ethical behaviour to which its directors and employees must adhere and is available on our website. In addition, we have policies for managing conflicts of interest, accepting gifts and hospitality, approving sponsorship and donations, managing fraud risk and for whistle blowing.

During the year our Board received no requests from Directors to use company information received in their capacity as Directors which would not otherwise have been available to them.

Principle 2
BOARD COMPOSITION AND PERFORMANCE

Our Board of Directors has responsibility for our strategic direction and performance, ensuring that shareholder value is protected and enhanced, and stakeholder interests are taken into account.

Our Board currently has six Directors, all of whom are independent professional directors, and none perform any management function. During the year four Directors resigned and two new Directors were appointed.

Our Board considers that individually and collectively, the Directors have an appropriate mix of skills, qualifications, and experience to enable them to discharge their duties effectively. Directors are encouraged to keep up to date on governance matters and trends, and those that impact our business or industry. All Directors have access to Executive members and Executive members frequently present to the Board. Biographies of our Directors are provided on our website.

We believe diversity and inclusivity are essential to driving sustainable commercial success and creating a high performing, values-driven culture. Our Board and Executive aim to have a diversity of skills, experience, knowledge, length of service, and gender. We recognise the benefits of bringing greater diversity to the boardroom and throughout the organisation. Our Diversity and Inclusion Policy helps us drive these practices throughout the business and is available on our website.

Principle 3
BOARD COMMITTEES

Our Board is supported by three standing Committees, Audit Committee, Remuneration Committee, Health and Safety Committee and a special purpose CEO Recruitment Committee.

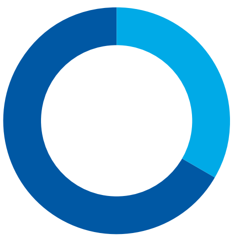
The Audit Committee supports our Board in fulfilling its responsibilities with respect to financial reporting, external audit, and internal audit.

The Remuneration Committee supports our Board in fulfilling its responsibilities with respect to remuneration and incentive policies, practices, and performance indicators.

The Health and Safety Committee assists the Board in discharging its health and safety management responsibilities within the organisation.

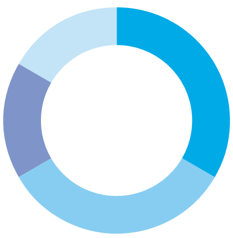
Our Board and its standing committees have charters that set out their authorities, responsibilities and processes. These are available on our website.

Board gender



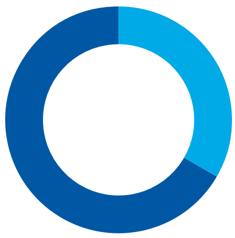
Female 2
Male 4

Board length of service



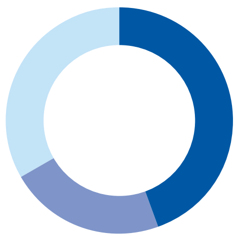
<1 year 2
1-2 years 0
3-4 years 2
5-9 years 1
>10 years 1

Executive team gender



Female 3
Male 6

Executive team length of service



<1 year 0
1-2 years 4
3-4 years 0
5-9 years 2
>10 years 3

DIRECTOR	ATTENDANCE AT BOARD MEETINGS	ATTENDANCE AT AUDIT COMMITTEE MEETINGS	ATTENDANCE AT REMUNERATION COMMITTEE MEETINGS	ATTENDANCE AT HEALTH AND SAFETY COMMITTEE MEETINGS	TOTAL REMUNERATION PAID FOR THE YEAR	COMMENTS
Bill Osborne	15/15	2/3	4/4		$93,500	Appointed 1 May 2017 Board Chair Remuneration Committee Chair Audit Committee Member
Andrew Bonner	15/15		4/4	5/5	$74,000	Appointed 14 December 2009 Board Deputy Chair Health and Safety Committee Chair Remuneration Committee Member
Sarah Haydon	14/15	6/6		4/5	$81,000	Appointed 1 August 2016 Audit Committee Chair Health and Safety Committee member
Pat Snedden	14/15			5/5	$66,000	Appointed 2 May 2012 Remuneration Committee member Health and Safety Committee member
Hazel Armstrong	8/8			5/5	$27,500	Appointed 1 February 2021 Audit Committee Member Health and Safety Committee member
Peter Chrisp	10/10			5/5	$38,500	Appointed 1 December 2020 Health and Safety Committee member
Rodger Fisher	10/10	5/5	4/4		$67,500	Retired 31 March 2021
Liz Coutts	7/7				$77,000	Retired 31 January 2021
Jon Mayson	7/7				$38,500	Retired 31 January 2021
Karl Smith	7/7				$33,000	Retired 31 December 2020

Principle 4
REPORTING AND DISCLOSURE

Under Auckland Council's Disclosure Policy we are required to formally report to the Council any material information, or information of an exceptional or extraordinary nature. Our board considers this requirement during a standing board agenda item.

We maintain www.poal.co.nz, which is a website where stakeholders can access financial and operational information, media announcements, customer communications, and key corporate governance information.

We follow an Integrated Reporting framework to ensure there is balanced, transparent public disclosure that connects financial, social and environmental performance within our half-yearly and annual reports.

Principle 5
REMUNERATION

Our board's total remuneration is set by our shareholder, Auckland Council, under the Council's Board Appointment and Remuneration Policy. Changes to remuneration are recommended by our board, based on advice from a remuneration benchmarking exercise undertaken by an external consultancy. In accordance with our constitution, the board will then determine the amount of remuneration payable to each director.

Total remuneration paid to our Directors for the year was $596,500. Our Directors undertake site visits and meet with management for briefings, as well as attending formal Directors' meetings.

The table above sets out Directors' remuneration and attendance at the formal Directors' meetings for the year ending 30 June 2021. During the year, the Board held 15 meetings: 10 normal meetings and 5 special meetings.

Members of our executive team are appointed as Directors to our subsidiaries, associates and joint ventures. This is considered part of their roles and they do not receive director fees for these appointments.

Garrie Hoddinott is an independent director of Nexus Logistics Limited and Conlinxx Limited, but is not one of our employees. Garrie was paid director fees totaling $57,000 for the year ending 30 June 2021. In addition, Garrie was paid $4,800 in non-director fees.

We have granted indemnities, as permitted by the Companies Act 1993, in favour of each of our Directors and Officers. Directors' and Officers' liability insurance is also maintained.

Principle 6
RISK MANAGEMENT

We have a Risk Management Policy that describes our risk management framework, assigns accountability for managing risk, requires risks to be managed and mitigated, and outlines risk reporting. This approach enables us to pursue business opportunities and grow shareholder value, while developing and protecting our people, assets, reputation and the environment.

Our risk management framework ensures a comprehensive approach across our business with oversight by management and our Board. Risk assessments are ongoing within each area of our business to identify, evaluate and manage risks. Significant risks are reported to the Executive team who maintain and regularly review the Key Risk Register. This register is subject to a formal annual review by our Board.

Directors, individually and collectively, regularly visit sites to view our operations and meet with managers and workers. This ensures they are familiar with all aspects of the business, including how we meet stakeholder expectations and mitigate risk.

Principle 7
AUDITORS

Our external auditor is the Auditor-General, who appointed Brett Tomkins, a partner at Deloitte, to audit our financial statements. We also contracted Deloitte to review our half-year financial statements. Total fees paid to Deloitte for the financial year, in its capacity as auditor, were $288,000. There were no other fees paid.

Principle 8
SHAREHOLDER RIGHTS AND RELATIONS

On 2 July 2018 Auckland Council Investments Limited transferred 100% of Ports of Auckland Limited shares to Auckland Council.

At the time of the transfer, we and Auckland Council signed a memorandum of understanding (MOU) for our new shareholder relationship. The MOU:

- reaffirms that our principle objective is to operate as a successful business and that our shareholder must support that objective;
- requires that both parties respect the role and responsibilities of the other party and work constructively with each other;
- acknowledges that all decisions relating to our business are made by our Board of Directors in accordance with our Statement of Corporate Intent; and
- sets out processes for Board appointments, Director remuneration, Board reviews, dispute resolution, and the monitoring, reporting and disclosure of information.

The MOU is a public document and is available on our website.

Representatives from our Board and Executive regularly meet with Auckland Council representatives to discuss strategic issues and business performance.

SALARY BAND	CURRENT	REDUNDANCY/ SEVERANCE	RESIGNED	CURRENT & TERMINATED
$100K - $110K	79	2	3	84
$110K - $120K	73		5	78
$120K - $130K	44	2	2	48
$130K - $140K	33			33
$140K - $150K	20		3	23
$150K - $160K	14		3	17
$160K - $170K	8			8
$170K - $180K	3			3
$180K - $190K	7			7
$190K - $200K	1			1
$200K - $210K	2		1	3
$210K - $220K	6	1	1	8
$230K - $240K	2			2
$240K - $250K	4			4
$250K - $260K	2			2
$260K - $270K	1			1
$270K - $280K	1			1
$280K - $290K	2			2
$290K - $300K	1			1
$300K - $310K	1			1
$320K - $330K	2			2
$410K - $420K	1			1
$480K - $490K			1	1
$550K - $560K			1	1
$1780K - $1790K			1	1
Total	307	5	21	333

“

We are committed to ensuring that we apply and adhere to good governance practices by monitoring our performance and reviewing it against best practice codes.

Deloitte.

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF PORTS OF AUCKLAND LIMITED GROUP'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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

Opinion

We have audited the financial statements of the Group on pages 20 to 67, that comprise the statement of financial position as at 30 June 2021, income statement, the 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 2021; and
    - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Our audit was completed on 23 August 2021. This is the date at which our opinion is expressed.

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

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

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

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

Responsibilities of the Board of Directors for the financial statements

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

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

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

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

Responsibilities of the Auditor for the audit of the financial statements

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

Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements

We did not evaluate the security and controls over the electronic publication of the financial statements.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial statements of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 17, but does not include the financial statements, and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

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

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

Brett Tomkins
Deloitte Limited
On behalf of the Auditor-General
Auckland, New Zealand

Group Financial Statements

Income statement

FOR THE YEAR ENDED 30 JUNE 2021

	NOTES	2021 $'000	2020 $'000
Revenue	A2	**226,279**	231,365
Expenses			
Operating expenses	A3	**(158,057)**	(156,373)
Depreciation and amortisation	B1, B4, B5	**(30,571)**	(27,019)
Finance costs	A3	**(16,984)**	(18,019)
Total expenses		**(205,612)**	(201,411)
Net (impairment) / reversal of impairment of assets	B1, B4	**(573)**	(4,602)
Fair value change to investment property	B3	**27,627**	3,082
Net (impairment) / reversal of impairment of investments	F1, G1	**(100)**	(38)
Share of profit from equity accounted investments	F1	**2,117**	1,893
Profit before income tax		**49,738**	30,289
Income tax expense	A4	**(4,164)**	(7,278)
Profit for the period attributable to the owners of the Parent		**45,574**	23,011

Statement of comprehensive income

FOR THE YEAR ENDED 30 JUNE 2021

	NOTES	2021 $'000	2020 $'000
Profit for the period		**45,574**	23,011
Other comprehensive income			
Items that will not be reclassified to the income statement:			
Net change in fair value of land, buildings and wharves, net of tax	E1	**99,111**	(20,921)
Net change in fair value of equity securities (at fair value through other comprehensive income)	F3, E1	**(3,123)**	9,862
Items that will not be reclassified to the income statement		**95,988**	(11,059)
Items that may be reclassified subsequently to the income statement:			
Cash flow hedges, net of tax	E1	**3,969**	(131)
Items that may be reclassified subsequently to the income statement		**3,969**	(131)
Other comprehensive income net of income tax		**99,957**	(11,190)
Total comprehensive income for the period net of tax attributable to the owners of the Parent		**145,531**	11,821

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

Statement of financial position

AS AT 30 JUNE 2021

	NOTES	2021 $'000	2020 $'000
Current assets			
Cash and cash equivalents	D1	**1,429**	2,298
Trade and other receivables	D2	**34,122**	36,977
Inventories	D3	**7,016**	6,493
Tax receivable	A4	**4,141**	-
Derivative financial instruments	G2	**-**	29
Non-current assets held for sale	H1	**2,300**	-
Total current assets		**49,008**	45,797
Non-current assets			
Property, plant and equipment	B1	**1,243,606**	1,113,456
Intangible assets	B4	**74,178**	88,768
Investment properties	B3	**158,282**	130,249
Right of use assets	B5	**13,519**	17,400
Equity securities	F3	**50,299**	53,422
Investments in other entities	F1	**2,268**	2,417
Derivative financial instruments	G2	**-**	16
Total non-current assets		**1,542,152**	1,405,728
Total assets		**1,591,160**	1,451,525
Current liabilities			
Borrowings	E3	**5,539**	3,398
Trade and other payables	D4	**23,666**	28,531
Provisions	D5	**16,033**	11,896
Lease liabilities	E4	**1,976**	2,461
Derivative financial instruments	G2	**1,088**	1,467
Deferred income		**156**	292
Other current liabilities		**380**	20
Total current liabilities		**48,838**	48,065
Non-current liabilities			
Borrowings	E3	**475,874**	486,692
Derivative financial instruments	G2	**3,424**	8,602
Provisions	D5	**1,252**	1,336
Lease liabilities	E4	**12,056**	15,275
Deferred income		**4,518**	2,965
Deferred tax liabilities	A4	**81,588**	67,370
Total non-current liabilities		**578,712**	582,240
Total liabilities		**627,550**	630,305
Net assets		**963,610**	821,220
Equity			
Share capital		**146,005**	146,005
Reserves		**353,143**	253,728
Retained earnings		**464,462**	421,487
Total equity	E1	**963,610**	821,220

These financial statements were approved by the Board on 23 August 2021.
Signed on behalf of the Board by:

W. Osborne
Director

S. Haydon
Director

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

Statement of changes in equity

FOR THE YEAR ENDED 30 JUNE 2021

	NOTES	ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP SHARE CAPITAL $'000	OTHER RESERVES $'000	RETAINED EARNINGS $'000	TOTAL EQUITY $'000
Balance at 1 July 2019		**146,005**	**273,402**	**380,398**	**799,805**
Profit for the period		-	-	23,011	23,011
Other comprehensive income	E1	-	(11,190)	-	(11,190)
Total comprehensive income		-	(11,190)	23,011	11,821
Transactions with owners in their capacity as owners					
Tax benefit of losses received from owner	E1	-	-	9,594	9,594
Other movements					
Revaluation reserve reclassified to retained earnings on disposal of assets		-	(8,484)	8,484	-
Total other movements		-	(8,484)	18,078	9,594
Balance at 30 June 2020	E1	**146,005**	**253,728**	**421,487**	**821,220**
Profit for the period		-	-	45,574	**45,574**
Other comprehensive income	E1	-	99,957	-	**99,957**
Total comprehensive income		-	99,957	45,574	**145,531**
Transactions with owners in their capacity as owners					
Dividends paid	E2	-	-	(4,914)	**(4,914)**
Tax benefit of losses received from owner	E1	-	-	1,771	**1,771**
Other movements					
Revaluation reserve reclassified to retained earnings on disposal of assets	E1	-	(542)	542	**-**
Other movements		-	-	2	**2**
Total other movements		-	(542)	(2,599)	**(3,141)**
Balance at 30 June 2021	E1	**146,005**	**353,143**	**464,462**	**963,610**

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

Statement of cash flows

FOR THE YEAR ENDED 30 JUNE 2021

	NOTES	2021 $'000	2020 $'000
Cash flows from operating activities			
Receipts from customers		**248,027**	277,236
Payments to suppliers and employees		**(178,314)**	(204,056)
Dividends received		**3,561**	3,491
Interest received		**16**	71
Interest paid		**(16,859)**	(18,503)
Income taxes paid		**-**	(1,635)
Net cash flows from operating activities		**56,431**	56,604
Cash flows from investing activities			
Payments for investment property		**(3,164)**	(5,442)
Payments for intangible assets		**(11,791)**	(21,861)
Payments for property, plant and equipment		**(23,983)**	(76,481)
Interest paid – capitalised		**(3,226)**	(4,300)
Advances to related parties		**(77)**	(230)
Proceeds from sale of property, plant and equipment		**499**	49
Proceeds from sale of investment properties		**-**	54,000
Net cash flows from investing activities		**(41,742)**	(54,265)
Cash flows from financing activities			
Proceeds from borrowings		**492,000**	967,500
Repayment of borrowings		**(503,000)**	(976,000)
Repayment of lease principal		**(1,786)**	(1,502)
Dividends paid	E2	**(4,914)**	-
Net cash flows from financing activities		**(17,700)**	(10,002)
Net cash flows		**(3,011)**	(7,663)
Cash at the beginning of the year		**(1,099)**	6,564
Cash at the end of the year	D1	**(4,110)**	(1,099)

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

Statement of cash flows (continued)

FOR THE YEAR ENDED 30 JUNE 2021

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

	2021 $'000	2020 $'000
Profit for the period	**45,574**	23,011
Adjusted for:		
Depreciation and amortisation	**30,571**	27,019
Movements in borrowings allocated to interest paid	**(182)**	(95)
Tax benefit of losses received from owner	**3,294**	9,597
Movement in deferred revenue	**(1,582)**	2,683
Net loss / (gain) on sale of other non-current assets	**1,087**	72
Fair value movements in land, buildings and wharves	**573**	4,742
Fair value adjustment to investment property	**(27,627)**	(3,082)
Impairment of investments	**100**	38
Net (reversal) / impairment of other intangible assets	**-**	(140)
Change in operating assets and liabilities:		
Trade and other receivables	**(130)**	5,203
Trade and other payables	**1,866**	(13,613)
Income tax payable	**-**	(2,204)
Deferred tax liability	**(2,393)**	(39)
Other provisions	**2,254**	1,601
Other operating assets	**524**	(2,190)
Movement in associates and joint ventures	**(126)**	280
Capital items included in working capital movements	**2,628**	3,721
Net cash flows from operating activities	**56,431**	56,604

Reconciliation of liabilities arising from financing activities to cash flows

	2021 $'000	2020 $'000
Interest bearing liabilities		
Opening interest bearing liabilities (excluding overdraft)	**504,428**	495,287
Recognition on adoption of NZ IFRS 16 Leases	**-**	15,371
Lease additions	**520**	1,887
Other non-cash movements	**(2,441)**	1,980
less/addback: establishment fees (classified as interest paid under operating activities)	**182**	(95)
Cash movements		
Repayment of bank debt	**(503,000)**	(976,000)
Proceeds from borrowing	**492,000**	967,500
Repayment of lease principal	**(1,783)**	(1,502)
Closing interest bearing liabilities (excluding overdraft)	**489,906**	504,428

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

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2021

Reporting entity and nature of operations

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

The Company operates Auckland's main seaport on the Waitematā harbour. The Group operates regional freight hubs in South Auckland and the Bay of Plenty, including a container trucking operation from South Auckland, and has joint interests in a Manawatu freight hub, marine towage at Northport, and an online cargo management system.

Statutory base

Ports of Auckland Group is a designated for-profit entity.

Ports of Auckland Limited is a company domiciled in New Zealand, is a Port Company under the Port Companies Act 1988 and registered under the Companies Act 1993.

All subsidiaries are incorporated in New Zealand.

These Group financial statements have been prepared in accordance with the Financial Reporting Act 2013 and Companies Act 1993.

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

Basis of preparation

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

These financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice. They comply with New Zealand equivalents to International Financial Reporting Standards and other applicable Financial Reporting Standards, as applicable for for-profit entities, and also comply with International Financial Reporting Standards.

The Group financial statements were approved by the Board of Directors on 23 August 2021.

Basis of measurement

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

Accounting policies

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

Basis of consolidation

The Group 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.

Foreign currency translation

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

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

Goods and services tax (GST)

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

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

New and amended international financial reporting standards

The following standards came into effect from 1 July 2020.

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

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 and the imputation credit account

A1. COVID-19

COVID-19 is continuing to have a significant adverse impact on the global economy and New Zealand has been operating within an alert level system to prevent the spread of the virus.

During the financial year, alert level changes did not directly cause an interruption to operations other than the cessation of cruise ship visits and accordingly no wage subsidies have been sought. However, the Group has been significantly affected by the resulting global supply chain crisis and labour shortages, which has created a challenging year particularly for our container operations.

The Directors assessed the impact of COVID-19 on the key judgements and estimates applied in the financial statements and concluded that limited changes were necessary.

The financial performance and position of the Group has been impacted by COVID-19 in the following ways:

- Lower average container exchanges for each ship visit and cancelled ship visits
- Cruise revenue has ceased
- Reduced marine services revenue due to fewer ship visits.

A2. Revenue

	2021 $'000	2020 $'000
Revenue		
Revenue from contracts with customers	**212,773**	219,609
Rental income	**10,942**	9,548
Gain on disposal of property, plant and equipment	**370**	44
Dividend income	**1,318**	1,318
Interest income	**16**	71
Other income	**860**	775
Total revenue	**226,279**	231,365

Recognition and measurement

Revenue from contracts with customers

A summary of the Group's performance obligations are outlined below. The Group has not disclosed the aggregate amount of the transaction price allocated to the performance obligations that are partially satisfied at year-end as they relate to contractual obligations of an expected duration of less than a year, and thus meet the practical expedient requirement within the standard. Payment terms for all revenue from contracts with customers are typically the 20th of the following month.

The determination of the transaction price, including the estimation of variable consideration, where applicable, is calculated in line with contractual arrangements.

Marine services revenue

Contracts are entered into with vessel operators for the provision of marine services and berthage. The performance obligations identified include vessel arrival, departure and berthage. The identified performance obligations are satisfied over time, and revenue is recognised based on labour hours expended (vessel arrival and departure), and time elapsed (berthage). Consequently, the methods used to record this revenue are based on inputs. The transaction price is determined by the contract, and typically is an all-inclusive rate which is apportioned across each performance obligation based on these input methods.

Container terminal revenue

The performance obligations identified for shipping lines which berth at the Fergusson container terminal include marine services (as identified in the previous page), and the ship exchange (load and/or discharge of containers, which include the services required to support the handling of containers). Container terminal revenue is recognised over time based on the number of containers loaded or discharged (an output method). This method is considered appropriate as it allows revenue to be recognised based on the Group's effort to satisfy the performance obligation. The transaction price is adjusted by variable consideration (i.e. customer rebates), and revenue is only recognised on the basis that it is highly probable that a significant reversal will not occur.

Multi-cargo revenue

Contracts are entered into with vessel operators for the provision of marine services and berthage (as identified in the previous page) and goods wharfage. The stevedoring services are provided by third-party operators. Goods wharfage (being the provision of space) is satisfied over time, and therefore revenue is recognised based on time elapsed, from the point that cargo is transferred from vessel to land (or vice versa), being an output method. The transaction price for goods wharfage is determined by the contract.

Container transportation revenue

Contracts are entered into with cargo owners or freight forwarders to collect and transport containers to or from the port. There are predictable legs for each container which have the same pattern of transfer (typically 3-4 legs in each containers life-cycle), and as such meet the criteria for revenue recognition over time as the obligation to provide transportation services is satisfied. As such, each contract is accounted for as a single performance obligation, and the transaction price is determined by the contract.

Disaggregation of revenue from contracts with customers

	2021 $'000	2020 $'000
Container terminal	**113,073**	119,231
Multi-cargo	**51,732**	41,027
Marine services	**25,449**	38,348
Container transportation	**22,519**	21,003
Total revenue from contracts with customers	**212,773**	219,609

The categories of disaggregated revenue above represent the segments where the financial performance of the Group is evaluated. These revenue items are of a similar nature and timing.

Rental income

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

Dividend and other income

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

Interest income

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

Government grant income

The Group have deferred income relating to the recently introduced research and development tax incentive scheme. This is accounted for under NZ IAS 20 Government Grants, with the deferred income being released systematically over the useful life of the asset to which the grant relates. At balance date there is no income through profit or loss, as the asset is still a work in progress.

A3. Expenses

Operating Expenses

	2021 $'000	2020 $'000
Employee benefit expenses		
Salaries and wages	**78,848**	77,713
Restructuring costs	**1,067**	187
Pension costs	**2,731**	2,687
Total employee benefit expenses	**82,646**	80,587
Other operating expenses		
Contracted services	**32,149**	34,635
Repairs and maintenance	**13,136**	14,160
Fuel and power	**5,243**	5,965
Loss on disposal of property, plant and equipment – refer note B1	**1,457**	115
Reversal of prior year impairment costs for Bledisloe Wharf extensions	**66**	-
Other expenses	**23,072**	20,603
Auditor's fees		
Audit and review of statutory financial statements	**288**	308
Total other operating expenses	**75,411**	75,786
Total operating expenses	**158,057**	156,373

Finance costs

	2021 $'000	2020 $'000
Interest on bank overdraft and bank loans	**10,416**	12,496
Establishment & line fees	**245**	245
Interest on fixed rate notes	**8,774**	8,775
Interest on lease liabilities	**775**	803
Capitalised interest	**(3,226)**	(4,300)
Total finance costs	**16,984**	18,019

Donation expenses are $10,400 (2020: $13,692) and are recognised within other expenses.

Recognition and measurement

Employee expenses

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

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

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

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

Finance costs

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

Finance costs are expensed immediately as incurred unless they relate to acquisition and development of qualifying assets, in which case the finance cost is capitalised.

A4. Taxation

Income statement	2021 $'000	2020 $'000
Current income tax		
Current year	**1,845**	5,698
Adjustment for prior years	**(72)**	1,619
Deferred income tax		
Temporary differences	**2,503**	1,351
Tax effect of re-introduction of building depreciation	**-**	(2,181)
Adjustment for prior years	**(112)**	791
Income tax expense	**4,164**	7,278
Other comprehensive income		
Cash flow hedges and property, plant and equipment	**11,826**	(51)
Income tax reported in equity	**11,826**	(51)

Reconciliation of effective tax rate

	2021 $'000	2020 $'000
Profit before income tax	**49,738**	30,289
Tax at 28%	**13,927**	8,481
Adjustments		
Non-taxable income	**(9,614)**	(753)
Non-deductible expenses	**502**	489
Adjustment for prior years	**(183)**	2,410
Tax effect of re-introduction of building depreciation	**-**	(2,181)
Dividend imputation credits	**(1,384)**	(1,357)
Sundry items	**916**	189
Income tax expense	**4,164**	7,278

Ports of Auckland Limited will utilise losses from the Auckland Council Tax Group in the 2021 tax return. Auckland Council has a subvention payment agreement and loss offset election with Watercare Services Limited which will be utilised for any residual taxable income. It is expected that no losses will be required from Watercare Services Limited for the 2021 tax return.

Imputation credits

	2021 $'000	2020 $'000
Imputation credits available for subsequent reporting periods	**73,501**	74,309

A4. Taxation (continued)

Movement in deferred tax balance

	CASH FLOW HEDGES $'000	PROPERTY, PLANT AND EQUIPMENT $'000	INVESTMENT PROPERTY $'000	INTANGIBLE ASSETS $'000	PROVISIONS $'000	DEFERRED REVENUE $'000	OTHER $'000	TOTAL $'000
Balance at 1 July 2019	(2,755)	68,926	1,015	3,222	(5,067)	2,119	-	**67,460**
Recognised in income statement	-	(687)	328	137	80	(28)	132	**(38)**
Recognised in other comprehensive income	(52)	-	-	-	-	-	-	**(52)**
Balance at 30 June 2020	**(2,807)**	**68,239**	**1,343**	**3,359**	**(4,987)**	**2,091**	**132**	**67,370**
Recognised in income statement	-	2,622	304	150	(237)	(28)	(419)	**2,392**
Recognised in other comprehensive income	1,544	10,282	-	-	-	-	-	**11,826**
Balance at 30 June 2021	**(1,263)**	**81,143**	**1,647**	**3,509**	**(5,224)**	**2,063**	**(287)**	**81,588**

Recognition and measurement

Income tax

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

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

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

Tax receivable is recognised for the research and development tax incentive claim relating to the automation project. For the profit or loss treatment of this tax credit refer to note A2.

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

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

Imputation credits

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

a) Imputation credits that will arise from the payment of the amount of the provision for income tax;

b) Imputation debits that will arise from the payment of dividends recognised as a liability at the reporting date; and

c) Imputation credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

Section B
Capital assets used to operate our business

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

B1. Property, plant and equipment

	FREEHOLD LAND $'000	WHARVES $'000	FREEHOLD BUILDINGS $'000	PLANT AND EQUIPMENT $'000	PAVEMENT $'000	OTHER $'000	TOTAL $'000
Net book value at 1 July 2019	**378,910**	**313,265**	**54,493**	**200,421**	**93,886**	**20,635**	**1,061,610**
Movement							
Work in progress additions	2,606	683	28,864	34,616	6,268	5,761	78,798
Disposals	-	-	-	(2)	-	(71)	(73)
Revaluations - Reserves	(20,923)	-	-	-	-	-	(20,923)
Revaluations - Income Statement	58	-	-	-	-	-	58
Impairment	-	-	-	(4,800)	-	-	(4,800)
Reclassifications / Transfers	19,962	-	(721)	-	721	19	19,981
Depreciation charge	-	(4,695)	(1,457)	(10,315)	(1,836)	(2,892)	(21,195)
Movement to 30 June 2020	1,703	(4,012)	26,686	19,499	5,153	2,817	51,846
Balances							
Cost and/or fair value	378,007	317,138	45,667	206,432	80,749	54,463	1,082,456
Work in progress at cost	2,606	1,685	38,150	153,051	37,806	9,540	242,838
Accumulated depreciation	-	(9,570)	(2,638)	(139,563)	(19,516)	(40,551)	(211,838)
Net book value at 30 June 2020	**380,613**	**309,253**	**81,179**	**219,920**	**99,039**	**23,452**	**1,113,456**
Movement							
Work in progress additions	-	302	3,120	17,805	1,628	2,622	**25,477**
Disposals	-	-	(1,304)	(656)	-	(68)	**(2,028)**
Revaluations - Reserves	72,672	29,676	7,045	-	-	-	**109,393**
Revaluations - Income Statement	518	574	(419)	-	-	-	**673**
Impairment	-	-	-	-	-	(1,246)	**(1,246)**
Reclassifications / Transfers	-	-	1,950	5,173	9,875	4,350	**21,348**
Depreciation charge	-	(4,696)	(2,160)	(11,094)	(2,354)	(3,163)	**(23,467)**
Movement to 30 June 2021	73,190	25,856	8,232	11,228	9,149	2,495	**130,150**
Balances							
Cost and/or fair value	451,197	333,754	89,507	340,737	130,013	66,391	**1,411,599**
Work in progress at cost	2,606	1,986	614	36,528	45	3,319	**45,098**
Accumulated depreciation	-	(631)	(710)	(146,117)	(21,870)	(43,763)	**(213,091)**
Net book value at 30 June 2021	**453,803**	**335,109**	**89,411**	**231,148**	**108,188**	**25,947**	**1,243,606**

Property, plant and equipment additions include capitalised finance costs of $3,226,213 (2020: $4,299,902). The average effective interest rate used is 3.1% (2020: 3.6%).

Equipment and infrastructure assets to support automation has been capitalised during the year (refer to note C2).

B1. Property, plant and equipment (continued)

Recognition and measurement

Property, plant and equipment

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

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

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

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

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

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

Revaluations

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

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

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

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

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

Depreciation

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

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

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

Components of the Automation Project were capitalised during the financial year against buildings, plant and equipment, pavement and other assets and depreciated using the units of production method which best reflects the use or consumption of the service potential implicit in the Automation project.

Disposals

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

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

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

B2. Property, plant and equipment valuation

Valuation approach

At the end of each reporting period the Group makes an assessment of whether the carrying amounts differ materially from fair value and whether a revaluation is required. For the year ended 30 June 2021, all freehold land was revalued as at 30 June 2021 in accordance with the New Zealand Institute of Valuers asset valuation standards.

Freehold land is the land used as part of the core port operations (Port Operations Land) or is required to be held for other operational purposes (Other Operations Land).The valuation of Port Operations Land was undertaken by CBRE, registered valuers. The Other Operations Land valuation was undertaken by Colliers International, registered valuers.

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

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

This valuation approach has been undertaken in order to provide an independent assessment of the current value of the assets. The market value is based on events and evidence up to valuation date and the current economic conditions and latent potential volatility should be factored into future considerations when referring to this valuation.

The valuations have proceeded on the basis that where contamination is known, allowance has been made for contamination remediation using high level estimates. There remains uncertainty as to the extent of any contamination which has not been noted by Valuers to date in estimates to date. The valuation has been prepared on the best estimate of studies to date. There is a possibility that further contamination may exist.

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

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

Port Operations Land Valuation

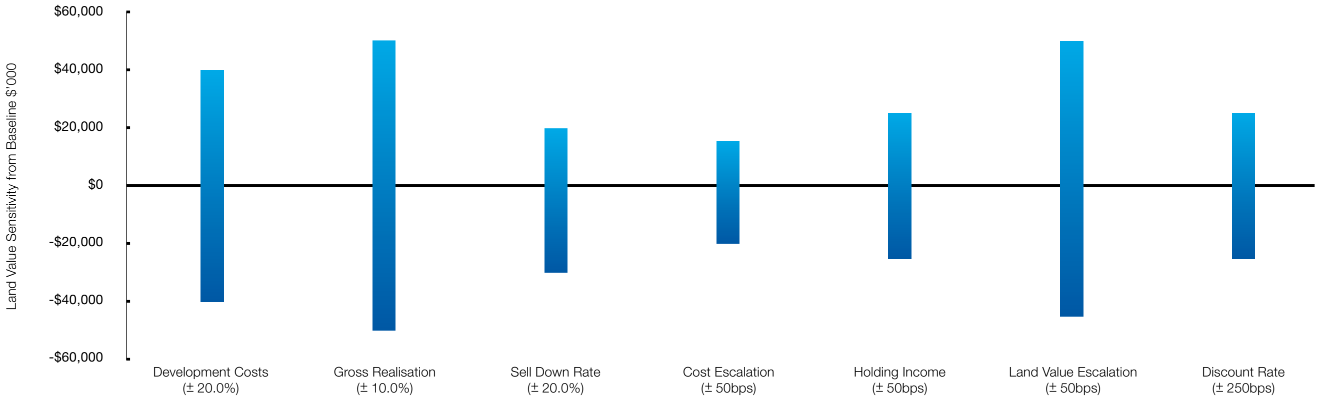
The following table summarises the valuation techniques and key assumptions used by the valuers to arrive at fair value for Port Operations Land:

		2021	2020
ASSET VALUATION TECHNIQUE	INPUTS USED TO MEASURE FAIR VALUE	RANGE OF SIGNIFICANT UNOBSERVED INPUTS	RANGE OF SIGNIFICANT UNOBSERVED INPUTS
Discounted Cash Flow model Given the size and location of the land, the discounted cash flows are based on the assumption that the land will be developed and sold in 5 stages. Each stage will consist of 16 superlots with an average lot size of 5,000 sqm, with consenting to take 12 years and the sell down over 19 years (31 year period).	Land sales price The rate is based on site intensity and height being lower than that in the CBD because of the zoning of the port precinct	$6,200 per sqm, for a 5,000 sqm allotment	$5,700 per sqm, for a 5,000 sqm allotment
	Site development costs have been estimated based on work undertaken by Beca Group, engineering consultants	Beca Group development costs updated from 2019 rates	Beca Group development costs updated from 2019 rates
	Discount rate	10.58%	10.59%
	Sales price escalation	0% - 3.0% over the term	0% - 3.0% over the term
	Cost escalation	3.00% over the term	3.00% over the term
	Occupancy rate for holding income	50%	50%

B2. Property, plant and equipment valuation (continued)

Port Operations Land value discounted cash flow sensitivity

The chart below highlights the extent to which the valuation of the Port Operations Land varies relative to changes in key variables. Each variable is flexed by an amount not considered unreasonable in a market context and the resulting swing in value relative to this flex is presented in isolation of changes to the other variables. To accumulate the impact of these independent sensitivities would typically not be appropriate, as changes in one will commonly be offset by changes in another.



The baseline assumption on Port Operations Land value, for the planning and consenting period, is 12 years. The table below indicates the sensitivity on land value, given different timeframes.

Value sensitivity to planning timeframes	INDICATED VALUE INCREASE / (DECREASE) $'000
15 year planning & consenting period	(32,000)
18 year planning & consenting period	(66,000)

Other Operations Land Valuation

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

		2021	2020
ASSET VALUATION TECHNIQUE	INPUTS USED TO MEASURE FAIR VALUE	RANGE OF SIGNIFICANT UNOBSERVED INPUTS	RANGE OF SIGNIFICANT UNOBSERVED INPUTS
Comparable sales model	Land sales price CBD	$5,161 per sqm to $9,109 per sqm	$5,161 per sqm to $5,900 per sqm
	Land sales price non CBD	$220 per sqm to $350 per sqm	$225 per sqm to $270 per sqm

Port operations wharves and freehold buildings valuation

Port operations wharves and buildings are valued at least every three years and were revalued at 30 June 2021 by John Foord (International), industrial valuers and Ortus International, registered Quantity Surveyors, to fair value. A review of the carrying value of wharves and buildings has been undertaken at June 2021 and it is unlikely to be materially different to the fair value.

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

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

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

		2021	2018 (PREVIOUS REVALUATION)
ASSET VALUATION TECHNIQUE	INPUTS USED TO MEASURE FAIR VALUE	RANGE OF SIGNIFICANT UNOBSERVED INPUTS	RANGE OF SIGNIFICANT UNOBSERVED INPUTS
Depreciated replacement cost derived from modern equivalent asset rate	Wharves economic life	100 years	100 years
	Wharf buildings economic life	50 years	50 years
	Residual value at the end of economic life	15%	15%
	Depreciation	Straight line	Straight line
	Piles unit cost of construction per sqm	$1,097 - $2,282	$999 - $2,045
	Wharf Platform unit cost of construction per sqm	$1,729 - $3,612	$1,575 - $3,238
	Fenders unit cost of construction per sqm	$90 - $190	$82 - $170
	Services unit cost of construction per sqm	$123 - $253	$112 - $227
	Total unit cost of construction per sqm	$3,038 - $6,337	$2,767 - $5,680

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

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

B3. Investment properties

	2021 $'000	2020 $'000
At fair value		
Balance at 1 July	**130,249**	143,304
Capitalised subsequent expenditure	**2,706**	3,844
Reclassifications / Transfers (refer note B1)	**(2,300)**	(19,981)
Net gain / (loss) from fair value adjustment	**27,627**	3,082
Balance at 30 June	**158,282**	130,249

Lease income from investment properties amounted to $4,420,691 (2020: $3,884,295) and operating expenses amounted to $80,087 (2020: $176,297).

During the year, there has been a transfer of investment property to non-current assets held for sale, refer to note H1.

The Group's investment properties are all categorised as Level 3 in the fair value hierarchy as described in the financial risk management – fair value note G1. At the end of the reporting period there were no transfers of investment properties between the levels in the fair value hierarchy.

Recognition and measurement

Investment properties

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

Transfers are made to or from investment properties when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of a change in use.

A transfer to investment properties may be evidenced by ending owner occupation, commencement of an operating lease to another party or commencement of construction or development for future use as investment property. This includes commencement of owner occupation, or of development with a view to owner occupy.

A transfer from investment properties may be evidenced by the commencement of a contractual arrangement which allows the property to offer more to the Group than solely rental returns and/or capital appreciation. This includes commencement of owner occupation, or of development with a view to owner occupy.

Investment properties will be measured at cost until a fair value can be reliably determined.

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

Valuation approach

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

The valuations as at 30 June 2021 and 30 June 2020 were performed by Colliers International. The valuers are registered valuers and have experience in the location and category of the investment properties being valued.

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

The Group's investment property portfolio comprises a mixture of lessor's interest in both terminating and perpetual ground leases together with freehold land.

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

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

The following table summarises the valuation techniques and the key assumptions relating to the major inputs used in establishing the fair values of significant properties:

		2021	2020
ASSET VALUATION TECHNIQUE	INPUTS USED TO MEASURE FAIR VALUE	RANGE OF SIGNIFICANT UNOBSERVED INPUTS	RANGE OF SIGNIFICANT UNOBSERVED INPUTS
Market capitalisation A valuation technique which determines fair value by capitalising a property's sustainable net income at an appropriate, market derived rate of return with subsequent capital adjustments for near-term events, typically including letting up allowances, capital expenditure and the difference between contract and market rentals.	Market capitalisation rate – rental income	3.50% to 6.50%	3.75% to 6.50%
Direct sales comparison A valuation technique whereby the subject property is compared to recently sold properties of a similar nature with fair value determined through the application of positive and negative adjustments for their differing attributes.	Industrial land sales per sqm	$220 to $895 per sqm	$225 to $675 per sqm

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

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

B4. Intangible assets

	COMPUTER SOFTWARE $'000	TOTAL $'000
Net book value at 1 July 2019	**71,070**	**71,070**
Movement		
Work in progress additions	21,781	21,781
Disposals	(97)	(97)
Amortisation charge	(3,986)	(3,986)
Movement to 30 June 2020	17,698	17,698
Balances		
Cost	45,867	45,867
Work in progress at cost	70,490	70,490
Accumulated amortisation and impairment	(27,589)	(27,589)
Net book value at 30 June 2020	**88,768**	**88,768**
Movement		
Work in progress additions	10,591	**10,591**
Reclassifications / Transfers	(20,037)	**(20,037)**
Amortisation charge	(5,144)	**(5,144)**
Movement to 30 June 2021	(14,590)	**(14,590)**
Balances		
Cost	60,493	**60,493**
Work in progress at cost	46,418	**46,418**
Accumulated amortisation and impairment	(32,733)	**(32,733)**
Net book value at 30 June 2021	**74,178**	**74,178**

Recognition and measurement

Computer software

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

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

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

Subsequent to initial recognition, intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (refer to note C2).

B5. Right of use assets

	LEASED LAND $'000	LEASED EQUIPMENT $'000	LEASED BUILDINGS $'000	LEASED OTHER $'000	TOTAL $'000
Net book value at 1 July 2019	**11,604**	**2,497**	**1,255**	**15**	**15,371**
Additions	-	1,887	-	-	1,887
Lease payment adjustments	1,914	-	-	-	1,914
Modification to lease term	-	66	-	-	66
Depreciation charge	(679)	(1,045)	(106)	(8)	(1,838)
Movement to 30 June 2020	1,235	908	(106)	(8)	2,029
Balances					
Cost	13,518	4,451	1,255	14	19,238
Accumulated depreciation	(679)	(1,046)	(106)	(7)	(1,838)
Net book value at 30 June 2020	**12,839**	**3,405**	**1,149**	**7**	**17,400**
Movement					
Additions during period	-	-	520	-	**520**
Lease payment adjustments	-	(32)	(1,071)	-	**(1,103)**
Modification to lease term	(1,339)	-	-	-	**(1,339)**
Depreciation charge	(722)	(1,129)	(101)	(7)	**(1,959)**
Movement to 30 June 2021	(2,061)	(1,161)	(652)	(7)	**(3,881)**
Balances					
Cost	12,180	4,416	704	14	**17,314**
Accumulated depreciation	(1,402)	(2,172)	(207)	(14)	**(3,795)**
Net book value at 30 June 2021	**10,778**	**2,244**	**497**	**-**	**13,519**

Recognition and measurement

Right of use assets

Right of use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement of the lease. The Group applies NZ IAS 36 to determine whether a right of use asset is impaired and accounts for any identified impairment loss as described in the property, plant and equipment policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the right of use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in operating expenses in profit or loss.

Section C
Key judgements made

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

C1. Critical accounting estimates and assumptions

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

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

Useful lives of property, plant and equipment

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

Fair value of property, plant and equipment and investment property

The Group revalues investment property annually and property, plant and equipment (specifically land, buildings and wharves) at least every three years or when the fair value of a revalued asset differs materially from its carrying amount. The valuation is performed by independent registered valuers. The revaluation requires judgement around the highest and best use of the property, plant and equipment, and an estimation of the amounts for which these assets could be sold in an orderly transaction between market participants at the measurement date (refer to note B2 and B3). The determination of value for these assets has a significant impact on the total asset value reported and in the case of property, plant and equipment the depreciation expense recognised (refer to note B1).

Classification of investment properties

The Group classifies assets as investment property if they are not intended for port operation purposes, and are held with the principal objective to earn rental and/or capital appreciation. At times, the distinction can be subjective and dependent on the particular facts and circumstances of the property in question.

The Group reviews leases entered into, including any related contractual service agreements to determine the nature, if any, of contractual ancillary services provided in helping determine this classification.

Investment properties are held at fair value with revaluations recognised in the income statement, therefore, the determination of whether assets are investment property or property, plant and equipment can have a material effect on both profit or loss, and on the carrying value of the asset (if the alternative classification is not required to be held at fair value).

Fair value of derivative financial instruments

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

Income tax

The Group has historically utilised tax losses from the Auckland Council Group of companies for nil consideration. The quantum of losses estimated for the current financial year is based on Auckland Council's best estimate of the losses to be provided to the Group (refer to note A4).

C2. Impairment of non-financial assets

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

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

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

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

Automation Assets

Equipment and infrastructure to support automation has been capitalised in the financial year. There remains capital spend in work in progress, which is set to be capitalised when automation has been rolled-out across the Fergusson Terminal.

A review has been carried out on the carrying value of the automation assets within the overall context of the Group's operations to determine whether there is any indication of impairment at balance date. The future benefit expected to be generated by the automation project, as a component of total port operations, exceeds the current carrying value and therefore it is determined that no impairment indicator exists.

Management and the board remain committed to seeing the project through to completion, subject to safety requirements.

Section D
Operating assets and liabilities used to operate our business

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

D1. Cash and cash equivalents

	2021 $'000	2020 $'000
Cash and cash equivalents		
Cash on hand	**1**	1
Bank balances	**1,428**	2,298
Total cash and cash equivalents	**1,429**	2,299
Interest Bearing Liabilities		
Bank overdrafts – refer to note E3	**(5,539)**	(3,398)
Total cash as per statement of cash flows	**(4,110)**	(1,099)

Recognition and measurement

Cash and cash equivalents

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

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

Bank overdraft

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

The bank overdraft facility limit and maximum amount of credit to be made available to the Group is $10,000,000, which is primarily used for short term working capital requirements. The interest rate is based upon the Reserve Bank of New Zealand's "Official Cash Rate" plus a marginal rate of 1.0% (2020: 1.0%) and interest is calculated on the daily balance outstanding refer to note E3.

Risk exposures

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

Fair value disclosures

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

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

Statement of cash flows

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

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

D2. Trade and other receivables

	2021 $'000	2020 $'000
Trade receivables		
Trade receivables	28,184	28,876
Related party receivables	109	132
Sundry receivables	1,105	1,188
Unprocessed credit notes	-	(15)
Provision for impairment of trade receivables	(195)	(226)
Net trade receivables	29,203	29,955
Other receivables		
Other assets	1,582	4,125
Prepayments	3,337	2,897
Total trade and other receivables	34,122	36,977

The aging of trade receivables at reporting date was:

	2021 $'000	2020 $'000
Aged receivables		
Current	21,376	16,552
30 days	4,279	8,435
60 days	1,262	1,100
90 days	365	535
Over 90 days	1,011	2,386
Total aged receivables	28,293	29,008

As at 30 June 2021 current trade receivables of the Group with a value of $16,370 (2020: $36,312) were written off.

Trade receivables of $6,916,431 (2020: $12,455,830) were past due but not impaired as at 30 June 2021. These relate to a number of independent customers for whom there is no recent history of default, refer to note G1 for credit risk analysis.

Expected credit loss has been updated to take into account the expected recoverability as it relates to COVID-19. In making this assessment, current and prospective economic factors have been considered.

The average credit period for trade receivables at 30 June 2021 is 48.54 days (2020: 46.34 days).

Other assets relate to contractual receivables for the creation of roading at the Waikato Freight Hub.

Recognition and measurement

Trade receivables

Trade receivables are recognised at fair value, less a loss allowance for expected credit losses.

Trade receivables are generally on terms of the 20th of the following month.

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

The impairment policy for trade receivables (including the methods, assumptions and information used to measure expected credit losses) is outlined within the credit risk disclosure in note G1.

D3. Inventories

	2021 $'000	2020 $'000
Inventories		
Inventories at cost	**6,572**	6,285
Net realisable value reclassification	**444**	208
Total inventories	**7,016**	6,493

The cost of inventories recognised as an expense during the year was $6,775,147 (2020: $8,393,002).

Recognition and measurement

Inventories

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

D4. Trade and other payables

	2021 $'000	2020 $'000
Trade payables	13,241	15,672
Related party payables	89	101
Other payables	3,351	1,921
Accruals	6,985	10,837
Total trade and other payables	**23,666**	**28,531**

Recognition and measurement

Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently at amortised cost using the effective interest method.

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

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

D5. Provisions

	EMPLOYEE BENEFITS $'000	ACC PARTNERSHIP PROGRAMME $'000	OTHER PROVISIONS $'000	TOTAL $'000
Opening balance	10,256	254	1,079	11,589
Movement				
Additional provisions and increases to existing provisions	8,613	11	-	8,624
Amounts used	(6,981)	-	-	(6,981)
Movement to 30 June 2020	1,632	11	-	1,643
Balances				
Current	10,552	265	1,079	11,896
Non-current	1,336	-	-	1,336
Balance as at 30 June 2020	**11,888**	**265**	**1,079**	**13,232**
Movement				
Additional provisions and increases to existing provisions	**8,164**	**-**	**3,308**	**11,472**
Amounts used	**(7,419)**	**-**	**-**	**(7,419)**
Movement to 30 June 2021	**745**	**-**	**3,308**	**4,053**
Balances				
Current	**11,381**	**265**	**4,387**	**16,033**
Non-current	**1,252**	**-**	**-**	**1,252**
Balance as at 30 June 2021	**12,633**	**265**	**4,387**	**17,285**

Recognition and measurement

Provisions

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

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

Following the fatality of an employee in August 2020, Maritime New Zealand has charged Ports of Auckland Limited under the Health and Safety at Work Act 2015. A best estimate of any potential obligation from this incident has been recognised within the financial statements, the timing of which is currently uncertain. Details of this remain confidential and are not disclosed to avoid any prejudice to the Company.

There remains a possibility that amounts exceeding the provision may be payable by the Company. The amount and the obligation remain uncertain at this time.

The Group has recognised a provision for costs associated with the tornado event in South Auckland that occurred in June 2021.

ACC Partnership Programme

The Group is a partner in the Accident Compensation Commission (ACC) Partnership Programme. Under the Partnership Programme the Group is liable for all its claim costs for a period of two years up to a specified maximum.

At the end of the two year period, the Group pays a premium to ACC for the value of residual claims, the liability for on-going claims from that point passes back to ACC.

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

ACC liability valuation

An independent actuarial valuer (AON New Zealand) has calculated the Group's liability, as at 30 June 2021. The valuer has attested satisfaction as to the nature, sufficiency and accuracy of the data used to determine the outstanding liability.

The valuation carried out as at 30 June 2021 produced a value for the ACC reserve of $264,800 (2020: $264,800). Pre valuation date claim inflation has been taken as 50% (2020: 50%) of movements in the CPI and 50% (2020: 50%) of the movements in the Average Weekly Earnings (AWE) Index. Post valuation date claim inflation rates and the discount rates used to value the liabilities are based on Treasury issued future rates and risk free rates as at 31 May 2021.

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

Section E
How we fund our business

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

E1. Equity and reserves

Share Capital

	2021 SHARES	2020 SHARES	2021 SHARES	2020 SHARES
Ordinary shares				
Balance at 1 July	**156,005,192**	156,005,192	**146,005**	146,005
Balance at 30 June	**156,005,192**	156,005,192	**146,005**	146,005

At 30 June 2021, there were 156,005,192 (2020: 156,005,192) ordinary shares issued, 146,005,192 ordinary shares are fully paid ($1.00 per share) and 10,000,000 ordinary shares remain unpaid at the end of the financial year.

Reserves

	CASH FLOW HEDGES $'000	PROPERTY, PLANT AND EQUIPMENT REVALUATION $'000	FAIR VALUE CHANGES OF EQUITY SECURITIES $'000	RETAINED EARNINGS $'000	TOTAL $'000
Balance at 1 July 2019	**(7,085)**	**254,351**	**26,136**	**380,398**	**653,800**
Profit for the period	-	-	-	23,011	23,011
Revaluations	-	(20,921)	-	-	(20,921)
Changes in fair value of cash flow hedges	(4,068)	-	-	-	(4,068)
Transfer to profit / (loss)	3,885	-	-	-	3,885
Changes in fair value of investments	-	-	9,862	-	9,862
Deferred tax	52	-	-	-	52
Tax benefit of losses received from owner	-	-	-	9,594	9,594
Revaluation reserve reclassified to retained earnings on disposal of assets	-	(8,484)	-	8,484	-
Balance at 30 June 2020	**(7,216)**	**224,946**	**35,998**	**421,487**	**675,215**
Profit for the period	-	-	-	45,574	**45,574**
Dividends	-	-	-	(4,914)	**(4,914)**
Revaluations	-	109,393	-	-	**109,393**
Changes in fair value of cash flow hedges	1,355	-	-	-	**1,355**
Transfer to profit / (loss)	4,157	-	-	-	**4,157**
Changes in fair value of investments	-	-	(3,123)	-	**(3,123)**
Deferred tax	(1,544)	(10,281)	-	-	**(11,825)**
Tax benefit of losses received from owner	-	-	-	1,771	**1,771**
Revaluation reserve reclassified to retained earnings on disposal of assets	-	(542)	-	542	**-**
Other movements	-	-	-	2	**2**
Balance at 30 June 2021	**(3,248)**	**323,516**	**32,875**	**464,462**	**817,605**

The revaluations which accumulated within the property, plant and equipment reserve relating to the Pikes Point property have been released to retained earnings.

Recognition and measurement

Share capital

Ordinary shares are classified as equity.

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

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

Reserves

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

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

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

E2. Dividends

	CENTS PER SHARE	2021 $'000	2020 $'000
2021 Final dividend	3.37	4,914	-
Total dividends paid		**4,914**	**-**

Recognition and measurement

Dividends

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

E3. Borrowings

	2021			2020		
	AVAILABLE $'000	NET DRAWN $'000	UNDRAWN $'000	AVAILABLE $'000	NET DRAWN $'000	UNDRAWN $'000
Current						
Unsecured						
Bank overdraft – refer note D1	**10,000**	5,539	4,461	10,000	3,398	6,602
Total current borrowings	**10,000**	**5,539**	**4,461**	10,000	3,398	6,602
Non-Current						
Unsecured						
Other bank loans	**420,000**	306,258	113,500	420,000	317,125	102,500
Fixed rate notes	**170,000**	169,616	-	170,000	169,567	-
Total non-current borrowings	**590,000**	**475,874**	**113,500**	590,000	486,692	102,500
Total borrowings	**600,000**	**481,413**	**117,961**	600,000	490,090	109,102

Recognition and measurement

Borrowings

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

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

Other bank loans

A revolving advances facility agreement was signed on 27 July 2015. Bilateral revolving advance facility agreements were signed with Westpac New Zealand Limited, ANZ Bank New Zealand Limited and MUFJ Limited. The duration period of the revolving advances facility range from two years to five years. The period until maturity has been renegotiated in the current year for additional three to five year periods with maturities now ranging between July 2022 and July 2024.

The revolving advances facility is subject to a negative pledge deed dated 29 October 2013. This deed is entered into in substitution and replacement of an existing negative pledge deed dated 17 July 1995 (as varied and restated by a deed dated 19 December 2005 and as varied by deeds dated 18 May 2007, 24 November 2009 and 29 October 2013). The deed is for the benefit of Westpac New Zealand Limited, ANZ Bank New Zealand Limited and MUFJ Limited.

The current and non-current borrowings are unsecured. The Group borrows under a negative pledge arrangement which requires certain certificates and covenants.

The negative pledge deed sets out a minimum interest cover requirement (1.5:1) and a maximum gearing ratio percentage requirement (65%). There have been no breaches of this negative pledge during the financial year. The Group's risk management policies are disclosed in note G1.

The interest rate is based on BKBM (bank bill bid settlement) rate plus a margin range of 0.81% to 0.93% per annum (2020: 0.77% to 0.93% per annum). The Group generally borrows funds on a 90 days term (2020: 90 days term).

Fixed rate notes

On 21 June 2018, Ports of Auckland Limited, received long term funding in the form of unsecured notes, via three fixed rate tranches with terms of 10, 12 and 15 years, with final maturities in 2028, 2030, and 2033 respectively.

Each tranche is shared evenly between two investors, Metlife Investments and Pricoa Capital Group.

Interest is paid semi-annually.

The fixed rate notes are subject to the same negative pledge deed as the other bank loans outlined above.

Fair value

The carrying amounts of the bank overdraft and other bank loans approximate their fair values as all debt amounts are based on either floating interest rates or short term (90 days or less) fixed rates.

The fair value of the fixed rate notes is calculated by discounting the future contractual cash flows at current market interest rates that are available for similar financial instruments. Refer to note G1.

E4. Lease liabilities

	2021 $'000	2020 $'000
Current lease liabilities	**1,976**	2,461
Non-current lease liabilities	**12,056**	15,275
Total lease liabilities	**14,032**	17,736

Significant judgement – lease term

The lease term has been determined as the non-cancellable period of the lease, together with options to extend the lease if the lessee is reasonably certain to exercise that option. Judgement has been exercised, to determine the likelihood to exercise any rights of renewal, on a lease by lease basis. The average lease term is five years (2020: five years).

	2021 $'000	2020 $'000
Amounts recognised in profit and loss		
Depreciation expense on right of use assets	**1,960**	1,838
Interest expense on lease liabilities	**775**	803
Expense relating to variable lease payments not included in the measurement of the lease liability	**396**	331

	2021 $'000
Maturity analysis - contractual undiscounted cash flows	
Within one year	**2,020**
Greater than one year but not more than five years	**4,925**
Greater than five years but not more than ten years	**3,955**
Greater than ten years	**10,542**
Total undiscounted lease liabilities	**21,442**

Section F
Group Structure

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

F1. Investments in other entities

	INVESTMENT IN JOINT VENTURES $'000	INVESTMENT IN ASSOCIATES $'000	TOTAL $'000
Carrying value of equity accounted investments			
Balance at 1 July 2019	**1,594**	**910**	**2,504**
Share of profit / (loss) after income tax	1,893	-	1,893
Dividends received	(2,172)	-	(2,172)
Reversal of impairment	101	-	101
Impairment	-	(139)	(139)
Movement in advances	-	230	230
Balance at 30 June 2020	**1,416**	**1,001**	**2,417**
Share of profit / (loss) after income tax	2,114	-	**2,114**
Dividends received	(2,243)	-	**(2,243)**
Reversal of impairment	98	-	**98**
Impairment	-	(198)	**(198)**
Movement in advances	-	80	**80**
Balance at 30 June 2021	**1,385**	**883**	**2,268**

The Group have advanced funds to Longburn Intermodal Freight Hub Limited & Port Connect Limited. Both shareholder advances are repayable on demand, and interest may be charged at commercial rates.

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

Recognition and measurement

Investments and advances

The investments in joint ventures and associates are equity accounted. Refer to F2, for the Group accounting policies.

Advances are held at amortised cost, less provision for impairment.

Note G1 sets out information about the impairment of financial assets and the Group's exposure to credit risk.

F2. Related parties

Subsidiaries

	PLACE OF BUSINESS	CLASS OF SHARES	EQUITY HOLDING 2021 %	EQUITY HOLDING 2020 %
Bunker Shipz Limited	New Zealand	Ordinary	**100**	100
Seafuels Limited	New Zealand	Ordinary	**100**	100
Waikato Freight Hub Limited	New Zealand	Ordinary	**100**	100
Nexus Logistics Limited	New Zealand	Ordinary	**100**	100
Conlinxx Limited	New Zealand	Ordinary	**100**	100

Associates and joint ventures

	PRINCIPAL ACTIVITY	PLACE OF BUSINESS	CLASS OF SHARES	EQUITY HOLDING 2021 %	EQUITY HOLDING 2020 %
Associates					
Longburn Intermodal Freight Hub Limited	Container terminal operation – marine cargo	New Zealand	Ordinary	**33.3**	33.3
Joint ventures					
North Tugz Limited	Marine towage	New Zealand	Ordinary	**50**	50
Port Connect Limited	Online cargo management system	New Zealand	Ordinary	**50**	50

Summary financial information of associates and joint ventures

	AGGREGATE BALANCE 2021 $'000	AGGREGATE BALANCE 2020 $'000
Assets and liabilities		
Current assets	**3,717**	3,482
Non-current assets	**27,317**	27,728
Total assets	**31,034**	31,210
Current liabilities	**10,647**	3,089
Non-current liabilities	**9,603**	17,670
Total liabilities	**20,250**	20,759
Net assets	**10,784**	10,451
Results		
Revenue	**15,674**	14,775
Expenses	**(11,321)**	(11,197)
Net profit after tax	**4,353**	3,578
Total comprehensive income	**4,353**	3,578

The associates and joint ventures had contingent liabilities of $nil as at 30 June 2021 (2020: $nil). Capital commitments as at 30 June 2021 are $nil (2020: $nil).

F2. Related parties (continued)

Related party outstanding balances

	2021 $'000	2020 $'000
Current receivables		
Auckland Council Group	47	44
Associates and joint ventures	62	88
Total current receivables	109	132
Non-current receivables		
Associates and joint ventures	2,226	2,246
Total non-current receivables	2,226	2,246
Current payables		
Auckland Council Group	24	32
Associates and joint ventures	65	69
Total current payables	89	101

In the current year, non-current receivables was impaired by $99,983 (2020: $38,000). The impairment relates to the shareholder advances to equity accounted investees, refer to note G1.

Related party transactions

	2021 $'000	2020 $'000
Auckland Council Group		
Services provided by the Group	184	325
Services provided to the Group	2,197	2,021
Net dividend paid to Auckland Council	4,914	-
Subvention payment to Watercare Services Ltd for tax losses	-	1,641
Tax losses gifted by Auckland Council to the Group	1,771	9,594
Associates and joint ventures		
Services provided by the Group	250	492
Services provided to the Group	622	678
Net dividends received	2,242	2,172
Advances	80	230

Key management personnel compensation

	2021 $'000	2020 $'000
Directors' fees	654	690
Salaries and other short term employee benefits	3,927	4,691
Termination costs	1,133	-
Total key management compensation	5,714	5,381

Recognition and measurement

Related parties

All subsidiaries, associates and joint ventures are related parties to the Group. Auckland Council wholly owns Ports of Auckland Limited. All council controlled organisations (CCOs) of Auckland Council are considered related parties to the Group.

Subsidiaries

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

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

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

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

i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and

ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under NZ IFRS 9 Financial Instruments or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

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

Associates and joint ventures

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

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

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

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

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

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

Related Party Transactions

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

Auckland Council Group

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

F2. Related parties (continued)

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

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

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

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

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

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

The Group provides life insurance to some key management personnel. There are no other non-cash benefits provided to directors and other key management personnel in addition to their fees or salaries.

F3. Equity securities

	2021 $'000	2020 $'000
Balance at 1 July	**53,422**	43,560
Movements through reserves	**(3,123)**	9,862
Balance at 30 June	**50,299**	53,422

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

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

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

Recognition and measurement

Equity securities

The Group has made an irrevocable election to classify the equity securities at fair value through other comprehensive income (FVOCI). Upon disposal, any related balance within the FVOCI reserve is reclassified to retained earnings.

The gains or losses on the equity securities are recognised in other comprehensive income, except for any impairment losses. Dividends on FVOCI equity instruments are recognised in profit or loss when the entity's right to receive payment is established.

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

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

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

Section G
How we manage financial risk

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

G1.Financial risk management

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

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

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

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

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

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

Credit risk

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

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

Risk management

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

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

The Group's credit risk is also attributable to trade receivables which comprise a large number of customers, spread across diverse industries. The Group only extends credit after performing a credit assessment, which may include a review of their financial strengths, previous credit history with the Group, payment habits with other suppliers, bank references and credit rating agency reports.

Approximately 57% (2020: 62%) of trade receivables at balance date is reflected by the Group's ten largest customers. At balance date approximately 15% (2020: 25%) of the trade receivables related to one customer. The Group is satisfied with the credit quality of the customer and does not anticipate any non-performance.

Impairment of financial assets

The following financial assets are subject to the expected credit loss model:

- Cash and cash equivalents
- Trade receivables
- Advances to equity accounted investees

G1. Financial risk management (continued)

Trade receivables

The Group has applied the NZ IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. When a trade receivable is considered uncollectable, it is written off against the provision.

To measure the expected credit loss, the trade receivables have been grouped in accordance with their shared credit risk characteristics and the days past due. Historical loss rates are adjusted to reflect current and forward-looking information. The Group identified domestic GDP and the unemployment rate, alongside global macroeconomic factors such as global growth, and fuel prices, to be the most relevant credit risk factors. The loss rates are adjusted based on expected changes in these factors.

The trade receivables loss allowance as at 30 June 2021 was determined as follows:

$'000s	CURRENT	30 DAYS PAST DUE	60 DAYS PAST DUE	90 DAYS PAST DUE	120 DAYS PAST DUE	TOTAL
30 June 2020						
Expected loss rate	0.22%	0.94%	2.44%	8.24%	1.65%	
Gross carrying amount	16,552	8,435	1,100	535	2,386	29,008
Loss allowance	**37**	**79**	**27**	**44**	**39**	**226**
30 June 2021						
Expected loss rate	**0.18%**	**0.35%**	**0.60%**	**1.60%**	**12.70%**	
Gross carrying amount	**21,377**	**4,279**	**1,262**	**365**	**1,010**	**28,293**
Loss allowance	**38**	**15**	**8**	**6**	**128**	**195**

Advances to equity accounted investees

The advances to equity accounted investees are repayable on demand, and as such the expected credit losses are based on the assumption that repayment of the loan is demanded at reporting date.

The closing loss allowance for advances to equity accounted investees as at 30 June 2021 reconciles to the opening loss allowance as follows:

	$'000
Balance at 30 June 2020	504
Increase in loss allowance recognised in profit or loss during the year	100
Balance at 30 June 2021	**604**

Liquidity risk

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

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

	LESS THAN 6 MONTHS $'000	6-12 MONTHS $'000	1-2 YEARS $'000	2-5 YEARS $'000	5+ YEARS $'000	TOTAL CONTRACTUAL CASH FLOWS $'000	CARRYING AMOUNT LIABILITIES $'000
Balance at 30 June 2020							
Trade and other payables	28,531	-	-	-	-	28,531	28,531
Borrowings	27,089	6,225	62,097	290,865	216,191	602,467	490,090
Financial guarantee contract	-	-	-	-	-	-	
Total non-derivative liabilities	55,620	6,225	62,097	290,865	216,191	630,998	518,621
Balance at 30 June 2021							
Trade and other payables	28,053	-	-	-	-	**28,053**	**28,053**
Borrowings	37,853	6,237	126,294	210,905	207,588	**588,877**	**481,413**
Financial guarantee contract	-	-	-	-	-	**-**	
Total non-derivative liabilities	**65,906**	**6,237**	**126,294**	**210,905**	**207,588**	**616,930**	**509,466**

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

	LESS THAN 6 MONTHS $'000	6-12 MONTHS $'000	1-2 YEARS $'000	2-5 YEARS $'000	5+ YEARS $'000	TOTAL CONTRACTUAL CASH FLOWS $'000	CARRYING AMOUNT LIABILITIES $'000
Balance at 30 June 2020							
Interest rate swaps (net settled)	2,493	1,700	2,463	3,075	304	10,035	9,887
Forward exchange contracts							
Inflows	(871)	(6,655)	-	-	-	(7,526)	
Outflows	882	6,826	-	-	-	7,708	
Net forward exchange contracts	11	171	-	-	-	182	181
Total derivative liabilities	2,504	1,871	2,463	3,075	304	10,217	10,068
Balance at 30 June 2021							
Interest rate swaps (net settled)	1,404	857	1,058	1,091	-	**4,410**	**4,352**
Forward exchange contracts							
Inflows	(5,622)	-	-	-	-	**(5,622)**	
Outflows	5,781	-	-	-	-	**5,781**	
Net forward exchange contracts	**159**	**-**	**-**	**-**	**-**	**159**	**159**
Total derivative liabilities	**1,563**	**857**	**1,058**	**1,091**	**-**	**4,569**	**4,511**

Market risk

Foreign currency risk

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

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

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

Interest rate risk

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

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

By using floating-to-fixed interest rate swaps, the Group agrees with other parties, to exchange, at specific intervals (normally quarterly), the difference between the fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amount

G1. Financial risk management (continued)

Effects of hedge accounting on the financial position and performance

Forward exchange contracts

The effects of the foreign currency related hedging instruments on the Group's financial position and financial performance are outlined in the table below. The maturity date for the outstanding forward exchange contracts range from July 2021 to October 2021 (PY: July 2020 to October 2021).

	2021 $'000	2020 $'000
USD Forward Exchange Contracts		
Hedge ratio		
Weighted average hedged rate for the year		-
EUR Forward Exchange Contracts		
Carrying amount - asset	-	45
Notional amount	-	6,075
Hedge ratio		1:1
Change in discounted spot value of outstanding hedging instruments during financial year	-	45
Change in value of hedged item used to determine hedge effectiveness	-	(45)
Weighted average hedged rate for the year		EUR 0.5729:NZD 1
EUR Forward Exchange Contracts		
Carrying amount - liability	(159)	(181)
Notional amount	5,781	7,708
Hedge ratio	1:1	1:1
Change in discounted spot value of outstanding hedging instruments during financial year	(175)	(93)
Change in value of hedged item used to determine hedge effectiveness	175	93
Weighted average hedged rate for the year	EUR 0.5717 :NZD 1	EUR 0.5579:NZD 1

Interest rate swaps

The effects of the interest rate swaps on the Group's financial position and financial performance are outlined in the table below. The maturity date for the outstanding interest rate swaps range from December 2021 to June 2026 (PY: December 2020 to June 2026).

	2021 $'000	2020 $'000
Interest rate swaps		
Carrying amount - liability	(4,352)	(9,887)
Notional amount	90,000	130,000
Hedge ratio	1:1	1:1
Change in fair value of outstanding hedging instruments during financial year	1,376	(4,106)
Change in value of hedged item used to determine hedge effectiveness	(1,466)	4,089
Weighted average hedged rate for the year	3.48%	4.12%

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

	30 JUNE 2021		30 JUNE 2020	
	WEIGHTED AVERAGE INTEREST RATE %	BALANCE $'000	WEIGHTED AVERAGE INTEREST RATE %	BALANCE $'000
Bank overdrafts and bank loans	1.3%	312,039	1.2%	320,898
Interest-rate swaps - notional value	3.5%	90,000	4.1%	140,000

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

Equity price risk

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

The Group is not exposed to commodity price risk.

Summarised sensitivity analysis

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

	2021 $'000	2020 $'000
Financial assets		
Cash and cash equivalents	**1,429**	2,298
Equity securities	**50,299**	53,422
Total financial assets	**51,728**	55,720
Designated in hedge relationship		
Derivative financial assets		
Forward exchange contracts	**-**	45
Derivative financial liabilities		
Interest rate swaps	**4,352**	9,887
Forward exchange contracts	**159**	182
Total designated in hedge relationship	**4,511**	10,024
Financial liabilities		
Interest bearing liabilities	**481,413**	490,090
Total financial liabilities	**481,413**	490,090

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

	2021		2020	
	PROFIT BEFORE TAX $'000	EQUITY $'000	PROFIT BEFORE TAX $'000	EQUITY $'000
Interest rate risk				
25 basis point increase	**(553)**	**453**	(474)	750
25 basis point decrease	**553**	**(465)**	474	(761)
Foreign exchange risk				
10% increase in value of NZ dollar	**(14)**	**(511)**	(192)	(1,238)
10% decrease in value of NZ dollar	**14**	**624**	192	1,513
Equity price risk				
10% increase in equity prices	**-**	**5,030**	-	5,342
10% decrease in equity prices	**-**	**(5,030)**	-	(5,342)

Fair value

Fair value hierarchy

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

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the financial year end date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily NZX equity investments classified as at fair value through other comprehensive income (PY: available-for-sale).

G1.Financial risk management (continued)

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined by using the following valuation techniques:

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

These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Level 3: The Group engages external, independent and qualified valuers to determine:

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

Any transfers in the fair value hierarchy is disclosed in note B2, along with an analysis for the fair value approaches used.

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

	LEVEL	2021 $'000	2020 $'000
Equity securities	1	**50,299**	53,422
Derivative financial assets			
Interest rate swaps	2	**-**	-
Foreign exchange contracts	2	**-**	45
Total derivative financial assets		**-**	45
Derivative financial liabilities			
Interest rate swaps	2	**4,352**	9,887
Foreign exchange contracts	2	**159**	182
Total derivative financial liabilities		**4,511**	10,069
Non-financial assets			
Investment properties	3	**158,282**	130,249
Land	3	**453,803**	380,613
Buildings	3	**89,411**	81,179
Wharves	3	**335,108**	309,253
Total non-financial assets		**1,036,604**	**901,294**

Financial instruments

The Group's financial instruments consist of cash and cash equivalents, trade and other receivables (excluding prepayments), advances to equity accounted investees, equity securities, trade and other payables, interest bearing liabilities and derivative financial instruments. The total carrying amount of the Group's financial assets and liabilities are detailed below:

	CARRIED AT COST OR AMORTISED COST $'000	CARRIED AT FAIR VALUE $'000	FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME $'000
Balance at 30 June 2020			
Financial assets			
Cash and cash equivalents	2,298	-	-
Trade receivables	31,380	-	-
Joint venture and associate advances	2,246	-	-
Equity securities	-	-	53,422
Designated in a hedge relationship			
Derivative financial assets	-	45	-
Derivative financial liabilities	-	(10,069)	-
Financial liabilities			
Trade and other payables	(26,610)	-	-
Interest bearing liabilities	(490,090)	-	-

	CARRIED AT COST OR AMORTISED COST $'000	CARRIED AT FAIR VALUE $'000	FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME $'000
Balance at 30 June 2021			
Financial assets			
Cash and cash equivalents	**1,429**	**-**	**-**
Trade receivables	**30,785**	**-**	**-**
Joint venture and associate advances	**2,226**	**-**	**-**
Equity securities	**-**	**-**	**50,299**
Designated in a hedge relationship			
Derivative financial liabilities	**-**	**(4,512)**	**-**
Financial liabilities			
Trade and other payables	**(20,315)**	**-**	**-**
Interest bearing liabilities	**(481,413)**	**-**	**-**

G1.Financial risk management (continued)

The fair value of financial liabilities held at amortised cost are detailed below. This excludes floating rate bank debt, and trade and other payables, as their carrying values approximate their fair values.

	TRANCHE 1 $'000	TRANCHE 2 $'000	TRANCHE 3 $'000	TOTAL $'000
Balance at 30 June 2020				
Interest bearing liabilities - fixed rate notes				
Final maturity date	21 June 2028	21 June 2030	21 June 2033	
Coupon	4.81%	5.06%	5.32%	
Carrying value – refer E3	57,860	55,857	55,850	**169,567**
Fair value	67,751	69,633	72,783	**210,167**
Balance at 30 June 2021				
Interest bearing liabilities - fixed rate notes				
Final maturity date	**21 June 2028**	**21 June 2030**	**21 June 2033**	
Coupon	**4.81%**	**5.06%**	**5.32%**	
Carrying value – refer E3	**57,880**	**55,873**	**55,863**	**169,616**
Fair value	**65,558**	**65,574**	**67,574**	**198,706**

The fair value of the fixed rate notes has been calculated as the present value of the future cash flows.

Capital risk management

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

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

The gearing ratio as at 2021 is 33% (2020: 37%).

G2. Derivative financial instruments

	2021 $'000	2020 $'000
Current assets		
Forward foreign exchange contracts	-	29
Total current derivative assets	-	29
Non-current assets		
Forward foreign exchange contracts	-	16
Total non-current derivative assets	-	16
Total derivative assets	-	45
Current liabilities		
Forward foreign exchange contracts	159	182
Interest rate swaps	928	1,285
Total current derivative liabilities	1,087	1,467
Non-current liabilities		
Interest rate swaps	3,424	8,602
Total non-current derivative liabilities	3,424	8,602
Total derivative liabilities	4,511	10,069

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

	2021 $'000	2020 $'000
Less than 1 year	40,000	40,000
1 - 2 years	-	40,000
2 - 3 years	25,000	-
3 - 4 years	10,000	25,000
4 - 5 years	15,000	10,000
Greater than 5 years	-	15,000
Total	90,000	130,000

G2. Derivative financial instruments (continued)

Recognition and measurement

Derivatives

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

Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured to fair value, at balance date, with an adjustment made for credit risk in accordance with NZ IFRS 13 'Fair Value Measurement'. The fair values are estimated on the basis of the quoted market prices for similar instruments in an active market or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

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

Hedge accounting

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

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

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

Cash flow hedges

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

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

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

Fair value

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

Instruments used by the Group

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

All derivatives are designated as hedging instruments.

Interest rate swap contracts - cash flow hedges

Bank loans of the Group currently bear a weighted average variable interest rate of 1.27% (2020: 1.22%). It is policy to protect part of the loans from exposure to increasing interest rates. Accordingly, the Company has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates.

Swaps currently in place cover approximately 18% (2020: 27%) of the loan principal outstanding and are timed to expire as interest and loan repayments fall due. The fixed interest rates range between 2.85% and 3.97% (2020: 2.85% and 5.79%) and the maturity dates range between 21-Dec-21 and 21-Jun-26.

During the current financial year no new interest rate swap contracts were put in place.

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

Forward exchange contracts – cash flow hedges

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

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

At 30 June 2021, the Group had outstanding forward exchange contracts equivalent to $5,781,298 (2020: $13,782,686) for an electric tug boat.

Hedging Reserves

The Group's hedging reserves disclosed in note E1 relate to the following hedging instruments:

	INTEREST RATE SWAPS $'000	FORWARD EXCHANGE CONTRACTS $'000	TOTAL HEDGE RESERVE $'000
Balance at 1 July 2019	**6,953**	**132**	**7,085**
Changes in fair value of hedging instrument recognised in OCI	4,116	(48)	**4,068**
Interest expense reclassified from OCI to profit or loss	(3,885)	-	**(3,885)**
Deferred tax	(65)	13	**(52)**
Balance at 30 June 2020	**7,119**	**97**	**7,216**
Changes in fair value of hedging instrument recognised in OCI	**(1,378)**	**23**	**(1,355)**
Interest expense reclassified from OCI to profit or loss	**(4,157)**	**-**	**(4,157)**
Deferred tax	**1,550**	**(6)**	**1,544**
Balance at 30 June 2021	**3,134**	**114**	**3,248**

Hedge ineffectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic effectiveness assessments to ensure an economic relationship exists between the hedged item and the hedged instrument.

For hedges of foreign currency purchases, the Group enters into hedge relationships where the critical terms of the hedging instrument match, and therefore it is expected that the value of the forward contracts and the value of the corresponding hedged items will systematically change in opposite direction in response to movements in the underlying exchange rate. Ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of the Group or the derivative counterparty.

The Group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. Hedge ineffectiveness for interest rate swaps is assessed using the same principles as for hedges of foreign currency purchases. It may occur due to differences in critical terms between the interest rate swaps and loans.

Section H
Other disclosures

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

H1. Non-current assets held for sale

	2021 $'000	2020 $'000
Investment Property – Building	2,300	-
Balance at 30 June	**2,300**	-

A central city building held as investment property was deemed as held for sale in the current year.

Recognition and measurement

Assets held for sale

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

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

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

H2. Capital commitments

	2021 $'000	2020 $'000
Property, plant and equipment		
Property, plant and equipment	7,607	16,103
Intangible assets	222	36
Investment properties	855	1,162
Total capital commitments	**8,684**	17,301

Capital commitments include spend related to the capacity upgrade at the container terminal, and investment in our supply chain network.

H3. Lease commitments

	2021 $'000	2020 $'000
Operating lease commitments: Group as lessor		
Within one year	**9,020**	7,640
Greater than one year but not more than five years	**26,900**	24,815
More than five years	**35,918**	38,704
Total operating lease commitments	**71,838**	71,159

The lease commitments of the Group relate to investment property owned by the Group with lease terms between 1 to 11 years and buildings within port operation boundaries included in property, plant and equipment also owned by the Group with a lease term between 1 to 23 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

Recognition and measurement

Lease commitments

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

H4. Contingencies

Contingent liabilities

The Group had $nil contingent liabilities at 30 June 2021 (2020: $nil).

Ports of Auckland Limited has a performance bond of $810,000 (2020: $810,000) with Auckland Council to ensure that the final finishing of the reclamation of the Fergusson Container terminal is undertaken and that an accessible esplanade reserve is provided. Ports of Auckland Limited pays Westpac a premium to take on the bond risk. No event has occurred that would cause this guarantee to be called upon.

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

H5. Events occurring after the reporting period

On 12 August, Maritime New Zealand has filed charges against Ports of Auckland Limited under sections 47, 48 and 90 of the Health and Safety at Work Act 2015 in relation to the fatality of an employee in August 2020, refer to note D5.

On 23 August 2021, subsequent to year end the Board of Directors resolved to pay an imputed dividend of 2.55 cents per ordinary share, a total of $3,724,000. The dividend will be paid on 8 October 2021.

Get in touch

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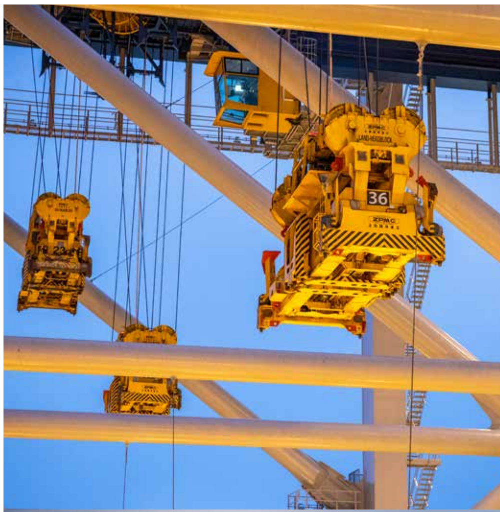
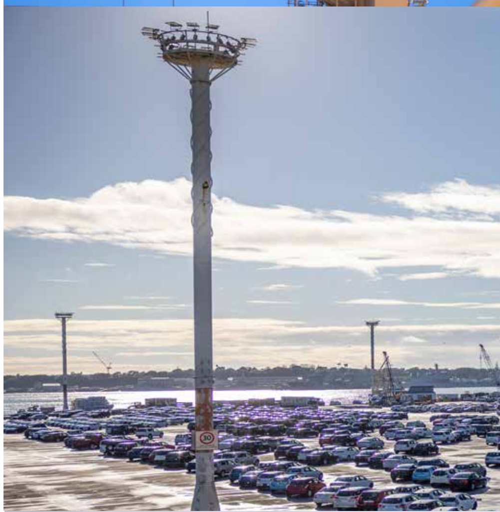
For more information on the 30-year master plan:
www.masterplan.poal.co.nz

To see our Annual Report online including videos:
www.poal.co.nz/media/reviews



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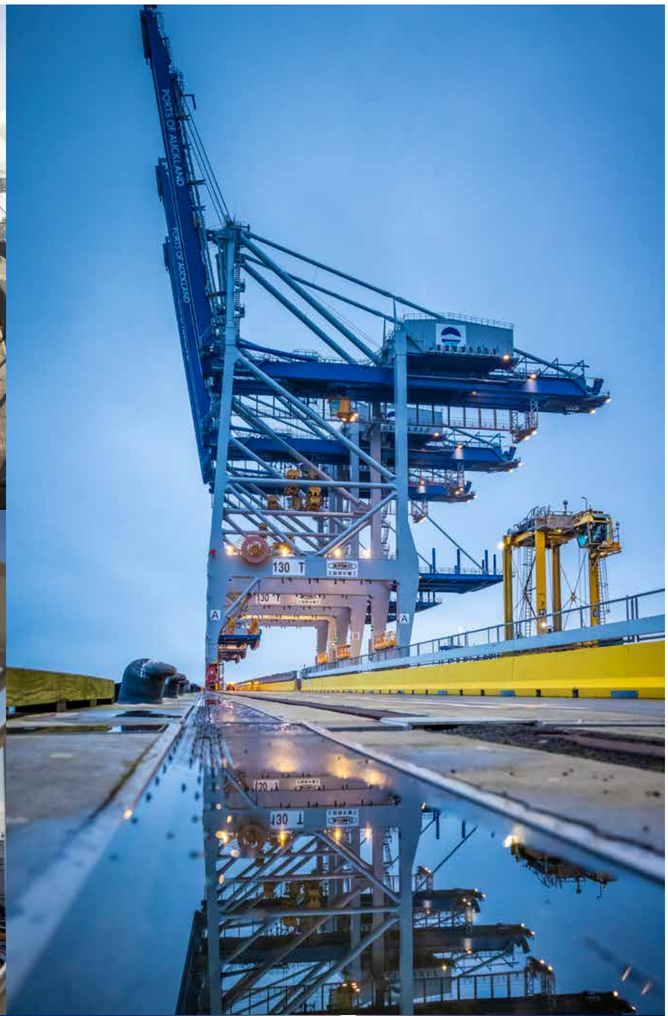
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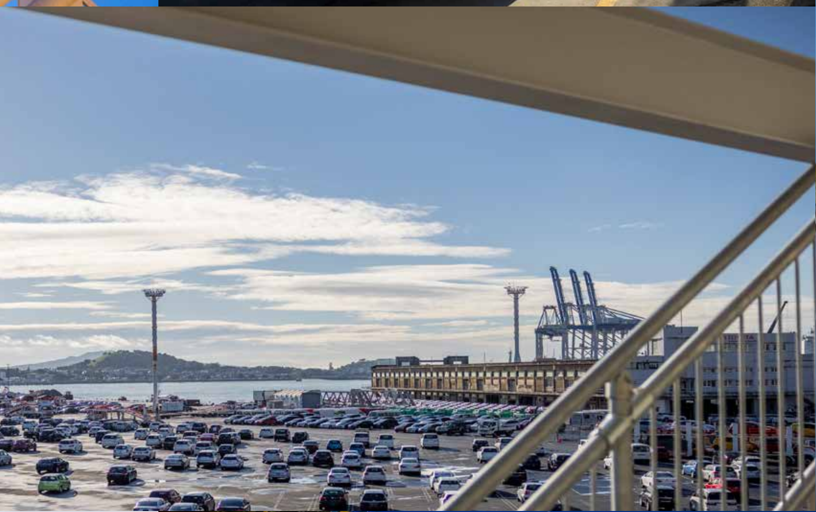


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