Port of Auckland
Tāmaki Herenga Waka

Annual Report 2023
Mahere ā-Tau

Delivering for Tāmaki Makaurau Auckland

PORT OF AUCKLAND
TĀMAKI HERENGA WAKA

Contents
Ko Ngā kaupapa whānui me Ngā kaupapa whāiti

Our Vision
Te Ara Ki Tua

From the construction of Queen Street wharf in the 1850s until now, Auckland's port has connected the world to Tāmaki Makaurau. As New Zealand's largest import port, Port of Auckland has developed hand in hand with Auckland, bringing in goods we've needed to thrive.

From Singapore and Rotterdam, through to Sydney and Shanghai, thriving global cities depend on reliable supply chains. So, it's no coincidence these are just some of the powerhouse cities depending on port operations.

Island nations like New Zealand need comprehensive port strategies. Ports create jobs, they enable business, they reduce carbon emissions compared to other import options, and in the case of Auckland, the port provides a dividend to Auckland Council.

Most of the port's inbound cargo is for Auckland. We are proud of the role we play in Auckland's economy and how we support Aucklanders through our dividends.

Our vision

We are a port that is sustainably profitable, delivering a fair return to Auckland Council, whilst remaining the preferred port of our customers and people.

Refreshing the brand

Recognising our turnaround and progress towards Regaining our Mana, we felt the port brand as it stood no longer accurately represented the port organisation, becoming outdated as we look to the future.

We are beginning a journey to update the port brand with a new, clean, contemporary design framework that includes more elements of Te Ao Māori and acknowledges to Port of Auckland's past, present, and future.

We've changed our name to Port of Auckland. Removing the 's' on 'ports' reflects the 2018 sale of Onehunga seaport to Auckland Council and represents our one seaport operation on the Waitematā.

The incorporation of more reo Māori and Māori design aligns with our Taura Herenga Waka | Māori Outcomes Framework and reflects employee feedback. We have used the five design patterns on the right in our new brand.

We are most grateful to everyone who has played a role in helping us shape our inspiring new look, from our port rūnanga, through to the Executive Team and beyond. Through our inclusive approach, we believe our brand represents the collective outlook of our people and is consequently a true representation of who we are and where we're heading.

We're proud to represent New Zealand and facilitate the sustainable growth of trade across the upper North Island, and especially proud to be Auckland's port.

We are the Port of Auckland.

Poutama

Symbolises levels of attainment and advancement and the growth of man, striving ever upwards and for betterment.

Taki toru

Or three-element design. Speaks to connection and the affection between people. The tree lashings are symbolic of the kaupapa of 'embracing visitors as whānau'.

Te Maunga

Mountains, guardians, land.

Niho taniwha

Speaks to empowerment and determination.

Purapura whetū

Speaks to navigation, the collection and connection of data and insights to navigate future pathways and strategies.

Welcome back cruise!

Results at a Glance
Ko Ngā Puawaitanga

$40.5m
NPAT for FY23, compared to ($10.3m) loss in FY22

$45.2m
Underlying NPAT for FY23, compared to $25m in FY22*

3.9m
tonnes breakbulk excluding cars

90,399
TEU by rail

818,810
containers**

228,588
cars

$30m
dividend

177,297
cruise passengers

Reduced debt levels
$42m
from $450m to $408m

* Underlying NPAT excludes items such as revaluations and impairments
** TEU (one TEU = one standard 20-foot container)

Won
the Collaboration Award at the 2023 Safeguard New Zealand Workplace Health and Safety Awards

11,284
emissions: 11,284 tCO_2e (market-based scope 1&2)

Donated
$80,000
to port employees through a grant scheme, promoting outside work achievement in personal endeavours

$1.5m
dedicated to Te Moananui o Toi Restoration Trust established with Protect Aotea to restore the mauri of the Waitematā Harbour and Hauraki Gulf

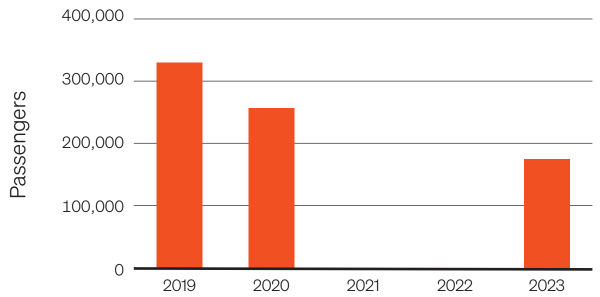
Began reforesting
38 hectares
of native forest in Āwhitu Peninsula

Established
and implemented New Zealand's first and only Stevedoring Code of Practice

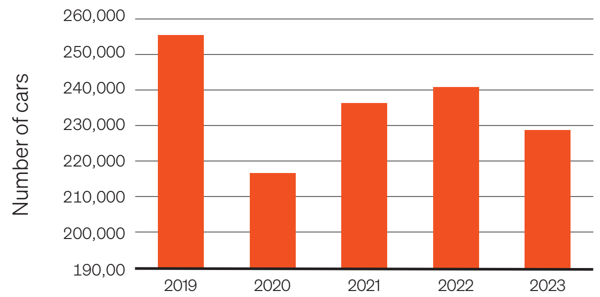
tCO_2e: tonnes of carbon dioxide equivalent emissions (a standard unit for counting greenhouse gas (GHG) emissions regardless of whether they're from carbon dioxide or another gas, such as methane)

Results at a glance

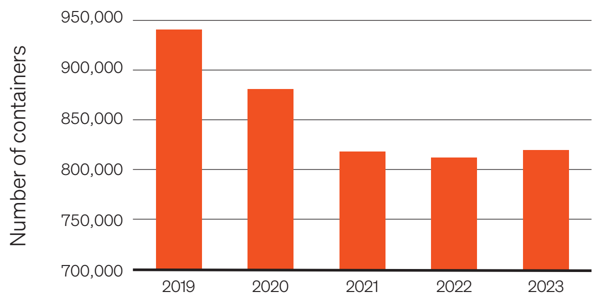
Cruise ship passengers



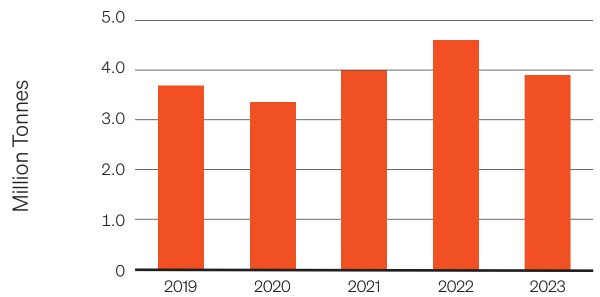
Cars



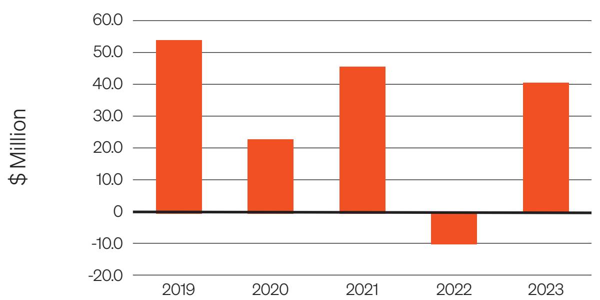
Container Throughput



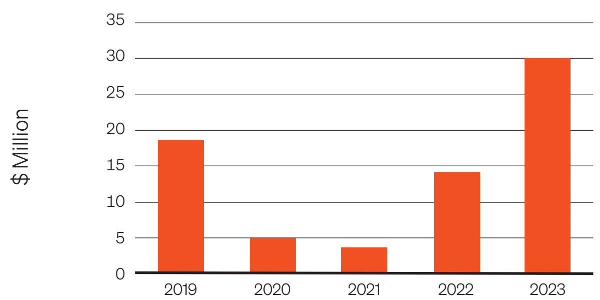
Bulk and Breakbulk excluding cars



Net Profit After Tax



Ordinary Dividends declared



Regaining our Mana - Our Strategy
Toi Tū Te Mana

Vision

Port of Auckland Limited will be a port that is sustainably profitable, delivering a fair return to Auckland Council, whilst remaining the preferred port of our customers and our people.

Purpose

Facilitate the sustainable growth of trade for Auckland and the North Island.

Focus Areas

Customer at the core

- Only focus on what our customers value
- Increase our Revenue
- Deliver seamless customer experiences
- Institute strong capital discipline and fiscal prudence

Execute the plan

- Plan and optimise the use of our sites
- Upgrade our core systems
- Build our reputation (social licence) with others
- Maintain operational integrity
- Simplify our business operations and structures

Whanaungatanga

- Operate safely and sustainably
- Develop a safe high-performance focused culture
- Attract and retain great people
- Leverage the power of our people working together through High Performance High Engagement
- Don't pass on poor work

Sustainability Pillars

Caring for Aucklanders

Genuine harbour health

Meaningful climate action

Driving towards a circular economy

Sustainable business in Auckland

Financial

FY24	$52m NPAT $35m Dividend	
FY25	$60m NPAT $42m Dividend	
FY26	$70m NPAT $50m Dividend	

Chair and Chief Executive's Review
Te Arotake Matua a Te Tumuaki me te Manahautu

This year the Board set out to achieve a strong financial performance and guide the delivery of the company strategy, Regaining our Mana.

Chair Letter

We are pleased with the past year's execution of our Regaining our Mana strategy and the resulting improvement in the company performance, customer satisfaction, and a safe working environment. This strategy focuses on creating a port that is safe and sustainably profitable, delivering to our customers, our people, and our shareholder.

The Group has delivered a pleasing result with a net profit after tax of $40.5m, compared to a loss of $10.3m in 2022, and we have declared dividends of $30m to Auckland Council, a $15.8m increase on FY22.

The mayor's office has commissioned several reports looking into the future of the port, and we have been actively participating in the preparation of those reports. While we are assisting the mayor's office with its investigations, we remain focused on Regaining our Mana and for the port to achieve an acceptable return to its shareholder. The Port of Auckland is targeting a return to paying an annual dividend of $50 million to its shareholder, Auckland Council, by 2026.

There has been significant progress with our health and safety culture and processes, and the Board thanks all those who have contributed to the positive changes we're seeing in creating a safe workplace for our people and other port users.

We were thrilled when Port of Auckland was named as finalist across four categories at the New Zealand Workplace Health and Safety Awards. Winning two of these awards is testament to the hard work and cultural change at the Group. We know we still have work to do and continue to drive towards being a safer place to work.

In January, we achieved the settlement of an ongoing dispute regarding port dredging and disposal consents, work which will allow us to facilitate larger ships in the future. An integral part of the settlement is the establishment of a 15-year investment via the Te Moananui o Toi Restoration Trust of $1.5m for harbour health restoration initiatives. We look forward to seeing those programmes and initiatives commence in the next year.

We have a diverse working community at the port with people of many ethnicities coming from across Auckland to ensure the port functions each day. We appreciate the impact we have on many Aucklanders as their place of work. We want to retain and attract great people and have been investing in developing our people and our leaders. We started our Tumu Herenga Waka frontline leadership programme and have been investing in the port's Senior Leaders.

On March 31, 2023, Sarah Haydon completed her term as a Director and retired from the Board. Sarah was a valuable contributor to the Board, particularly as Chair of the Audit and Risk Committee and we wish her all the best for the future.

The Board is delighted with the performance of the company. We thank Roger and his team of 774 people who choose to call the port their place to work, who bring their energy and enthusiasm to their work every day.

Jan Dawson
Chair

Letter from the CEO

We are one year into a three-year journey to restore mana to the Port of Auckland, and I couldn't be more pleased with our progress. Regaining our Mana is a strategy designed to lift performance, deliver returns to our owner, Auckland Council, and rebuild the trust of our people and Aucklanders.

The key pillars of the strategy are Customer at the Core, Executing the Plan and Whanaungatanga. There have been substantial efforts and successes in these areas which are reflected in our strong financial results, the transformation of our employee relations, and the safety and wellbeing of our people.

The year has not been without its challenges, most notably the Auckland Anniversary flooding and Cyclone Gabrielle. It is testament to the port's resilience that we emerged largely unscathed and were able to deliver supply chain resilience at a time when the North Island needed it most.

Financial performance

For FY23, our revenue increased to $320.2m, up 20.7% on FY22. Operating costs increased by 12.1% reflecting a focus on returning to getting the basics right under a simplified strategy. Net Profit After Tax is $40.5m, with Underlying NPAT strong at $45.2m, an increase of $20.2m on last year.

Our container terminal division is continuing to improve, and this has had a positive impact on our results. We have begun the next stage of capacity development to assist with future growth. The return to berthing windows in March, whilst still a focus of ongoing improvement work, is improving efficiency and delivery. This has bolstered our commercial results, as has the return of cruise.

Caring for our people

A highlight of the year was winning a New Zealand Workplace Health and Safety Award for our collaboration with the Maritime Union of New Zealand (MUNZ) and our third-party stevedores, C3 Limited and Wallace Investments Limited, on New Zealand's first Stevedoring Code of Practice.

There has been a dramatic turnaround in our relationship with our unions. We are proud to have established Dynamic Rostering and agreed the Stevedoring Code of Practice with MUNZ. Further, introducing Dynamic Rostering means stevedores can roster shifts weeks in advance to provide more stability for their whānau and be present for their own people and communities when they need to be.

Creating a great place to work

Transforming what it means to work at Port of Auckland is significant – and we are making great progress in key areas.

Part of that is recognising the achievements of port people, so in July we launched the Ka Pai Awards. There are seven categories with quarterly nominations issued, culminating in our first annual awards ceremony in May 2024. I look forward to sharing news of those winners in the next annual report.

The Port of Auckland has introduced a scheme to empower port workers to follow their personal passions and endeavours. Each quarter, $20,000 is distributed to staff, helping a broad range of worthy activities including community gardens, church groups, and medal-winning Commonwealth Games athletes.

We're also one year into embedding High Performance, High Engagement (HPHE) in the business. We're taking a unique approach and implementing our Taura Herenga Waka | Māori Outcomes Framework and HPHE together, starting with the creation of our Rūnunga and Taumata (our cultural representative groups).

Customer at the core

Our customers are key to us Regaining our Mana, with our focus squarely on what customers value, and working to deliver a seamless customer experience.

We were determined to restore predictability for container ships following the Covid-19 disruptions and pushed hard to return to berth windows. Reliably knowing when ships come into port means our customers can schedule freight movements and be sure cargo will arrive on time. Berth windows also allows the port to allocate resources more efficiently. Restoring berth windows has not been without its challenges however we remain committed to bringing more reliability to our customers.

Cruise ships were a welcome sight for many in 2023, and it was wonderful to host our cruise partners back to our shores, including P&O Cruises Australia who has made Auckland their home port for the first time since 2019. This year more than 170,000 cruise passengers visited Auckland, and these tourists bring vibrancy to the city and economic stimulus to restaurants and retail in the CBD.

Looking ahead, we expect the cruise industry will grow to 250,000 people a year. This year there will be 20 cruises over the winter, investing $5m in the economy through local suppliers providing beer and lamb from Waikato, honey from Northland, and milk and cream from farmers nationwide, to name just a handful. You can read more on page 19.

Just in case to just in time

Due to global shipping disruptions of the past few years, the Just in Case model was embraced, and businesses were holding significant levels of inventory.

With disruptions smoothing out, business confidence in the global supply chain returning, and the cost of the Just in Case model increasing, we're seeing many businesses move back to a Just in Time model. This will hopefully free up the supply chain further and we'll see fewer bottlenecks across the sector.

Focusing on core operations

As indicated in our Regaining our Mana strategy we are reviewing our non-core assets and refocusing on core business. During the year we have divested our holdings in Longburn Intermodal Freight Hub.

A resilient, carbon-efficient supply chain asset for Auckland

The resilience of our port was demonstrated by the fact we only closed for three days across both the Auckland Floods and Cyclone Gabrielle, and only due to high winds. As soon as the winds dropped we were back to servicing Aucklanders' freight needs.

We are aware other parts of the supply chain did not fare so well, and New Zealand's Freight and Supply Chain Strategy is now firmly the focus of Te Manatū Waka, the Ministry of Transport. They are working on creating a low-emission, resilient, productive, innovative, equitable, and safe national supply chain, which we look forward to collaborating on.

Auckland, as a city, is also positioned well to withstand other natural disasters. This year we undertook tsunami modelling and were pleased to see that we are well protected by the Hauraki Gulf Islands should there be a significant earthquake in South America.

New Zealand needs a long-term resilient supply chain strategy that ties together roading, rail, and port infrastructure into a national plan. Part of that bigger picture is considering the impact of supply chain on the environment. Auckland's proximity to the end consumer and the short land bridges required means the port's current location is also a low carbon option for freight owners.

Caring for tomorrow

Our revised strategy sees us thinking more widely across environmental, social, and governance pillars. Our dedication to sustainability is broader than emissions and environmental impact. For us, sustainability is also about the communities we exist in and those which support and enable us. We're focusing on sustainable relationships with the diverse communities and cultures that make up our workforce.

While our sustainability strategy is broad, within it is a robust plan for emissions reductions, recently tailored to reflect the goals of Auckland Council. Underpinning this is a move to renewable energy and creating a self-sufficiently powered port.

Some real highlights for the year have been establishing Te Moananui o Toi Restoration Trust alongside Protect Aotea to help restore the Waitematā Harbour and Hauraki Gulf, alongside starting our reforestation project on the Āwhitu Peninsula. You can read more about these initiatives on page 24.

Finally, I want to thank the team of 774 who have worked exceptionally hard for our customers, for Aucklanders, and for each other. Your efforts have contributed to our turnaround and successful results.

Roger Gray
Chief Executive


MAERSK
CMA CGM
APL
T.S. LINES
CAI
MAERSK
CMA CGM
MAERSK

Safety and Wellbeing
Toitu te haumaru Toitu te hauora

The progress we've made on our Safety and Wellbeing transformation has been a highlight this year.

Following the success of the Safety Leadership Programme launched in 2022, this year our Executive and Senior Leadership Teams have focused on Critical Risk Verifications.

Our leaders must complete an online learning module, a classroom session, an on-site Critical Risk Verification, and hold a toolbox discussion with their respective teams on a new Critical Risk each month.

This programme not only increases leader understanding and capability but helps drive visible safety leadership and connects people through positive safety engagement.

Our safety and wellbeing programmes are created by port people, for port people. It's something we take great pride in and the recent and remarkable transformation of our safety and wellbeing is testament to the mahi of our people and our partners.

Our employee engagement was recognised recently when Port of Auckland was named as a finalist for the Engagement Award at the 2023 Safeguard New Zealand Workplace Health and Safety Awards. Vanessa Matakatea, GM Safety and Wellbeing, also won the Safety Practitioner of the Year Award.

The engagement and strengthening of our relationship with MUNZ has been a vital part of that progress. In 2023, we worked together to develop a Stevedoring Code of Practice which was signed in April 2023 by C3 Limited, Wallace Investments Limited, MUNZ, and Port of Auckland.

This initiative won the Collaboration Award at the New Zealand Workplace Health and Safety Awards. These projects show just how far we have come at Port of Auckland, but we also recognise we have a long way to go.

Another key initiative for the year has been how we help our people manage their health. We launched Pae Ora – Healthy Futures, a significant initiative that allows us to help our people manage their health and wellbeing now, and in the future.

During the year we reviewed our Safety and Wellbeing committees and have provided Health and Safety Representative training. In addition to this we are implementing new port access processes to improve safety.

Safety and Wellbeing by the numbers

	FY23	FY22
Lost Time Injuries (LTI)	27	17
Medical Treatment Injuries	12	13
Restricted Work Injuries	45	44
Days lost on LTI	506	954
Total Recordable Injury Frequency Rate	63	

KYND users

1/5 Already one fifth of port people are active KYND Wellness users

During FY23 the port put a focus on the classification of injuries. By clearly defining lost time, medical treatment, and restricted work injuries, we have been able to identify the need to introduce a new classification for pain and discomfort injuries.

This level of injury management allows us to respond and implement an injury rehabilitation plan more effectively and efficiently.

Too many people are still being hurt at work. However, we have seen a significant change in how we manage injuries, resulting in a reduced number of days lost, from 954 days in FY22 (with 17 injuries) to 506 days in FY23 (with 27 injuries).

Pae Ora – Healthy Futures

Pae Ora is our wellbeing programme that provides our people with their health and wellbeing status, along with the tools, education, and support to ensure a healthier future.

We've partnered with health experts, WellMe and KYND Wellness, who provide an app-based solution to track individual life, mind, and body scores.

We invited all staff to complete a confidential health check which included hearing, sight and lung function tests, mobility, balance and strength assessments, and life and mind questionnaires which include sleep, depression, anxiety, and stress.

This will help better equip our staff to manage work-related health risks like fatigue.

We provide immediate solutions and support with services from our 24/7 port physiotherapist. This also gives us the ability to immediately triage musculoskeletal injuries and preventatively assess pain and discomfort, further reducing injury risk in our team's high-risk physical tasks.

We're already seeing people make positive lifestyle changes as a result of Pae Ora.

Customer at the Core

Ko Ngā Rito Tāngata

Our customers are key to us Regaining our Mana, with our focus squarely on what customers value, and working to deliver a seamless customer experience.

The highlight after a few challenging years dealing with Covid-19 and supply chain congestion has been the resumption of berth windows at the container terminal.

The restart of berth windows has had its challenges as we navigate post-Covid-19 supply chain bumps. However, we're dedicated to providing our customers with more certainty over scheduled arrival of goods, reduced waiting times, increased ability to plan operations, and better forward plan supply chains.

We also continue to provide ways for customers to move cargo efficiently from the port in the way that works best for them. Whether road, rail, or sea, the port is equipped to provide regular and reliable freight movements.

We are grateful to the customers who participate in our customer survey.

This year we achieved an overall customer satisfaction rating of 7.5/10.

"Reinstatement of berth windows has helped forward planning of our supply chain"

Cargo Owner

The return of cruise

Our customer dedication is showcased through the return of cruise ships to the shores of Tāmaki Makaurau and the growth of the winter cruise season.

For the first time since 2019, P&O Cruises' Pacific Explorer is calling Auckland home. We're proud to partner with P&O to provide a home port for the 2023 winter cruise season, which will see 40,000 Kiwis take to the seas.

Pacific Explorer was the first ship to return to New Zealand for the restart of cruise tourism at the start of FY23. The return of the cruise industry is also restoring a sense of vibrancy in the centre city, bringing a quarter of a million visitors to the city each year.

Viv Beck, Chief Executive of Heart of the City, is thrilled to see cruise passengers return to the city centre.

"Auckland is a great cruise destination, with our attractions, dining, arts, and cultural experiences. It's great to see passengers out and about, supporting local businesses, eating in local restaurants, and enjoying everything that's on offer."

There will be 20 cruises over the winter, investing $5m in the economy through local suppliers, including beer and cider from Good George and Boundary Road Brewery, with a specially brewed beer for Pacific Explorer guests, locally grown eye fillet and other meat from Neat Meat, and support from Sea Services.

Simon Eriksen, CEO of Neat Meat, is excited to work alongside P&O, providing top quality meat to passengers.

"Neat Meat works with such amazing farmers and communities around New Zealand and there's awesome stories to be told. P&O (Pacific Explorer) is one of those great vessels where we have a huge audience of people wanting to experience something quite special from New Zealand.

"We're proud to play a role in connecting Kiwi businesses to an industry the size and scale of cruising, allowing them to spread their wings and secure deals with global brands such as P&O."

20,000
litres of New Zealand-brewed beer

9,000
kilograms of New Zealand-raised lamb

20,000
kilograms of New Zealand-raised beef

400
kilograms of locally grown carrots daily

500
kilograms of locally grown potatoes daily

300
litres of locally produced milk and cream daily

Sustainability
Kia Tūpapa Ai Te Ihu Waka

It has been a year of significant change for the port as we embed Regaining our Mana throughout port operations. This focus on our core business and delivery is supported by five sustainability pillars:

- **Caring for Aucklanders**
- **Genuine harbour health**
- **Meaningful climate action**
- **Driving towards a circular economy**
- **Sustainable business in Auckland**

In 2018, we set aspirational sustainability targets while also taking our first steps towards an environmentally focused future.

Since we commissioned the world's first all-electric port tug, we, along with the rest of the world, know exponentially more about the challenges of mitigating and adapting to climate change.

In 2023, we reviewed our emissions targets and adopted a revised long-term target to reach net zero emissions by 2050. This places us in line with Auckland Council and New Zealand's zero emissions targets.

We recognise this is an extension on the port's previous 2040 target, although given our experiences to date we are confident it's attainable across our operations.

Our current trajectory puts us on track to achieve zero emissions during the 2040s based on replacing vessels, vehicles, equipment and machinery at the end of its economic life with electrically powered units.

We have a strong suite of initiatives to support these goals including fleet electrification, exploring renewable energy options on-site to power our operations, investing in harbour health, and reforesting our 38-hectare Mahanihani property at Manukau Harbour's South Head.

We have also set out robust medium-term goals to help maintain our emission reduction focus across the business.

This year our Scope 1 and 2 emissions* were 11,284 tCO_2e (market-based) down from 11,465 tCO_2e the prior year, and a 20% reduction since we started recording in 2017.

We had one recordable spill this year. It was controlled immediately, however a small volume entered a stormwater drain. Harbourmaster were notified of the incident.

Our short-term goals are robust

10% reduction in CO_2 emissions per container (TEU) handled from our 2017 baseline

45% reduction in total CO_2 emissions from marine operations from our 2017 baseline

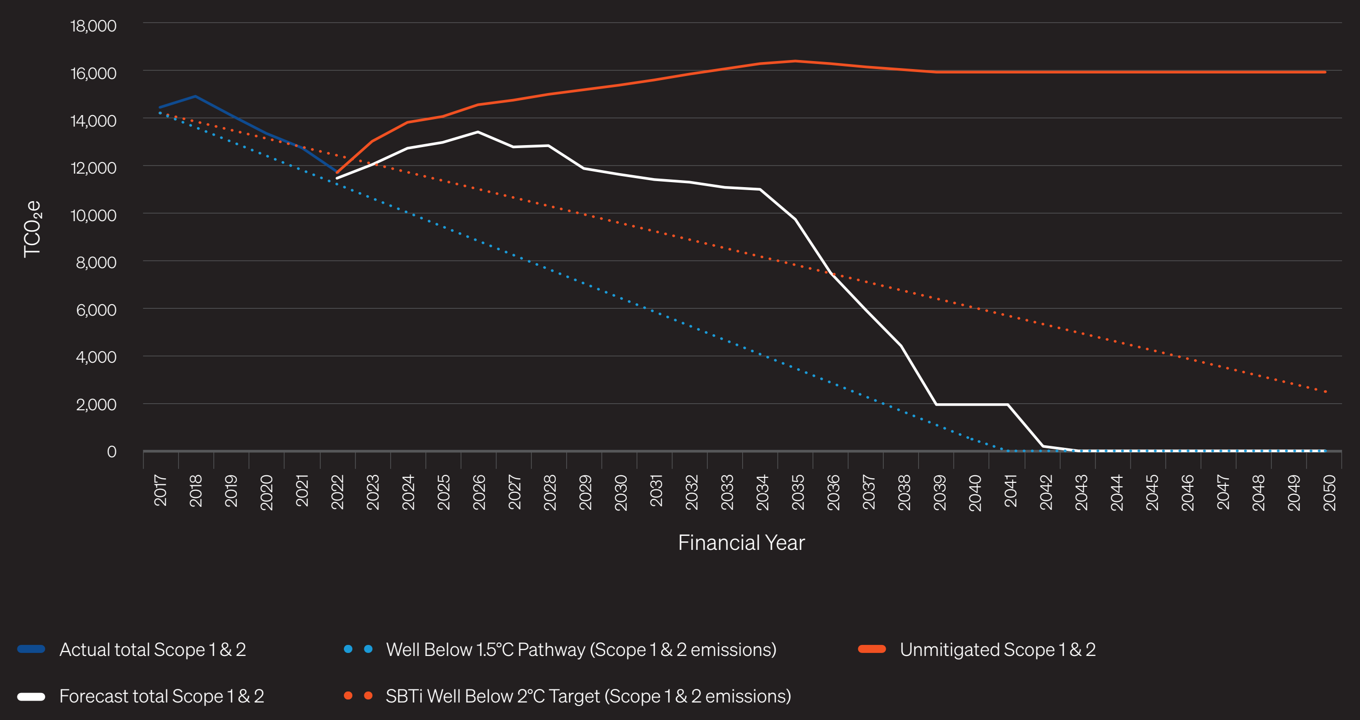
5% reduction in waste to landfill in FY24 with a target of zero waste to landfill by 2040

Continue to implement our planned harbour health initiatives

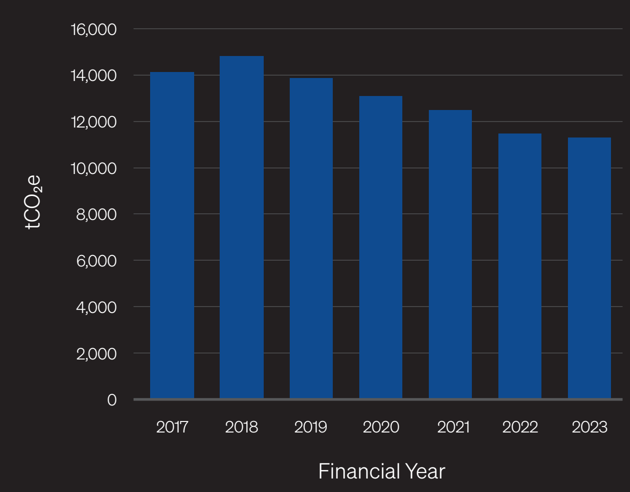
* Unaudited result. ISO 14064-2018 Category 1 and 2 (GHG Protocol Scope 1 and 2)

Our emission reduction pathway - POAL Scope 1 & 2 market-based tCO_2e emissions, relative to FY17 Baseline

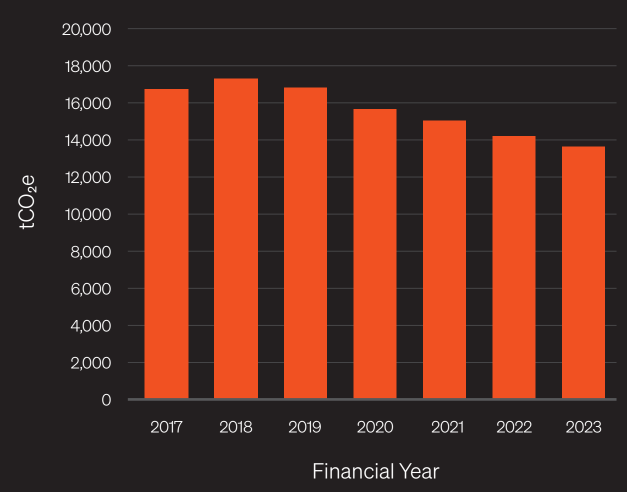
Total Scope 1 & 2 emissions have reduced from the FY17 baseline, however in the short term are expected to increase as trade volume increases, before decreasing as plant and equipment is replaced as it reaches end of life



tCO_2e (market-based)



Total net controlled emissions all categories (market-based) tCO_2e



Environmental management

Biosecurity

The Port of Auckland sees import goods arriving from across the world. Just like our international airports, we require a robust biosecurity strategy and day-to-day management to ensure unwanted pests and diseases aren't making Auckland their new home.

We work alongside the Ministry for Primary Industries and Biosecurity New Zealand to undertake screening, inspections, and monitoring to ensure pests that occasionally arrive via cargo are intercepted and controlled at the border.

Biosecurity plays a critical role in port operations, and we continually adapt our biosecurity control programmes to combat changing threats to our precious biodiversity.

Noise reduction

The low frequency 'rumble' from some container vessels at berth is a source of community noise complaints across ports in New Zealand. So, on our continual journey to be a good neighbour, we're coordinating the introduction of the New Zealand Vessel Noise Specification by all national ports.

Based on NEPTUNES guidance and Noise Label Scores[1], the specification is designed to manage the impacts of low frequency vessel noise on port communities by ensuring use of quieter container vessels on services.

Collectively adopted in December 2022, the noise specification will come into force for all new container vessels calling at any port across New Zealand from 1 June 2024.

Network resilience

Success of the port's first fully electric tugboat, Sparky, has shown us the future is electric. We're working to improve our port electricity network to support future fleet electrification and increase our storage capacity. One of our goals is to create more renewable energy which we can store and use across operations.

We're investigating how we maximise renewable energy opportunities such as wind, solar, and tidal across the port. These are not yet immediate targets but are built into our emissions roadmap over time.

Restoring biodiversity

The Port of Auckland is committed to helping restore biodiversity and improve harbour health. To demonstrate this dedication, in January 2023, we established Te Moananui o Toi Restoration Trust as part of a long-term strategy to enhance and restore the mauri of the Waitematā Harbour and Te Moananui o Toi.

A joint agreement signed by Kelly Klink from Protect Aotea and Roger Gray from the Port of Auckland will see $100,000 invested annually by the port, committing to $1.5m over the next 15 years. Alongside marine conservation initiatives, the Trust will also fund two relevant post-graduate study scholarships at $25,000 each and requires the port to incorporate Mātauranga Māori into dredged material disposal.

In June 2023, we launched stage one of our own harbour health initiative to help restore the once extensive shellfish beds in the Rangitoto Channel and inner Gulf.

This initiative will transform the port into a marine 'nursery', acting as a seed source for the wider harbour's benefit. We hope to establish juvenile shellfish populations that can be translocated to help restore degraded reef ecosystems. Later stages of this project will use dredged port sediment to create blocks upon which we can support and expand pre-existing natural reef habitats.

Growing forest ecosystems

Tree plantings are often associated with carbon offsetting, but for Port of Auckland, Ngāti Te Ata Waiohua, and the Āwhitu Landcare group, it's about much more.

The port's ambition is to restore Mahanihani, South Head, on the Āwhitu Peninsula to native bush, providing an ecological corridor up and down the West Coast. This will help link the Waitākere Ranges to Āwhitu Peninsula and beyond. It will also develop an ecological area that celebrates the land and its cultural and historical sites, and provide a unique destination for Aucklanders to enjoy.

The first planting phase started on 12 June 2023, and saw more than 24,000 native plants find a home at Āwhitu. A mix of harakeke, tī kōuka, karamu, taupata, wharariki, and whau, will help establish a wind break to provide shelter, manage coastal erosion, and improve future planting success.

This is just the first step of a long-term plan with Ngāti Te Ata Waiohua to restore the area to its original state while also commemorating its unique cultural history.

[1] www.environmentalshipindex.org/info

Celebrating our bright Sparky

Tugs have a 25-year lifespan, so transitioning from diesel tugs is a rare opportunity. But back in 2016 the team was highly motivated to think outside the box, despite many scoffing at the idea.

Undeterred, we worked with Damen Shipyards to build the world's first full sized electric tugboat.

In 2022, Sparky arrived on our shores, and at her blessing Ngāti Whātua Ōrākei gifted her the name 'Tiaki'. This means to care for people or place, in recognition of her role in both reducing emissions and safely guiding ships through the Waitematā.

Sparky signifies the beginning of a major shift to reduce both carbon emissions and noise pollution at the port. Holding 2,240 batteries that provide 2,784kWh of power, Sparky can carry out four shipping moves on a single charge.

Each year, Sparky will save around 200,000 litres of diesel, or roughly 3% of our 2017 baseline emissions.

In fact, she continues to exceed expectations and surpass our early efficiency predictions. On average, Sparky uses 10% less energy per ship move than originally expected and her running costs are around a third cheaper than our comparable diesel tug, Hauraki (dependent on diesel and electricity prices).

Sparky also has a critical fire-fighting system that can pump approximately 20,000 litres of sea water per minute.

With multiple award wins, including the 2022 TIME Best Inventions list and ITS Tug of the Year, the global shipping community is sitting up and taking notice. We've had global visits from ports and industry experts and we show Sparky off with pride.

Our people are what makes the port successful

People and Culture
Ngā Pou Tāngata me Ngā Pou Ahurea

This year we've had a sharp focus on the Whanaungatanga pillar of our strategy, delivering several initiatives that will enable and foster positive cultural change.

We're excited at the quick progress we've made in a relatively short time and can already see differences in the port and our people.

We are confident our renewed investment is increasing our internal engagement and is key to our commercial success this year. We look forward to what our continued investment and approach will deliver in 2024 and beyond.

High Performance High Engagement

This year has been a year of immense progress in introducing and embedding the High Performance, High Engagement (HPHE) model, and you can read more about our improved relationship with Maritime Union of New Zealand (MUNZ) and two key collaborative initiatives: Dynamic Rostering page 29 and our Stevedoring Code of Practice page 32.

Together, the port and MUNZ have formed an Operational Improvement Team. The name sums up the work we're doing – safely improving the effectiveness of our container terminal, together.

Attracting and retaining great people

Our people are what makes the port successful, and we've been focusing on how we attract and retain the right people. We've brought recruitment in-house, providing significant savings, and we've streamlined external contractor use from 60 to just 20, bringing some contractors on board as permanent team members.

These savings mean we can redirect resource to investing and nurturing the career aspirations of port people. Upskill training has seen 126 operational port employees move into higher-paying roles.

Remuneration is a big part of keeping great people at the port. This year we undertook a comprehensive remuneration review and now reward our people in line with competitive market rates.

The primary driver of the review focused on providing employees with confidence their salaries are aligned to market rates. This provides resilience to our business and protects our supply chain.

We also renegotiated seven collective agreements with our four union partners, and we continue to be a living wage employer.

Cultural positivity

Driving cultural positivity at the port is a significant and long-term piece of work that aligns with the port Taura Herenga Waka | Māori Outcomes Framework. For the past few years, we've celebrated Matariki, Lunar New Year, and Diwali, this year adding Pasifika Day to the mix. Celebrating cultures is infectious here and we're seeing more of our people put their hands up to lead events that celebrate their culture.

Celebrating people

In July 2023, we had our first Ka Pai Awards – a new recognition programme designed to celebrate our people. Nomination categories align with our seven themes: safety, leadership excellence, customer at the core, teamwork, whanaungatanga, outstanding performance, and caring for our environment.

Cultivating leadership

We're working to develop great leadership at Port of Auckland. We're doing this through our Senior Leadership Programme and our leadership course, Tumu Herenga Waka.

We believe developing great leaders will truly drive engagement and better outcomes for all port people.

Dynamic Rostering

The port has been tirelessly dedicated to transforming the relationship between the port and MUNZ.

A foundational moment in this shift was agreeing to the industry first salaried Stevedore contract and working together using HPHE to develop dynamic rostering in stevedoring.

In late 2022, the industry's first salaried Stevedore positions were introduced at Port of Auckland, and a dynamic rostering trial was implemented in 2023. This trial is progressing well.

The dynamic rostering system balances the operational needs of the port with the flexibility and work-life balance our Stevedores desire. It allows Stevedores to indicate their preferred shifts and apply for leave when they need it.

It gives more stability to families and allows our people to be present for whānau and their community when they need to.

It's an integral step giving true work-life balance options to Stevedores. They can select shifts in advance and choose from a selection of different shift types. It's also an important element of fatigue management at the port, supporting performing safely at work.

Promoting passion

Our employee grant scheme empowers port workers to follow their personal endeavours.

Each quarter we distribute $20,000 in funding to staff to help a broad range of worthy activities including community gardens, church groups, and medal-winning Commonwealth Games athletes.

Mahere Mahi

This year we refreshed and embedded Mahere Mahi, our objective-setting and performance-review process. This ensures our people understand how their roles contribute to Regaining our Mana, what objectives they have, and how they achieve their goals.

We relaunched how we work at the port with Port Behaviours replacing our old values and bringing to life whanaungatanga.

Our Port Behaviours are safety always, respect and care, achievement, work together, and do things better.

All our initiatives have been co-designed and brought to life with leaders and employees working together. Our aspiration for the year ahead is to become even more purposeful about succession planning and developing career pathways for our people.

Key statistics

People and Culture by the numbers

774 total employees

Gender split

16.1% female

80.8% male

3.1% other or not disclosed

Role split

77.5% operational staff

22.5% office-based

Ethnic employee breakdown

35.4% NZ European

10.7% Samoan

10.6% Tuvaluan

8.0% Māori

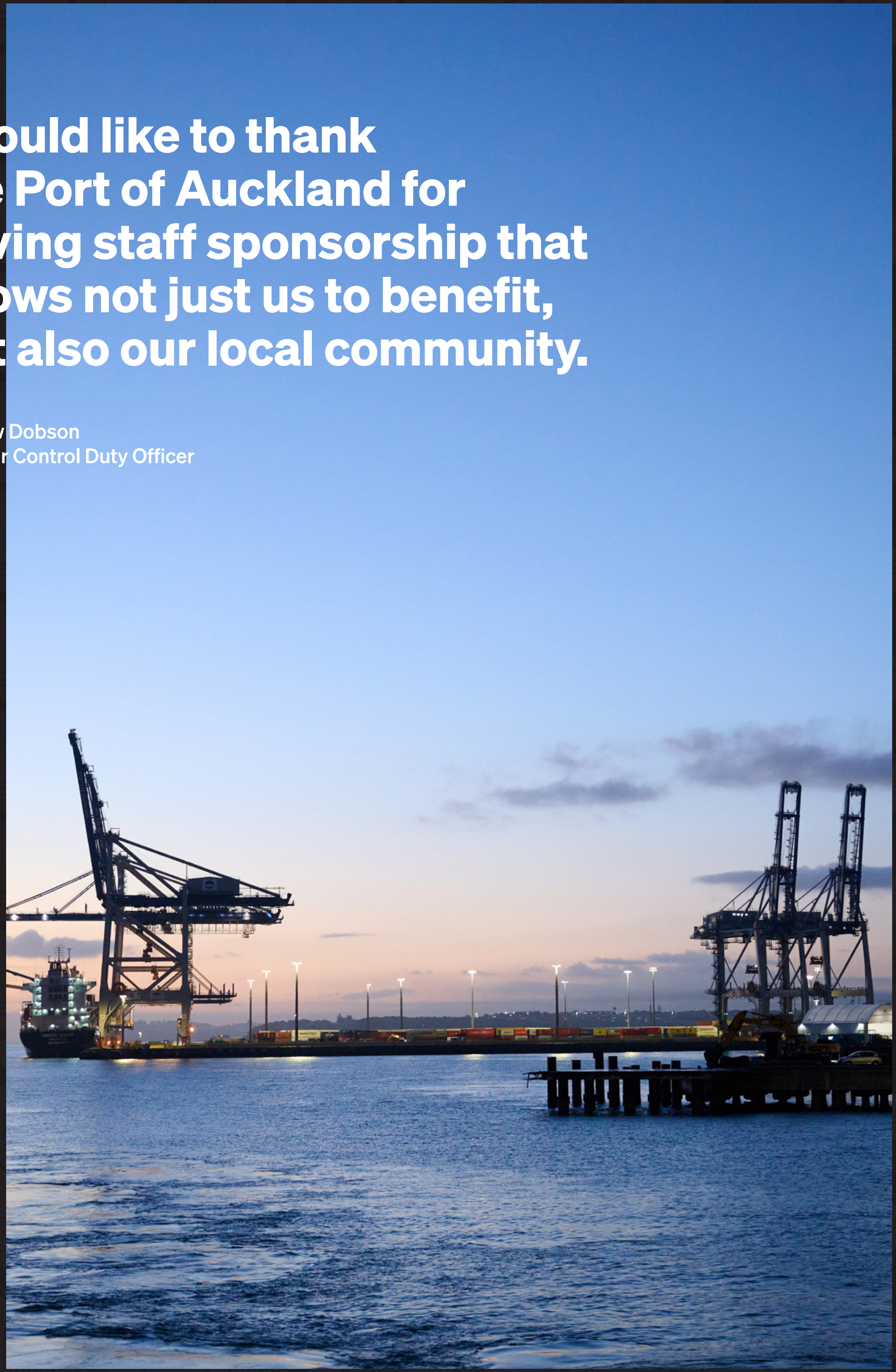
4.4% Indian

30.9% other / not specified

Staff sponsorship

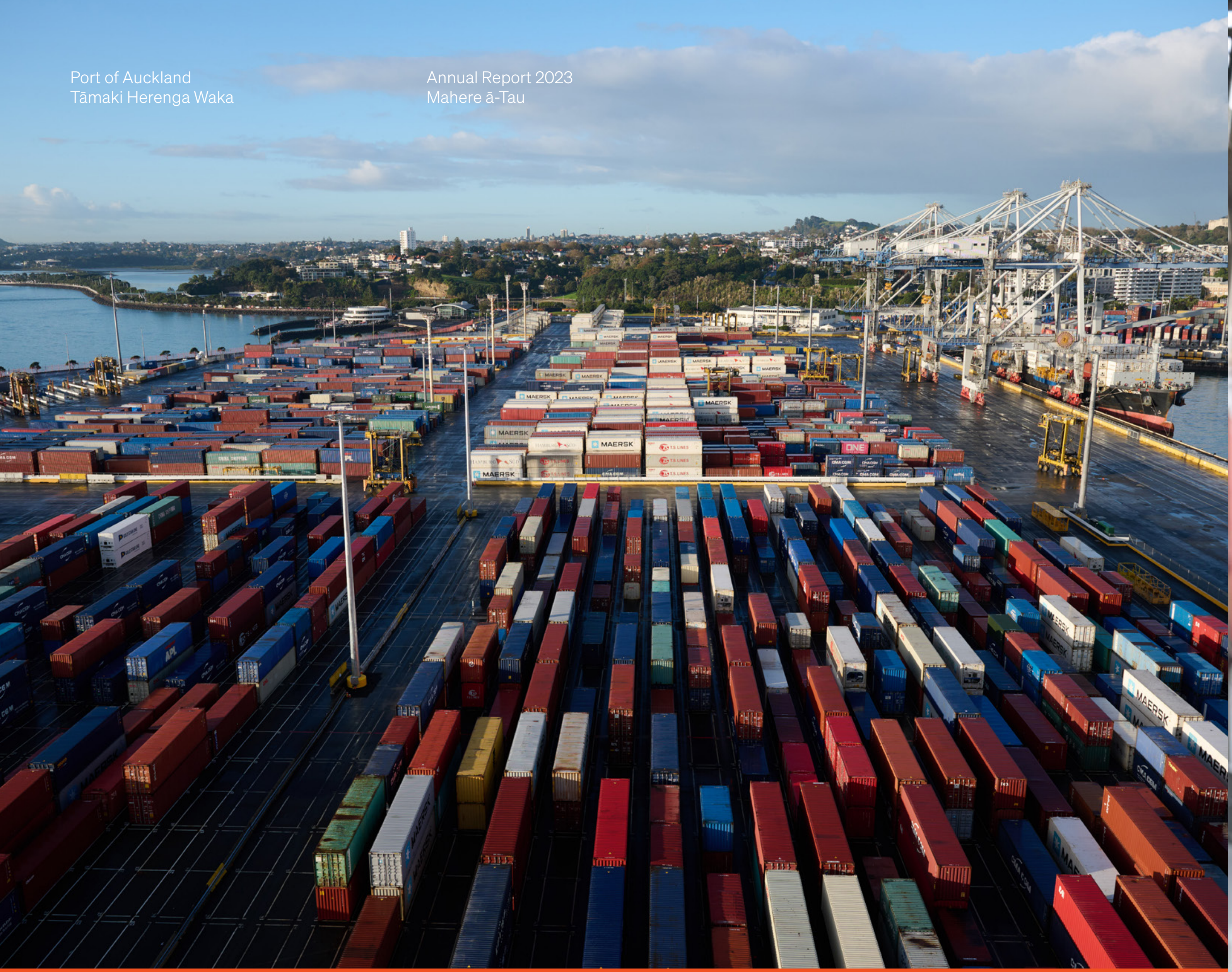
$80,000

to support employees in community and personal endeavours



I would like to thank the Port of Auckland for having staff sponsorship that allows not just us to benefit, but also our local community.

Mathew Dobson
Harbour Control Duty Officer



Stevedoring Code of Practice

Historically, Auckland's waterfront port has been better known for industrial unrest than industrial cooperation. Just a few years ago signing this kind of collaboration between PCBUs on the port would not have been possible.

Port of Auckland isn't the sole operator at the port. The port leases multi cargo wharf space to C3 Limited and Wallace Investments Limited for their breakbulk and multi cargo operations. Therefore, we have a duty of care to ensure all work by all workers at the port is conducted safely.

In April 2022 a third-party Stevedore tragically died while working on the port. In the immediate aftermath of the incident there was a strong desire among all stakeholders to improve health and safety outcomes across all port operations.

It became evident that the port needed clear basic safety standards for every single person working on the port and a Stevedoring Code of Practice. A set of 15 basic safety standards were developed and are now displayed on every port entry. Alongside this, we established New Zealand's first Stevedoring Code of Practice.

Unlike other high-risk industries, there was no approved code of practice for stevedoring in New Zealand, with all ports operating in different ways without generally accepted or standard stevedoring practices.

MUNZ led the charge for a Stevedoring Code of Practice, and after months of collaboration across PCBUs, the Code was signed in April 2023.

The Code represents a significant step forward in workplace health and wellbeing for Auckland's port. It sets out minimum standards for stevedoring and provides guidance on best practices.

This initiative won the Collaboration Award at the New Zealand Workplace Health and Safety Awards 2023.

Board of Directors
Ko Ngā Kahika Whakarei

Jan Dawson

CNZM, BCom, FCA (CAANZ), CFInstD
Chair

Jan is a highly experienced Director and Chair, whose previous roles include Chair of Westpac New Zealand Limited and Deputy Chair of Air New Zealand Limited. She is currently a director of Serko Limited.

Jan was the Chair and Chief Executive for KPMG New Zealand for five years until 2011, following a career spanning 30 years specialising in audit, consulting and accounting services in the United Kingdom, Canada, and New Zealand.

Her previous board appointments also include AIG Insurance New Zealand Limited, Beca Limited, Goodman Fielder Limited and Meridian Energy Limited. She was elected as a Vice President of World Sailing for the four years ending in November 2020 and was the President and Board Chair of Yachting New Zealand for six years until October 2013.

Andrew Flavell

BE(Hons), ME, Dr. Eng.
Director

Andrew is currently an Independent Director of Steel and Tube, and the Chair of ASB Bank's Technical Advisory Group.

Andrew has extensive international experience in Information Technology, having worked at Microsoft and Nike in senior technology roles, and as Chief Technology Officer at Laybuy and Plexure.

He has experience in leading large teams, driving digital transformations, delivering compelling consumer experiences, personalisation and loyalty, privacy and security, AI and machine learning, and has contributed significantly to risk management and governance in the application of digital technologies in his career.

Geoff Plunket

BCom, FCA (CAANZ)
Director

Geoff is a professional director, a Fellow of Chartered Accountants Australia and New Zealand, and a Member of the Institute of Directors. Geoff worked for Coopers & Lybrand (now PwC) and KPMG in Dunedin and the United Kingdom through the 1980s, before joining Port Otago Limited in 1988 as Chief Financial Officer.

Geoff spent nearly three decades with the Port Otago Group, working across the business in a variety of roles, culminating as CEO in 2004, and retiring in 2017. He is currently Chair of Blis Technologies Limited.

Hazel Armstrong

BA/LLB, Barrister and Solicitor of the High Court of New Zealand
Director

Hazel is a partner in Armstrong Thompson, a law firm specialising in ACC, employment, and health and safety, where she works on behalf of workers and ACC claimants.

She was previously a director of KiwiRail Holdings Limited.

Hazel has acted as an expert witness in health and safety matters and been involved in inquiries into health and safety.

Peter Chrisp

BA, MA
Director

Peter is 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. Peter has international experience as Senior Vice President Norske Skog Global, based in Norway, and Australasian Regional President based in Sydney.

Peter is a member of the Food and Fibre Partnership Group, a member of Te Puna Whakaaronui (a New Zealand food and fibre think tank), a member of the New Zealand China Council, and was previously the Chair of the New Zealand Government Investment Taskforce. He is a member of the Institute of Directors.

Stephen Reindler

BE(Hons), AMP, FIPENZ, CFInstD
Director

Stephen is a professional director and mechanical engineer with extensive experience in heavy industry, large infrastructure, and workplace health and safety.

Current directorships are Steel and Tube Holdings, Te Kaha Project Delivery Limited, Broome International Airport Group, and he is chair of Waste Disposal Services, Clearwater Construction, and D&H Steel Construction.

Stephen also provides advisory services to AgResearch, Lincoln University and Te Papa Museum of New Zealand on infrastructure builds. He was previously on the boards of Z Energy Limited, Port of Napier, Meridian Energy, Naylor Love, and WorkSafe NZ. He is a past President of the Institution of Professional Engineers.

Corporate Governance
Ko Ngā Pou Arataki o Te Rūnanga Whakahaere

We believe 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 8 Principles in the NZX Corporate Governance Code (1 April 2023).

For more information about Corporate Governance refer to the Corporate Governance Statement on our website.

Principle 1
Ethical Standards

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 whistleblowing.

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.

As at 30 June 2023 our Board has six Directors, all of whom are independent professional directors, and none perform any management function. During the year one Director retired.

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. For more information on our diversity, please see page 30.

Principle 3
Board Committees

Our Board is supported by three Committees:

- The Audit and Risk Committee supports our Board in fulfilling its responsibilities with respect to financial reporting, external audit, risk management, compliance, and internal audit. This Committee also oversees our climate-related risks and disclosures.
- The Safety and Wellbeing Committee assists the Board in discharging its health, safety and wellbeing management responsibilities.
- The People, Remuneration and Culture Committee supports our Board in fulfilling its responsibilities with respect to all matters related to human resources, culture and remuneration.

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

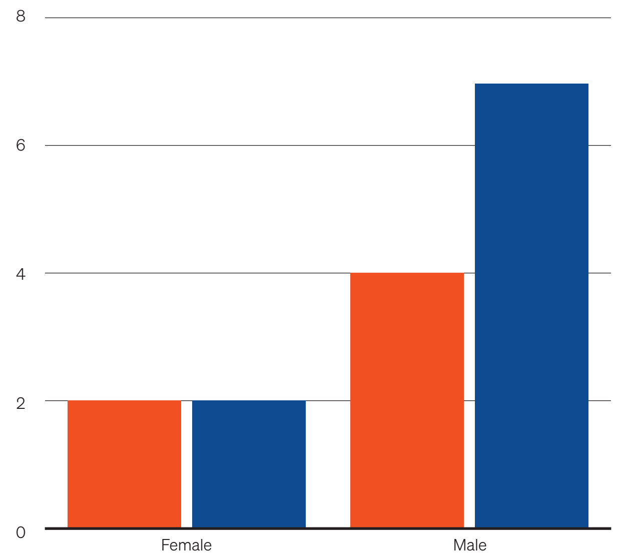
Principle 4
Reporting and Disclosure

POAL is required to formally report to the shareholder any material information, or information of an exceptional or extraordinary nature to assist with the shareholder's disclosure requirements.

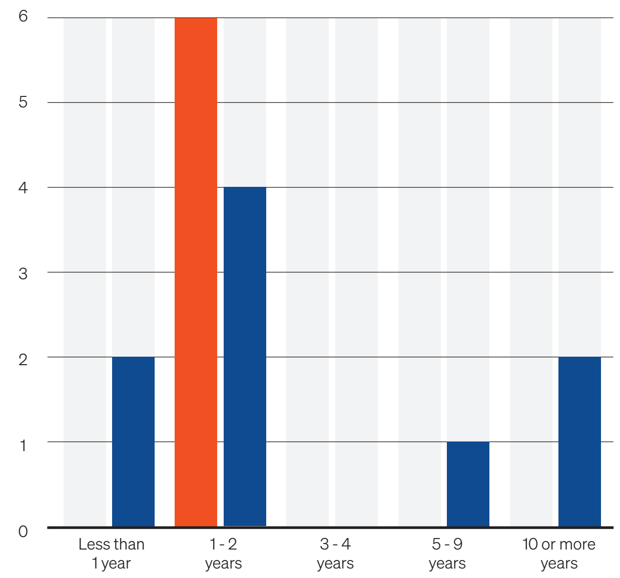
We maintain www.poal.co.nz, a website where stakeholders can access financial and operational information, media announcements, customer communications and key corporate governance information.

Board   Executive Team

Gender



Length of service



We ensure our quarterly and annual reports contain a balanced, transparent public disclosure of our financial, social, and environmental performance.

Principle 5
Remuneration

The total Board remuneration is approved by our shareholder as set out in its Appointment and Remuneration Policy for Board Members of Council Organisations. The Board, acting under POAL's constitution, determines the amount of remuneration payable to each Director.

Total remuneration paid to our Directors for the year was $556,500.

Director remuneration and attendance at the formal Directors' meetings for the year ending 30 June 2023 is set out on the next page.

Our Directors undertake site visits, meet with management for briefings, attend Council meetings, as well as attending POAL Board and Board Committee meetings. During the year the Board undertook 10 meetings, and there were 17 Committee meetings.

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

Garrie Hoddinott is a Director of both Nexus Logistics Limited and Conlinxx Limited and is not an employee. Mr Hoddinott was paid director fees totalling $60,000 for the year ending 30 June 2023.

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 which 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; as well as 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 our Key Risk Register. This register is subject to a formal twice-yearly review by our Board.

Directors, individually and collectively, regularly visit sites to view our operations and meet with managers and workers to ensure familiarity 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 Bruno Dente, a partner at Deloitte, to carry out the audit of our financial statements.

Total fees payable to Deloitte in its capacity as auditor for the financial year were $445,268. There were no other fees paid.

Director	Attendance at Board meetings	Attendance at Audit & Risk Committee meetings	Attendance at People, Remuneration & Culture Committee meetings	Attendance at Safety & Wellbeing Committee meetings	Total remuneration paid for the year	Comments
Jan Dawson	10/10	5/6	4/5	6/6	$132,000	Appointed 1 September 2021 Board Chair Ex officio member of all Committees
Peter Chrisp	9/10		5/5	5/6	$81,000	Appointed 1 December 2020 People, Remuneration & Culture Committee Chair Safety & Wellbeing Committee Member
Stephen Reindler	10/10	6/6		6/6	$81,000	Appointed 1 November 2021 Safety & Wellbeing Committee Chair Audit & Risk Committee Member
Hazel Armstrong	10/10		4/5	6/6	$66,000	Appointed 1 February 2021 People, Remuneration & Culture Committee Member Safety & Wellbeing Committee Member
Geoff Plunket	10/10	6/6		6/6	$69,750	Appointed 1 November 2021 Audit & Risk Committee Chair Safety & Wellbeing Committee Member
Andrew Flavell	10/10	6/6			$66,000	Appointed 1 June 2022 Audit & Risk Committee Member
Sarah Haydon	7/7	5/5	4/4		$60,750	Appointed 1 August 2016 Retired 31 March 2023

Principle 8
Shareholder Rights and Relations

Port of Auckland has a range of engagement with our shareholder Auckland Council, as well as other stakeholders who make up the community we operate in.

The port plays a vital role in New Zealand's economy, and we recognise that due to our central location in Auckland, many stakeholder groups are both interested and affected by our operations and developments. We are committed to transparency, so that stakeholders can better understand how our business operates and the value we add. We are committed to engagement with stakeholders on any significant construction of new infrastructure on the port.

We engage stakeholders through regular meetings with various groups and independent surveys to understand what matters to them and how they assess our performance. Our Board monitors stakeholder engagement to ensure the behaviour is appropriate.

As well as our Annual Report, Port of Auckland provides our shareholder, Auckland Council, with quarterly reports which include financial updates and performance against Statement of Corporate Intent (SCI) targets. In addition, representatives from our Board and Executive regularly meet with Council representatives to discuss strategic issues and business performance.

Port of Auckland has a Memorandum of Understanding (MOU) with Auckland Council, covering points including:

- 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.

POAL Group Remuneration Table

Remuneration*	Current	Redundancy/ Severance**	Resigned	Current and Terminated
$100K – $110K	74		7	81
$110K – $120K	75	1	1	77
$120K – $130K	69		1	70
$130K – $140K	64		1	65
$140K – $150K	39			39
$150K – $160K	23	1		24
$160K – $170K	12	1	1	14
$170K – $180K	12			12
$180K – $190K	9			9
$190K – $200K	2			2
$200K – $210K	3	1		4
$210K – $220K	3		1	4
$220K – $230K	3			3
$230K – $240K	1			1
$240K – $250K	2			2
$250K – $260K	4			4
$270K – $280K	4			4
$280K – $290K	3			3
$290K – $300K	2			2
$300K – $310K	1			1
$310K – $320K	1			1
$320K – $330K	2			2
$330K – $340K	2			2
$340K – $350K	3			3
$450K – $460K	1	1		2
$490K – $500K			1	1
$950K – $960K	1			1
	415	**5**	**13**	**433**

* Total remuneration including incentives, overtime and shift allowances
** Redundancy amounts were provided for in the prior year and paid out in the current year

Statement of Corporate Intent

Safety & Wellbeing

Key performance measure	FY22 actual	FY23 actual	FY23 target	Result	Commentary
Number of fatalities and serious work-related illnesses or injuries	0	0	0	**Met**	No fatalities or serious work-related illnesses or injuries for the POAL Group
Percentage of critical risk control verifications completed v scheduled	N/A	98%	95%	**Met**	Critical Risk Verifications were implemented in Q3
Percentage of safety and wellbeing interactions completed v scheduled	N/A	141%	95%	**Met**	Leaders completed more safety interactions than required
Complete all safety and wellbeing strategic initiatives in accordance with annual Safety & Wellbeing plan	N/A	93%	100%	**Not met**	Two items not completed: - Learning Management System for training records - Roster modelling, including fatigue data These have been incorporated into the FY24 S&W plan

Whanaungatanga

Key performance measure	FY22 actual	FY23 actual	FY23 target	Result	Commentary
Staff engagement score	68%	n/a	71%	**Not yet surveyed**	Survey scheduled for Q3 FY24
Gender split (female % of total employees)	18%	16.1%	25%	**Not met**	Initiated a focus on making women aware of the career opportunities within the port, particularly within stevedoring
Public favourability survey score	50%	52%	57%	**Not met**	FY23 Survey was completed in April 2023, slight improvement since last year but not yet meeting our aspirations
Implement Māori Outcomes priorities as set out in the approved Framework				**Met**	Senior leader cultural competency underway Establishing relationships with local Iwi and IMSB Embedding Te Ao Māori into workplace culture

Kaitiakitanga

Key performance measure	FY22 actual	FY23 actual	FY23 target	Result	Commentary
Work towards POAL's long term environmental sustainability goals of being zero emissions by 2050 and zero waste to landfill by 2040				**On track**	Refer to page 23 for our emission reduction pathway
Hold quarterly community reference group meetings to provide a forum for community feedback and dialogue re POAL's operations and development plans				**Met**	
Attend all relevant Auckland Local Board meetings when invited				**Met**	
All public environmental complaints acknowledged within 24 hours				**Met**	
Target detailed response timeframe for complaints (where required): 90% within 7 working days and 100% within 10 working days				**Met**	
Health of the Harbour initiatives	N/A	1	1	**Met**	Refer to page 24 for the marine nursery project

Customer at the Core

Key performance measure	FY22 actual	FY23 actual	FY23 target	Result	Commentary
Customer satisfaction survey	Not measured	7.5/10	6/10	**Met**	Two surveys conducted in FY23
Percentage of ships turned on time	Not measured	45%	75%	**Not met**	Berth windows re-established from March 2023 Ongoing operational improvement work underway to safely lift productivity Refer to page 28
Crane rate (as measured by MOT)	24.1	23.8	25	**Not met**	
Ship rate (as measured by MOT)	43.3	45.5	50	**Not met**	
Container terminal Truck turnaround time (% turned at less than 30 minutes)	75.8%	83.3%	75%	**Met**	
Multi-cargo average car dwell time (days)	2.07	2.06	2.1	**Met**	
Percentage of land-side moves on rail	14%	13.2%	14%	**Not met**	Cargo owners chose between rail and road to suit their needs
TEU throughput (000's)	812	819	942	**Not met**	Volume negatively impacted by our low productivity, supply chain congestion and the economic environment
Multi-cargo breakbulk tonnage (000's)	4,599	3,862	4,288	**Not met**	Volumes lower than expectation due to a reduction in coal and steel volumes.
Multi-cargo car units processed (000's)	241	229	256	**Not met**	Volumes lower than forecast due to challenges in the supply of new and used vehicles

Financials

Key performance measure	FY22 actual	FY23 actual	FY23 target	Result	Commentary
Return on Equity (Underlying NPAT / average Equity)	2.5%	4.6%	3.5%	**Met**	Solid growth in underlying profit Underlying NPAT excludes unusual items, such as revaluation movements, impairments
Return on Investment (Operating Profit / total assets)	1.6%	2.9%	2.2%	**Met**	
Net Profit after Tax (Underlying NPAT)	$25.0m	$45.2m	$35.0m	**Met**	FY23 statutory NPAT $40.5m as per financial statements, plus investment property revaluations $7.1m, less hedge gains $1.6m, less investment gain on sale $0.5m, less PP&E revaluations $0.3m, equals Underlying NPAT $45.2m
Dividend declared	$14.2m	$30.0m	$17.0m	**Met**	$15m interim dividend paid in February and final dividend declared of $15m to be paid in September
Interest coverage ratio	2.54	3.40	2.91	**Met**	Significant lift in profit together with Q4 benefit of refinancing debt facilities via Council
Ratio of consolidated shareholders' funds to total assets	62.5%	63.4%	63.7%	**Not met**	Reduction in asset values and shareholders' funds following revaluation of investment property

Deloitte.

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF PORT OF AUCKLAND LIMITED GROUP'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

The Auditor-General is the auditor of Port of Auckland Limited Group (the Group). The Auditor-General has appointed me, Bruno Dente, 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 47 to 102, that comprise the statement of financial position as at 30 June 2023, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

In our opinion, the financial statements of the Group:

- present fairly, in all material respects:
  - its financial position as at 30 June 2023; 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 2023. 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.

Deloitte.

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 2 to 41, 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 and trustee reporting, we have no relationship with, or interests in, the Group.

Bruno Dente
Deloitte Limited
On behalf of the Auditor-General
Hamilton, New Zealand

Group Financial Statements

Ko ngā whakapaunga-a-ngā pūtea

For the year ended
30 June 2023

Income statement

For the year ended 30 June 2023

	NOTES	2023 $'000	2022 $'000
Revenue	A1	**320,205**	265,254
Expenses			
Operating expenses	A2	**(199,986)**	(178,408)
Depreciation and amortisation	B1, B4, B5	**(43,344)**	(39,239)
Finance costs	A2	**(23,427)**	(20,163)
Total expenses		**(266,757)**	(237,810)
Revenue less total expenses		**53,448**	27,444
Net (impairment) / reversal of impairment of assets	B1, B4	**(1,347)**	(1,436)
Fair value change to investment property	B3	**(7,076)**	14,351
Net impairment of automation project		**-**	(63,074)
Net (impairment) / reversal of impairment of investments	F1, G1	**549**	(879)
Gains arising on interest rate swaps as designated hedging instruments in cash flow hedges of floating rate debt reclassified from equity to profit		**1,586**	-
Share of profit from equity accounted investments	F1	**3,963**	2,203
Profit/(loss) before income tax		**51,123**	(21,391)
Income tax expense	A3	**(10,673)**	11,116
Profit/(loss) for the period attributable to the owners of the Parent		**40,450**	(10,275)

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

Statement of Comprehensive Income
For the year ended 30 June 2023

	NOTES	2023 $'000	2022 $'000
Profit/(loss) for the period		**40,450**	(10,275)
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	**(18,031)**	49,107
Net change in fair value of equity securities (at fair value through other comprehensive income)	F3, E1	**(6,164)**	(3,287)
Items that will not be reclassified to the income statement		**(24,195)**	45,820
Items that may be reclassified subsequently to the income statement:			
Cash flow hedges, net of tax	E1	**(892)**	4,140
Items that may be reclassified subsequently to the income statement		**(892)**	4,140
Other comprehensive income net of income tax		**(25,087)**	49,960
Total comprehensive income for the period net of tax attributable to the owners of the Parent		**15,363**	39,685

Statement of Financial Position
As at 30 June 2023

	NOTES	2023 $'000	2022 $'000
Current assets			
Cash and cash equivalents	D1	**5,417**	7,449
Trade and other receivables	D2	**49,990**	43,901
Inventories	D3	**5,831**	5,858
Tax receivable		**-**	2,328
Derivative financial instruments	G2	**-**	162
Total current assets		**61,238**	59,698
Non-current assets			
Property, plant and equipment	B1	**1,270,247**	1,294,062
Intangible assets	B4	**22,730**	25,827
Investment properties	B3	**149,375**	154,064
Right of use assets	B5	**10,617**	11,952
Equity securities	F3	**40,848**	47,012
Finance lease receivables	D4	**-**	1,553
Investments in other entities	F1	**3,037**	1,878
Derivative financial instruments	G2	**-**	1,078
Total non-current assets		**1,496,854**	1,537,426
Total assets		**1,558,092**	1,597,124
Current liabilities			
Bank overdraft	E3	**4,317**	2,935
Trade and other payables	D5	**32,787**	28,249
Provisions	D6	**22,047**	21,876
Lease liabilities	E4	**1,269**	1,725
Deferred income		**22**	22
Other current liabilities		**1,807**	747
Total current liabilities		**62,249**	55,554

	NOTES	2023 $'000	2022 $'000
Non-current liabilities			
Borrowings	E3	**408,627**	454,406
Provisions	D6	**1,107**	1,178
Lease liabilities	E4	**10,172**	10,915
Deferred income		**470**	492
Deferred tax liabilities	A3	**89,344**	76,774
Total non-current liabilities		**509,720**	543,765
Total liabilities		**571,969**	599,319
Net assets		**986,123**	997,805
Equity			
Share capital		**146,005**	146,005
Reserves		**377,811**	403,103
Retained earnings		**462,307**	448,697
Total equity	E1	**986,123**	997,805

These financial statements were approved by the Board on 23 August 2023.

Signed on behalf of the Board by:

J. Dawson
Chair

G. Plunket
Chair Audit and Risk Committee

Statement of Changes in Equity
For the year ended 30 June 2023

	NOTES	Attributable to equity holders of the Group			
		Share capital $'000	Other reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2021		**146,005**	**353,143**	**464,462**	**963,610**
Profit/(loss) for the period		-	-	(10,275)	(10,275)
Other comprehensive income	E1	-	49,960	-	49,960
Total comprehensive income		-	49,960	(10,275)	39,685
Transactions with owners in their capacity as owners					
Dividends paid	E2	-	-	(5,838)	(5,838)
Tax benefit of losses received from owner	E1	-	-	341	341
Other movements					
Other movements		-	-	7	7
Total other movements		-	-	(5,490)	(5,490)
Balance at 30 June 2022	E1	**146,005**	**403,103**	**448,697**	**997,805**
Profit/(loss) for the period		-	-	40,450	**40,450**
Other comprehensive income	E1	-	(25,087)	-	**(25,087)**
Total comprehensive income		-	(25,087)	40,450	**15,363**
Transactions with owners in their capacity as owners					
Dividends paid	E2	-	-	(27,045)	**(27,045)**
Other movements					
Revaluation reserve reclassified to retained earnings on disposal of assets	E1	-	(205)	205	**-**
Total other movements		-	(205)	(26,840)	**(27,045)**
Balance at 30 June 2023	E1	**146,005**	**377,811**	**462,307**	**986,123**

Statement of Cash Flows
For the year ended 30 June 2023

	NOTES	2023 $'000	2022 $'000
Cash flows from operating activities			
Receipts from customers		**361,989**	293,192
Payments to suppliers and employees		**(246,263)**	(207,286)
Dividends received		**4,171**	3,138
Interest received		**253**	70
Interest paid		**(23,665)**	(18,678)
Income taxes received		**2,412**	2,442
Net cash flows from operating activities		**98,897**	72,878
Cash flows from investing activities			
Payments for investment property		**(171)**	(1,923)
Payments for intangible assets		**(3,636)**	(9,549)
Payments for property, plant and equipment		**(25,727)**	(23,791)
Proceeds from sale of property, plant and equipment		**30**	152
Proceeds from sale of investment properties		**-**	2,487
Repayment of loans by related parties		**500**	-
Net cash flows from investing activities		**(29,004)**	(32,624)
Cash flows from financing activities			
Proceeds from borrowings		**418,478**	742,000
Repayment of borrowings		**(464,565)**	(763,500)
Repayment of lease principal		**(1,761)**	(2,020)
Dividends paid	E2	**(27,045)**	(5,838)
Net finance lease cash flows		**-**	(2,272)
Cash receipts from derivative transactions		**1,586**	-
Net cash flows from financing activities		**(73,307)**	(31,630)
Net cash flows		**(3,414)**	8,624
Cash at the beginning of the year		**4,514**	(4,110)
Cash at the end of the year	D1	**1,100**	4,514

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

	2023 $'000	2022 $'000
Profit for the period	**40,450**	(10,275)
Adjusted for:		
Depreciation and amortisation	**43,344**	39,239
Movements in borrowings allocated to interest paid	**308**	32
Tax benefit of losses received from owner	**-**	1,241
Movement in deferred revenue	**1,038**	74
Net (gain) / loss on sale of investments	**(1,586)**	-
Net loss / (gain) on sale of other non-current assets	**347**	(125)
Fair value movements including impairment in land, buildings and wharves	**1,347**	7,905
Fair value adjustment to investment property	**7,076**	(14,351)
Impairment of investments	**(549)**	879
Net (reversal) / impairment of other intangible assets	**-**	56,607
Change in operating assets and liabilities:		
Trade and other receivables	**(7,085)**	(8,542)
Trade and other payables	**2,479**	2,279
Income tax receivable	**5,275**	1,814
Deferred tax liability	**7,727**	(11,458)
Other provisions	**814**	5,575
Other operating assets	**(691)**	1,876
Movement in associates and joint ventures	**(1,110)**	(486)
Capital items included in working capital movements	**(287)**	594
Net cash flows from operating activities	**98,897**	72,878

Reconciliation of liabilities arising from financing activities to cash flows

	2023 $'000	2022 $'000
Interest bearing liabilities		
Opening interest bearing liabilities (excluding overdraft)	**467,046**	489,906
Other non-cash movements	**561**	628
Less/addback: establishment fees (classified as interest paid under operating activities)	**308**	32
Cash movements		
Repayment of bank debt	**(464,565)**	(763,500)
Proceeds from borrowing	**418,478**	742,000
Repayment of lease principal	**(1,761)**	(2,020)
Closing interest bearing liabilities (excluding overdraft)	**420,067**	**467,046**

Notes to the Financial Statements

Reporting entity and nature of operations

The financial statements presented are those of Port of Auckland Limited (the Company), its subsidiaries, and the Group's interest in associates and joint ventures (Port 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 Waikato, and has joint interests in a marine towage business at Northport, and an online cargo management system.

Statutory base

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

Port 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 Port 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 2023.

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.

Going concern

The Board of Directors have, at the time of approving the financial statements, a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

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 came into effect from 1 January 2022:

- Reference to the Conceptual framework (Amendments to IFRS 3)
- Property, plant & equipment - proceeds before intended use (Amendments to IAS 16)
- Onerous contracts - cost of fulfilling a contract (Amendments to IAS 37)
- Annual improvements to IFRS Standards (2018 - 2020)

These new standards did not have a material impact to the financial statements.

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. Revenue

	2023 $'000	2022 $'000
Revenue		
Revenue from contracts with customers	**305,762**	250,135
Rental income	**12,255**	11,778
Gain on disposal of property, plant and equipment	**126**	302
Dividend income	**1,318**	1,421
Interest income	**253**	70
Other income	**491**	1,548
Total revenue	**320,205**	265,254

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 above), 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 above) 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 that have the same pattern of transfer (typically three or four legs in each container's 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

	2023 $'000	2022 $'000
Container terminal	167,614	123,976
Multi-cargo	60,861	65,971
Marine services	39,561	24,662
Container transportation	37,726	35,526
Total revenue from contracts with customers	305,762	250,135

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 recognised a credit for research and development tax incentives relating to the Automation Project in the prior year. The Group did not undertake any activities eligible for research and development tax incentives in the current year.

A2. Expenses

Operating Expenses

	2023 $'000	2022 $'000
Employee benefit expenses		
Salaries and wages	101,052	86,380
Restructuring costs	-	1,862
Pension costs	3,814	3,231
Other	4,224	4,164
Total employee benefit expenses	109,090	95,637
Other operating expenses		
Contracted services	35,620	31,074
Repairs and maintenance	21,922	16,654
Fuel and power	9,730	7,357
Loss on disposal of property, plant and equipment	473	177
Other expenses	22,706	27,059
Auditor's fees		
Current year audit and review of statutory financial statements	445	369
Fees relating to the prior year	-	81
Total other operating expenses	90,896	82,771
Total operating expenses	199,986	178,408
Finance costs		
Interest on bank overdraft and bank loans	11,694	9,812
Establishment and line fees	308	229
Interest on fixed rate notes	8,775	8,775
Interest on related party term loan (unsecured)	2,808	-
Interest on lease liabilities	561	628
Other finance costs	(719)	719
Total finance costs	23,427	20,163

Donation expenses are $474 (2022: $11,267) 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 borrowing facilities, and interest on lease liabilities. Other finance costs relate to a finance lease receivable that has been unwound in the year; refer to note D4.

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

A3. Taxation

	2023 $'000	2022 $'000
Income statement		
Current income tax		
Current year	**3,006**	-
Adjustment for prior years	**-**	313
Deferred income tax		
Temporary differences	**(894)**	(2,389)
Tax losses recognised through deferred tax	**8,213**	(8,736)
Adjustment for prior years	**348**	(304)
Income tax expense	**10,673**	(11,116)
Other comprehensive income		
Cash flow hedges and property, plant and equipment	**4,844**	6,643
Income tax reported in equity	**4,844**	6,643

Reconciliation of effective tax rate

	2023 $'000	2022 $'000
Profit before income tax	**51,123**	(21,391)
Tax at 28%	**14,314**	(5,989)
Adjustments		
Non-taxable income	**1,227**	(3,953)
Non-deductible expenses	**(284)**	(296)
Adjustment for prior years	**348**	9
Loss offset utilisation	**(3,602)**	-
Dividend imputation credits	**(1,621)**	(1,219)
Sundry items	**291**	332
Income tax expense	**10,673**	(11,116)

The Group had tax losses in the prior year which were recognised as a reduction in deferred tax liability. These have been used up in the current year.

Auckland Council has a subvention payment agreement and loss offset election with Watercare Services Limited which will be utilised for any residual taxable income. $2,946,682 (2022: $nil) has been provided for payment to Watercare Services Limited for this subvention agreement.

Imputation credits

	2023 $'000	2022 $'000
Imputation credits available for subsequent reporting periods	**73,974**	72,761

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 30 June 2021	(1,263)	81,143	1,647	3,509	(5,224)	2,063	(287)	**81,588**
Recognised in income statement	-	(830)	151	150	(1,362)	(27)	(803)	(2,721)
Tax losses recognised through deferred tax	-	-	-	-	-	-	(8,736)	(8,736)
Recognised in other comprehensive income	1,610	5,033	-	-	-	-	-	6,643
Balance at 30 June 2022	**347**	**85,346**	**1,798**	**3,659**	**(6,586)**	**2,036**	**(9,826)**	**76,774**
Recognised in income statement	-	558	256	(306)	(1,141)	(28)	174	(487)
Tax losses recognised through deferred tax	-	-	-	-	-	-	8,213	8,213
Recognised in other comprehensive income	(347)	5,191	-	-	-	-	-	4,844
Balance at 30 June 2023	**-**	**91,095**	**2,054**	**3,353**	**(7,727)**	**2,008**	**(1,439)**	**89,344**

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.

In the prior year tax receivable was recognised for the research and development tax incentive claim relating to the automation project.

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 2021	**453,803**	**335,109**	**89,411**	**231,148**	**108,188**	**25,947**	**1,243,606**
Movement							
Work in progress additions	-	876	3,760	11,988	1,454	4,702	22,780
Disposals	-	-	-	-	-	(8)	(8)
Revaluations - Reserves	36,166	15,274	2,699	-	-	-	54,139
Revaluations - Income Statement	118	345	522	-	-	-	985
Automation Impairment	-	-	-	(5,803)	-	-	(5,803)
Impairment	-	-	-	(1,504)	-	(761)	(2,265)
Reclassifications / Transfers	6,848	-	9,167	(7,391)	3,510	(1,139)	10,995
Depreciation charge	-	(4,910)	(3,494)	(13,238)	(3,821)	(4,904)	(30,367)
Movement to 30 June 2022	43,132	11,585	12,654	(15,948)	1,143	(2,110)	50,456
Balances							
Cost and/or fair value	496,935	344,612	101,047	341,140	135,022	65,688	1,484,444
Work in progress at cost	-	2,861	2,404	25,943	-	4,060	35,268
Accumulated depreciation	-	(779)	(1,386)	(151,883)	(25,691)	(45,911)	(225,650)
Net book value at 30 June 2022	**496,935**	**346,694**	**102,065**	**215,200**	**109,331**	**23,837**	**1,294,062**
Movement							
Work in progress additions	-	928	2,969	15,318	454	6,159	25,828
Disposals	-	-	-	(351)	-	(36)	(387)
Revaluations - Reserves	(31,584)	15,594	3,150	-	-	-	(12,840)
Revaluations - Income Statement	(340)	519	88	-	-	-	267
Impairment	-	-	-	(1,614)	-	-	(1,614)
Reclassifications / Transfers	-	-	(30)	-	-	225	195
Depreciation charge	-	(5,066)	(2,861)	(19,060)	(3,780)	(4,497)	(35,264)
Movement to 30 June 2023	(31,924)	11,975	3,316	(5,707)	(3,326)	1,851	(23,815)
Balances							
Cost and/or fair value	465,011	355,808	103,162	352,511	135,022	70,501	1,482,015
Work in progress at cost	-	3,788	3,959	13,569	454	5,433	27,203
Accumulated depreciation	-	(927)	(1,740)	(156,587)	(29,471)	(50,246)	(238,971)
Net book value at 30 June 2023	**465,011**	**358,669**	**105,381**	**209,493**	**106,005**	**25,688**	**1,270,247**

The impairment of plant and equipment relates to the bunker barge operated by Seafuels, a wholly owned subsidiary.

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

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 2023, all freehold land was revalued as at 30 June 2023 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 or contamination remediation using high-level estimates. There remains uncertainty as to the extent of any contamination which has not been noted by Valuers 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.

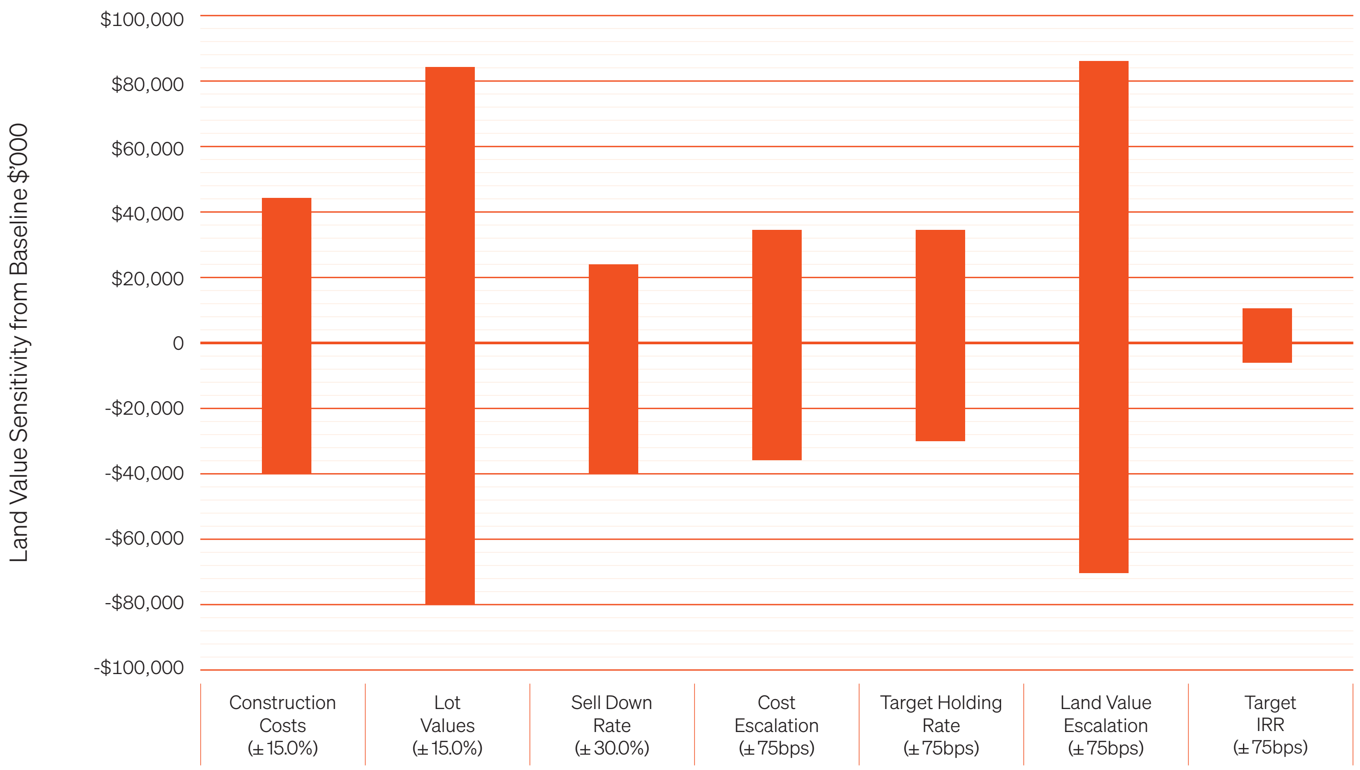
Port Operations Land Valuation

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

Asset valuation technique	Inputs used to measure fair value	2023 Range of significant unobserved inputs	2022 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	$6,600 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 in March 2022 with an escalation rate of 20%	Beca Group development costs updated in March 2022
	Discount rate	10.83%	10.61%
	Sales price escalation	0% - 3.0% over the term	0% - 3.0% over the term
	Cost escalation	2.50% over the term	2.50% over the term
	Occupancy rate for holding income	50%	50%

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 and consenting period	(19,000)
18 year planning and consenting period	(41,000)

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:

Asset valuation technique	Inputs used to measure fair value	2023 Range of significant unobserved inputs	2022 Range of significant unobserved inputs
Comparable sales model	Land sales price CBD	$5,882 per sqm to $13,427 per sqm	$5,161 per sqm to $9,109 per sqm
	Land sales price non CBD	$275 per sqm to $680 per sqm	$275 per sqm to $446 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 2023 by John Foord (International), industrial valuers and Ortus International, registered Quantity Surveyors, to fair value.

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

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

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

Asset valuation technique	Inputs used to measure fair value	2023 Range of significant unobserved inputs	2022 Range of significant unobserved inputs
Depreciated replacement cost derived from modern equivalent asset rate	Wharve's 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	$1,267–$2,637	$1,179–$2,453
	Wharf Platform unit cost of construction per sqm	$1,998–$4,174	$1,859–$3,883
	Fenders unit cost of construction per sqm	$104–$219	$97–$204
	Services unit cost of construction per sqm	$142–$292	$132–$272
	Total unit cost of construction per sqm	$3,511–$7,322	$3,267–$6,812

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

	2023 $'000	2022 $'000
Imputation credits		
Balance at 1 July	**154,064**	158,282
Capitalised subsequent expenditure	**85**	1,430
Reclassifications / Transfers (refer note B1)	**30**	(19,999)
Reclassification from Finance Lease (refer note D4)	**2,272**	-
Net gain / (loss) from fair value adjustment	**(7,076)**	14,351
Balance at 30 June	**149,375**	154,064

Lease income from investment properties amounted to $3,777,438 (2022: $4,525,693) and operating expenses amounted to $1,109,628 (2022: $512,195).

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 property's valuation annually by an independent registered valuer.

The valuations as at 30 June 2023 and 30 June 2022 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:

Asset valuation technique	Inputs used to measure fair value	2023 Range of significant unobserved inputs	2022 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	2.77% to 5.93%	2.38% to 5.38%
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	$275 to $1,000 per sqm	$275 to $1,000 per sqm

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:

		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 that 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
Net book value at 1 July 2021	**74,178**
Movement	
Work in progress additions	9,169
Reclassifications / Transfers	8,673
Automation Impairment	(58,563)
Impairment	(325)
Amortisation charge	(7,305)
Movement to 30 June 2022	(48,351)
Balances	
Cost	61,205
Work in progress at cost	3,247
Accumulated amortisation and impairment	(38,625)
Net book value at 30 June 2022	**25,827**
Movement	
Work in progress additions	3,611
Reclassifications / Transfers	37
Amortisation charge	(6,745)
Movement to 30 June 2023	(3,097)
Balances	
Cost	65,415
Work in progress at cost	2,685
Accumulated amortisation and impairment	(45,370)
Net book value at 30 June 2023	**22,730**

Impairment of intangible assets in the prior year includes the write-off of automation related assets.

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 2021	**10,778**	**2,244**	**497**	**-**	**13,519**
Depreciation charge	(503)	(977)	(87)	-	(1,567)
Movement to 30 June 2022	(503)	(977)	(87)	-	(1,567)
Balances					
Cost	11,595	4,416	704	14	16,729
Accumulated depreciation	(1,320)	(3,149)	(294)	(14)	(4,777)
Net book value at 30 June 2022	**10,275**	**1,267**	**410**	**-**	**11,952**
Movement					
Depreciation charge	(455)	(794)	(86)	-	(1,335)
Movement to 30 June 2023	(455)	(794)	(86)	-	(1,335)
Balances					
Cost	11,595	2,267	704	14	14,580
Accumulated depreciation	(1,775)	(1,794)	(380)	(14)	(3,963)
Net book value at 30 June 2023	**9,820**	**473**	**324**	**-**	**10,617**

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 ongoing 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 Group does not hold any derivative financial instruments as at 30 June 2023. Prior year fair value of derivative financial instruments was determined by valuation experts using various valuation techniques. The fair value of interest rate swaps was calculated as the present value of estimated future cash flows. The fair value of forward foreign exchange contracts was 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 Group had tax losses in the prior year which were recognised as a reduction in deferred tax liability (refer to note A3). These losses have been fully utilised in the current year.

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.

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

	2023 $'000	2022 $'000
Cash and cash equivalents		
Bank balances	**5,417**	7,449
Total cash and cash equivalents	**5,417**	7,449
Interest Bearing Liabilities		
Bank overdrafts – refer to note E3	**(4,317)**	(2,935)
Total cash as per statement of cash flows	**1,100**	4,514

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% (2022: 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

	2023 $'000	2022 $'000
Trade receivables		
Trade receivables	**43,188**	36,044
Related party receivables	**300**	121
Sundry receivables	**4,228**	3,088
Unprocessed credit notes	**(46)**	-
Provision for impairment of trade receivables	**(674)**	(267)
Net trade receivables	**46,996**	38,986
Other receivables		
Other assets	**-**	1,040
Prepayments	**2,994**	3,875
Total trade and other receivables	**49,990**	43,901

The aging of trade receivables at reporting date was:

	2023 $'000	2022 $'000
Aged receivables		
Current	**23,919**	24,420
30 days	**11,086**	7,663
60 days	**4,293**	2,643
90 days	**1,835**	733
Over 90 days	**2,355**	706
Total aged receivables	**43,488**	36,165

As at 30 June 2023 current trade receivables of the Group with a value of $451,415 (2022: $26,097) were written off.

Trade receivables of $19,569,244 (2022: $11,745,673) were past due but not impaired as at 30 June 2023. 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. In making this assessment, current and prospective economic factors have been considered. The average credit period for trade receivables at 30 June 2023 is 51.91 days (2022: 52.77 days).

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

	2023 $'000	2022 $'000
Inventories		
Inventories at cost	**8,166**	7,438
Inventory provision	**(2,335)**	(1,580)
Total inventories	**5,831**	5,858

The cost of inventories recognised as an expense during the year was $11,290,253 (2022: $8,767,334).

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. Finance lease receivables

	2023 $'000	2022 $'000
Finance lease arrangements		
Gross investment in the lease	**-**	2,272
Less unearned finance income	**-**	(719)
Net investment in the lease	**-**	1,553
Present value of minimum lease payments receivable	**-**	1,553
Finance income on the net investment in the lease	**(719)**	719

In the prior year the Company entered into a below-market-value rental agreement with the lessee of a residential property that is administered by an independent trust. This agreement, the terms of which were not finalised as at 30 June 2022, was deemed to be a finance lease arrangement based on the proposed terms of the lease. During the current financial year the lease terms have been amended, which has changed the designation of the arrangement.

This property is recognised as an Investment Property in the current year (refer note B3) and the interest has been unwound to the Income Statement through finance costs.

D5. Trade and other payables

	2023 $'000	2022 $'000
Trade payables	**11,116**	15,472
Related party payables	**3,255**	197
Other payables	**4,329**	1,592
Accruals	**14,087**	10,988
Total trade and other payables	**32,787**	28,249

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 that are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

D6. Provisions

	Employee benefits $'000	ACC partnership programme $'000	Other provisions $'000	Total $'000
Opening balance	12,633	265	4,913	17,811
Movement				
Additional provisions and increases to existing provisions	9,612	411	3,024	13,047
Amounts used	(7,637)	-	(167)	(7,804)
Movement to 30 June 2022	1,975	411	2,857	5,243
Balances				
Current	13,430	676	7,770	21,876
Non-current	1,178	-	-	1,178
Balance as at 30 June 2022	14,608	676	7,770	23,054
Movement				
Additional provisions and increases to existing provisions	**11,876**	**-**	**1,442**	**13,318**
Amounts used	**(10,749)**	**-**	**(627)**	**(11,376)**
Reversal of previously recognised provisions	**(71)**	**(129)**	**(1,642)**	**(1,842)**
Movement to 30 June 2023	**1,056**	**(129)**	**(827)**	**100**
Balances				
Current	**14,557**	**547**	**6,943**	**22,047**
Non-current	**1,107**	**-**	**-**	**1,107**
Balance as at 30 June 2023	**15,664**	**547**	**6,943**	**23,154**

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 Port 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.

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 ongoing 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 2023. 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 2023 produced a value for the ACC reserve of $547,200 (2022: $675,900). Pre-valuation date claim inflation has been taken as 50% (2022: 50%) of movements in the CPI and 50% (2022: 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 2023.

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

	2023 Shares	2022 Shares	2023 $'000	2022 $'000
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 2023, there were 156,005,192 (2022: 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 2021	**(3,248)**	**323,516**	**32,875**	**464,462**	**817,605**
Profit / (loss) for the period	-	-	-	(10,275)	(10,275)
Dividends	-	-	-	(5,838)	(5,838)
Revaluations	-	54,140	-	-	54,140
Changes in fair value of cash flow hedges	3,669	-	-	-	3,669
Transfer to profit / (loss)	2,082	-	-	-	2,082
Changes in fair value of investments	-	-	(3,287)	-	(3,287)
Deferred tax	(1,611)	(5,033)	-	-	(6,644)
Tax benefit of losses received from owner	-	-	-	341	341
Other movements	-	-	-	7	7
Balance at 30 June 2022	**892**	**372,623**	**29,588**	**448,697**	**851,800**
Profit / (loss) for the period	-	-	-	40,450	**40,450**
Dividends	-	-	-	(27,045)	**(27,045)**
Revaluations	-	(12,840)	-	-	**(12,840)**
Changes in fair value of cash flow hedges	(2,825)	-	-	-	**(2,826)**
Transfer to profit / (loss)	1,586	-	-	-	**1,587**
Changes in fair value of investments	-	-	(6,164)	-	**(6,164)**
Deferred tax	347	(5,191)	-	-	**(4,844)**
Revaluation reserve reclassified to retained earnings on disposal of assets	-	(205)	-	205	**-**
Balance at 30 June 2023	**-**	**354,387**	**23,424**	**462,307**	**840,118**

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.

The Group does not have any cash flow hedges as at 30 June 2023.

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 paid

	Cents per Share	2023 $'000	2022 $'000
2021 Final dividend	2.55	-	3,724
2022 Interim dividend	1.45	-	2,114
2022 Final dividend	8.25	12,045	-
2023 Interim dividend	10.27	15,000	-
Total dividends paid		**27,045**	**5,838**

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. Refer note H4 for dividends declared after balance date.

E3. Borrowings

	2023		2022	
	Available $'000	Net drawn $'000	Available $'000	Net drawn $'000
Current				
Unsecured				
Bank overdraft – refer note D1	10,000	4,317	10,000	2,935
Total current borrowings	10,000	4,317	10,000	2,935
Non-Current				
Unsecured				
Related party term loan (unsecured)	430,000	238,913	-	-
Other bank loans	-	-	420,000	284,742
Fixed-rate notes	170,000	169,714	170,000	169,664
Total non-current borrowings	600,000	408,627	590,000	454,406
Total borrowings	610,000	412,944	600,000	457,341

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.

From 1 April 2023 the Group and its parent, Auckland Council, entered into a service level agreement (SLA) for the provision of treasury services and an inter-company loan agreement.

Large-scale repayments are not required as long as the Group remains within the debt headroom position agreed with Auckland Council treasury. Auckland Council treasury met all of their obligations under the terms of the SLA during the 2023 financial year. The key objective of the centralised treasury function is to achieve cost savings and efficiencies.

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

Interest on this loan is based on Auckland Council's weighted average cost of funds on its total debts and hedgebook for each year.

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.

Prior year borrowings were under a revolving advances agreement with Westpac New Zealand Limited, ANZ Bank New Zealand Limited and MUFG Limited. The closure of these facilities took place on 3 April 2023 and all drawdowns were repaid.

Prior interest rate was based on BKBM (bank bill bid settlement) rate plus a margin range of 0.81% to 0.93% per annum.

Fixed rate notes

On 21 June 2018, Port 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 loans outlined above.

Fair value

The carrying amounts of the bank overdraft and related-party term 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

	2023 $'000	2022 $'000
Current lease liabilities	1,269	1,725
Non-current lease liabilities	10,172	10,915
Total lease liabilities	11,441	12,640

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 six years (2022: six years).

	2023 $'000	2022 $'000
Amounts recognised in profit and loss		
Depreciation expense on right-of-use assets	1,335	1,567
Interest expense on lease liabilities	561	628

Maturity analysis – contractual undiscounted cash flows

	2023 $'000
Within one year	1,378
Greater than one year but not more than five years	3,650
Greater than five years but not more than ten years	3,881
Greater than ten years	8,989
Total undiscounted lease liabilities	17,898

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 2021	1,385	883	2,268
Share of profit / (loss) after income tax	2,203	-	2,203
Dividends received	(1,714)	-	(1,714)
Impairment	-	(879)	(879)
Balance at 30 June 2022	1,874	4	1,878
Share of profit / (loss) after income tax	3,963	-	3,963
Dividends received	(2,853)	-	(2,853)
Reversal of impairment	53	496	549
Movement in advances	-	(500)	(500)
Balance at 30 June 2023	3,037	-	3,037

As at 30 June 2022 the Group had shareholder advances with Longburn Intermodal Freight Hub Limited and Port Connect Limited. During the current financial year, the Group sold its interest in Longburn Intermodal Freight Hub.

The Port Connect Limited advance is 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 note 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 2023 %	Equity Holding 2022 %
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 2023 %	Equity Holding 2022 %
Associates					
Longburn Intermodal Freight Hub Limited	Container terminal operation – marine cargo	New Zealand	Ordinary	0	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 2023 $'000	Aggregate Balance 2022 $'000
Assets and liabilities		
Current assets	8,615	5,965
Non-current assets	24,777	26,437
Total assets	33,392	32,402
Current liabilities	4,511	12,296
Non-current liabilities	11,076	7,376
Total liabilities	15,587	19,672
Net assets	17,805	12,730
Results		
Revenue	21,437	17,020
Expenses	(13,569)	(11,640)
Net profit after tax	7,868	5,380
Total comprehensive income	7,868	5,380

The associates and joint ventures had contingent liabilities of $nil as at 30 June 2023 (2022: $nil). Capital commitments as at 30 June 2023 are $nil (2022: $nil).

Related-party outstanding balances

	2023 $'000	2022 $'000
Current receivables		
Auckland Council Group	153	46
Associates and joint ventures	147	75
Total current receivables	300	121
Non-current receivables		
Associates and joint ventures	1,400	1,347
Total non-current receivables	1,400	1,347
Current payables		
Auckland Council Group	3,169	137
Associates and joint ventures	86	75
Subsidiaries	-	(15)
Total current payables	3,255	197
Non-current liabilities		
Auckland Council Group	238,913	-
Total non-current liabilities	238,913	-

In the current year, the impairment of non-current receivables was reversed by $549,000 (2022: $879,000) and we received a repayment of $500,000. These relate to the shareholder advances to equity accounted investees. Refer to note G1.

Related-party transactions

	2023 $'000	2022 $'000
Auckland Council Group		
Services provided by the Group	752	1,564
Services provided to the Group	3,281	2,070
Advances to the Group	292,478	-
Advance repayments from the Group	59,120	-
Net dividend paid to Auckland Council	27,045	5,838
Tax losses gifted by Auckland Council to the Group	-	341
Associates and joint ventures		
Services provided by the Group	277	237
Services provided to the Group	683	912
Net dividends received	2,853	1,717

Key management personnel compensation

	2023 $'000	2022 $'000
Directors' fees	557	563
Salaries and other short-term employee benefits	3,816	3,711
Total key management compensation	4,373	4,274

Recognition and measurement

Related parties

All subsidiaries, associates and joint ventures are related parties to the Group. Auckland Council wholly owns Port 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:

- the aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- 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 and PortConnect 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 Port 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, Eke Panuku Development Auckland, Auckland Transport and Tātaki Auckland Unlimited.

The services provided to Port of Auckland Group entities from Auckland Council Group entities is made up of operating costs such as water and rates charged.

The transactions between Port of Auckland Limited and Auckland Council Group entities include intercompany loan advances and repayments, dividends, tax loss offsets, management fees and port charges.

Associates and joint ventures

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

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

Port of Auckland Limited has advanced funds to PortConnect 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.

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

	2023 $'000	2022 $'000
Balance at 1 July	**47,012**	50,299
Movements through reserves	**(6,164)**	(3,287)
Balance at 30 June	**40,848**	47,012

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

G1. Financial risk management

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

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

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

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

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

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

As at 30 June 2023, the Group does not hold any derivative financial instruments.

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 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 47% (2022: 56%) of trade receivables at balance date is reflected by the Group's ten largest customers. At balance date approximately 9% (2022: 9%) 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

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 2023 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 2022						
Expected loss rate	0.25%	0.50%	1.19%	3.33%	15.75%	-
Gross carrying amount	24,420	7,663	2,643	733	706	36,165
Loss allowance	**62**	**38**	**31**	**24**	**112**	**267**
30 June 2023						
Expected loss rate	**0.98%**	**0.63%**	**0.99%**	**2.32%**	**12.08%**	**-**
Gross carrying amount	**23,919**	**11,086**	**4,293**	**1,835**	**2,355**	**43,488**
Loss allowance	**234**	**70**	**43**	**43**	**284**	**674**

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 2023 reconciles to the opening loss allowance as follows:

	$'000
Balance at 30 June 2022	1,483
Decrease in loss allowance recognised in profit or loss during the year	(549)
Advance extinguished on sale of interest	(934)
Balance at 30 June 2023	-

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 2022							
Trade and other payables	36,019	-	-	-	-	36,019	36,019
Borrowings	47,166	9,661	161,285	167,719	198,985	584,816	457,341
Total non-derivative liabilities	83,185	9,661	161,285	167,719	198,985	620,835	493,360
Balance at 30 June 2023							
Trade and other payables	39,730	-	-	-	-	**39,730**	**39,730**
Borrowings	8,654	4,290	8,603	322,676	132,427	**476,650**	**412,944**
Total non-derivative liabilities	**48,384**	**4,290**	**8,603**	**322,676**	**132,427**	**516,380**	**452,674**

The Group's exposure to liquidity risk based on undiscounted contractual cash flows relating to derivative financial assets and liabilities is shown below. The Group did not hold any derivative financial assets and liabilities as at 30 June 2023.

	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 2022							
Interest rate swaps (net settled)	8	308	591	674	-	1,581	(1,078)
Forward exchange contracts							
Inflows	7,095	-	-	-	-	7,095	-
Outflows	(6,933)	-	-	-	-	(6,933)	-
Net forward exchange contracts	162	-	-	-	-	162	(162)
Total derivative liabilities	170	308	591	674	-	1,743	(1,240)

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.

As at 30 June 2023, the Group does not hold any foreign exchange instruments.

Interest rate risk

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

As at 30 June 2023, the Group does not have any Interest rate swap arrangements.

Previously, the Group had exposure to interest rate risk as a result of long-term borrowings which were used to fund ongoing activities. The Group aimed 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 agreed 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.

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. There are no forward exchange contracts held as at 30 June 2023. The maturity date for the prior year outstanding forward exchange contracts ranged from August 2022 to November 2022.

	2023 $'000	2022 $'000
EUR Forward Exchange Contracts		
Carrying amount – asset	-	162
Notional amount	-	4,200
Hedge ratio	-	1:1
Change in discounted spot value of outstanding hedging instruments during financial year	-	216
Change in value of hedged item used to determine hedge effectiveness	-	(216)
Weighted average hedged rate for the year	-	EUR 0.6058 :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. There are no interest rate swaps held as at 30 June 2023. The maturity date for the prior year outstanding interest rate swaps ranged from January 2024 to June 2026.

	2023 $'000	2022 $'000
Interest rate swaps		
Carrying amount – asset	-	1,078
Notional amount	-	50,000
Change in fair value of outstanding hedging instruments during financial year	-	3,311
Change in value of hedged item used to determine hedge effectiveness	-	(3,329)
Weighted average hedged rate for the year	**0.00%**	3.13%

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

	30 June 2023		30 June 2022	
	Weighted average interest rate	Balance $'000	Weighted average interest rate	Balance $'000
Bank overdrafts and bank loans	**6.5%**	**4,317**	3.6%	287,936
Related-party term loan (unsecured)	**4.6%**	**238,913**	0.0%	-
Interest-rate swaps – notional value	**0.0%**	**-**	3.1%	50,000

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.

	2023 $'000	2022 $'000
Financial assets		
Cash and cash equivalents	**5,417**	7,449
Equity securities	**40,848**	47,012
Total financial assets	**46,265**	54,461
Designated in hedge relationship		
Derivative financial assets		
Interest rate swaps	-	1,078
Forward exchange contracts	-	162
Derivative financial liabilities		
Forward exchange contracts	-	-
Total designated in hedge relationship	-	(1,240)
Financial liabilities		
Interest bearing liabilities	**412,944**	457,341
Total financial liabilities	**412,944**	457,341

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:

	2023		2022	
	Profit before tax $'000	Balance $'000	Profit before tax $'000	Equity $'000
Interest rate risk				
25 basis point increase	**(595)**	**-**	(578)	250
25 basis point decrease	**595**	**-**	578	(270)
Foreign exchange risk				
10% increase in value of NZ dollar	**(6)**	**-**	(130)	(641)
10% decrease in value of NZ dollar	**6**	**-**	130	784
Equity price risk				
10% increase in equity prices	**-**	**4,085**	-	4,701
10% decrease in equity prices	**-**	**(4,085)**	-	(4,701)

Fair value

Fair value hierarchy

The table on the next page 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).

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 are disclosed in note B2, along with an analysis for the fair value approaches used.

	Level	2023 $'000	2022 $'000
Equity securities	1	**40,848**	47,012
Derivative financial assets			
Interest rate swaps	2	**-**	1,078
Foreign exchange contracts	2	**-**	162
Total derivative financial assets		**-**	1,240
Derivative financial liabilities			
Interest rate swaps	2	**-**	-
Foreign exchange contracts	2	**-**	-
Non-financial assets			
Investment properties	3	**149,375**	154,064
Land	3	**465,011**	496,935
Buildings	3	**105,381**	102,065
Wharves	3	**358,669**	346,693
Total non-financial assets		**1,078,436**	1,099,757

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 2022			
Financial assets			
Cash and cash equivalents	7,449	-	-
Trade receivables	38,986	-	-
Joint venture and associate advances	1,347	-	-
Equity securities	-	-	47,012
Designated in a hedge relationship			
Derivative financial assets	-	1,240	-
Derivative financial liabilities	-	-	-
Financial liabilities			
Trade and other payables	(26,657)	-	-
Interest bearing liabilities	(457,341)	-	-

	Carried at cost or amortised cost $'000	Carried at fair value $'000	Fair value through other comprehensive income $'000
Balance at 30 June 2023			
Financial assets			
Cash and cash equivalents	**5,417**	**-**	**-**
Trade receivables	**46,996**	**-**	**-**
Joint venture and associate advances	**1,400**	**-**	**-**
Equity securities	**-**	**-**	**40,848**
Designated in a hedge relationship			
Financial liabilities			
Trade and other payables	**(28,458)**	**-**	**-**
Interest bearing liabilities	**(412,944)**	**-**	**-**

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 2022				
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	57,900	55,889	55,875	169,664
Fair value	55,351	52,695	51,960	160,006
Balance at 30 June 2023				
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	57,921	55,905	55,888	169,714
Fair value	54,523	51,470	50,784	156,777

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 2023 is 29% (2022: 31%).

G2. Derivative financial instruments

	2023 $'000	2022 $'000
Current assets		
Forward foreign exchange contracts	-	162
Total current derivative assets	-	162
Non-current assets		
Interest rate swaps	-	1,078
Total non-current derivative assets	-	1,078
Total derivative assets	-	1,240

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

	2023 $'000	2022 $'000
1–2 years	-	25,000
2–3 years	-	10,000
3–4 years	-	15,000
Total	-	50,000

Recognition and measurement

Derivatives

The Group's hedging instruments were all terminated on 3 April 2023. Up to this point, the Group used 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 were initially recognised at fair value on the date the derivative contract was entered into and were 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 were 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 were observable.

The method of recognising the resulting gain or loss depends on whether the derivative was designated as a hedging instrument. Changes in the fair value of derivatives which had been successfully designated as part of a cash flow hedge relationship were recognised in the cash flow hedge reserve, to the extent they are effective. Any accounting ineffectiveness was recognised in the income statement. If the derivative was not designated as a hedged instrument, the resulting gain or loss was 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. As at 30 June 2023, the Group did not hold any 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 ongoing 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

The Group does not hold any bank loans as at 30 June 2023. In the prior year, bank loans of the Group bore a weighted average variable interest rate of 3.57%.

The Group does not have any swaps in place as at 30 June 2023.

Swaps in place in the prior year covered approximately 11% of the loan principal outstanding and were timed to expire as interest and loan repayments fell due. The fixed interest rates ranged between 2.85% and 3.37% and the maturity dates ranged between 31 January 2024 and 21 June 2026.

Interest rate swap contracts required settlement of net interest payable or receivable each quarter. The settlement dates coincided with the dates on which interest was payable on the underlying debt. The contracts were 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 2023, the Group had outstanding forward exchange contracts equivalent to $nil (2022: $6,932,827 for an electric tug boat).

Hedge 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 2021	**3,134**	**114**	**3,248**
Changes in fair value of hedging instrument recognised in OCI	(3,346)	(321)	(3,667)
Interest expense reclassified from OCI to profit or loss	(2,082)	-	(2,082)
Deferred tax	1,520	90	1,610
Balance at 30 June 2022	(774)	(117)	(891)
Changes in fair value of hedging instrument recognised in OCI	1,001	162	1,163
Interest expense reclassified from OCI to profit or loss	75	-	75
Deferred tax	(302)	(45)	(347)
Balance at 30 June 2023	-	-	-

Hedge ineffectiveness

Hedge effectiveness was 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 entered into hedge relationships where the critical terms of the hedging instrument matched, and therefore it was expected that the value of the forward contracts and the value of the corresponding hedged items would systematically change in opposite direction in response to movements in the underlying exchange rate. Ineffectiveness would have arisen if the timing of the forecast transaction changed from what was originally estimated, or if there were changes in the credit risk of the Group or the derivative counterparty.

The Group entered into interest rate swaps that had 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 was assessed using the same principles as for hedges of foreign currency purchases which occurred 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. Capital commitments

	2023 $'000	2022 $'000
Property, plant and equipment		
Property, plant and equipment	**15,168**	7,589
Intangible assets	**130**	-
Total capital commitments	**15,298**	7,589

Capital commitments include spend related to conversion of automated straddles to manual operation, plant and equipment purchases and energy utilities infrastructure.

H2. Lease commitments

	2023 $'000	2022 $'000
Operating lease commitments: Group as lessor		
Within one year	**10,016**	7,495
Greater than one year but not more than five years	**27,880**	22,020
More than five years	**35,206**	30,561
Total operating lease commitments	**73,102**	60,076

The lease commitments of the Group relate to both investment property, and property, plant and equipment owned by the Group.

Investment property non-cancellable term ranges from 1-12 years.

Property, plant and equipment non-cancellable term ranges from 1 to 25 years.

All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

Recognition and measurement

Lease commitments

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.

H3. Contingencies

Contingent liabilities

The Group had $nil contingent liabilities at 30 June 2023 (2022: $nil).

Port of Auckland Limited is facing charges under the Health and Safety at Work Act 2015, with amounts for potential financial obligations included within Provisions (refer to Note D6).

Port of Auckland Limited has a performance bond of $810,000 (2022: $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.

Port 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.

Port of Auckland Limited potentially has a liability for aspects of repairs and maintenance on Queens Wharf of up to $1,500,000. The expense is likely to be incurred within a ten to fifteen year time horizon.

H4. Events occurring after the reporting period

On 23 August 2023, subsequent to year end the Board of Directors resolved to pay an unimputed dividend of 10.27 cents per ordinary share, a total of $15,000,000. The dividend will be paid on 8 September 2023.

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