



Taking care of tomorrow

Port of Tauranga Limited
Market Update and Interim Consolidated
Financial Statements February 2022

Scroll down to
view the report



Table of Contents

Our Highlights and Challenges	2
Chair and Chief Executive's Review	3
News	6
Interim Consolidated Financial Statements	9
Consolidated Income Statement	10
Consolidated Statement of Comprehensive Income	10
Consolidated Statement of Changes in Equity	11
Consolidated Statement of Financial Position	12
Consolidated Statement of Cash Flows	13
Notes to the Interim Consolidated Financial Statements	14
Independent Review Report	19
Company Directory	20

Connecting New Zealand and the world.

Port of Tauranga is New Zealand's largest and most efficient port.

It is the international freight gateway for the country's imports and exports. It is the only New Zealand port able to accommodate larger container vessels, unlocking economic and environmental benefits for shippers.

As the Covid-19 pandemic enters yet another new phase, Port of Tauranga continues to work with its partners to keep essential cargoes moving and bring widespread benefits to its customers, shareholders and the community.

Port of Tauranga remains New Zealand's Port for the Future.

Our highlights and challenges

For the six months ended 31 December 2021

Group Net Profit After Tax

⌘⌘ **\$56.3**

million¹ (an increase of 15.6% from the previous corresponding period)

Total trade steady at

⌘⌘ **13.0**

million tonnes (a decrease of nearly 0.3% from the previous corresponding period)

Imports

⌘⌘ **5.0**

million tonnes (an increase of 2.7% from the previous corresponding period)

Exports

⌘⌘ **8.0**

million tonnes (a decrease of 2.0% from the previous corresponding period)

Container volumes

⌘⌘ **622,271**

TEUs² (an increase of 1.5% from the previous corresponding period)

Transhipped containers

⌘⌘ **21.4%**

(a decrease to 143,339 TEUs from the previous corresponding period)

Subsidiary and Associate Company earnings

⌘⌘ **11.2%**

(a decrease from the previous corresponding period)

Log exports

⌘⌘ **3.1**

million tonnes (a decrease of 6.1% from the previous corresponding period)

Direct dairy exports

⌘⌘ **2.3%**

(an increase from the previous corresponding period)

Direct kiwifruit exports

⌘⌘ **16.0%**

(an increase from the previous corresponding period)

Interim dividend of

6.5

cents per share (an 8.3% increase on the same period last year)

¹ Port of Tauranga's profit for the six months to December 2020 has been restated.

² TEUs = twenty foot equivalent units, a standard measure of shipping containers.

Chair and Chief Executive's Review



▶ **Leonard Sampson**
CHIEF EXECUTIVE

Port of Tauranga has produced a strong first half trading result amidst the chaos of the Covid-19 pandemic.

▶ **We're pleased to report that Port of Tauranga has had a successful start to the year, despite the ongoing disruption and uncertainty caused by Covid-19.**

All members of the Port team, including our service providers and business partners, continue to support our customers through the many challenges being experienced in all parts of the international supply chain. We have accommodated diverted vessels and containers whenever possible, and prioritised urgent cargoes such as medical supplies.

Total trade remained steady at 13.0 million tonnes for the six months to December 2021. Container volumes increased 15% to 622,271 TEUs.

Group Net Profit After Tax increased 15.6% to \$56.3 million for the period.

Financial results

Operating revenue increased 16.7% to \$186.0 million due to changes in container mix and higher per container revenue. Operating expenses increased 17.5% due to increased rail, labour, fuel and electricity costs.

Subsidiary and Associate Company earnings decreased 11.2% overall on the previous corresponding period, partly due to changes in the Group's accounting for the Timaru Container Terminal. Coda Group's performance improved significantly from the previous year and Quality Marshalling also produced strong financial results.

The Port of Tauranga Board has declared a fully imputed interim dividend of 6.5 cents per share, an 8.3% increase on the previous corresponding period.

Cargo trends

Log exports decreased 6.1% to nearly 3.1 million tonnes for the six month period as a result of softening international pricing and strong demand domestically.

Direct dairy product exports increased 2.3% to just over 1.0 million tonnes. Dry conditions and high commodity prices were reflected in increases in fertiliser import volumes of 11.9%. Grain and feed imports increased 22.1% in volume.

We believe the berth development is critical for New Zealand’s supply chain.

Direct kiwifruit exports increased 16.0% compared with the same six months the previous year.

Oil product imports decreased 10.4% in volume.

Import demand remains elevated with the number of containers transferred by rail, to and from Auckland, increasing nearly 21.0%.

Ship visits increased 3.5% to 684 vessels. However, transshipment volumes continue to be suppressed due to limited shipping options, changes to vessel rotations, delays and congestion.

Berth extension project

We are still waiting for a resource consent hearing date in the Environment Court for our planned berth extension at the Tauranga Container Terminal.

The berth extension has been included in the Regional Coastal Environment Plan since 2003 and detailed planning began in 2019. We were unsuccessful in our bids to have the project included in the Government’s shovel-ready and Covid fast-track consenting programmes in 2020 and 2021 respectively. We successfully applied for direct referral

to the Environment Court and are now waiting for a court date.

The \$68.5 million project is becoming increasingly urgent, especially given the two-year construction timeframe.

We believe this development is critical for New Zealand’s supply chain. The current bottlenecks and the ongoing trend towards larger container vessels mean that the container terminal is likely to reach capacity in the next few years. The glacial pace of the regulatory process and the Government’s unwillingness to intervene are extremely frustrating.

Read more about this project on page 6.

Inland port to increase capacity

Our biggest opportunity to increase capacity and relieve congestion in the short term is our inland port under construction at Ruakura near central Hamilton.

This joint venture with Tainui Group Holdings, the commercial entity for Waikato-Tainui iwi, is part of the Ruakura Superhub industrial complex and is scheduled for completion later this year.



The inland port will help us manage cargo flow and reduce storage times at the Tauranga Container Terminal. Read more about this project on page 7.

Container terminal congestion

We have managed to avoid severe backlogs of cargo waiting for transfer to and from Auckland, in part as KiwiRail was able to reinstate the number of MetroPort trains to 92 per week from 72 the previous year. Congestion during the

traditionally busy month of December was considerably less than in 2020.

Berthing windows are unlikely to be reinstated, however, while Ports of Auckland remains constrained in its capacity, the global supply chain continues to be disrupted by the pandemic, and labour shortages persist.

Although congestion has had a profound effect on container terminal productivity, the average crane rate (containers moved per hour per crane) at Tauranga



The outlook for the second half of the 2022 financial year remains uncertain as we wait to see the impact of the Omicron variant outbreak on a vulnerable supply chain.

continues to be the best in New Zealand and higher than the average of the top five ports in Australia (27.0 moves per hour in the September quarter of 2021 compared with 32.1 at Tauranga).

New pilot launch

The building of a new pilot launch by Hart Marine in Australia is under way and is expected to take around eight months. The launch will be named *Troy Evans* after one of our pilots and tugmasters who sadly passed away in late December after a battle with Parkinson's.

Troy was a highly respected marine professional who won worldwide recognition for his piloting safety initiatives.

Covid-19 response

The safety of port workers, their loved ones and the community continues to be the number one priority.

Under the Red setting of the Covid-19 Protection Framework, Port of Tauranga operational teams work in small bubbles and those employees that can work from home are encouraged to do so.

All roles covered by the Government's border vaccination mandate are filled by those who are fully vaccinated, boosted and regularly tested. The Company has also introduced a vaccine mandate for all employees on site.

Outlook

The outlook for the second half of the 2022 financial year remains uncertain as we wait to see the impact of the Omicron variant outbreak on a vulnerable supply chain.

We believe we have done everything we can to prepare for the inevitable disruption of a large outbreak. However, the upheaval of widespread illness and employee isolation requirements is being felt worldwide, not just in New Zealand.

Based on the first half performance, we believe full year earnings will be between \$103 million and \$110 million (compared with \$102.4 million in the 2021 financial year).



David Pilkington
CHAIR



Leonard Sampson
CHIEF EXECUTIVE



News

Berth extension to deliver much-needed capacity.

Port of Tauranga's long-planned container berth extension will bring much-needed relief to the congested New Zealand supply chain.

➤ **In 2018, global container terminal experts TBA analysed the terminal's capacity and identified that the current footprint could handle around 1.5 million TEUs. If recent growth rates continue, that volume will be reached in about three years.**

The berth extension would allow capacity to grow to around 3.0 million TEUs annually.

While the resource consent application is for a total of 380 metres of additional berth on both sides of the harbour (refer to the areas marked in blue on the image, left), the first and crucial stage is a 220 metre extension to the 770 metres of existing container wharves at Sulphur Point. The new wharf will be created by converting existing container storage space.

The \$68.5 million project is expected to create 368 jobs during construction, and around 81 permanent jobs on completion. No Government funding is required for the project.

The extension will be complemented by future investment in electric stacking cranes to increase the number of containers that can be handled on site. These cranes will allow containers to be stacked up to six high, compared with the current three.

In the meantime, parts of the terminal are being reconfigured to utilise every available space.

Port of Tauranga handles around 42% of all the containers coming in and out of New Zealand. An efficient container terminal at Tauranga is vital for the export-driven New Zealand economy to thrive and for exporters to remain internationally competitive.

LEFT: Map showing future plans for the port. The proposed container wharf extension is depicted in blue on the left.

News

Ruakura Inland Port under construction.

The new Ruakura Inland Port near central Hamilton is under construction following the successful completion of preliminary earthworks.



➤ **The inland port is a joint venture between Port of Tauranga and Tainui Group Holdings, and is designed to connect Waikato and Auckland-based importers and exporters with New Zealand's largest port.**

The nine-hectare first stage of the inland port will open later this year, and future stages will see it grow to around 30 hectares. It will have two 800 metre rail sidings connected to the East Coast main trunk line.

The project has economic, social and environmental benefits. It will allow Port of Tauranga to grow cargo capacity by being used as a cargo consolidation and staging area.



LEFT: The Ruakura Superhub under development near Hamilton (the inland port is visible in the top right corner of the photo).

ABOVE: The Ruakura Inland Port site.



News

Port on board for Jazz Festival.

Port of Tauranga is the naming rights sponsor for the 59th year of the National Jazz Festival, the longest-running event of its kind in the Southern Hemisphere.

➤ **Port of Tauranga Chief Executive, Leonard Sampson, says the iconic event holds a special place in the heart of the community.**

"We're very pleased to lend our support to ensure the 2022 festival continues to entertain and uplift thousands of locals and visitors while bringing economic benefit to our region."

The festival is organised by the Tauranga Jazz Society. It is traditionally held over Easter weekend, but has been postponed to Matariki weekend in June this year.

Festival organiser Marc Anderson is grateful for the Port's support. "Port of Tauranga does so much for our community, and we thank them and look forward to them being on board."

Details of the event can be found at: <https://jazz.org.nz/>

LEFT (from left to right): Tauranga Jazz Society's Wayne Melville, Port of Tauranga Chief Executive Leonard Sampson, and Tauranga Jazz Society Chairman Jeff Baker.

Interim Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2021
PORT OF TAURANGA LIMITED AND SUBSIDIARIES

Contents

Consolidated Income Statement	10
Consolidated Statement of Comprehensive Income	10
Consolidated Statement of Changes in Equity	11
Consolidated Statement of Financial Position	12
Consolidated Statement of Cash Flows	13
Notes to the Interim Consolidated Financial Statements	14
Independent Review Report	19
Company Directory	20

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

Consolidated Income Statement

FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

	(Unaudited) Six Months Ended 31 December 2021 Group NZ\$000	(Unaudited) Six Months Ended 31 December 2020 Restated* Group NZ\$000	(Audited) Year Ended 30 June 2021 Group NZ\$000
Total operating revenue (refer note 6)	186,030	159,456	338,281
Contracted services for port operations	(41,628)	(32,498)	(69,143)
Employee benefit expenses	(23,121)	(21,676)	(43,520)
Direct fuel and power expenses	(6,150)	(5,384)	(11,545)
Maintenance of property, plant and equipment	(6,521)	(7,241)	(15,633)
Other expenses	(11,207)	(8,609)	(21,306)
Operating expenses	(88,627)	(75,408)	(161,147)
Results from operating activities	97,403	84,048	177,134
Depreciation and amortisation	(19,039)	(16,512)	(33,998)
Impairment of property, plant and equipment	0	0	(12)
Impairment of property, plant and equipment on revaluation	0	0	(2,326)
	(19,039)	(16,512)	(36,336)
Operating profit before finance costs, share of profit from Equity Accounted Investees and taxation	78,364	67,536	140,798
Finance income	37	64	164
Finance expenses (refer note 7)	(8,164)	(8,527)	(16,736)
Net finance costs	(8,127)	(8,463)	(16,572)
Share of profit from Equity Accounted Investees	5,954	6,330	13,524
Loss on disposal of Equity Accounted Investees	0	0	(741)
	5,954	6,330	12,783
Profit before income tax	76,191	65,403	137,009
Income tax expense	(19,850)	(16,657)	(34,634)
Profit for the period	56,341	48,746	102,375
Basic earnings per share (cents)	8.4	7.3	15.2
Diluted earnings per share (cents)	8.3	7.2	15.0

*Refer note 2.

These statements are to be read in conjunction with the notes on pages 14 to 18.

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

Consolidated Statement of Comprehensive Income

FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

	(Unaudited) Six Months Ended 31 December 2021 Group NZ\$000	(Unaudited) Six Months Ended 31 December 2020 Restated* Group NZ\$000	(Audited) Year Ended 30 June 2021 Group NZ\$000
Profit for the period	56,341	48,746	102,375
Other comprehensive income			
Items that are or may be reclassified to profit or loss:			
Cash flow hedge – changes in fair value	8,005	1,424	6,618
Cash flow hedge – reclassified to profit or loss	1,826	1,551	3,903
Share of net change in cash flow hedge reserves of Equity Accounted Investees	432	195	496
Items that will never be reclassified to profit or loss:			
Asset revaluation, net of tax	0	0	157,842
Share of net change in revaluation reserves of Equity Accounted Investees	22	(266)	12,090
Total other comprehensive income	10,285	2,904	180,949
Total comprehensive income	66,626	51,650	283,324

*Refer note 2.

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

	Share Capital Group NZ\$000	Share Based Payment Reserve Group NZ\$000	Hedging Reserve Group NZ\$000	Revaluation Reserve Group NZ\$000	Retained Earnings Group NZ\$000	Total Group NZ\$000
Restated* balance at 30 June 2020	69,816	4,513	(22,375)	1,083,175	60,055	1,195,184
Profit for the period	0	0	0	0	48,746	48,746
Total other comprehensive income	0	0	3,170	(266)	0	2,904
Total comprehensive income	0	0	3,170	(266)	48,746	51,650
Increase in share capital	733	0	0	0	0	733
Dividends paid during the period	0	0	0	0	(43,537)	(43,537)
Equity settled share based payment accrual	0	1,465	0	0	0	1,465
Shares issued upon vesting of management long term incentive plan	415	(225)	0	0	(190)	0
Total transactions with owners in their capacity as owners	1,148	1,240	0	0	(43,727)	(41,339)
Restated* balance at 31 December 2020	70,964	5,753	(19,205)	1,082,909	65,074	1,205,495
Profit for the period	0	0	0	0	53,629	53,629
Total other comprehensive income	0	0	7,847	170,198	0	178,045
Total comprehensive income	0	0	7,847	170,198	53,629	231,674
Increase in share capital	2	0	0	0	0	2
Dividends paid during the period	0	0	0	0	(40,816)	(40,816)
Equity settled share based payment accrual	0	613	0	0	0	613
Shares previously subject to call option, issued	3,954	(3,954)	0	0	0	0
Total transactions with owners in their capacity as owners	3,956	(3,341)	0	0	(40,816)	(40,201)
Balance at 30 June 2021	74,920	2,412	(11,358)	1,253,107	77,887	1,396,968
Profit for the period	0	0	0	0	56,341	56,341
Total other comprehensive income	0	0	10,263	22	0	10,285
Total comprehensive income	0	0	10,263	22	56,341	66,626
Decrease in share capital	(16)	0	0	0	0	(16)
Dividends paid during the period	0	0	0	0	(51,023)	(51,023)
Equity settled share based payment accrual	0	833	0	0	0	833
Shares issued upon vesting of management long term incentive plan	271	(229)	0	0	(42)	0
Total transactions with owners in their capacity as owners	255	604	0	0	(51,065)	(50,206)
Balance at 31 December 2021	75,175	3,016	(1,095)	1,253,129	83,163	1,413,388

*Refer note 2.

These statements are to be read in conjunction with the notes on pages 14 to 18.

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2021

	(Unaudited) 31 December 2021 Group NZ\$000	(Unaudited) 31 December 2020 Restated* Group NZ\$000	(Audited) 30 June 2021 Group NZ\$000
Assets			
Property, plant and equipment	1,747,630	1,593,775	1,758,109
Right-of-use assets	39,788	40,095	40,577
Intangible assets	23,590	24,173	24,200
Investments in Equity Accounted Investees	168,658	151,299	167,650
Receivables and prepayments	17,350	15,262	16,502
Derivative financial instruments	0	0	77
Total non current assets	1,997,016	1,824,604	2,007,115
Cash and cash equivalents	15,163	9,932	7,886
Receivables and prepayments	59,341	55,933	65,260
Inventories	1,337	1,365	1,009
Derivative financial instruments	123	0	0
Provision for tax	0	615	0
Total current assets	75,964	67,845	74,155
Total assets	2,072,980	1,892,449	2,081,270
Equity			
Share capital	75,175	70,964	74,920
Share based payment reserve	3,016	5,753	2,412
Hedging reserve	(1,095)	(19,205)	(11,358)
Revaluation reserve	1,253,129	1,082,909	1,253,107
Retained earnings	83,163	65,074	77,887
Total equity	1,413,388	1,205,495	1,396,968
Liabilities			
Loans and borrowings (refer note 10)	320,000	160,000	215,000
Derivative financial instruments	671	25,045	13,763
Employee benefits	2,374	2,707	2,244
Deferred tax liabilities	89,320	66,199	85,627
Lease liabilities	40,676	40,265	41,041
Contingent consideration	2,710	2,796	2,920
Total non current liabilities	455,751	297,012	360,595

*Refer note 2.

These statements are to be read in conjunction with the notes on pages 14 to 18.

	(Unaudited) 31 December 2021 Group NZ\$000	(Unaudited) 31 December 2020 Restated* Group NZ\$000	(Audited) 30 June 2021 Group NZ\$000
Loans and borrowings (refer note 10)	155,000	355,000	270,000
Derivative financial instruments	671	223	1,151
Trade and other payables	37,424	31,302	37,722
Revenue received in advance	209	251	162
Employee benefits	2,042	1,881	3,389
Income tax payable	7,296	0	10,012
Lease liabilities	773	938	837
Contingent consideration	426	347	434
Total current liabilities	203,841	389,942	323,707
Total liabilities	659,592	686,954	684,302
Total equity and liabilities	2,072,980	1,892,449	2,081,270
Net tangible assets per share (dollars per share)	2.06	1.76	2.04

*Refer note 2.

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

Consolidated Statement of Cash Flows

FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

	(Unaudited) Six Months Ended 31 December 2021 Group NZ\$'000	(Unaudited) Six Months Ended 31 December 2020 Group NZ\$'000	(Audited) Year Ended 30 June 2021 Group NZ\$'000
Cash flows from operating activities			
Receipts from customers	198,765	160,556	333,135
Interest received	31	62	165
Payments to suppliers and employees	(96,611)	(98,110)	(179,521)
Taxes paid	(22,697)	(26,817)	(36,576)
Interest paid	(8,378)	(8,387)	(17,521)
Net cash inflow from operating activities	71,110	27,304	99,682
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	18	8	10
Finance lease payments received, including interest	0	7	13
Repayment of advances from Equity Accounted Investees	0	680	680
Dividends from Equity Accounted Investees	7,263	6,136	9,636
Purchase of property, plant and equipment	(8,130)	(16,679)	(22,267)
Purchase of intangible assets	(106)	(4)	(937)
Interest capitalised on property, plant and equipment	(37)	(81)	(89)
Capital contribution to Equity Accounted Investees (refer note 13)	(1,500)	0	0
Cash acquired as a part of business combinations	0	794	794
Total net cash used in investing activities	(2,492)	(9,139)	(12,160)
Cash flows from financing activities			
Proceeds from borrowings	100,111	121,085	61,020
Repayment of borrowings	(110,000)	(94,000)	(64,000)
Repayment of lease liability	(429)	(346)	(868)
Dividends paid	(51,023)	(43,537)	(84,353)
Net cash used in financing activities	(61,341)	(16,798)	(88,201)
Net increase/(decrease) in cash held	7,277	1,367	(679)
Add opening cash brought forward	7,886	8,565	8,565
Ending cash and cash equivalents	15,163	9,932	7,886

These statements are to be read in conjunction with the notes on pages 14 to 18.

	(Unaudited) Six Months Ended 31 December 2021 Group NZ\$'000	(Unaudited) Six Months Ended 31 December 2020 Restated* Group NZ\$'000	(Audited) Year Ended 30 June 2021 Group NZ\$'000
RECONCILIATION OF PROFIT FOR THE PERIOD TO CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period	56,341	48,746	102,375
Adjustments for non cash and non operating items			
Depreciation and amortisation expense	19,039	16,512	33,998
Decrease in deferred taxation expense	(173)	(701)	(2,973)
Share of surpluses retained by Equity Accounted Investees	(5,954)	(6,330)	(13,524)
Other	883	1,479	5,338
	13,795	10,960	22,839
Add/(less) movements in working capital	974	(32,402)	(25,532)
Net cash flows from operating activities	71,110	27,304	99,682

*Refer note 2.

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

Notes to the Interim Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

1 REPORTING ENTITY

Port of Tauranga Limited (the Parent Company) is a company incorporated and domiciled in New Zealand, registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange (NZX). It is an FMC reporting entity for the purposes of the Financial Markets Conduct Act 2013. The Parent Company, which is designated as profit-oriented for financial reporting purposes, is an issuer in terms of the Financial Reporting Act 2013.

The unaudited interim financial statements (the financial statements) for Port of Tauranga Limited comprise the Port of Tauranga Limited, its Subsidiaries, and the Group's interest in Equity Accounted Investees (together referred to as the Group).

2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and New Zealand International Accounting Standard (NZ IAS) 34 Interim Financial Reporting. They do not include all information required for full annual financial statements and should be read in conjunction with the annual financial statements and related notes included in Port of Tauranga Limited's Integrated Annual Report for the year ended 30 June 2021.

Restatement

The Group restated certain prior year financial statement line items in Port of Tauranga Limited's Integrated Annual Report for the year ended 30 June 2021.

The restatement related to two Equity Accounted Investees' financial statements that had not been prepared in line with the Group's property, plant and equipment accounting policies. Certain asset classes had not been held at fair value, in line with the Group's policies, and as a consequence the Group's revaluation reserve and investment in Equity Accounted Investees had been understated, and the Group's share of profit from Equity Accounted Investees had been overstated.

For full details refer to note 15(c) of the Port of Tauranga Limited's Integrated Annual Report for the year ended 30 June 2021.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2021.

4 ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements in conformity with NZ IAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty, were the same as those applied to the Group's consolidated financial statements for the year ended 30 June 2021.

5 SEGMENT INFORMATION

The Group determines and presents operating segments based on the information that is internally provided to the Chief Executive, who is the Group's Chief Operating Decision Maker (CODM), as defined by NZ IFRS 8 Operating Segments.

The Group operates in three main reportable segments, being:

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

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

The remaining activities of the Group are not allocated to individual business segments.

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

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

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

Notes to the Interim Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

5 SEGMENT INFORMATION (CONTINUED)

	Port Operations Group NZ\$000	Property Services Group NZ\$000	Marshalling Services Group NZ\$000	Unallocated ⁽ⁱ⁾ Group NZ\$000	Inter Segment Group NZ\$000	Group NZ\$000
Six months ended 31 December 2021						
Revenue (external)	168,252	16,248	1,294	0	0	185,794
Inter segment revenue	0	79	9,573	0	(9,652)	0
Total segment revenue	168,252	16,327	10,867	0	(9,652)	185,794
Other income and expenditure:						
Share of profit from Equity Accounted Investees	0	0	0	5,954	0	5,954
Interest income	0	0	0	37	0	37
Other income	0	0	0	461	(225)	236
Interest expense	0	0	0	(8,164)	0	(8,164)
Depreciation and amortisation expense	0	0	(516)	(18,523)	0	(19,039)
Other unallocated expenditure	0	0	(8,030)	(90,474)	9,877	(88,627)
Income tax expense	0	0	(629)	(19,221)	0	(19,850)
Total other income and expenditure	0	0	(9,175)	(129,930)	9,652	(129,453)
Total segment result	168,252	16,327	1,692	(129,930)	0	56,341

⁽ⁱ⁾Operating costs are not allocated to individual business segments within the Parent Company.

	Port Operations Group NZ\$000	Property Services Group NZ\$000	Marshalling Services Group NZ\$000	Unallocated ⁽ⁱ⁾ Group NZ\$000	Inter Segment Group NZ\$000	Group NZ\$000
Six months ended 31 December 2020 restated*						
Revenue (external)	140,442	15,460	2,847	0	0	158,749
Inter segment revenue	907	34	6,606	0	(7,547)	0
Total segment revenue	141,349	15,494	9,453	0	(7,547)	158,749
Other income and expenditure:						
Share of profit from Equity Accounted Investees	0	0	0	6,330	0	6,330
Interest income	0	0	0	82	(18)	64
Other income	0	0	0	804	(97)	707
Interest expense	0	0	0	(8,545)	18	(8,527)
Depreciation and amortisation expense	(199)	0	(512)	(15,801)	0	(16,512)
Other unallocated expenditure	(1,707)	0	(6,769)	(74,576)	7,644	(75,408)
Income tax expense	(154)	0	(609)	(15,894)	0	(16,657)
Total other income and expenditure	(2,060)	0	(7,890)	(107,600)	7,547	(110,003)
Total segment result	139,289	15,494	1,563	(107,600)	0	48,746

*Refer note 2.

⁽ⁱ⁾Operating costs are not allocated to individual business segments within the Parent Company.

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

Notes to the Interim Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

6 OPERATING REVENUE

	Six Months Ended 31 December 2021 Group NZ\$000	Six Months Ended 31 December 2020 Group NZ\$000
Revenue from contracts with customers		
Container terminal revenue	117,666	95,454
Multi cargo revenue	31,943	29,839
Marine services revenue	19,937	17,996
	169,546	143,289
Other revenue		
Rental revenue	16,248	15,460
Other income	236	707
Total operating revenue	186,030	159,456

7 FINANCE EXPENSES

	Six Months Ended 31 December 2021 Group NZ\$000	Six Months Ended 31 December 2020 Group NZ\$000
Interest expense on borrowings	7,116	7,910
Less:		
Interest capitalised to property, plant and equipment	(37)	(81)
	7,079	7,829
Interest expense on lease liabilities	1,042	655
Amortisation of interest rate collar premium	43	43
Total finance expenses	8,164	8,527

8 DIVIDENDS

The following dividends were paid by the Group:

	Six Months Ended 31 December 2021 Group NZ\$000	Six Months Ended 31 December 2020 Group NZ\$000
Final dividend of 7.5 cents per share (2020: 6.4 cents per share)	51,023	43,537
Total dividends paid	51,023	43,537

9 PROPERTY, PLANT AND EQUIPMENT

Acquisitions and Disposals

During the six months ended 31 December 2021, the Group acquired assets with a cost of \$7.437 million and disposed of assets with a carrying value of \$0.051 million.

10 LOANS AND BORROWINGS

	31 December 2021 Carrying Value Group NZ\$000	31 December 2020 Carrying Value Group NZ\$000
Commercial papers	155,000	200,000
Standby revolving cash advance facility	120,000	135,000
Fixed rate bonds	200,000	175,000
Multi option facility	0	5,000
Total loans and borrowings	475,000	515,000
Current	155,000	355,000
Non current	320,000	160,000
Total loans and borrowings	475,000	515,000

As at 31 December 2021 the Group's current liabilities exceed the Group's current assets. Despite this fact, the Group does not have any liquidity or working capital concerns as \$260 million (2020: \$345 million) of term standby revolving cash advance facility remains undrawn.

During the period, the Parent Company issued a seven year \$100 million fixed rate bond, maturing 24 November 2028. The bond replaced bank debt which reduced the total standby revolving cash advance facility to \$380 million (2020: \$480 million).

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

Notes to the Interim Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

11 LEASES

During the six months ended 31 December 2021, the Group had no right-of-use assets additions (2020: \$15.717 million) or increase to lease liabilities (2020: \$16.204 million). There have been no disposals or reductions in the right-of-use assets (2020: nil).

12 RELATED PARTY TRANSACTIONS AND BALANCES

Related party transactions and balances with related parties:

	Six Months Ended 31 December 2021 NZ\$000	Six Months Ended 31 December 2020 NZ\$000
Transactions with Equity Accounted Investees		
Services provided to Port of Tauranga Limited	250	258
Services provided by Port of Tauranga Limited	2,488	2,229
Accounts receivable by Port of Tauranga Limited	143	96
Accounts payable by Port of Tauranga Limited	46	42
Advances by Port of Tauranga Limited	1,400	1,400
Services provided to Quality Marshalling (Mount Maunganui) Limited	1	21
Services provided by Quality Marshalling (Mount Maunganui) Limited	553	1,291
Accounts receivable by Quality Marshalling (Mount Maunganui) Limited	33	40
Services provided to Timaru Container Terminal Limited	1,545	651
Services provided by Timaru Container Terminal Limited	103	0
Accounts receivable by Timaru Container Terminal Limited	12	0
Accounts payable by Timaru Container Terminal Limited	104	235

During the six months ended 31 December 2021, the Group entered into transactions with companies in which Group Directors hold directorships. These directorships have not resulted in the Group having significant influence or control over the operations, policies, or key decisions of these companies.

No related party debts have been written off or forgiven during the period.

Controlling Entity

Quayside Securities Limited owns 54.14% (as at 31 December 2020: 54.14%) of the issued ordinary shares in Port of Tauranga Limited.

Quayside Securities Limited is beneficially owned by Bay of Plenty Regional Council, the Ultimate Controlling Party. Transactions with the Ultimate Controlling Party during the period include services provided to Port of Tauranga Limited \$0.340 million (six months ended 31 December 2020: \$0.239 million).

12 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Transactions with Key Management Personnel

The Group does not provide any non cash benefits to Directors in addition to their Directors' fees.

	Six Months Ended 31 December 2021 Group NZ\$000	Six Months Ended 31 December 2020 Group NZ\$000
Directors		
Directors' fees recognised during the period	385	384
Executive Officers		
Salaries and short term employee benefits recognised during the period	1,924	2,638
Share based payments recognised during the period	100	(21)

13 COMMITMENTS

	Six Months Ended 31 December 2021 Group NZ\$000	Six Months Ended 31 December 2020 Group NZ\$000
Capital commitments		
Estimated capital commitments for the Group contracted for at the reporting date but not provided for	31,593	25,000

On 28 September 2020, the Parent Company formed a 50:50 joint venture named Ruakura Inland Port LP with Tainui Group Holdings Limited.

The new joint venture will take an initial 50 year ground lease to establish an inland port in Ruakura, and plans to start operations within two years.

The Parent Company has committed capital of \$25.000 million to fund the development of the inland port and as at 31 December 2021 \$1.500 million has been paid.

In addition, if the development costs exceed the initial \$25.000 million capital commitment, construction contingency funding of up to \$2.500 million must be provided to the joint venture.

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

Notes to the Interim Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

14 FINANCIAL INSTRUMENTS

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date.

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

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

Derivative financial instruments are categorised as Level 2 in the fair value measurement hierarchy.

15 SUBSEQUENT EVENTS

An interim dividend of 6.5 cents per share has been declared subsequent to reporting date.

Independent Review Report



To the shareholders of Port of Tauranga Limited

The Auditor-General is the auditor of Port of Tauranga Limited, its subsidiaries and the Groups interest in equity accounted investees (the “Group”). The Auditor-General has appointed me, Brent Manning, using the staff and resources of KPMG to carry out the review of the interim consolidated financial statements of the Group on his behalf.

Report on the interim consolidated financial statements

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim consolidated financial statements on pages 10 to 18 do not:

- i. present, in all material respects the Group’s financial position as at 31 December 2021 and its financial performance and cash flows for the 6 month period ended on that date in compliance with NZ IAS 34 Interim Financial Reporting.

We have completed a review of the accompanying interim consolidated financial statements which comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated income statement, statements of other comprehensive income, changes in equity and cash flows for the six month period then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for conclusion

A review of interim consolidated financial statements in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* (“NZ SRE 2410”) is a limited assurance engagement. The auditor performs procedures, consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

As the auditor of Port of Tauranga Limited, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

Other than in our capacity as auditor we have no relationship with, or interests in, the Group.



Use of this Independent Review Report

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



Responsibilities of the Directors for the interim consolidated financial statements

The Directors, on behalf of the Group, are responsible for:

- the preparation and fair presentation of the interim consolidated financial statements in accordance with NZ IAS 34 Interim Financial Reporting;
- implementing necessary internal control to enable the preparation of interim consolidated financial statements that is free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor’s Responsibilities for the review of the interim consolidated financial statements

Our responsibility is to express a conclusion on the interim consolidated financial statements based on our review. We conducted our review in accordance with NZ SRE 2410. NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the interim consolidated financial statements are not prepared, in all material respects, in accordance with NZ IAS 34 Interim Financial Reporting.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly, we do not express an audit opinion on these interim consolidated financial statements.

This description forms part of our Independent Review Report.

Brent Manning
KPMG

On behalf of the Auditor-General
Tauranga, New Zealand
24 February 2022

PORT OF TAURANGA LIMITED

Company Directory

DIRECTORS

D A Pilkington
Chair

A M Andrew

D J Bracewell*

K R Ellis

J C Hoare

A R Lawrence

D W Leeder

Sir Robert McLeod KNZM

**Appointed 17 December 2021*

EXECUTIVE

L E Sampson
Chief Executive

M J Dyer
Corporate Services Manager

B J Hamill
Commercial Manager

S R Kebbell
Chief Financial Officer

P M Kirk
Group Health & Safety Manager

D A Kneebone
Property & Infrastructure Manager

R A Lockley
Communications Manager

REGISTERED OFFICE

Salisbury Avenue
Mount Maunganui

Private Bag 12504
Tauranga Mail Centre
Tauranga 3143
New Zealand

Telephone 07 572 8899
Email marketing@port-tauranga.co.nz
Website www.port-tauranga.co.nz

AUDITORS

KPMG
Tauranga
(On behalf of the Auditor-General)

SOLICITORS

Holland Beckett Law
Tauranga

BANKERS

ANZ Bank Limited
Bank of New Zealand
Commonwealth Bank of Australia
MUFG Bank, Limited

CREDIT RATING AGENCY

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

SHARE REGISTRY

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

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

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

Copies of the Integrated Annual Report and Market Update (which replaces the Interim Report) are available from our website.

FINANCIAL CALENDAR

25 March 2022	Interim dividend payment
30 June 2022	Financial year end
26 August 2022	Annual results announcement
7 October 2022	Final dividend payment
28 October 2022	Annual Meeting
24 February 2023	Half year results announcement