Port of Tauranga

Consolidated Financial Statements

For the year ended 30 June 2023

Port of Tauranga Limited and subsidiaries
Consolidated Financial Statements
For the year ended 30 June 2023

Consolidated income statement

For the year ended 30 June 2023

	Note	2023 NZ$000	2022 NZ$000
Total operating revenue	4	420,929	375,288
Contracted services for port operations		(98,975)	(84,796)
Employee benefit expenses	5	(51,334)	(46,790)
Direct fuel and power expenses		(18,822)	(14,494)
Maintenance of property, plant and equipment		(15,497)	(12,895)
Other expenses		(25,960)	(23.236)
Operating expenses		(210,588)	(182,211)
Results from operating activities		210,341	193,077
Depreciation and amortisation	10, 11, 12	(40,423)	(36,657)
Impairment of property, plant and equipment on revaluation		0	(1,445)
		(40,423)	(38,102)
Operating profit before finance costs, share of profit from Equity Accounted Investees and taxation		169,918	154,975
Finance income	7	1,161	287
Finance expenses	7	(20,522)	(16,452)
Net finance costs	7	(19,361)	(16,165)
Share of profit from Equity Accounted Investees	14(c)	16,611	11,586
Impairment of investment in Equity Accounted Investees	14(b)	(7,871)	0
		8,740	11,586
Profit before income tax		159,297	150,396
Income tax expense	8	(42,161)	(39,079)
Profit for the period		117,136	111,317
Basic earnings per share (cents)	17	17.4	16.5
Diluted earnings per share (cents)	17	17.2	16.4

These statements are to be read in conjunction with the notes on pages 8 to 57.

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Consolidated statement of other comprehensive income

For the year ended 30 June 2023

	2023 NZ$000	2022 NZ$000
Profit for the period	**117,136**	111,317
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Cash flow hedge – changes in fair value*	**2,293**	15,165
Cash flow hedge – reclassified to profit or loss*	**(44)**	4,382
Share of net change in cash flow hedge reserves of Equity Accounted Investees	**209**	862
Items that will never be reclassified to profit or loss:		
Asset revaluation*	**23,530**	625,137
Share of net change in revaluation reserve of Equity Accounted Investees	**16,817**	13,865
Total other comprehensive income	**42,805**	659,411
Total comprehensive income	**159,941**	770,728

**Net of tax effect as disclosed in notes 8 and 9.*

These statements are to be read in conjunction with the notes on pages 8 to 57.

Consolidated statement of changes in equity

For the year ended 30 June 2023

	Note	Share capital NZ$000	Share-based payment reserve NZ$000	Hedging reserve NZ$000	Revaluation reserve NZ$000	Retained earnings NZ$000	Total equity NZ$000
Balance at 30 June 2021		**74,920**	**2,412**	**(11,358)**	**1,253,107**	**77,887**	**1,396,968**
Profit for the period		0	0	0	0	111,317	111,317
Other comprehensive income		0	0	20,409	639,002	0	659,411
Total comprehensive income		**0**	**0**	**20,409**	**639,002**	**111,317**	**770,728**
Decrease in share capital		(37)	0	0	0	0	(37)
Dividends paid during the period	16	0	0	0	0	(95,242)	(95,242)
Equity settled share-based payment accrual	16	0	2,021	0	0	0	2,021
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		**234**	**1,792**	**0**	**0**	**(95,284)**	**(93,258)**
Balance at 30 June 2022		**75,154**	**4,204**	**9,051**	**1,892,109**	**93,920**	**2,074,438**
Profit for the period		0	0	0	0	117,136	117,136
Other comprehensive income		0	0	2,458	40,347	0	42,805
Total comprehensive income		**0**	**0**	**2,458**	**40,347**	**117,136**	**159,941**
Decrease in share capital		(72)	0	0	0	0	(72)
Dividends paid during the period	16	0	0	0	0	(102,054)	(102,054)
Equity settled share-based payment accrual	16	0	1,463	0	0	0	1,463
Shares issued upon vesting of Management Long Term Incentive Plan		278	(280)	0	0	2	0
Total transactions with owners in their capacity as owners		**206**	**1,183**	**0**	**0**	**(102,052)**	**(100,663)**
Balance at 30 June 2023		**75,360**	**5,387**	**11,509**	**1,932,456**	**109,004**	**2,133,716**

These statements are to be read in conjunction with the notes on pages 8 to 57.

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Consolidated statement of financial position

As at 30 June 2023

	Note	2023 NZ$000	2022 NZ$000
Assets			
Property, plant and equipment	10	2,424,090	2,392,996
Right-of-use assets	11	50,045	39,367
Intangible assets	12	22,305	23,008
Investments in Equity Accounted Investees	14	213,746	186,050
Receivables and prepayments	15	18,890	18,612
Derivative financial instruments	19	15,514	11,957
Total non-current assets		2,744,590	2,671,990
Cash and cash equivalents		8,506	7,272
Receivables and prepayments	15	69,152	61,901
Inventories		1,986	2,013
Derivative financial instruments	19	35	350
Total current assets		79,679	71,536
Total assets		2,824,269	2,743,526
Equity	16		
Share capital		75,360	75,154
Share-based payment reserve		5,387	4,204
Hedging reserve		11,509	9,051
Revaluation reserve		1,932,456	1,892,109
Retained earnings		109,004	93,920
Total equity		2,133,716	2,074,438
Liabilities			
Loans and borrowings	18	290,775	317,472
Lease liabilities	11	51,957	40,611
Derivative financial instruments	19	9,242	7,403
Employee benefits	5	1,524	1,627
Deferred tax liabilities	9	116,388	115,948
Contingent consideration		30	2,688
Total non-current liabilities		469,916	485,749
Loans and borrowings	18	160,000	125,000
Lease liabilities	11	955	776
Derivative financial instruments	19	7	67
Trade and other payables	20	38,412	38,979
Revenue received in advance		2,951	1,039
Employee benefits	5	4,371	3,350
Income tax payable		13,582	13,760
Contingent consideration		359	368
Total current liabilities		220,637	183,339
Total liabilities		690,553	669,088
Total equity and liabilities		2,824,269	2,743,526
Net tangible assets per share (dollars per share)		3.14	3.05

For and on behalf of the Board of Directors who authorised these financial statements for issue on 24 August 2023.

Chair

Alastair Lawrence

Director

These statements are to be read in conjunction with the notes on pages 8 to 57.

Consolidated statement of cash flows

For the year ended 30 June 2023

	Note	2023 NZ$000	2022 NZ$000
Cash flows from operating activities			
Receipts from customers		412,568	389,632
Interest received		1,028	156
Payments to suppliers and employees		(205,027)	(191,893)
Taxes paid		(42,776)	(35,526)
Interest paid		(21,221)	(17,120)
Net cash inflow from operating activities		144,572	145,249
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		109	33
Dividends from Equity Accounted Investees	14	19,520	10,763
Purchase of property, plant and equipment		(44,840)	(21,345)
Purchase of intangible assets		(582)	(135)
Interest capitalised on property, plant and equipment		(335)	(102)
Investment in Equity Accounted Investees		(21,450)	(2,850)
Payment of contingent consideration		(3,136)	(488)
Total net cash used in investing activities		(50,714)	(14,124)
Cash flows from financing activities			
Proceeds from borrowings		35,339	100,308
Dividends paid	16	(102,054)	(95,242)
Repurchase of shares		0	(931)
Repayment of borrowings		(25,000)	(135,000)
Repayment of lease liabilities		(909)	(874)
Net cash used in financing activities		(92,624)	(131,739)
Net Increase/(decrease) in cash held		1,234	(614)
Add opening cash brought forward		7,272	7,886
Ending cash and cash equivalents		8,506	7,272

These statements are to be read in conjunction with the notes on pages 8 to 57.

Reconciliation of profit for the period to cash flows from operating activities

For the year ended 30 June 2023

	Note	2023 NZ$000	2022 NZ$000
Profit for the period		117,136	111,317
Items classified as investing/financing activities:			
Loss on sale of property, plant and equipment		10	38
		10	38
Add/(less) non-cash items and non-operating items:			
Depreciation	10, 11	39,137	35,330
Amortisation expense	12	1,286	1,327
Impairment of property, plant and equipment on revaluation		0	1,445
Decrease in deferred taxation expense	9	(434)	(193)
Movement in derivative financial instruments taken to the income statement		(38)	(51)
Share of net profit after tax retained by Equity Accounted Investees	14(c)	(16,611)	(11,586)
Impairment of Investment in Equity Accounted Investees	14(b)	7,871	0
Change in the fair value of contingent consideration		550	117
Increase in equity settled share-based payment accrual		1,463	2,021
		33,224	28,410
Add/(less) movements in working capital:			
Change in trade receivables and prepayments		(8,112)	1,483
Change in inventories		27	(1,004)
Change in income tax payable		(178)	3,748
Change in trade, other payables and revenue received in advance		2,465	1,257
		(5,798)	5,484
Net cash flows from operating activities		144,572	145,249

These statements are to be read in conjunction with the notes on pages 8 to 57.

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Notes to the consolidated financial statements

For the year ended 30 June 2023

1 Company information

Reporting entity

Port of Tauranga Limited (referred to as the Parent Company), is a port company. The Parent Company carries out business through the provision of wharf facilities, land and buildings, for the storage and transit of import and export cargo, berthage, cranes, tugs and pilot services for customers.

Port of Tauranga Limited holds investments in other New Zealand ports and logistic companies.

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

The financial statements of the Group for the year ended 30 June 2023 comprise the Parent Company and its Subsidiaries (together referred to as the Group) and the Group's interest in Equity Accounted Investees.

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

2 Basis of preparation

Statement of compliance and basis of preparation

These financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). These financial statements comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable Financial Reporting Standards, as appropriate for Tier 1 for-profit entities. They also comply with International Financial Reporting Standards.

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

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

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

Accounting estimates and judgements

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

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

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2 Basis of preparation (continued)

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

- valuation of land, buildings, harbour improvements, and wharves and hardstanding (refer to note 10);
- valuation of derivative financial instruments (refer to note 19);
- impairment assessment of intangible assets (refer to note 12); and
- impairment assessment of investments in Equity Accounted Investees (refer to note 14).

Fair value hierarchy

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

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

Financial instruments

Financial assets – classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; Fair Value Through Other Comprehensive Income (FVOCI) – debt investment; FVOCI – equity investment; or Fair Value Through Profit and Loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2 Basis of preparation (continued)

Financial liabilities – classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

New and amended accounting standards adopted

There are no new or amended accounting standards and interpretations that are issued but not yet adopted that are expected to have a material impact on the Group.

3 Segmental reporting

Operating segments

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

The Group operates in three primary reportable segments, being:

- *Port operations:* this consists of providing and managing port services, and cargo handling facilities through the Port of Tauranga, MetroPort and Timaru Container Terminal. The Port's terminal and bulk operations have been aggregated together within the Port Operations segment, due to the similarities in economic characteristics, customers, nature of products and processes, and risks.

- *Property services:* this consists of managing and maintaining the Port's property assets.

- *Terminal services*: this consists of the contracted terminal operations, general container marshalling and ancillary services of Quality Marshalling (Mount Maunganui) Limited (Quality Marshalling).

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

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

The Group operates in one geographical area, that being New Zealand. During the year the Group received revenue from two external customers which individually comprised more than 10% of total revenue. Revenue from these two customers is included in Port Operations and accounts for 31% and 13% (2022: 29% and 13%) of total revenue.

3 Segmental reporting (continued)

The Group segment results are as follows:

2023	Port Operations Group NZ$000	Property Services Group NZ$000	Terminal Services Group NZ$000	Unallocated* Group NZ$000	Inter Segment Group NZ$000	Group NZ$000
Revenue (external)	381,138	37,311	1,438	0	0	419,887
Inter segment revenue	3	256	20,495	0	(20,754)	0
Total segment revenue	381,141	37,567	21,933	0	(20,754)	419,887
Other income and expenditure:						
Share of profit from Equity Accounted Investees	0	0	0	16,611	0	16,611
Impairment of investment in Equity Accounted Investees	0	0	0	(7,871)	0	(7,871)
Interest income	0	0	0	1,161	0	1,161
Other income	0	0	0	1,492	(450)	1,042
Interest expense			0	(20,522)	0	(20,522)
Depreciation and amortisation expense	0	0	(1,050)	(40,423)	0	(41,473)
Other expenditure	0	0	(16,831)	(213,911)	21,204	(209,538)
Income tax expense	0	0	(1,133)	(41,028)	0	(42,161)
Total other income and expenditure	0	0	(19,014)	(304,491)	20,754	(302,751)
Total segment result	**381,141**	**37,567**	**2,919**	**(304,491)**	**0**	**117,136**

**Operating costs are not allocated to individual business segments within the Parent Company.*

2022	Port Operations Group NZ$000	Property Services Group NZ$000	Terminal Services Group NZ$000	Unallocated* Group NZ$000	Inter Segment Group NZ$000	Group NZ$000
Revenue (external)	339,383	32,959	2,543	0	0	374,885
Inter segment revenue	1	310	18,786	0	(19,097)	0
Total segment revenue	339,384	33,269	21,329	0	(19,097)	374,885
Other income and expenditure:						
Share of profit from Equity Accounted Investees	0	0	0	11,586	0	11,586
Interest income	0	0	0	287	0	287
Other income	0	0	0	853	(450)	403
Interest expense	0	0	0	(16,452)	0	(16,452)
Depreciation and amortisation expense	0	0	(929)	(36,657)	0	(37,586)
Other expenditure	0	0	(15,909)	(186,365)	19,547	(182,727)
Income tax expense	0	0	(1,259)	(37,820)	0	(39,079)
Total other income and expenditure	0	0	(18,097)	(264,568)	19,097	(263,568)
Total segment result	**339,384**	**33,269**	**3,232**	**(264,568)**	**0**	**111,317**

**Operating costs are not allocated to individual business segments within the Parent Company.*

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4 Operating revenue

	2023 NZ$000	2022 NZ$000
Revenue from contracts with customers		
Container terminal revenue	268,951	239,333
Multi cargo revenue	65,043	63,445
Marine services revenue	48,582	39,148
	382,576	341,926
Other revenue		
Rental revenue	37,311	32,959
Other income	1,042	403
Total operating revenue	420,929	375,288

Policies

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Group's activities. Standard credit terms are a month following invoice with any rebate variable component calculated at the customers financial year end. Rebateable sales are eligible for sales volume rebates. When the rebate is accrued, it is accrued as a current liability (rebate payable) based on contracted rates and estimated volumes. For financial reporting purposes rebates are treated as a reduction in profit or loss. Revenue is shown, net of GST, rebates and discounts. Revenue is recognised as follows:

- *Container terminal revenue:* relates to the handling, processing, storage and rail of containers. Contracts are entered into with shipping lines and cargo owners. The primary performance obligations identified include the load and discharge of containers (which include the services provided to support the handling of containers). Container terminal revenue is recognised over time based on the number of containers exchanged (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 determined by the contract and adjusted by variable consideration (rebates). Rebates are based on container volume and the Group accounts for the variable consideration using the expected value method. The expected value is the sum of probability weighted amounts in a range of possible consideration amounts. The Group estimates container volumes based on market knowledge and historical data.

- *Multi cargo revenue:* relates to the wharfage and storage of bulk goods. Contracts are entered into with cargo owners. The stevedoring services are provided by a third party. Multi cargo revenue is recognised over time, from the point that cargo transferred from vessel to land (or vice versa), being an output method. The transaction price for multi cargo services is determined by the contract.

- *Marine services revenue:* relates directly to the visit of a vessel to the port and includes fees for pilotage, towage and mooring. Contracts are entered into with vessel operators. The performance obligations identified include vessel arrival, departure and berthage. Revenue is recognised over time, based on time elapsed (berthage), being an input method. The transaction price for marine services is determined by the contract.

4 Operating revenue (continued)

Policies (continued)

- *Rental revenue*: from property leased under operating leases is recognised in the income statement on a straight line basis over the term of the lease. Lease incentives provided are recognised as an integral part of the total lease income, over the term of the lease.
- *Other income:* is recognised when the right to receive payment is established.

5 Employee benefits

Employee benefit expenses

	2023 NZ$000	2022 NZ$000
Wages and salaries	48,780	44,551
ACC levy	257	269
KiwiSaver contribution	1,896	1,663
Medical subsidy	401	307
Total employee benefit expenses	51,334	46,790

Employee benefit provisions

	Long Service Leave NZ$000	Profit Sharing and Bonuses NZ$000	**Total NZ$000**
Balance at 30 June 2022	1,489	3,488	**4,977**
Additional provision	247	4,002	**4,249**
Unused amounts reversed	(120)	0	**(120)**
Utilised during the period	(139)	(3,072)	**(3,211)**
Balance at 30 June 2023	**1,477**	4,418	5,895
Total current provisions	96	4,275	4,371
Total non-current provisions	1,381	143	1,524

Employee benefits – long service leave

Underlying assumptions for provisions relate to the probabilities of employees reaching the required vesting period to qualify for long service leave. Probability factors for reaching long service leave entitlements are based on historic employee retention information.

Employee benefits – profit sharing and bonuses

The Profit Sharing and Bonus Scheme rewards eligible employees based on a combination of Company performance against budget and personal performance. The incentive is generally paid biannually.

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6 Audit fees

Included in other expenses are fees paid to the auditors:

	2023 NZ$000	2022 NZ$000
Audit and review of financial statements	357	234
Other assurance services – long term incentive vesting calculation	10	5
Total audit and other services fees	367	239

7 Financial income and expense

	2023 NZ$000	2022 NZ$000
Interest income on bank deposits	625	100
Interest on advances to Equity Accounted Investees	87	56
Change in value of fair value hedges	0	125
Ineffective portion of changes in fair value of cash flow hedges	133	6
Proceeds received from currency option	316	0
Finance income	1,161	287
Interest expense on borrowings	(18,163)	(14,392)
Less:		
Interest capitalised to property, plant and equipment	335	102
	(17,828)	(14,290)
Interest expense on lease liabilities (refer to note 11)	(2,519)	(2,082)
Currency option premiums	(134)	0
Amortisation of interest rate collar premium	(22)	(80)
Change in value of fair value hedges	(19)	0
Finance expenses	(20,522)	(16,452)
Total net finance costs	(19,361)	(16,165)

Policies

Finance income comprises interest income on bank deposits, finance lease interest and gains on hedging instruments that are recognised in the income statement. Interest income on financial assets carried at amortised cost is calculated using the effective interest method. Finance lease interest is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Finance expenses comprise interest expense on borrowings, finance lease interest expense, unwinding of the discount of provisions and losses on hedging instruments that are recognised in the income statement. Except for interest capitalised directly attributable to the purchase or construction of qualifying assets, all borrowing costs are measured at amortised cost and recognised in the income statement, using the effective interest method.

Capitalised interest

The average weighted interest rate for interest capitalised to property, plant and equipment, was 3.52% for the current period (2022: 2.60%).

Total interest capitalised to property, plant and equipment, was $0.335 million for the current period (2022: $0.102 million).

8 Income tax

Components of tax expense

	2023 NZ$000	2022 NZ$000
Profit before income tax for the period	159,297	150,396
Income tax on the surplus for the period at 28.0 cents	44,603	42,111
Tax effect of amounts which are non-deductible/(taxable) in calculating taxable income:		
Share of Equity Accounted Investees after tax income, excluding Coda Group Limited Partnership	(2,558)	(2,785)
Impairment of Equity Accounted Investees	2,204	0
Other	(2,088)	(247)
Total income tax expense	42,161	39,079
The income tax expense is represented by:		
Current tax expense		
Tax payable in respect of the current period	42,802	39,613
Adjustment for prior period	(207)	(341)
Total current tax expense	42,595	39,272
Deferred tax expense		
Adjustment for prior period	(386)	161
Origination/reversal of temporary differences	(48)	(354)
Total deferred tax expense (refer to note 9)	(434)	(193)
Total income tax expense	42,161	39,079

Income tax recognised in other comprehensive income:

	2023 NZ$000	2022 NZ$000
Revaluation of property, plant and equipment	0	22,912
Cash flow hedges	874	7,602
Total income tax recognised in other comprehensive income (refer to note 9)	874	30,514

Policies

Income tax expense comprises current and deferred tax, calculated using the rate enacted or substantively enacted at balance date and any adjustments to tax payable in respect to prior years. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or equity.

Imputation credits

Total imputation credits available for use in subsequent reporting periods are $51.052 million at 30 June 2023 (2022: $47.256 million).

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9 Deferred taxation

	Assets		Liabilities		Net	
	2023 NZ$000	2022 NZ$000	2023 NZ$000	2022 NZ$000	2023 NZ$000	2022 NZ$000
Deferred tax (asset)/liability						
Property, plant and equipment	0	0	115,266	115,795	115,266	115,795
Intangible assets	0	0	541	823	541	823
Derivatives	0	0	4,294	3,420	4,294	3,420
Provisions and accruals	(2,728)	(3,037)	0	0	(2,728)	(3,037)
Equity Accounted Investees	(834)	(788)	0	0	(834)	(788)
Contingent consideration	(151)	(265)	0	0	(151)	(265)
Total	(3,713)	(4,090)	120,101	120,038	116,388	115,948

	Recognised in the Income Statement		Recognised in Other Comprehensive Income	
	2023 NZ$000	2022 NZ$000	2023 NZ$000	2022 NZ$000
Deferred tax (asset)/liability				
Property, plant and equipment	(551)	(320)	0	22,912
Intangible assets	(282)	(237)	0	0
Derivatives	0	0	874	7,602
Provisions and accruals	331	431	0	0
Equity Accounted Investees	(46)	(150)	0	0
Contingent consideration	114	83	0	0
Total	(434)	(193)	874	30,514

Policies

Deferred tax is recognised on temporary differences that arise between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse.

A deferred tax asset is recognised only to the extent it is probable it will be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of buildings classified as property, plant and equipment carried at cost is presumed to be recovered through use.

9 Deferred taxation (continued)

Unrecognised tax losses or temporary differences

There are no material unrecognised income tax losses or temporary differences carried forward. There are no material unrecognised temporary differences associated with the Group's investments in Subsidiaries or Equity Accounted Investees.

10 Property, plant and equipment

	Freehold Land NZ$000	Freehold Buildings NZ$000	Wharves and Hardstanding NZ$000	Harbour Improvements NZ$000	Plant and Equipment NZ$000	Work in Progress NZ$000	**Total NZ$000**
Gross carrying amount:							
Balance at 1 July 2021	931,054	148,642	360,431	178,962	257,339	6,244	**1,882,672**
Additions	0	1,083	11,290	1,320	4,283	4,114	**22,090**
Disposals	0	0	0	0	(137)	0	**(137)**
Transfers between asset classes	0	(904)	904	0	0	0	**0**
Revaluation	537,841	(6,713)	75,313	28,697	0	0	**635,138**
Balance at 30 June 2022	**1,468,895**	**142,108**	**447,938**	**208,979**	**261,485**	**10,358**	**2,539,763**
Balance at 1 July 2022	1,468,895	142,108	447,938	208,979	261,485	10,358	**2,539,763**
Additions	0	231	19,598	846	6,000	18,384	**45,059**
Disposals	0	0	0	0	(3,546)	0	**(3,546)**
Revaluation	23,530	0	0	0	0	0	**23,530**
Balance at 30 June 2023	**1,492,425**	**142,339**	**467,536**	**209,825**	**263,939**	**28,742**	**2,604,806**
Accumulated depreciation and impairment:							
Balance at 1 July 2021	0	(5,697)	(6)	0	(118,860)	0	**(124,563)**
Depreciation expense	0	(5,898)	(14,583)	(1,250)	(12,006)	0	**(33,737)**
Disposals	0	0	0	0	67	0	**67**
Transfers between asset classes	0	23	(23)	0	0	0	**0**
Revaluation	0	11,466	0	0	0	0	**11,466**
Balance at 30 June 2022	**0**	**(106)**	**(14,612)**	**(1,250)**	**(130,799)**	**0**	**(146,767)**
Balance at 1 July 2022	0	(106)	(14,612)	(1,250)	(130,799)	0	**(146,767)**
Depreciation expense	0	(4,774)	(18,923)	(1,838)	(11,845)	0	**(37,380)**
Disposals	0	0	0	0	3,431	0	**3,431**
Balance at 30 June 2023	**0**	**(4,880)**	**(33,535)**	**(3,088)**	**(139,213)**	**0**	**(180,716)**
Carrying amounts:							
Total net book value as at 30 June 2022	**1,468,895**	**142,002**	**433,326**	**207,729**	**130,686**	**10,358**	**2,392,996**
Total net book value as at 30 June 2023	**1,492,425**	**137,459**	**434,001**	**206,737**	**124,726**	**28,742**	**2,424,090**

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10 Property, plant and equipment (continued)

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

	2023 Notional Carrying Amount NZ$000	2022 Notional Carrying Amount NZ$000
Freehold land	119,203	119,203
Freehold buildings	81,285	85,235
Wharves and hardstanding	123,819	112,239
Harbour improvements	60,899	61,788
Total notional carrying amount	385,206	378,465

Policies

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

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

Land, buildings, harbour improvements, and wharves and hardstanding are measured at fair value, based upon periodic valuations by external independent valuers. The Group undertakes an annual revaluation of land and a three yearly revaluation cycle is applied to all other asset classes to ensure the carrying value of these assets does not differ materially from their fair value. If during the three-year revaluation cycle there are indicators that the fair value of a particular asset class may differ materially from its carrying value, an interim revaluation of that asset class is undertaken.

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

Major useful lives are:

Freehold buildings	33 to 85 years
Maintenance dredging	3 years
Wharves	44 to 70 years
Basecourse	50 years
Asphalt	15 years
Gantry cranes	10 to 40 years
Floating plant	10 to 25 years
Other plant and equipment	5 to 25 years
Electronic equipment	3 to 5 years

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

10 Property, plant and equipment (continued)

Policies (continued)

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

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

Security

Certain items of property, plant and equipment have been pledged as security against certain loans and borrowings of the Group (refer to note 18).

Occupation of foreshore

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

Capital commitments

The estimated capital expenditure for property, plant and equipment contracted for at balance date but not provided for is $38.288 million.

Judgements

Fair values

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

Judgement is required to determine whether the fair value of land, buildings, wharves and hardstanding, and harbour improvements assets have changed materially since the last revaluation. The determination of fair value at the time of the revaluation requires estimates and assumptions based on market conditions at that time. Changes to estimates, assumptions or market conditions subsequent to a revaluation will result in changes to the fair value of property, plant and equipment.

Remaining useful lives and residual values are estimated based on Management's judgement, previous experience and guidance from registered valuers. Changes in those estimates affect the carrying value and the depreciation expense in the income statement.

10 Property, plant and equipment (continued)

Judgements (continued)

At the end of each reporting period, the Group makes an assessment on whether the carrying amounts differ materially from the fair value and whether a revaluation is required (excepting land, which is revalued annually). The assessment considers movements in the capital goods price indices and other market indicators since the previous valuations.

As at 30 June 2023, the Group revalued land in line with policy. For the remaining asset classes, the Group has assessed that there has been no material change in the fair value of each asset class since the last revaluation.

Land valuation

The valuation of land assets was carried out by Colliers International New Zealand Limited. The valuation increased the carrying amount of land by $23.530 million.

Land assets are valued using the direct sales comparison approach which analyses direct sales of comparable properties on the basis of the sale price per square metre which are then adjusted to reflect stronger and weaker fundamentals relative to the subject properties.

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

			2023		*2022*	
Asset Valuation Method	*Key Valuation Assumptions*	*Hectares*	*Range of Significant Assumptions $*	*Weighted Average $*	*Range of Significant Assumptions $*	*Weighted Average $*
Direct sales comparison	Tauranga (Sulphur Point) /Mount Maunganui – wharf and industrial land per square metre	182.2	470-1,650	766	450-1,650	755
	Auckland land – land adjacent to MetroPort Auckland per square metre	6.8	1,050	1,050	1,000-1,067	1,050
	Rolleston land – MetroPort Christchurch per square metre	15.0	160	160	140	140

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10 Property, plant and equipment (continued)

Judgements (continued)

- *Waterfront access premium:* a premium of approximately 25% has been applied to the main wharf land areas reflecting the locational benefits this land asset gains from direct waterfront access.
- *No restriction of Title:* valuation is made on the assumption that having no legal title to the Tauranga harbour foreshore will not detrimentally influence the value of land assets.
- *Highest and best use of land:* subject to relevant local authority's zoning regulations.
  - *Tauranga and Mount Maunganui:* the majority of land is zoned "Port Industry" under the Tauranga City Plan and a small portion of land at both Sulphur Point and Mount Maunganui has "Industry" zoning.
  - *Auckland:* the land is zoned "Heavy Industry Zone" under the Auckland Unitary Plan.
  - *Rolleston:* the land is zoned "Business 2A" under the Selwyn District Plan.

Building valuations

The valuation of buildings was last carried out on 30 June 2022 by Colliers International New Zealand Limited.

The majority of assets are valued on a combined land and building basis using a Capitalised Income Model with either contract income or market income. A small number of specialised assets, such as gatehouses and toilet blocks, are valued on a Depreciated Replacement Cost basis due to their specialised nature and the lack of existing market.

The Capitalised Income Model uses either the contracted rental income or an assessed market rental income of a property and then capitalises the valuation of the property using an appropriate yield. Contracted rental income is used when the contracted income is receivable for a reasonable term from secured tenants. Market income is used when the current contract rent varies from the assessed market rent due to over or under renting, vacant space and a number of other factors.

The value of land is deducted from the overall property valuation to give rise to a building valuation.

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

		2023		2022	
Asset Valuation Method	*Key Valuation Assumptions*	*Range of Significant Assumptions %*	*Weighted Average %*	*Range of Significant Assumptions %*	*Weighted Average %*
Capitalised income model	Market capitalisation rate	1.75-9.50	3.71	1.75-9.50	3.71

10 Property, plant and equipment (continued)

Judgements (continued)

Wharves and hardstanding, and harbour improvements

Wharves, hardstanding and harbour improvements assets are classified as specialised assets and have accordingly been valued on a Depreciated Replacement Cost basis, adjusted for a cost inflation index provided by WSP New Zealand Limited. The last revaluation was carried out on 30 June 2021, with a cost inflation adjustment recorded on 30 June 2022.

To calculate the cost inflation adjustment, WSP New Zealand Limited use publicly available price indices from Statistics New Zealand and Waka Kotahi NZ Transport Agency to assist in informing their assessment of unit rate increases since the last valuation at 30 June 2021. A different combination of indices has been used for each asset class. The price indices used for each asset component of wharves are as follows:

Index	*Description*	*Weighting %*
Capital Expenditure Price Index – structural metal products and parts thereof (CEPQ.S2421)	Used to represent the cost of reinforcing and structural steel	39
Labour Cost Index – construction industry (LCIQ.SG53E9)	Used to represent the cost of labour	40
Capital Expenditure Price Index – civil construction (CEPQ.S2GC)	Used to represent the cost of other materials	21

The cost inflation adjustment also includes an allowance for on-costs which allow for those costs directly attributable to the construction of an asset. On-costs include professional fees (which include activities such as design, traffic management and quality monitoring), administration costs and finance charges.

The significant assumptions applied in the Depreciated Replacement Cost estimate of these assets are:

- *Replacement unit costs of construction rates – cost rates are calculated taking into account:*
  - The Parent Company's historic cost data, including any recent competitively tendered construction works.
  - Published cost information.
  - The WSP New Zealand Limited construction cost database.
  - Long run price trends.
  - Historic costs adjusted for changes in price levels.
  - An allowance is included for costs directly attributable to bringing assets into working condition, management costs and the financing cost of capital held over construction period.
- *Depreciation – the calculated remaining lives of assets are reviewed, taking into account:*
  - Observed and reported condition, performance and utilisation of the asset.
  - Expected changes in technology.
  - Consideration of current use, age and operational demand.
  - Discussions with the Parent Company's operational officers.
  - WSP New Zealand Limited Consultants' in-house experience from other infrastructure valuations.
  - Residual values.

10 Property, plant and equipment (continued)

Judgements (continued)

The significant assumptions applied in the valuation of these wharves and hardstanding, and harbour improvements assets are:

		2023		2022	
Asset Valuation Method	*Key Valuation Assumptions*	*Range of Significant Assumptions $*	*Weighted Average $*	*Range of Significant Assumptions $*	*Weighted Average $*
Depreciated replacement cost basis	Wharf construction replacement unit cost rates per lineal metre – high performance wharves	137,300-282,000	232,500	137,300-282,000	232,500
	Earthworks construction replacement unit cost rates per square metre	8.09	8.09	8.09	8.09
	Basecourse construction replacement unit cost rates per cubic metre	23-45	37	23-45	37
	Asphalt construction replacement unit cost rates per square metre	29-59	47	29-59	47
	Capital dredging replacement unit cost rates per square metre	5-89	*	5-89	*
	Depreciation method	Straight line basis	Not applicable	Straight line basis	Not applicable
	Channel assets (capital dredging) useful life	Indefinite	Not applicable	Indefinite	Not applicable
	Pavement remaining useful lives (years)	1-37	14	1-37	14
	Wharves remaining useful lives (years)	0-61	20	0-61	20

**Weighted average unit cost rates are not presented due to the complexity in measuring the types and locations of removed quantities.*

10 Property, plant and equipment (continued)

Judgements (continued)

Sensitivities to changes in key valuation assumptions for land, buildings, wharves and hardstanding, and harbour improvements

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

		Impact of Change in Assumption NZ$000
Unobservable inputs within the direct sales comparison approach for land and the income capitalisation approach for buildings		
Rate per square metre	10% decrease/increase	-149,243 / +149,243
Market rent	10% decrease/increase	-25,500 / +92,200
Market capitalisation rate	0.5% decrease/increase	+105,300 / -24,500
Unobservable inputs within depreciated replacement cost analysis for buildings, wharves and hardstanding, and harbour improvements		
Unit costs of construction	The greatest uncertainty is the level of the unit rates. We have used a 90% confidence interval in these unit rates to be between -15% to 18%.	-24,344 / +61,500

11 Leases

The Group as the lessee has various non-cancellable leases predominantly for the lease of land and buildings. The leases have varying term and renewal rights.

Information about leases for which the Group is a lessee is presented below:

	2023 NZ$000	2022 NZ$000
Right-of-use assets		
Opening balance	39,367	40,577
Depreciation	(1,757)	(1,593)
Additions to right-of-use assets	75	383
Adjustments to existing right-of-use assets	12,360	0
Closing balance	50,045	39,367
Lease liabilities		
Opening balance	41,387	41,878
Additions	74	384
Adjustments to existing lease liabilities	12,360	0
Interest	2,519	2,082
Repayments	(3,428)	(2,957)
Closing balance	52,912	41,387

Adjustments to existing right-of-use assets and lease liabilities relate to increases in lease payments following rent reviews completed during the period.

11 Leases (continued)

	2023 NZ$000	2022 NZ$000
Lease liabilities maturity analysis		
Between zero to one year	955	776
Between one to five years	4,157	3,380
More than five years	47,800	37,231
Total lease liabilities	52,912	41,387

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

	2023 NZ$000	2022 NZ$000
Within one year	24,371	23,363
One to two years	14,517	18,635
Two to three years	11,672	12,675
Three to four years	10,984	10,108
Four to five years	10,043	9,474
More than five years	23,082	28,454
Total	94,669	102,709

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

	2023 Valuation NZ$000	2023 Accumulated Depreciation NZ$000	2022 Valuation NZ$000	2022 Accumulated Depreciation NZ$000
Land	773,077	0	760,498	0
Buildings	103,521	0	97,392	0
Total	876,598	0	857,890	0

Policies

Where the Group is the Lessor, assets leased under operating leases are included in property, plant and equipment, in the statements of financial position, as appropriate.

Payments and receivables made under operating leases are recognised in the income statement on a straight line basis over the term of the lease.

Lease incentives are recognised as an integral part of the total lease expense/revenue, over the term of the lease.

Where the Group is a lessee, a right-of-use asset and a lease liability are recognised at the lease commencement date.

The right-of-use asset is initially measured at a cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial indirect costs. The right-of-use asset is subsequently depreciated using the straight-line method over the life of the lease term.

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11 Leases (continued)

Policies (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate. The lease liability is subsequently measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments or if the Group changes its assessment of whether it will exercise a right of renewal.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset.

12 Intangible assets

	Goodwill NZ$000	Computer Software NZ$000	Consents and Contracts NZ$000	**Total NZ$000**
Cost:				
Balance at 1 July 2021	**18,420**	**5,281**	**4,171**	**27,872**
Additions	0	135	0	**135**
Balance at 30 June 2022	**18,420**	**5,416**	**4,171**	**28,007**
Balance at 1 July 2022	**18,420**	**5,416**	**4,171**	**28,007**
Additions	0	740	0	**740**
Adjustments	0	0	(157)	**(157)**
Balance at 30 June 2023	**18,420**	**6,156**	**4,014**	**28,590**
Accumulated amortisation:				
Balance at 1 July 2021	0	(3,144)	(528)	(3,672)
Amortisation expense	0	(562)	(765)	(1,327)
Balance at 30 June 2022	**0**	**(3,706)**	**(1,293)**	**(4,999)**
Balance at 1 July 2022	**0**	**(3,706)**	**(1,293)**	**(4,999)**
Amortisation expense	0	(526)	(760)	**(1,286)**
Balance at 30 June 2023	**0**	**(4,232)**	**(2,053)**	**(6,285)**
Carrying amounts:				
Total net book value 30 June 2022	**18,420**	**1,710**	**2,878**	**23,008**
Total net book value 30 June 2023	**18,420**	**1,924**	**1,961**	**22,305**

Policies

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

Goodwill is measured at cost less accumulated impairment losses.

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

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12 Intangible assets (continued)

Policies (continued)

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

Consents and contracts	4 to 35 years
Computer software	1 to 10 years

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

Goodwill is tested for impairment annually, based upon the value-in-use of the cash generating unit to which the goodwill relates. The cash flow projections include specific estimates for five years and a terminal growth rate thereafter.

Judgements

Goodwill relates to goodwill arising on the acquisition of Quality Marshalling (Mount Maunganui) Limited and Timaru Container Terminal Limited.

Goodwill was tested for impairment at 30 June 2023 and confirmed that no adjustment was required.

For impairment testing on the goodwill in Quality Marshalling (Mount Maunganui) Limited, the calculation of value-in-use was based upon the following key assumptions:

- Cash flows were projected using management forecasts over the five-year period. Average EBITDA growth for this period is 7%.
- Terminal cash flows were estimated using a constant growth rate of 2% after year five.
- A pre-tax discount rate of 13% was used.

13 Investments in subsidiaries

Investments in subsidiaries comprises:

Name of Entity	Place of Business	Principal Activity	2023 %	2022 %	Balance Date
Port of Tauranga Trustee Company Limited	New Zealand	Holding company for employee share scheme	**100.00**	100.00	30 June
Quality Marshalling (Mount Maunganui) Limited	New Zealand	Marshalling and terminal operations services	**100.00**	100.00	30 June
Timaru Container Terminal Limited	New Zealand	Sea port	**100.00**	100.00	30 June

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13 Investments in subsidiaries (continued)

Policies

Subsidiaries are entities controlled by the Parent Company. Control exists when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In assessing control, potential voting rights that presently are exercisable, are taken into account. The financial statements of Subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

14 Investments in Equity Accounted Investees

(a) Investments in Equity Accounted Investees comprise

Name of Entity	Principal Activity	2023 %	2022 %	Balance Date
Coda Group Limited Partnership	Freight logistics and warehousing	50.00	50.00	30 June
Northport Limited	Sea port	50.00	50.00	30 June
PortConnect Limited	Online cargo management	50.00	50.00	30 June
PrimePort Timaru Limited	Sea port	50.00	50.00	30 June
Ruakura Inland Port LP	Inland port	50.00	50.00	30 June

(b) Carrying value of investments in Equity Accounted Investees

	2023 NZ$000	2022 NZ$000
Balance as at 1 July	186,050	167,650
Group's share of net profit after tax	16,611	11,586
Group's share of hedging reserve	209	862
Group's share of revaluation reserve	16,817	13,865
Group's share of total comprehensive income	33,637	26,313
Investment in Equity Accounted Investees	21,450	2,850
Impairment of investment in Equity Accounted Investees	(7,871)	0
Dividends received	(19,520)	(10,763)
Balance as at 30 June	213,746	186,050

14 Investments in Equity Accounted Investees (continued)

(c) Summarised financial information of Equity Accounted Investees

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

2023	Northport Limited NZ$000	Coda Group Limited Partnership NZ$000	PrimePort Timaru Limited NZ$000	Individually Immaterial Equity Accounted Investees NZ$000	**Total NZ$000**
Cash and cash equivalents	523	19,958	509	1,987	**22,977**
Total current assets	**4,989**	**46,762**	**3,693**	**2,420**	**57,864**
Total non-current assets	**231,417**	**66,275**	**176,869**	**50,282**	**524,843**
Total assets	**236,406**	**113,037**	**180,562**	**52,702**	**582,707**
Current financial liabilities excluding trade and other payables and provisions	0	(8,936)	0	(2,831)	**(11,767)**
Total current liabilities	**(3,998)**	**(30,185)**	**(4,369)**	**(3,746)**	**(42,298)**
Non-current financial liabilities excluding trade and other payables and provisions	(48,519)	(44,384)	(49,101)	(30)	**(142,034)**
Total non-current liabilities	**(48,519)**	**(44,384)**	**(49,101)**	**(30)**	**(142,034)**
Total liabilities	**(52,517)**	**(74,569)**	**(53,470)**	**(3,776)**	**(184,332)**
Net assets	**183,889**	**38,468**	**127,092**	**48,926**	**398,375**
Group's share of net assets	**91,946**	**19,234**	**63,546**	**24,463**	**199,189**
Goodwill acquired on acquisition of Equity Accounted Investees, less impairment losses	**0**	**14,557**	**0**	**0**	**14,557**
Carrying amount of Equity Accounted Investees	**91,946**	**33,791**	**63,546**	**24,463**	**213,746**
Revenues	40,576	272,100	28,399	2,632	**343,707**
Depreciation and amortisation	(5,504)	(14,003)	(3,386)	(269)	**(23,612)**
Interest expense	(2,647)	(2,256)	(2,429)	(120)	**(7,452)**
Net profit before tax	**19,051**	**14,950**	**5,766**	**423**	**40,190**
Tax expense	(4,859)	0	(1,968)	(141)	**(6,968)**
Net profit after tax	**14,192**	**14,950**	**3,798**	**282**	**33,222**
Other comprehensive income	6,322	0	27,730	0	**34,052**
Total comprehensive income	**20,514**	**14,950**	**31,528**	**282**	**67,274**
Group's share of net profit after tax	**7,096**	**7,475**	**1,899**	**141**	**16,611**
Group's share of total comprehensive income	**10,257**	**7,475**	**15,764**	**141**	**33,637**
Group's share of dividends/distributions	**8,420**	**10,000**	**1,100**	**0**	**19,520**

14 Investments in Equity Accounted Investees (continued)

2022	Northport Limited NZ$000	Coda Group Limited Partnership NZ$000	PrimePort Timaru Limited NZ$000	Individually Immaterial Equity Accounted Investees NZ$000	Total NZ$000
Cash and cash equivalents	299	9,842	1,671	1,530	13,342
Total current assets	5,834	38,021	5,214	1,859	50,928
Total non-current assets	225,781	78,537	140,878	11,107	456,303
Total assets	231,615	116,558	146,092	12,966	507,231
Current financial liabilities excluding trade and other payables and provisions	0	(10,774)	(408)	(2,890)	(14,072)
Total current liabilities	(5,942)	(32,618)	(5,258)	(7,223)	(51,041)
Non-current financial liabilities excluding trade and other payables and provisions	(45,457)	(40,421)	(43,071)	0	(128,949)
Total non-current liabilities	(45,457)	(40,421)	(43,071)	0	(128,949)
Total liabilities	(51,399)	(73,039)	(48,329)	(7,223)	(179,990)
Net assets	180,216	43,519	97,763	5,743	327,241
Group's share of net assets	90,108	21,760	48,882	2,872	163,622
Goodwill acquired on acquisition of Equity Accounted Investees, less impairment losses	0	22,428	0	0	22,428
Carrying amount of Equity Accounted Investees	90,108	44,188	48,882	2,872	186,050
Revenues	42,574	245,666	27,515	2,374	318,129
Depreciation and amortisation	(5,330)	(13,951)	(3,573)	(285)	(23,139)
Interest expense	(1,928)	(2,623)	(1,457)	(108)	(6,116)
Net profit before tax	20,746	3,282	7,020	451	31,499
Tax expense	(5,692)	0	(2,506)	(130)	(8,328)
Net profit after tax	15,054	3,282	4,514	321	23,171
Other comprehensive income	25,570	0	3,884	0	29,454
Total comprehensive income	40,624	3,282	8,398	321	52,625
Group's share of net profit after tax	7,527	1,641	2,257	161	11,586
Group's share of total comprehensive income	20,312	1,641	4,199	161	26,313
Group's share of dividends/distributions	9,513	0	1,250	0	10,763

Policies

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

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

14 Investments in Equity Accounted Investees (continued)

Policies (continued)

Equity Accounted Investees are accounted for using the equity method.

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

Tax treatment of limited partnerships

Coda Group Limited Partnership and Ruakura Inland Port Limited Partnership are treated as partnerships for tax purposes and are not taxed at the partnership level. Fifty percent of the income and expense flow through the limited partnership to the Parent Company who is then taxed.

Judgements

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

The investment in Coda Group Limited Partnership was tested for impairment at 30 June 2023, based upon the higher of fair value and value-in-use.

Fair value represents an amount obtainable in an arm's length transaction, less cost of disposal. Fair value has been calculated by multiplying an EV/EBITDA multiple of 6.65 with a maintainable EBITDA of $6.962 million. The multiple has been determined based on listed and transaction multiples of comparable entities and a maintainable EBITDA has been determined using management forecasts.

Value-in-use is determined by discounting five-year future cash flows and is based upon the following key assumptions:

- Cash flow projections for the years 2024 to 2026 were projected using management forecasts.
- An annual growth rate of 5% for 2027 and 2028.
- Terminal cash flows were estimated using a constant growth rate of 2% after year five.
- An after-tax discount rate of 9.72% was applied in determining the recoverable amount of the investment.

As a result of the impairment testing performed, the value-in-use resulted in a higher valuation than fair value, upon which the Group has impaired its investment in Coda Group Limited partnership by $7.871 million.

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15 Receivables and prepayments

	2023 NZ$000	2022 NZ$000
Non-current		
Prepayments and sundry receivables	18,890	18,612
Total non-current	18,890	18,612
Current		
Trade receivables	63,136	54,222
Provision for expected credit losses – trade receivables (refer to note 19(a))	(70)	0
Trade receivables from Equity Accounted Investees and related parties	147	326
	63,213	54,548
Advances to Equity Accounted Investees (refer to note 21)	1,400	1,400
Provision for expected credit losses – advances to Equity Accounted Investees (refer to note 19(a))	(158)	(211)
Prepayments and sundry receivables	4,697	6,164
Total current	69,152	61,901
Total	88,042	80,513

The ageing of trade receivables at reporting date was:

	2023 NZ$000	2022 NZ$000
Not past due	45,581	43,092
Past due 0-30 days	14,421	9,811
Past due 30-60 days	694	956
Past due 60-90 days	983	167
More than 90 days	1,534	196
Total of ageing of trade receivables	63,213	54,222

Policies

Receivables and prepayments are initially recognised at transaction price. They are subsequently measured at amortised cost and adjusted for impairment losses.

Receivables with a short duration are not discounted.

Fair values

The nominal value less impairment provision of trade receivables are assumed to approximate their fair values due to their short term nature.

Judgements

A provision for expected credit losses is established when the assessment under NZ IFRS 9 deems a provision is required (refer to note 19(a)).

Advances to Equity Accounted Investees

The Parent Company makes advances to Equity Accounted Investees for short term funding purposes. These advances are repayable on demand and interest rates charged on these advances are varied.

Prepayments

Prepayments is predominantly made up of a $22.5 million payment made to KiwiRail Limited in consideration for the extension of the rail agreement at MetroPort. The payment is amortised over 20 years.

16 Equity

Share capital

	2023	2022
Number of ordinary shares issued		
Balance as at 1 July	680,300,197	680,256,809
Shares issued during year	49,338	55,851
Shares repurchased by the Group during the year	(13,141)	(12,463)
Balance as at 30 June	680,336,394	680,300,197

Dividends

The following dividends were declared and paid during the period:

	2023 NZ$000	2022 NZ$000
Final 2022 dividend paid 8.2 cents per share (2021: 7.5 cps)	55,789	51,024
Interim 2023 dividend paid 6.8 cents per share (2022: 6.5 cps)	46,265	44,218
Total dividends	102,054	95,242

Policies

Capital management

The Parent Company's policy is to maintain a strong capital base, which the Group defines as total shareholders' equity, so as to maintain investor, creditor and market confidence, and to sustain the future business development of the Group.

The Group has established policies in capital management, including the specific requirements that interest cover is to be maintained at a minimum of three times and that the debt/(debt + equity) ratio is to be maintained at a 40% maximum. It is also Group policy that the ordinary dividend payout is maintained between a level of between 70% and 100% of net profit after tax for the period.

The Group has complied with all capital management policies during the reporting periods.

Share capital

All shares are fully paid and have no par value. All shares rank equally with one vote attached to each fully paid ordinary share.

Where the Group purchases its own share capital (treasury shares), the consideration paid, including any directly attributable incremental costs are deducted from share capital until the shares are cancelled or reissued. Where such shares are reissued, any consideration received, net of any directly attributable transaction costs, are included in share capital.

Dividends

The dividends are fully imputed. Supplementary dividends of $0.478 million (2022: $0.419 million) were paid to shareholders that are not tax residents in New Zealand, for which the Group received a foreign tax credit entitlement.

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16 Equity (continued)

Share-based payment reserve – Container Volume Commitment Agreement

On 1 August 2014 the Parent Company issued 2,000,000 shares as a volume rebate to Kotahi as part of a 10-year freight alliance. Due to the Parent Company completing a 5:1 share split on 17 October 2016, the number of shares originally issued to Kotahi increased to 10,000,000. Of these shares, 7,000,000 are subject to a call option allowing the Parent Company to "call" shares back at zero cost if Kotahi fails to meet the volume commitments.

The increase in the reserve of $1.228 million (2022: $1.469 million) recognises the shares earned based on containers delivered during the period.

The grant-date fair value of equity settled share-based payments is recognised as a rebate against revenue, with a corresponding increase in equity, over the vesting period. The amount recognised as a rebate is adjusted to reflect the number of awards for which the related service is expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service conditions at the vesting date.

Share-based payments reserve – management long term incentive

Share rights are granted to employees in accordance with the Parent Company's Management Long Term Incentive Plan. The fair value of share rights granted under the plan are measured at grant date and recognised as an employee expense over the vesting period with a corresponding increase in equity. The fair value at grant date of the share rights are independently determined using an appropriate valuation model that takes into account the terms and conditions upon which they were granted (refer to note 22).

This reserve is used to record the accumulated value of the unvested shares rights, which have been recognised as an expense in the income statement. Upon the vesting of share rights, the balance of the reserve relating to the share rights is offset against the cost of treasury stock allotted to settle the obligation, with any difference in the cost of settling the commitment transferred to retained earnings.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedging instruments, related to hedged transactions that have not yet occurred.

Revaluation reserve

The revaluation reserve relates to the revaluation of land, buildings, wharves and hardstanding, and harbour improvements.

17 Earnings per share

	2023	2022
Earnings per share		
Net profit attributable to ordinary shareholders (NZ$000)	117,136	111,317
Weighted average number of ordinary shares (net of treasury stock) for basic earnings per share	673,355,669	673,306,550
Basic earnings per share (cents)	17.4	16.5
Weighted average number of ordinary shares (net of treasury stock) for diluted earnings per share	680,844,739	680,787,899
Diluted earnings per share (cents)	17.2	16.4

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17 Earnings per share (continued)

Policies

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Parent Company by the weighted average number of ordinary shares outstanding for the Parent Company during the period.

Diluted EPS adjusts for any commitments the Parent Company has to issue shares in the future that would decrease the basic EPS. The Parent Company has two types of dilutive potential ordinary shares, Management Long Term Incentive Plan share rights (refer to note 22) and Container Volume Commitment Agreement share rights (refer to note 16). Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of the share rights.

18 Loans and borrowings

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

2023	Maturity	Coupon	Committed Facilities NZ$000	Undrawn Facilities NZ$000	Fair Value Adjustments NZ$000	Carrying Value NZ$000
Non-current						
Fixed rate bond	2028	3.552%	100,000	0	(9,225)	90,775
Standby revolving cash advance facility	2026	Floating	130,000	130,000	0	0
Fixed rate bond	2025	1.020%	100,000	0	0	100,000
Standby revolving cash advance facility	2025	Floating	100,000	100,000	0	0
Standby revolving cash advance facility	2024	Floating	100,000	0	0	100,000
Total non-current			**530,000**	**230,000**	**(9,225)**	**290,775**
Current						
Multi option facility	2023	Floating	5,000	5,000	0	0
Standby revolving cash advance facility	2023	Floating	50,000	50,000	0	0
Commercial papers	<3 months	Floating	0	0	0	160,000
Total current			**55,000**	**55,000**	**0**	**160,000**
Total			**585,000**	**285,000**	**(9,225)**	**450,775**

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18 Loans and borrowings (continued)

2022	Maturity	Coupon	Committed Facilities NZ$000	Undrawn Facilities NZ$000	Fair Value Adjustments NZ$000	Carrying Value NZ$000
Non-current						
Fixed rate bond	2028	3.552%	100,000	0	(7,528)	92,472
Standby revolving cash advance facility	2026	Floating	130,000	130,000	0	0
Fixed rate bond	2025	1.020%	100,000	0	0	100,000
Standby revolving cash advance facility	2025	Floating	100,000	75,000	0	25,000
Standby revolving cash advance facility	2024	Floating	100,000	0	0	100,000
Standby revolving cash advance facility	2023	Floating	50,000	50,000	0	0
Total non-current			**580,000**	**255,000**	**(7,528)**	**317,472**
Current					0	
Multi option facility	2022	Floating	5,000	5,000	0	0
Commercial papers	<3 months	Floating	0	0	0	125,000
Total current			**5,000**	**5,000**	**0**	**125,000**
Total			**585,000**	**260,000**	**(7,528)**	**442,472**

Policies

Loans and borrowings are recognised initially at fair value, plus any directly attributable transaction costs, if the Group becomes a party to the contractual provisions of the instrument. Loans and borrowings are derecognised if the Group's obligations as specified in the contract expire or are discharged or cancelled.

Subsequent to initial recognition, loans and borrowings are measured at amortised cost using the effective interest method, less any impairment losses, with the hedged risks on certain debt instruments measured at fair value.

Fixed rate bonds

The Parent Company has issued two $100 million fixed rate bonds, a five-year bond with a final maturity on 29 September 2025, and a seven-year bond with a final maturity on 24 November 2028.

Commercial papers

Commercial papers are secured, short term discounted debt instruments issued by the Parent Company for funding requirements as a component of its banking arrangements. The commercial paper programme is fully backed by committed term bank facilities.

At 30 June 2023 the Group had $160 million of commercial paper debt that is classified within current liabilities (2022: $125 million). Due to this classification, the Group's current liabilities exceed the Group's current assets. Despite this fact, the Group does not have any liquidity or working capital concerns as a result of the commercial paper debt being interchangeable with direct borrowings within the standby revolving cash advance facility which is a term facility.

18 Loans and borrowings (continued)

Standby Revolving Cash Advance Facility Agreement	The Parent Company has a $380 million financing arrangement with ANZ Bank New Zealand Limited, Bank of New Zealand Limited, Commonwealth Bank of Australia, New Zealand Branch and MUFG Bank, Ltd, Auckland Branch (2022: $380 million). The facility, which is secured, provides for both direct borrowings and support for issuance of commercial papers.
Multi option facility	The Parent Company has a $5 million multi option facility with Bank of New Zealand Limited, used for short term working capital requirements (2022: $5 million).
Security	Bank facilities and fixed rate bonds are secured by way of a security interest over certain floating plant assets ($14.623 million, 2022: $15.289 million), mortgages over the land and building assets ($1,629.359 million, 2022: $1,610.341 million), and by a general security agreement over the assets of the Parent Company ($2,671.831 million, 2022: $2,600.187 million).
Covenants	The Parent Company borrows under a negative pledge arrangement, which with limited circumstances does not permit the Parent Company to grant any security interest over its assets. The negative pledge deed requires the Parent Company to maintain certain levels of shareholders' funds and operate within defined performance and debt gearing ratios. The Parent Company has complied with all covenants during the reporting periods.
Fair values	The fair value of fixed rate loans and borrowings is calculated by discounting the future contractual cash flows at current market interest rates that are available for similar financial instruments. The amortised cost of variable rate loans and borrowings is assumed to closely approximate fair value as debt facilities mature every 90 days.
Interest rates	The average weighted interest rate of interest-bearing loans was 4.28% at 30 June 2023 (2022: 2.94%).

19 Financial instruments

(a) Accounting classification and fair values

The following tables show the classification, fair value and carrying amount of financial instruments held by the Group at reporting date. The carrying amounts of the following financial instruments are reasonable approximations of their fair value:

- Cash and cash equivalents
- Receivables
- Trade and other payables.

19 Financial instruments (continued)

2023	Fair Value Through Profit and Loss NZ$000	Amortised Cost NZ$000	Total Carrying Amount NZ$000	Fair Value NZ$000
Derivative financial instruments	15,514	0	15,514	15,514
Total non-current assets	**15,514**	**0**	**15,514**	**15,514**
Cash and cash equivalents	0	8,506	8,506	8,506
Receivables	0	64,455	64,455	64,455
Derivative financial instruments	35	0	35	35
Total current assets	**35**	**72,961**	**72,996**	**72,996**
Total assets	**15,549**	**72,961**	**88,510**	**88,510**
Liabilities				
Lease liabilities	0	51,957	51,957	39,851
Loans and borrowings	0	290,775	290,775	280,250
Derivative financial instruments	9,242	0	9,242	9,242
Contingent consideration	30	0	30	30
Total non-current liabilities	**9,272**	**342,732**	**352,004**	**329,373**
Lease liabilities	0	955	955	732
Loans and borrowings	0	160,000	160,000	160,000
Trade and other payables	0	7,475	7,475	7,475
Derivative financial instruments	7	0	7	7
Contingent consideration	359	0	359	359
Total current liabilities	**366**	**168,430**	**168,796**	**168,573**
Total liabilities	**9,638**	**511,162**	**520,800**	**497,946**

19 Financial instruments (continued)

2022	Fair Value Through Profit and Loss NZ$000	Amortised Cost NZ$000	Total Carrying Amount NZ$000	Fair Value NZ$000
Derivative financial instruments	11,957	0	11,957	11,957
Total non-current assets	**11,957**	**0**	**11,957**	**11,957**
Cash and cash equivalents	0	7,272	7,272	7,272
Receivables	0	55,737	55,737	55,737
Derivative financial instruments	350	0	350	350
Total current assets	**350**	**63,009**	**63,359**	**63,359**
Total assets	**12,307**	**63,009**	**75,316**	**75,316**
Liabilities				
Lease liabilities	0	40,611	40,611	40,611
Loans and borrowings	0	317,472	317,472	305,793
Derivative financial instruments	7,403	0	7,403	7,403
Contingent consideration	2,688	0	2,688	2,688
Total non-current liabilities	**10,091**	**358,083**	**368,174**	**356,495**
Lease liabilities	0	776	776	776
Loans and borrowings	0	125,000	125,000	125,000
Trade and other payables	0	10,956	10,956	10,956
Derivative financial instruments	67	0	67	67
Contingent consideration	368	0	368	368
Total current liabilities	**435**	**136,732**	**137,167**	**137,167**
Total liabilities	**10,526**	**494,815**	**505,341**	**493,662**

(b) Financial risk management

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

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

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

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

The Group has exposure to the following risks arising from financial instruments:

- Credit risk (refer (b)(ii))
- Liquidity risk (refer (b)(iii))
- Market risk (refer (b)(iv)).

Refer (b)(i) for the derivative financial instruments used by the Group to manage its financial risks.

19 Financial instruments (continued)

(i) Derivative financial instruments

The Group has the following derivative financial instruments in the following line items in the Statement of Financial Position:

	2023 NZ$000	2022 NZ$000
Current assets		
Foreign exchange derivatives	35	350
Total current derivative financial instrument assets	35	**350**
Non-current assets		
Interest rate derivatives	15,497	11,957
Foreign exchange derivatives	17	0
Total non-current derivative financial instrument assets	15,514	11,957
Current liabilities		
Interest rate derivatives	0	67
Foreign exchange derivatives	7	0
Total current derivative financial instrument liabilities	7	67
Non-current liabilities		
Interest rate derivatives	9,242	7,403
Total non-current derivative financial instrument liabilities	9,242	**7,403**

Policies

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

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

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

19 Financial instruments (continued)

Fair values

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

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable forward price curves. The fair value of forward exchange contracts is calculated as the present value of future cash flows based on quoted forward exchange rates at the reporting date.

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

(ii) Credit risk

The Group recognises an allowance for expected credit losses (ECLs) for all financial assets. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

For advances to Equity Accounted Investees, which have not had a significant increase in credit risk since initial recognition, ECLs are calculated based on the probability of a default event occurring within the next 12 months. An industry-accepted probability of default is obtained annually from the Standard & Poor's Global Corporate Default Study for use in this calculation.

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead, recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for any significant known amounts that are not receivable.

On that basis, the following table details loss allowance for trade receivables:

2023	Not Past Due	Past Due 0-30 Days	Past Due 30-60 Days	More Than 60 Days	Total
Expected loss rate (%)	0	0	0	2.78	**0.11**
Gross carrying amount – trade receivables (NZ$000)	45,581	14,421	694	2,517	**63,213**
Loss allowance on trade receivables (NZ$000)	**0**	**0**	**0**	**70**	**70**

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19 Financial instruments (continued)

Movements in the provision for impairment of financial assets are:

	2023 NZ$000	2022 NZ$000
Opening balance	211	265
Provision for trade receivables	70	0
Provision for advances to Equity Accounted Investees	(53)	(54)
Closing balance	228	211

Credit risk management policies

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

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

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

Default

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as security (if any is held).

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Concentration of credit risk

The only significant concentration of credit risk at reporting date relates to bank balances and advances to Equity Accounted Investees. The nature of the Group's business means that the top ten customers account for 63.6% of total Group revenue (2022: 59.9%). The Group is satisfied with the credit quality of these debtors and does not anticipate any non-performance.

19 Financial instruments (continued)

(iii) Liquidity risk

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

2023	Statement of Financial Position NZ$000	Contractual Cash Flows NZ$000	6 Months or Less NZ$000	6-12 Months NZ$000	1-2 Years NZ$000	2-5 Years NZ$000	More Than 5 Years NZ$000
Non-derivative financial liabilities							
Loans and borrowings	(450,775)	(486,815)	(264,520)	(2,886)	(5,592)	(112,041)	(101,776)
Lease liabilities	(52,912)	(72,035)	(1,071)	(1,060)	(2,114)	(6,279)	(61,511)
Trade and other payables	(7,475)	(7,475)	(7,475)	0	0	0	0
Contingent consideration	(389)	(579)	0	(579)	0	0	0
Total non-derivative financial liabilities	**(511,551)**	**(566,904)**	**(273,066)**	**(4,525)**	**(7,706)**	**(118,320)**	**(163,287)**
Derivatives							
Interest rate derivatives							
Cash flow hedges – outflow	0	(179)	0	0	0	(168)	(11)
Cash flow hedges – inflow	15,373	18,394	2,511	2,653	3,974	7,486	1,770
Fair value hedges – outflow	(9,118)	(10,678)	(1,619)	(1,554)	(2,527)	(4,260)	(718)
Foreign currency derivatives							
Cash flow hedges – outflow	0	(20,246)	(11,225)	(5,492)	(3,529)	0	0
Cash flow hedges – inflow	45	20,294	11,229	5,518	3,547	0	0
Total derivatives	**6,300**	**7,585**	**896**	**1,125**	**1,465**	**3,058**	**1,041**
Total	**(505,251)**	**(559,319)**	**(272,170)**	**(3,400)**	**(6,241)**	**(115,262)**	**(162,246)**

19 Financial instruments (continued)

2022	Statement of Financial Position NZ$000	Contractual Cash Flows NZ$000	6 Months or Less NZ$000	6-12 Months NZ$000	1-2 Years NZ$000	2-5 Years NZ$000	More Than 5 Years NZ$000
Non-derivative financial liabilities							
Loans and borrowings	(442,472)	(482,040)	(253,787)	(2,979)	(5,865)	(114,081)	(105,328)
Lease liabilities	(41,387)	(83,097)	(1,411)	(1,405)	(2,813)	(8,947)	(68,521)
Trade and other payables	(10,956)	(10,956)	(10,956)	0	0	0	0
Contingent consideration	(3,056)	(3,439)	0	(511)	(2,928)	0	0
Total non-derivative financial liabilities	**(497,871)**	**(579,532)**	**(266,154)**	**(4,895)**	**(11,606)**	**(123,028)**	**(173,849)**
Derivatives							
Interest rate derivatives							
Cash flow hedges – outflow	0	(1,227)	(1,131)	(37)	(34)	(25)	0
Cash flow hedges – inflow	11,990	14,576	344	1,191	2,385	7,198	3,458
Fair value hedges – outflow	(7,503)	(8,605)	(52)	(818)	(1,623)	(4,007)	(2,105)
Foreign currency derivatives							
Cash flow hedges – outflow	0	(3,641)	(3,641)	0	0	0	0
Cash flow hedges – inflow	350	3,993	3,993	0	0	0	0
Total derivatives	4,837	5,096	(487)	336	728	3,166	1,353
Total	(493,034)	(574,436)	(266,641)	(4,559)	(10,878)	(119,862)	(172,496)

Liquidity and funding risk management policies

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient cash and borrowing facilities available to meet its liabilities when due, under both normal and adverse conditions. The Group's cash flow requirements and the utilisation of borrowing facilities are continuously monitored, and it is required that committed bank facilities are maintained at a minimum of 10% above maximum forecast usage.

19 Financial instruments (continued)

Liquidity and funding risk management policies (continued)

Funding risk is the risk that arises when either the size of borrowing facilities or the pricing thereof is not able to be replaced on similar terms, at the time of review with the Group's banks. To minimise funding risk, it is Board policy to spread the facilities' renewal dates and the maturity of individual loans. Where this is not possible, extensions to, or the replacement of, borrowing facilities are required to be arranged at least six months prior to each facility's expiry.

The inflows/outlfows disclosed in the above tables represent the contractual undiscounted cash flows relating to derivative financial liabilities held for risk management purposes and which are not usually closed out before contractual maturity. The disclosure shows net cash flow amounts for derivatives that are net cash-settled and gross cash inflow and outflow amounts for derivatives that have simultaneous gross cash settlement.

(iv) **Market risk**

Interest rate risk

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

	Carrying Amount	
	2023 NZ$000	2022 NZ$000
Fixed rate instruments		
Lease liabilities	(52,912)	(41,387)
Fixed rate bonds	(190,775)	(192,472)
Total	(243,687)	(233,859)
Variable rate instruments		
Commercial papers	(160,000)	(125,000)
Standby revolving cash advance facility	(100,000)	(125,000)
Interest rate derivatives	6,255	4,487
Cash balances	8,506	7,272
Total	(245,239)	(238,241)

Sensitivity analysis

Interest rate movements have been applied to the Group's variable rate debt to demonstrate the sensitivity to interest rate risk.

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

The effect on equity is the movement in the valuation of derivatives that are designated as cash flow hedges due to an increase or decrease in interest rates. All derivatives that are effective as at 30 June 2023 are assumed to remain effective until maturity. Therefore, any movements in these derivative valuations are taken to the cash flow hedge reserve within equity and they will reverse entirely by maturity date.

19 Financial instruments (continued)

The analysis was performed on the same basis for 2022.

	Profit or Loss		Cash Flow Hedge Reserve	
	100 bp Increase NZ$000	100 bp Decrease NZ$000	100 bp Increase NZ$000	100 bp Decrease NZ$000
Variable rate debt	(1,743)	1,762	0	0
Interest rate derivatives – paying fixed	1,404	(1,352)	5,143	(5,418)
Interest rate derivatives – paying floating	(722)	722	0	0
Total as at 30 June 2023	**(1,061)**	**1,132**	**5,143**	**(5,418)**
Variable rate debt	(1,750)	1,766	0	0
Interest rate derivatives – paying fixed	1,476	(1,476)	5,656	(5,995)
Interest rate derivatives – paying floating	(720)	720	0	0
Total as at 30 June 2022	**(994)**	**1,010**	**5,656**	**(5,995)**

Foreign exchange risk

At reporting date, the Group's exposure to foreign exchange risk, expressed in NZD, was as follows:

	2023		2022	
	USD NZ$000	EUR NZ$000	USD NZ$000	AUD NZ$000
Foreign currency forwards				
Buy foreign currency (cash flow hedges)	2,285	17,961	1,947	1,694

Sensitivity analysis

As shown in the table above, the Group is primarily exposed to changes in USD/NZD, EUR/NZD and AUD/NZD exchange rates. The impact on equity arises from foreign forward exchange contracts designated as cash flow hedges.

If, at reporting date, foreign exchange rates had been 5% higher/lower, with all other variables held constant, the result would increase/(decrease) the hedging reserve by the amounts shown below. Based on historical movements, a 5% increase or decrease in the NZD exchange rate is considered to be a reasonable estimate.

The analysis was performed on the same basis for 2022.

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19 Financial instruments (continued)

	Cash Flow Hedge Reserve 2023 NZ$000	Cash Flow Hedge Reserve 2022 NZ$000
EUR/NZD exchange rate – increase 5% (2022: 5%)	(596)	0
EUR/NZD exchange rate – decrease 5% (2022: 5%)	659	0
USD/NZD exchange rate – increase 5% (2022: 5%)	(78)	(107)
USD/NZD exchange rate – decrease 5% (2022: 5%)	86	118
AUD/NZD exchange rate – increase 5% (2022: 5%)	0	(82)
AUD/NZD exchange rate – decrease 5% (2022: 5%)	0	91

Market risk management policies

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Group uses derivative financial instruments such as interest rate swaps and foreign currency options to hedge certain risk exposures. All derivative transactions are carried out within the guidelines set out in the Group's Treasury Policy which has been approved by the Board of Directors. Generally, the Group seeks to apply hedge accounting in order to manage volatility in the income statement.

Interest rate risk

Interest rate risk is the risk of financial loss, or impairment to cash flows in current or future periods, due to adverse movements in interest rates on borrowings or investments. The Group uses interest rate derivatives to manage its exposure to variable interest rate risk by converting variable rate debt to fixed rate debt.

The Group's policy is to keep its exposure to borrowings at fixed rates of interest between parameters as set out in the Group's treasury policy.

19 Financial instruments (continued)

Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant Group entity. The risk is measured through a forecast of highly probable foreign currency expenditures. The risk is hedged with the objective of minimising the volatility of the NZD cost of highly probable forecast property, plant and equipment purchases.

The Group's policy is to hedge between 0% and 50% of foreign exchange exposures for property, plant and equipment purchases following approval from the Board for the capital expenditure, and a minimum of 75% hedging is required at the time a supply contract is signed. The above limits apply to foreign currency imports of capital items exceeding NZD500,000.

19 Financial instruments (continued)

(v) Hedging activity

Cash flow hedges

The details of hedging instruments and hedged items for cash flow hedges are as follows:

			Carrying Amount of Hedging Instrument		Carrying Amount of Hedged Item					
2023	Hedging Instrument	Hedged Item	Assets NZ$000	(Liabilities) NZ$000	Assets NZ$000	(Liabilities) NZ$000	Change in Fair Value of Outstanding Hedging Instruments NZ$000	Change in Fair Value of Hedged Item Used to Determine Hedge Ineffectiveness NZ$000	Hedge Ineffectiveness Recognised in Profit or Loss NZ$000	Line Item in Profit or Loss that Includes Hedge Ineffectiveness
Cash flow hedge	Interest rate derivatives	Loans and borrowings	15,497	(124)	0	(195,000)	3,483	(4,617)	78	Finance income
Cash flow hedge	Foreign exchange derivatives	Property, plant and equipment	52	(7)	0	0	(304)	304	55	Finance income
Total			15,549	(131)	0	(195,000)	3,179	(4,313)	133	

			Carrying Amount of Hedging Instrument		Carrying Amount of Hedged Item					
2022	Hedging Instrument	Hedged Item	Assets NZ$000	(Liabilities) NZ$000	Assets NZ$000	(Liabilities) NZ$000	Change in Fair Value of Outstanding Hedging Instruments NZ$000	Change in Fair Value of Hedged Item Used to Determine Hedge Ineffectiveness NZ$000	Hedge Ineffectiveness Recognised in Profit or Loss NZ$000	Line Item in Profit or Loss that Includes Hedge Ineffectiveness
Cash flow hedge	Interest rate derivatives	Loans and borrowings	11,957	(67)	0	(205,000)	26,803	(27,655)	6	Finance income
Cash flow hedge	Foreign exchange derivatives	Property, plant and equipment	350	0	0	0	272	(272)	0	-
Total			**12,306**	**(67)**	**0**	**(205,000)**	**27,075**	**(27,927)**	**6**	

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19 Financial instruments (continued)

Fair value hedges

The details of hedging instruments and hedged items for fair value hedges are as follows:

			Carrying Amount of Hedging Instrument		Carrying Amount of Hedged Item		Accumulated Amount of Fair Value Hedge Adjustments on the Hedged Item Included in the Carrying Amount of the Hedged Item		Change in Fair Value of Outstanding Hedging Instruments	Change in Fair Value of Hedged Item Used to Determine Hedge Ineffectiveness	Hedge Ineffectiveness Recognised in Profit or Loss	Line Item in Profit or Loss that Includes Hedge Ineffectiveness
2023	Hedging Instrument	Hedged Item	Assets NZ$000	(Liabilities) NZ$000	Assets NZ$000	(Liabilities) NZ$000	Assets NZ$000	(Liabilities) NZ$000	NZ$000	NZ$000	NZ$000	
Fair value hedge	Interest rate derivatives	Loans and borrowings	0	(9,118)	0	(90,775)	9,224	0	(1,715)	1,696	(19)	Finance expense

			Carrying Amount of Hedging Instrument		Carrying Amount of Hedged Item		Accumulated Amount of Fair Value Hedge Adjustments on the Hedged Item Included in the Carrying Amount of the Hedged Item		Change in Fair Value of Outstanding Hedging Instruments	Change in Fair Value of Hedged Item Used to Determine Hedge Ineffectiveness	Hedge Ineffectiveness Recognised in Profit or Loss	Line Item in Profit or Loss that Includes Hedge Ineffectiveness
2022	Hedging Instrument	Hedged Item	Assets NZ$000	(Liabilities) NZ$000	Assets NZ$000	(Liabilities) NZ$000	Assets NZ$000	(Liabilities) NZ$000	NZ$000	NZ$000	NZ$000	
Fair value hedge	Interest rate derivatives	Loans and borrowings	0	(7,403)	0	(92,954)	7,528	0	(7,403)	7,528	125	Finance income

The accumulated amount of fair value hedge adjustments remaining in the balance sheet for any hedged items that have ceased to be adjusted for hedging gains and losses is $nil (30 June 2022: $nil).

19 Financial instruments (continued)

Profile of timing

The following table sets out the profile of timing of the notional amount of the hedging instrument:

	Maturity				
2023	Less Than 12 Months	1-4 Years	4-7 Years	More Than 7 Years	**Total**
Interest rate derivatives					
Notional amount – fixed (NZ$000)	0	155,000	160,000	0	**315,000**
Average fixed rate (%)	3.09	2.62	2.47	0	**2.69**
Notional amount – variable (NZ$000)	0	0	100,000	0	**100,000**
Average variable rate (%)	6.72	5.39	5.26	0	**5.60**
Foreign exchange derivatives					
Notional amount (US$000)	1,410	0	0	0	**1,410**
Notional amount (EUR000)	8,074	1,957	0	0	**10,031**
Average USD:NZD forward contract rate	0.62	0	0	0	**0.62**
Average EUR:NZD forward contract rate	0.56	0.55	0	0	**0.56**

	Maturity				
2022	Less Than 12 Months	1-4 Years	4-7 Years	More Than 7 Years	**Total**
Interest rate derivatives					
Notional amount – fixed (NZ$000)	30,000	135,000	95,000	40,000	**300,000**
Average fixed rate (%)	3.13	2.75	1.93	1.41	**2.59**
Notional amount – variable (NZ$000)	0	0	100,000	0	**100,000**
Average variable rate (%)	4.42	5.03	5.06	0	**4.95**
Foreign exchange derivatives					
Notional amount (US$000)	1,410	0	0	0	**0**
Notional amount (AU$000)	1,568	0	0	0	**0**
Average USD:NZD forward contract rate	0.72	0	0	0	**0.72**
Average AUD:NZD forward contract rate	0.93	0	0	0	**0.93**

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19 Financial instruments (continued)

Hedging reserves

The details of movements within the hedging reserve are as follows:

	2023 NZ$000	2022 NZ$000
Opening balance	9,051	(11,358)
Fair value gains included in OCI	3,438	21,063
Reclassified to income statement – included in finance expenses	(82)	6,006
Reclassified to the cost of property, plant and equipment – not included in OCI	(255)	0
Amortisation of interest rate collar premium	22	80
Movement in hedging reserve of Equity Accounted Investees	209	862
Tax impact (refer to note 8)	(874)	(7,602)
Closing balance	11,509	9,051

Hedge effectiveness

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

For hedges of foreign currency purchases, the Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The Group therefore performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Group uses the hypothetical derivative method to assess effectiveness.

In hedges of foreign currency purchases, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of the Group or the derivative counterparty.

The Group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The Group does not hedge 100% of its loans, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps. As all critical terms matched during the year, there is an economic relationship.

Hedge ineffectiveness for interest rate swaps is assessed using the same principles as for hedges of foreign currency purchases. It may occur due to:

- the credit value/debit value adjustment on the interest rate swaps which is not matched by the loan;
- differences in critical terms between the interest rate swaps and loans; and
- drawn liabilities that fall below the hedging amount, causing the hedge ratio to exceed 100%.

19 Financial instruments (continued)

Cash flow hedges

The Group manages its interest rate risk and foreign exchange risk by designating cash flow hedges.

The Group's policy of ensuring a certain level of its interest rate risk exposure is at a fixed rate, is achieved partly by entering into fixed-rate instruments and partly by borrowing at a floating rate and using interest rate swaps as hedges of the variability in cash flows attributable to movements in interest rates.

The Group uses foreign exchange forwards to hedge its foreign exchange risk exposure in respect of highly probable forecast transactions. The Group designates the forward rates of foreign currency forwards in hedge relationships.

The Group applies a hedge ratio of 1:1.

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

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

- Where the hedged item subsequently results in the recognition of a non-financial asset (such as property, plant and equipment), the deferred hedging gains and losses, if any, are included within the initial cost of the asset. The deferred amounts are ultimately recognised in profit or loss as the hedged item affects profit or loss (e.g. through depreciation).

- The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.

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

19 Financial instruments (continued)

Fair value hedges

The Group designates as fair value hedges derivative financial instruments on fixed rate debt where the fair value of the debt changes as a result of changes in interest rates. The carrying amount of the hedged items are adjusted for gains and losses attributable to the risk being hedged. The hedging instruments are also measured to fair value. The Group applies a hedge ratio of 1:1.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in profit or loss within finance expenses, together with changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

20 Trade and other payables

	2023 NZ$000	2022 NZ$000
Accounts payable	7,262	10,727
Accrued employee benefit liabilities	6,596	6,115
Accruals	24,341	21,908
Payables due to Equity Accounted Investees and related parties	213	229
Total trade and other payables	38,412	38,979

Policies

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost.

Fair values

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

21 Related party transactions

Related party transactions with related parties:

	2023 NZ$000	2022 NZ$000
Transactions with Equity Accounted Investees		
Services provided to Port of Tauranga Limited	774	521
Services provided by Port of Tauranga Limited	5,184	4,071
Accounts receivable by Port of Tauranga Limited	160	165
Accounts payable by Port of Tauranga Limited	51	49
Advances by Port of Tauranga Limited	1,400	1,400
Services provided to Quality Marshalling (Mount Maunganui) Limited	2	1
Services provided by Quality Marshalling (Mount Maunganui) Limited	319	703
Accounts receivable by Quality Marshalling (Mount Maunganui) Limited	27	21
Accounts payable by Quality Marshalling (Mount Maunganui) Limited	0	0
Services provided to Timaru Container Terminal Limited	3,046	3,050
Services provided by Timaru Container Terminal Limited	156	337
Accounts receivable by Timaru Container Terminal Limited	0	140
Accounts payable by Timaru Container Terminal Limited	202	180
Transactions with key management personnel		
Directors' fees recognised during the period	862	862
Executive officers' salaries and other employee benefits (cash settled) recognised during the period	4,083	3,907
Executive officers' share-based payments (equity settled) recognised during the period	397	305
Post-employment executive officers' employee benefits recognised during the period	27	117

Related parties

Related parties of the Group include the Joint Ventures disclosed in note 14 and the Controlling Entity (Quayside Securities Limited) or Ultimate Controlling Party (Bay of Plenty Regional Council).

Quayside Securities Limited owns 54.14% (2022: 54.14%) of the ordinary shares in Port of Tauranga Limited. Quayside Securities Limited is beneficially owned by Bay of Plenty Regional Council.

Transactions with the Ultimate Controlling Party during the period include services provided to Port of Tauranga Limited, $0.212 million (2022: $0.055 million).

In March 2013, the Ultimate Controlling Party granted Port of Tauranga Limited a resource consent to widen and deepen the shipping channels. As a condition of this consent, an environmental bond to the value of $1.000 million is to be held in escrow in favour of the Ultimate Controlling Party. The bond is to ensure the remedy of any unforeseen adverse effects on the environment arising from the dredging. The resource consent expires on 6 June 2027.

No related party debts have been written off, forgiven or provided for as doubtful during the year.

21 Related party transactions (continued)

Transactions with Directors and members of the Executive Leadership Team

During the year, the Group entered into transactions with companies in which Group Directors hold directorships. These directorships have not resulted in Directors and members of the Executive Leadership Team having a significant influence over the operations, policies, or key decisions of these companies.

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

All members of the Parent Company's Executive Management Team participate in Management Long Term Incentive Plans and may receive cash or non-cash benefits as a result of these plans (refer to note 22).

22 Management long term incentive plan

Policy

The Group provides benefits to the Parent Company's Executive Management Team in the form of share-based payment transactions, whereby executives render services in exchange for rights over shares (equity settled transactions) or cash settlements based on the price of the Parent Company's shares (cash settled transactions). The cost of the transactions is spread over the period in which the employees provide services and become entitled to the awards.

Equity settled transactions

The cost of the equity settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The cost of equity settled transactions is recognised in the income statement, together with a corresponding increase in the share-based payment reserve in equity.

Management long term incentive plan – equity settled

Members of the Parent Company's executive management team participate in an equity settled long term incentive (LTI) plan. Under this LTI plan, share rights are issued and have a three-year vesting period.

The vesting of share rights, which entitles the executive to the receipt of one Port of Tauranga Limited ordinary share at nil cost, is subject to the executive remaining employed by Port of Tauranga Limited during the vesting period and the achievement of certain earnings per share (EPS) and total shareholder return (TSR) targets.

For EPS share rights granted, the proportion of share rights that vests depend on the Group achieving EPS growth targets.

For TSR share rights granted, the proportion of share rights that vests depend on the Groups TSR performance ranking relative to the NZX50 index less Australian listed stocks.

To the extent that performance hurdles are not met or executives leave Port of Tauranga Limited prior to vesting, the share rights are forfeited.

22 Management long term incentive plan (continued)

Management long term incentive plan – equity settled (continued)

The share-based payment expense relating to the LTI plan for the year ended 30 June 2023 is $0.235 million (2022: $0.552 million) with a corresponding increase in the share-based payments reserve (refer to note 16).

Number of share rights issued to executives:

Grant Date	*Scheme End Date*	*Right Type*	*Balance at 30 June 2022*	*Granted During the Year*	*Vested During the Year*	*Forfeited During the Year*	*Balance at 30 June 2023*
1 July 2019	30 June 2022	EPS	90,058	0	(36,624)	(53,434)	0
1 July 2019	30 June 2022	TSR	75,050	0	(42,160)	(32,890)	0
1 July 2020	30 June 2023	EPS	88,409	0	0	0	88,409
1 July 2020	30 June 2023	TSR	73,674	0	0	0	73,674
1 July 2021	30 June 2024	EPS	79,203	0	0	0	79,203
1 July 2021	30 June 2024	TSR	66,003	0	0	0	66,003
1 July 2022	30 June 2025	EPS	0	100,972	0	0	100,972
1 July 2022	30 June 2025	TSR	0	84,143	0	0	84,143
Total LTI Plan			**472,397**	**185,115**	**(78,784)**	**(86,324)**	**492,404**

Fair value of share rights granted

Share rights are valued as zero cost in-substance options at the day at which they are granted, using the Black-Scholes-Merton model. The following table lists the key inputs into the valuation:

Grant Date	*Scheme End Date*	*Right Type*	*Grant Date Share Price $*	*Risk Free Interest Rate %*	*Expected Volatility of Share Price %*	*Valuation per Share Right $*
1 July 2020	30 June 2023	EPS	7.59	0.00	25.0	7.03
1 July 2020	30 June 2023	TSR	7.59	0.00	25.0	3.01
1 July 2021	30 June 2024	EPS	7.00	1.38	25.9	6.88
1 July 2021	30 June 2024	TSR	7.00	1.38	25.9	4.19
1 July 2022	30 June 2025	EPS	6.17	4.24	27.2	6.09
1 July 2022	30 June 2025	TSR	6.17	4.24	27.2	2.92

PAYE liability

Upon vesting of share rights, the Parent Company funds the PAYE liability and issues the net amount of shares to executives.

23 Subsequent events

Approval of financial statements

The financial statements were approved by the Board of Directors on 24 August 2023.

Final and special dividend

A final dividend of 8.8 cents per share to a total of $59,872,023 has been approved subsequent to reporting date. The final dividend was not approved until after year end, therefore it has not been accrued in the current year financial statements.

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF PORT OF TAURANGA LIMITED

The Auditor-General is the auditor of Port of Tauranga Limited and its subsidiaries (the 'Group'). The Auditor-General has appointed me, Brent Manning, using the staff and resources KPMG, to carry out the audit of the consolidated financial statements of the Group on his behalf.

Opinion

We have audited the consolidated financial statements of the Group on pages 2 to 57, that comprise the consolidated statement of financial position as at 30 June 2023, the consolidated income statement, the consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Basis for our opinion

We conducted 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 *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the Auditor-General's Auditing Standards, which incorporate Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

In addition to the audit we have carried out engagements in the area of Agreed Upon Procedures, which are compatible with those independence requirements. Other than the audit and these engagements, we have no relationship with or interests in the Group or any of its subsidiaries.

Key Audit Matters

Key audit matters are those matters, that, in our professional judgement, were of most significance in our audit of the consolidated financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the shareholders as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the consolidated financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

The Key Audit Matter	How The Matter Was Addressed in Our Audit
Value of property, plant and equipment.	
Refer note 10 of the financial statements. The Group has property, plant and equipment ("PP&E") of $2,607 million. The Group has a policy of valuing land, buildings, wharves, hardstanding and harbour improvements ("Revalued PP&E") at fair value. Full Independent valuations are obtained at least every 3 years (by an independent valuer) over these asset classes. In the current year, the fair value of land was revalued by an independent valuer. Buildings, wharves and hardstandings and harbour Improvements were assessed for material movements in their fair values. The Revalued PP&E is considered a key audit matter due to the judgement involved in the assessment of the fair value and the material value of PP&E on the balance sheet.	Our procedures focused on the appropriateness of the Group's assessment as to whether the carrying values of Revalued PP&E materially represent their fair values, and if a revaluation of a class of asset was required, that the revalued assets have been accurately reflected in the financial statements. For land we have: - Assessed the competence and objectivity of the valuer used; - Assessed the methodology applied by the valuer and assessed whether the valuation approach was in accordance with professional valuation standards and suitable for determining the fair value of identified assets; - Compared the asset holdings in the fixed asset register to those valued to ensure all relevant property was captured; - Compared the key assumptions within each assessment to market evidence; - Assessed the reasonableness of valuation movements between financial years with consideration to broader sector/local market evidence (where available); and - Assessed whether the increase in valuation was correctly accounted for within the Revaluation Reserve and Statement of Comprehensive Income. For buildings, wharves, hardstandings and harbour improvements we have: - Assessed the competence and objectivity of the valuers or experts used by the Group; - Compared and recalculated the valuer's fair value assessment against publicly available data (including relevant price indices); and As a result of the above procedures, we are satisfied the carrying value of property, plant and equipment is reasonable and supportable. We are also satisfied with the adequacy of disclosures.
Impairment of investment in Equity Accounted Investees	
Refer note 14 of the financial statements. The Group has a 50 percent investment in Coda Group Limited Partnership which is accounted for as an equity accounted investee.	Our audit procedures included - Assessing whether the methodology for impairment testing adopted by the Group is inline with the applicable financial reporting standards. - Engaging our internal valuation specialists to review the approach to determining the recoverable amount and

The investment in Coda Group Limited Partnership was tested for impairment at 30 June 2023 which involved determining the recoverable amount of the investment, being the higher of fair value and value in use. An impairment of $7.9 million was recognised. This is considered to be a key audit matter due to the judgement involved, including: - forecasting future performance; and - selecting relevant assumptions such as EBITDA multiples and the weighted average cost of capital (WACC).	challenge the assumptions adopted by the Group, including but not limited to the WACC rate and EBITDA multiple. – Performing retrospective analysis over the accuracy of previous forecasts prepared by the Group. – Preparing alternative scenarios for assumptions and comparing these to the Group's adopted assumptions. – Assessing the adequacy and accuracy of the disclosures made by the Group. As a result of the above procedures, we are satisfied the impairment recognised is reasonable and supportable. We are also satisfied with the adequacy and accuracy of disclosures.

Directors' responsibilities for the consolidated financial statements

The Directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible on behalf of the Group for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Directors' responsibilities arise from the Financial Markets Conduct Act 2013.

Auditor's responsibilities for the audit of the consolidated financial statements

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of shareholders taken on the basis of these consolidated 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. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the use of the going concern basis of accounting by the 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 consolidated 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.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information 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 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.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Our responsibilities arise from the Public Audit Act 2001.

Brent Manning
KPMG
On behalf of the Auditor-General
Wellington, New Zealand
24 AUGUST 2023