



PORT OF  
TAURANGA



2017  
Interim  
Report

**Strength  
together**



Port of Tauranga, the harbour and its people are bound together in work, play and life. Our myriad connections have driven the success of the Bay of Plenty and the benefits are felt well beyond our region. Our combined strength will propel the community and the Company into an exciting future.

## Interim Report

For the six months ended 31 December 2017 : Port of Tauranga Limited and Subsidiaries

We are pleased to report a strong start to the 2017-2018 financial year, with growth in most cargo categories, increased revenue and increased profits.

The Port of Tauranga Group achieved a 12.6% increase in Net Profit After Tax as trade volumes increased 13.4% to 12.5 million tonnes.

### FINANCIAL RESULTS

Group Net Profit After Tax was \$47.1 million for the six months to 31 December 2017, up from \$41.9 million for the previous corresponding period.

Revenue for the six months increased 12.8% to \$141.4 million, compared with \$125.3 million for the previous corresponding period.

The Port of Tauranga Board has declared a fully imputed interim dividend of 5.7 cents per share, a 14% increase on the dividend in the previous corresponding period.

### CARGO TRENDS

Container volumes grew 15.8% to 590,803 TEUs (twenty foot equivalent units).

Transshipment container volumes increased significantly, with the number of TEUs being transferred between services increasing 47.6% for the six month period.

Imports increased 20.7% from 3.9 million tonnes to 4.7 million tonnes, with strong growth in oil products and grain and feed supplements.

Exports grew 9.4% from 7.1 million tonnes to 7.7 million tonnes, with a large increase in log exports (up 12.5%). Dairy product exports increased 2.8%.

Cars and other imported vehicles are a growing category for Port of Tauranga, with a significant increase in volumes as compared with the first half of the 2017 financial year.

Ship visits increased to 890, 15.0% more than the previous corresponding period.

### OPERATIONAL DEVELOPMENTS

The results show Port of Tauranga's increasing role as New Zealand's international hub port. As the only port in the region able to accommodate the larger container ships, Port of Tauranga saw transshipment to and from other New Zealand ports more than trebling from the previous corresponding period, with the largest increases occurring from the South Island ports and Napier.

Port of Tauranga's hub status and cargo growth has accelerated following the September 2016 completion of a major dredging programme that was the culmination of a \$350 million expansion programme.

The Company is now looking to the next phase of growth and scoping the people, plant and processes required to maximise productivity within the Port's existing footprint. Of its 190 hectares of land, the Port has approximately 40 hectares still available for cargo growth.

Port of Tauranga can handle up to three million TEUs annually without further reclamation, which has been confirmed in the recent Ernst Young Port Future Study<sup>1</sup>.

The number of trains between MetroPort Auckland and Tauranga have increased from 78 to 86 per week to handle the growing volumes, with further capacity available as required. MetroPort Auckland handled a further 8.4% growth in the first six months of the financial year.

The Company has consistently delivered on a strategy of sustainable long term value creation for shareholders. We recognise that long term value creation necessitates ongoing efforts to enhance our environmental performance as stewards of our natural environment and also recognition of our societal responsibility in how we manage the relationships that we have with our employees, our suppliers, and the impacts of our business on the broader community in which we operate.

### SUBSIDIARY/ASSOCIATE COMPANIES

PrimePort Timaru had a strong first half on the back of bulk cargo growth, seeing a 36.1% increase in net profits.

Northport's trade volumes continue to grow.

Recently acquired contracts in new cargoes are starting to bear fruit for Quality Marshalling, with earnings up 28.3% on the previous corresponding period.

Coda Group's profit declined compared with the previous corresponding period largely due to lower income from reduced empty container handling.

### OUTLOOK

Port of Tauranga is on track to handle in excess of 1.2 million TEUs in the year ending 30 June 2018.

Given the strong first half trading conditions, Port of Tauranga is increasing its earnings guidance to between \$92 million and \$96 million for the 12 months to June 2018. This compares with the Net Profit After Tax of \$83.4 million for the year ended 30 June 2017.

David Pilkington  
CHAIR

Mark Cairns  
CHIEF EXECUTIVE

<sup>1</sup> Ernst Young (June 2016) "Consultant's Report to the Port Future Study"

## Consolidated Income Statement

For the six months ended 31 December 2017 : Port of Tauranga Limited and Subsidiaries

	(Unaudited) Six Months Ended 31 December 2017 Group NZ\$000	(Unaudited) Six Months Ended 31 December 2016 Group NZ\$000	(Audited) Year Ended 30 June 2017 Group NZ\$000
<b>Total operating revenue</b>	<b>141,431</b>	125,328	255,882
Contracted services for port operations	(28,170)	(26,544)	(54,985)
Employee benefit expenses	(18,596)	(16,069)	(33,958)
Direct fuel and power expenses	(4,251)	(3,306)	(7,175)
Maintenance of property, plant and equipment	(5,526)	(4,423)	(8,759)
Other expenses	(7,767)	(6,759)	(12,615)
<b>Operating expenses</b>	<b>(64,310)</b>	(57,101)	(117,492)
<b>Results from operating activities</b>	<b>77,121</b>	68,227	138,390
Depreciation and amortisation	(12,940)	(12,140)	(24,460)
Reversal of previous revaluation deficit	0	0	193
	(12,940)	(12,140)	(24,267)
<b>Operating profit before finance costs and taxation</b>	<b>64,181</b>	56,087	114,123
Finance income	194	229	434
Finance expenses (refer note 6)	(9,330)	(8,362)	(17,205)
<b>Net finance costs</b>	<b>(9,136)</b>	(8,133)	(16,771)
Share of profit from Equity Accounted Investees	7,908	7,894	13,995
<b>Profit before income tax</b>	<b>62,953</b>	55,848	111,347
Income tax expense	(15,840)	(13,990)	(27,906)
<b>Profit for the period</b>	<b>47,113</b>	41,858	83,441
<b>Attributable to:</b>			
Owners of the Parent Company	47,113	41,858	83,441
<b>Profit for the period</b>	<b>47,113</b>	41,858	83,441
Basic earnings per share (cents)	7.0	6.2	12.4
Diluted earnings per share (cents)	6.9	6.2	12.3

These statements are to be read in conjunction with the notes on pages 8 to 15.

## Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2017 : Port of Tauranga Limited and Subsidiaries

	(Unaudited) Six Months Ended 31 December 2017 Group NZ\$000	(Unaudited) Six Months Ended 31 December 2016 Group NZ\$000	(Audited) Year Ended 30 June 2017 Group NZ\$000
<b>Profit for the period</b>	<b>47,113</b>	41,858	83,441
<b>Other comprehensive income</b>			
<b>Items that are or may be reclassified to profit or loss:</b>			
Cash flow hedge – changes in fair value	(1,638)	4,761	2,956
Cash flow hedge – reclassified to profit or loss	1,079	1,142	2,538
Changes in cash flow hedges transferred to property, plant and equipment, net of tax	0	708	708
Share of net change in cash flow hedge reserves of Equity Accounted Investees	(46)	243	182
	(605)	6,854	6,384
<b>Items that will never be reclassified to profit or loss:</b>			
Asset revaluation, net of tax	0	0	63,267
Share of net change in revaluation reserves of Equity Accounted Investees	551	621	621
	551	621	63,888
<b>Total other comprehensive income</b>	<b>(54)</b>	7,475	70,272
<b>Total comprehensive income</b>	<b>47,059</b>	49,333	153,713
<b>Attributable to:</b>			
Owners of the Parent Company	47,059	49,333	153,713
<b>Total comprehensive income</b>	<b>47,059</b>	49,333	153,713

These statements are to be read in conjunction with the notes on pages 8 to 15.

## Consolidated Statement of Changes in Equity

For the six months ended 31 December 2017 : Port of Tauranga Limited and Subsidiaries

	Share Capital Group NZ\$000	Share Based Payment Reserve Group NZ\$000	Hedging Reserve Group NZ\$000	Revaluation Reserve Group NZ\$000	Retained Earnings Group NZ\$000	Total Group NZ\$000
<b>Balance at 30 June 2016</b>	<b>68,262</b>	<b>2,443</b>	<b>(14,373)</b>	<b>665,640</b>	<b>163,712</b>	<b>885,684</b>
Profit for the period	0	0	0	0	41,858	41,858
Total other comprehensive income	0	0	6,854	621	0	7,475
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>6,854</b>	<b>621</b>	<b>41,858</b>	<b>49,333</b>
Increase in share capital	12	0	0	0	0	12
Dividends paid during the period (refer note 7)	0	0	0	0	(74,864)	(74,864)
Equity settled share based payment	0	937	0	0	0	937
<b>Total transactions with owners in their capacity as owners</b>	<b>12</b>	<b>937</b>	<b>0</b>	<b>0</b>	<b>(74,864)</b>	<b>(73,915)</b>
<b>Balance at 31 December 2016</b>	<b>68,274</b>	<b>3,380</b>	<b>(7,519)</b>	<b>666,261</b>	<b>130,706</b>	<b>861,102</b>
Profit for the period	0	0	0	0	41,583	41,583
Total other comprehensive income	0	0	(470)	63,267	0	62,797
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>(470)</b>	<b>63,267</b>	<b>41,583</b>	<b>104,380</b>
Increase in share capital	2	0	0	0	0	2
Dividends paid during the period	0	0	0	0	(34,029)	(34,029)
Equity settled share based payment	0	488	0	0	0	488
Revaluation surplus transferred to retained earnings on asset disposal	0	0	0	(463)	463	0
<b>Total transactions with owners in their capacity as owners</b>	<b>2</b>	<b>488</b>	<b>0</b>	<b>(463)</b>	<b>(33,566)</b>	<b>(33,539)</b>
<b>Balance at 30 June 2017</b>	<b>68,276</b>	<b>3,868</b>	<b>(7,989)</b>	<b>729,065</b>	<b>138,723</b>	<b>931,943</b>
Profit for the period	0	0	0	0	47,113	47,113
Total other comprehensive income	0	0	(605)	551	0	(54)
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>(605)</b>	<b>551</b>	<b>47,113</b>	<b>47,059</b>
Increase in share capital	147	0	0	0	0	147
Shares, previously subject to a call option, issued	3,938	(3,938)	0	0	0	0
Dividends paid during the period (refer note 7)	0	0	0	0	(76,225)	(76,225)
Equity settled share based payment	0	700	0	0	0	700
<b>Total transactions with owners in their capacity as owners</b>	<b>4,085</b>	<b>(3,238)</b>	<b>0</b>	<b>0</b>	<b>(76,225)</b>	<b>(75,378)</b>
<b>Balance at 31 December 2017</b>	<b>72,361</b>	<b>630</b>	<b>(8,594)</b>	<b>729,616</b>	<b>109,611</b>	<b>903,624</b>

These statements are to be read in conjunction with the notes on pages 8 to 15.

## Consolidated Statement of Financial Position

As at 31 December 2017 : Port of Tauranga Limited and Subsidiaries

	(Unaudited) 31 December 2017 Group NZ\$000	(Unaudited) 31 December 2016 Group NZ\$000	(Audited) 30 June 2017 Group NZ\$000
<b>Assets</b>			
Property, plant and equipment (refer note 8)	1,224,492	1,158,380	1,227,223
Intangible assets	17,773	18,164	18,019
Investments in Equity Accounted Investees	130,213	125,542	127,583
Receivables	30	46	36
<b>Total non current assets</b>	<b>1,372,508</b>	<b>1,302,132</b>	<b>1,372,861</b>
Cash and cash equivalents	10,657	8,699	5,184
Receivables and prepayments	47,428	45,564	44,513
Inventories	355	58	42
<b>Total current assets</b>	<b>58,440</b>	<b>54,321</b>	<b>49,739</b>
<b>Total assets</b>	<b>1,430,948</b>	<b>1,356,453</b>	<b>1,422,600</b>
<b>Equity</b>			
Share capital	72,361	68,274	68,276
Share based payment reserve	630	3,380	3,868
Hedging reserve	(8,594)	(7,519)	(7,989)
Revaluation reserve	729,616	666,261	729,065
Retained earnings	109,611	130,706	138,723
<b>Total equity attributable to owners of the Parent Company</b>	<b>903,624</b>	<b>861,102</b>	<b>931,943</b>
<b>Total equity</b>	<b>903,624</b>	<b>861,102</b>	<b>931,943</b>
<b>Liabilities</b>			
Loans and borrowings (refer to note 9)	125,000	145,276	125,223
Derivative financial instruments	10,488	8,955	8,887
Provisions	2,165	1,718	1,888
Deferred tax liabilities	55,108	57,268	56,426
<b>Total non current liabilities</b>	<b>192,761</b>	<b>213,217</b>	<b>192,424</b>
Loans and borrowings (refer note 9)	295,285	245,000	255,140
Derivative financial instruments	227	381	1,013
Trade and other payables	30,902	31,767	31,027
Revenue received in advance	244	0	316
Provisions	2,197	1,250	2,334
Provision for tax	5,708	3,736	8,403
<b>Total current liabilities</b>	<b>334,563</b>	<b>282,134</b>	<b>298,233</b>
<b>Total liabilities</b>	<b>527,324</b>	<b>495,351</b>	<b>490,657</b>
<b>Total equity and liabilities</b>	<b>1,430,948</b>	<b>1,356,453</b>	<b>1,422,600</b>
<b>Net tangible assets per share (dollars per share)</b>	<b>1.32</b>	<b>1.24</b>	<b>1.36</b>

These statements are to be read in conjunction with the notes on pages 8 to 15.



## Consolidated Statement of Cash Flows

For the six months ended 31 December 2017 : Port of Tauranga Limited and Subsidiaries

	(Unaudited) Six Months Ended 31 December 2017 Group NZ\$000	(Unaudited) Six Months Ended 31 December 2016 Group NZ\$000	(Audited) Year Ended 30 June 2017 Group NZ\$000
<b>Cash flows from operating activities</b>			
Receipts from customers	142,964	124,315	262,215
Interest received	192	191	368
Payments to suppliers and employees	(68,980)	(53,676)	(117,640)
Taxes paid	(19,636)	(19,512)	(29,444)
Interest paid	(8,907)	(8,222)	(17,314)
<b>Net cash inflow from operating activities</b>	<b>45,633</b>	<b>43,096</b>	<b>98,185</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment	0	144	146
Finance lease payments received, including interest	7	7	13
Repayment of advances from Equity Accounted Investees	0	0	250
Dividends from Equity Accounted Investees	5,783	6,507	10,507
Purchase of property, plant and equipment	(9,625)	(46,436)	(65,269)
Purchase of computer software assets	0	(315)	(116)
Interest capitalised on property, plant and equipment	(186)	(949)	(1,225)
<b>Total net cash used in investing activities</b>	<b>(4,021)</b>	<b>(41,042)</b>	<b>(55,694)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	40,086	70,112	60,189
Payments to close out of foreign exchange derivatives	0	(183)	(183)
Dividends paid	(76,225)	(74,864)	(108,893)
<b>Net cash used in financing activities</b>	<b>(36,139)</b>	<b>(4,935)</b>	<b>(48,887)</b>
<b>Net increase/(decrease) in cash held</b>	<b>5,473</b>	<b>(2,881)</b>	<b>(6,396)</b>
Add opening cash brought forward	5,184	11,580	11,580
<b>Ending cash carried forward</b>	<b>10,657</b>	<b>8,699</b>	<b>5,184</b>

These statements are to be read in conjunction with the notes on pages 8 to 15.

## Consolidated Statement of Cash Flows (continued)

For the six months ended 31 December 2017 : Port of Tauranga Limited and Subsidiaries

	(Unaudited) Six Months Ended 31 December 2017 Group NZ\$000	(Unaudited) Six Months Ended 31 December 2016 Group NZ\$000	(Audited) Year Ended 30 June 2017 Group NZ\$000
<b>RECONCILIATION OF PROFIT FOR THE PERIOD TO CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Profit for the period</b>	<b>47,113</b>	<b>41,858</b>	<b>83,441</b>
<b>Adjustments for non cash and non operating items</b>			
Depreciation and amortisation expense	12,940	12,140	24,460
Decrease in deferred taxation expense	(870)	(711)	(1,394)
Share of surpluses retained by Equity Accounted Investees	(7,908)	(7,894)	(13,995)
Other	737	1,262	1,848
	<b>4,899</b>	<b>4,797</b>	<b>10,919</b>
(Less)/add movements in working capital	(6,379)	(3,559)	3,825
<b>Net cash flows from operating activities</b>	<b>45,633</b>	<b>43,096</b>	<b>98,185</b>

These statements are to be read in conjunction with the notes on pages 8 to 15.

## Notes to the Consolidated Interim Financial Statements

For the six months ended 31 December 2017 : Port of Tauranga Limited and Subsidiaries

### 1 REPORTING ENTITY

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

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

### 2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP") and New Zealand International Accounting Standard ("NZ IAS") 34 Interim Financial Reporting. They do not include all information required for full annual financial statements and should be read in conjunction with the annual financial statements and related notes included in Port of Tauranga Limited's Annual Report for the year ended 30 June 2017.

### 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2017.

The following new standard is not yet effective in preparing these financial statements:

#### • **NZ IFRS 9 Financial Instruments**

This standard becomes mandatory for the Group's 2019 consolidated financial statements. The main changes under NZ IFRS 9 are:

- new financial assets classification requirements for determining whether an asset is measured at fair value or amortised cost;
- a new impairment model for financial assets based on expected losses, which may result in the earlier recognition of impairment losses; and
- revised hedge accounting requirements to better reflect the management of risks.

The Parent Company is currently in the process of evaluating the potential effect of the adoption of NZ IFRS 9, however it is expected that the impact will not be material.

#### • **NZ IFRS 16 Leases**

This standard becomes mandatory for the Group's 2020 consolidated financial statements. NZ IFRS 16 requires a lessee to recognise a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts. Included is an optional exemption for certain short-term leases and leases of low value assets, however this exemption can only be applied by lessees. The Parent Company is currently in the process of evaluating the potential effect of the adoption of NZ IFRS 16, however it is expected that the impact will not be material.

## Notes to the Consolidated Interim Financial Statements

For the six months ended 31 December 2017 : Port of Tauranga Limited and Subsidiaries

### 4 ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

### 5 SEGMENT INFORMATION

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

The Group operates in three main reportable segments, being:

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

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

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

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

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

## Notes to the Consolidated Interim Financial Statements

For the six months ended 31 December 2017 : Port of Tauranga Limited and Subsidiaries

### 5 SEGMENT INFORMATION (CONTINUED)

Six Months Ended 31 December 2017	Port Operations Group NZ\$000	Property Services Group NZ\$000	Marshalling Services Group NZ\$000	Unallocated <sup>(1)</sup> Group NZ\$000	Inter Segment Group NZ\$000	Group NZ\$000
Revenue (external)	125,474	13,312	2,645	0	0	141,431
Inter segment revenue	8	24	4,306	0	(4,338)	0
<b>Total segment revenue</b>	<b>125,482</b>	<b>13,336</b>	<b>6,951</b>	<b>0</b>	<b>(4,338)</b>	<b>141,431</b>
<b>Other income and expenditure:</b>						
Share of profit from Equity Accounted Investees	0	0	0	7,908	0	7,908
Interest income	0	0	0	194	0	194
Interest expense	0	0	0	(9,292)	0	(9,292)
Depreciation and amortisation expense	0	0	(408)	(12,532)	0	(12,940)
Other unallocated expenditure	0	0	(5,226)	(63,460)	4,338	(64,348)
Income tax expense	0	0	(369)	(15,471)	0	(15,840)
Total other income and expenditure	0	0	(6,003)	(92,653)	4,338	(94,318)
<b>Total segment result</b>	<b>125,482</b>	<b>13,336</b>	<b>948</b>	<b>(92,653)</b>	<b>0</b>	<b>47,113</b>

<sup>(1)</sup>Operating costs are not allocated to individual business segments within the Parent Company.

## Notes to the Consolidated Interim Financial Statements

For the six months ended 31 December 2017 : Port of Tauranga Limited and Subsidiaries

### 5 SEGMENT INFORMATION (CONTINUED)

Six Months Ended 31 December 2016	Port Operations Group NZ\$000	Property Services Group NZ\$000	Marshalling Services Group NZ\$000	Unallocated <sup>(1)</sup> Group NZ\$000	Inter Segment Group NZ\$000	Group NZ\$000
Revenue (external)	110,602	12,390	2,336	0	0	125,328
Inter segment revenue	7	10	2,194	0	(2,211)	0
<b>Total segment revenue</b>	<b>110,609</b>	<b>12,400</b>	<b>4,530</b>	<b>0</b>	<b>(2,211)</b>	<b>125,328</b>
<b>Other income and expenditure:</b>						
Share of profit from Equity Accounted Investees	0	0	0	7,894	0	7,894
Interest income	0	0	1	228	0	229
Other income	0	0	0	0	0	0
Interest expense	0	0	0	(8,360)	0	(8,360)
Depreciation and amortisation expense	0	0	(378)	(11,762)	0	(12,140)
Other unallocated expenditure	0	0	(3,125)	(56,189)	2,211	(57,103)
Income tax expense	0	0	(289)	(13,701)	0	(13,990)
Total other income and expenditure	0	0	(3,791)	(81,890)	2,211	(83,470)
<b>Total segment result</b>	<b>110,609</b>	<b>12,400</b>	<b>739</b>	<b>(81,890)</b>	<b>0</b>	<b>41,858</b>

<sup>(1)</sup>Operating costs are not allocated to individual business segments within the Parent Company.

## Notes to the Consolidated Interim Financial Statements

For the six months ended 31 December 2017 : Port of Tauranga Limited and Subsidiaries

### 6 FINANCE EXPENSES

	Six Months Ended 31 December 2017 Group NZ\$000	Six Months Ended 31 December 2016 Group NZ\$000
Interest expense on borrowings	9,478	9,309
Less:		
Interest capitalised to property, plant and equipment	(186)	(949)
	9,292	8,360
Ineffective portion of changes in fair value of cash flow hedges	15	2
Amortisation of interest rate collar premium	23	0
<b>Total finance expenses</b>	<b>9,330</b>	<b>8,362</b>

### 7 DIVIDENDS

The following dividends were paid by the Group:

	Six Months Ended 31 December 2017 Group NZ\$000	Six Months Ended 31 December 2016 Group NZ\$000
Final dividend of 6.2 cents per share (2016: 6.0 cents per share)	42,196	40,835
Special dividend of 5.0 cents per share (2016: 5.0 cents per share)	34,029	34,029
<b>Total dividends paid</b>	<b>76,225</b>	<b>74,864</b>

## Notes to the Consolidated Interim Financial Statements

For the six months ended 31 December 2017 : Port of Tauranga Limited and Subsidiaries

### 8 PROPERTY, PLANT AND EQUIPMENT

#### Acquisitions and Disposals

During the six months ended 31 December 2017, the Group acquired assets with a cost of \$9.740 million (six months ended 31 December 2016: \$44.021 million).

### 9 LOANS AND BORROWINGS

	31 December 2017 Carrying Value Group NZ\$000	31 December 2016 Carrying Value Group NZ\$000
Commercial papers	245,000	245,000
Standby revolving cash advance facility	50,000	20,000
Fixed rate bonds	125,000	125,000
Advances from employees	285	276
<b>Total loans and borrowings</b>	<b>420,285</b>	<b>390,276</b>
Current	295,285	245,000
Non current	125,000	145,276
<b>Total loans and borrowings</b>	<b>420,285</b>	<b>390,276</b>

#### Commercial Papers

At 31 December 2017 the Group had \$245 million of commercial paper debt that is classified within current liabilities (2016: \$245 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 \$380 million (2016: \$330 million) standby revolving cash advance facility of which \$280 million (2016: \$330 million) is a term facility.



## Notes to the Consolidated Interim Financial Statements

For the six months ended 31 December 2017 : Port of Tauranga Limited and Subsidiaries

### 10 RELATED PARTY TRANSACTIONS AND BALANCES

Related party transactions and balances with related parties:

	Six Months Ended 31 December 2017 NZ\$000	Six Months Ended 31 December 2016 NZ\$000
<b>Transactions with Equity Accounted Investees</b>		
Services provided to Port of Tauranga Limited	240	239
Services provided by Port of Tauranga Limited	1,551	1,339
Accounts receivable by Port of Tauranga Limited	174	282
Accounts payable by Port of Tauranga Limited	0	67
Advances by Port of Tauranga Limited	6,669	6,919
Services provided by Quality Marshalling Limited	2,191	1,863
Accounts receivable by Quality Marshalling Limited	456	459

During the six months ended 31 December 2017, the Group entered into transactions with companies in which Group Directors hold directorships. These directorships have not resulted in the Group having a significant influence over the operations, policies, or key decisions of these companies.

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

#### Controlling Entity

Quayside Securities Limited owns 54.14% (as at 31 December 2016: 54.14%) of the issued ordinary shares in Port of Tauranga Limited.

Quayside Securities Limited is beneficially owned by Bay of Plenty Regional Council, the Ultimate Controlling Party. Transactions with the Ultimate Controlling Party during the period include services provided to Port of Tauranga Limited \$10,048 (six months ended 31 December 2016: \$11,852).

#### Transactions with Key Management Personnel

The Group does not provide any non cash benefits to Directors and executive officers in addition to their Directors' fees or salaries.

	Six Months Ended 31 December 2017 Group NZ\$000	Six Months Ended 31 December 2016 Group NZ\$000
<b>Directors</b>		
Directors' fees	353	330
<b>Executive Officers</b>		
Executive salaries and short term employee benefits	2,120*	1,654
Long term incentives	313	137

\*Includes back dated holiday pay.

## Notes to the Consolidated Interim Financial Statements

For the six months ended 31 December 2017 : Port of Tauranga Limited and Subsidiaries

### 11 COMMITMENTS

	Six Months Ended 31 December 2017 Group NZ\$000	Six Months Ended 31 December 2016 Group NZ\$000
<b>Capital commitments</b>		
Estimated capital commitments for the Group contracted for at the reporting date but not provided for	0	9,127

### 12 FINANCIAL INSTRUMENTS

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

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

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

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

### 13 SUBSEQUENT EVENTS

#### Refinancing of Standby Revolving Cash Advance Facility

On 1 January 2018, the Parent Company partially refinanced its \$380 million financing arrangement with ANZ Bank New Zealand Limited, Bank of New Zealand Limited, Commonwealth Bank of Australia New Zealand branch and The Bank of Tokyo-Mitsubishi UFJ Limited, Auckland branch.

The Parent Company decreased the size of its tranche 1 facility, which was maturing on 31 March 2018, from \$100 million to \$50 million and extended the maturity date of this tranche to 30 June 2019. The Parent Company also added a new \$50 million tranche to the Standby Revolving Cash Advance Facility, tranche 6, maturing 30 June 2019.

## Independent Review Report

To the shareholders of Port of Tauranga Limited



### REPORT ON THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim consolidated financial statements on pages 2 to 15 do not:

- i. Present, in all material respects the Group's financial position as at 31 December 2017 and its financial performance and cash flows for the six month period ended on that date in compliance with NZ IAS 34 Interim Financial Reporting.

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

- The consolidated statement of financial position as at 31 December 2017;
- The consolidated statements of income, comprehensive income, changes in equity and cash flows for the six month period then ended; and
- Notes, including a summary of significant accounting policies and other explanatory information.

#### BASIS FOR CONCLUSION

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

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

Our firm also provided an agreed upon procedures engagement to the Group in relation to a review of the application of the Holiday Pay Act 2003. Subject to certain restrictions, partners and employees of our firm may also deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. These matters have not impaired our independence as reviewer of the Group. The firm has no other relationship with, or interest in, the Group.

#### USE OF THIS INDEPENDENT REVIEW REPORT

This report is made solely to the shareholders as a body. Our review work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the Independent

Review Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholders as a body for our review work, this report, or any of the opinions we have formed.

#### RESPONSIBILITIES OF THE DIRECTORS FOR THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

#### AUDITOR'S RESPONSIBILITIES FOR THE REVIEW OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

This description forms part of our Independent Review Report.

Glenn Keaney  
KPMG

On behalf of the Auditor-General  
Tauranga, New Zealand  
22 February 2018

## Company Directory

Port of Tauranga Limited

### DIRECTORS

D A Pilkington, *Chair*  
A W Baylis (*retired 19 December 2017*)  
K R Ellis  
J C Hoare  
A R Lawrence  
D W Leeder  
R A McLeod (*appointed 31 October 2017*)  
M J Smith (*retired 31 October 2017*)

### EXECUTIVE

M C Cairns, *Chief Executive*  
S G Gray, *Chief Financial Officer*  
D A Kneebone, *Property & Infrastructure Manager*  
S M Lunam, *Corporate Services Manager*  
L E Sampson, *Commercial Manager*

### REGISTERED OFFICE

Salisbury Avenue  
Mount Maunganui  
Private Bag 12504  
Tauranga Mail Centre  
Tauranga 3143  
New Zealand

Telephone 07 572 8899  
Facsimile 07 572 8800  
Email [marketing@port-tauranga.co.nz](mailto:marketing@port-tauranga.co.nz)  
Website [www.port-tauranga.co.nz](http://www.port-tauranga.co.nz)

### SHARE REGISTRY

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

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

Telephone 09 375 5998  
Facsimile 09 375 5990  
Email [enquiries@linkmarketservices.co.nz](mailto:enquiries@linkmarketservices.co.nz)  
Website [www.linkmarketservices.co.nz](http://www.linkmarketservices.co.nz)

Copies of the Annual and Interim Reports are available from our website.



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