# INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF PORT OF TAURANGA LIMITED AND GROUP'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

The Auditor-General is the auditor of Port of Tauranga Limited (the Company) and Group. The Auditor-General has appointed me, Murray Dunn, using the staff and resources of KPMG, to carry out the audit of the financial statements of the Company and Group on her behalf.

We have audited the financial statements of the Company and Group on pages 59 to 108, that comprise the statement of financial position as at 30 June 2014, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

**Opinion**

***Financial statements***

In our opinion the financial statements of the Company and Group on pages 59 to 108:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the Company and Group's:
  - financial position as at 30 June 2014; and
  - financial performance and cash flows for the year ended on that date.

***Other legal requirements***

In accordance with the Financial Reporting Act 1993 we report that, in our opinion, proper accounting records have been kept by the Company and Group as far as appears from an examination of those records.

Our audit was completed on 21 August 2014. This is the date at which our opinion is expressed.

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

**Basis of opinion**

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence shareholders' overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Company and Group's financial statements that give a true and fair view of the matters to which they relate. We consider internal control 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 Company and Group's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of all disclosures in the financial statements; and
- the overall presentation of the financial statements.





We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements. Also we did not evaluate the security and controls over the electronic publication of the financial statements.

In accordance with the Financial Reporting Act 1993, we report that we have obtained all the information and explanations we have required. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

**Responsibilities of the Board of Directors**

The Board of Directors is responsible for preparing financial statements that:

- comply with generally accepted accounting practice in New Zealand; and
- give a true and fair view of the Company and Group's financial position, financial performance and cash flows.

The Board of Directors is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for the publication of the financial statements, whether in printed or electronic form.

The Board of Directors' responsibilities arise from the Financial Reporting Act 1993 and the Port Companies Act 1988.

**Responsibilities of the Auditor**

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and section 19 of the Port Companies Act 1988.

**Independence**

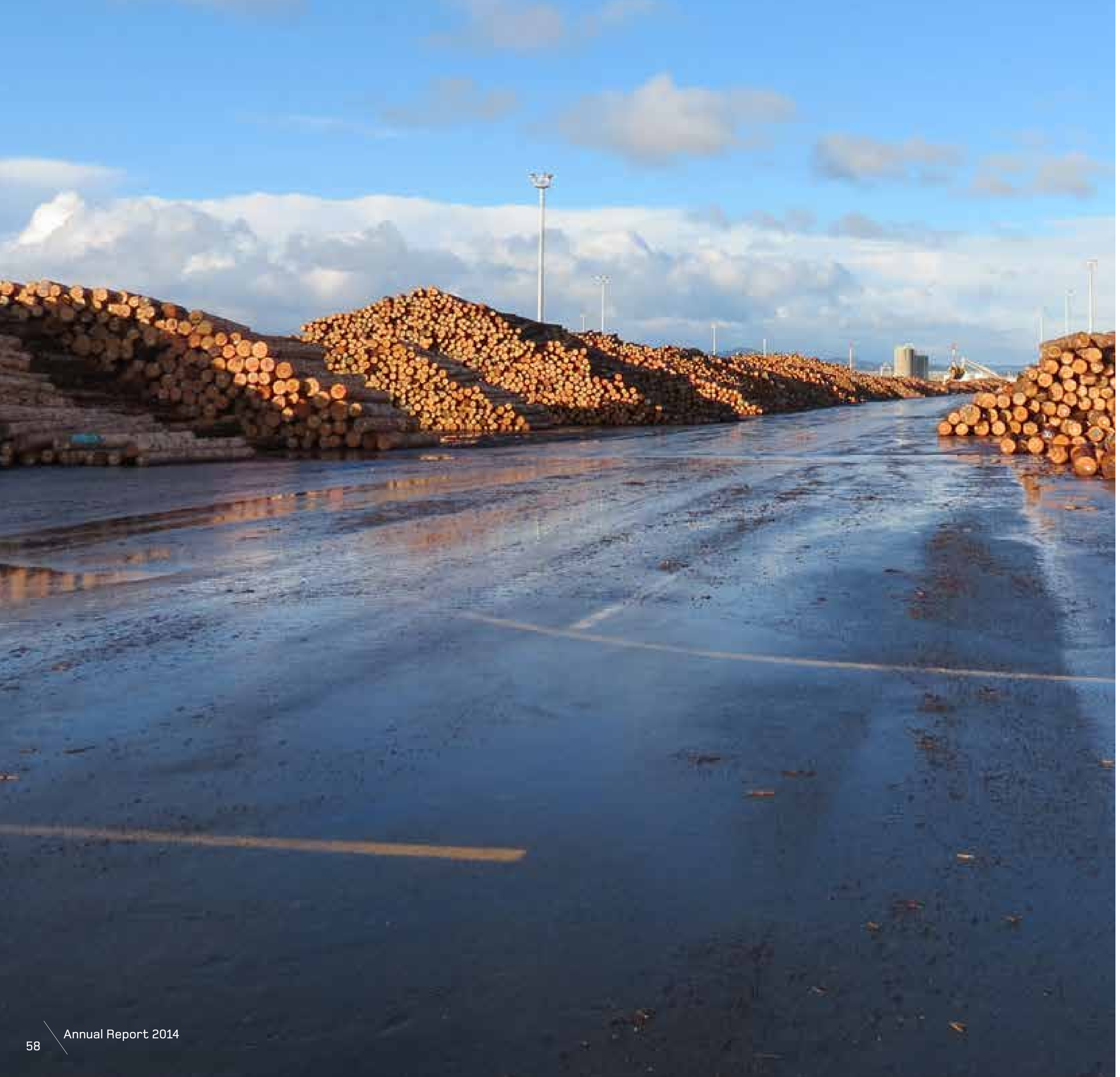
When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

In addition to the audit and half year review, we have carried out assignments in the areas of a security assessment, and security awareness training, which are compatible with those independence requirements. Other than the audit and these assignments, we have no relationship with or interests in the Company or any of its subsidiaries.

**Murray Dunn**
KPMG
On behalf of the Auditor-General
Tauranga, New Zealand

# FINANCIAL STATEMENTS 2014









# INCOME STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2014 :** PORT OF TAURANGA LIMITED AND SUBSIDIARIES

| | | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|---|
| | Note | **2014 NZ$000** | 2013 NZ$000 | **2014 NZ$000** | 2013 NZ$000 |
| Revenue | 8 | **266,273** | 244,011 | **209,243** | 210,928 |
| Other income | 8 | **265** | 136 | **8,406** | 10,265 |
| **Operating income** | | **266,538** | 244,147 | **217,649** | 221,193 |
| Contracted services for port operations | | **(43,369)** | (49,127) | **(41,688)** | (49,168) |
| Contracted services for transport operations | | **(4,809)** | (4,507) | **0** | 0 |
| Employee benefit expenses | 9 | **(41,549)** | (32,927) | **(22,987)** | (22,217) |
| Direct fuel and power expenses | | **(12,329)** | (9,951) | **(7,082)** | (7,598) |
| Maintenance of property, plant and equipment | | **(14,605)** | (9,905) | **(7,196)** | (6,794) |
| Other expenses | 10 | **(17,605)** | (14,631) | **(10,409)** | (10,087) |
| **Operating expenses** | | **(134,266)** | (121,048) | **(89,362)** | (95,864) |
| **Results from operating activities** | | **132,272** | 123,099 | **128,287** | 125,329 |
| Depreciation and amortisation | 13, 14 | **(22,389)** | (18,558) | **(18,758)** | (16,537) |
| Impairment of property, plant and equipment | 13 | **(160)** | 0 | **(160)** | 0 |
| | | **(22,549)** | (18,558) | **(18,918)** | (16,537) |
| **Operating profit before finance costs and taxation** | | **109,723** | 104,541 | **109,369** | 108,792 |
| Finance income | 11 | **1,124** | 2,123 | **1,093** | 2,106 |
| Finance expenses | 11 | **(15,406)** | (17,987) | **(15,276)** | (17,673) |
| **Net finance costs** | | **(14,282)** | (15,864) | **(14,183)** | (15,567) |
| Gain on sale of Equity Accounted Investee | 5 | **0** | 38,214 | **0** | 42,265 |
| Share of profit from Equity Accounted Investees | 17 | **9,370** | 10,360 | **0** | 0 |
| **Profit before income tax** | | **104,811** | 137,251 | **95,186** | 135,490 |
| Income tax expense | 12 | **(26,559)** | (25,128) | **(24,393)** | (23,811) |
| **Profit for the period** | | **78,252** | 112,123 | **70,793** | 111,679 |
| **Attributable to:** | | | | | |
| Owners of the Parent Company | | **78,252** | 112,132 | **70,793** | 111,679 |
| Non controlling interest | | **0** | (9) | **0** | 0 |
| **Profit for the period** | | **78,252** | 112,123 | **70,793** | 111,679 |
| Basic earnings per share attributable to ordinary equity holders of the Parent Company (cents) | 22 | **58.3** | 83.6 | | |

**Supplementary (Non Statutory) Disclosure**

**Underlying Profit After Tax**

Underlying profit after tax is presented to allow readers to make a more meaningful comparison of the Group's profit after removing one-off and non operational items.

| | | | | | |
|---|---|---|---|---|---|
| Underlying profit after tax | 5 | **78,252** | **77,228** | **70,793** | **72,733** |
| Underlying earnings per share (cents) | 22 | **58.3** | **57.6** | | |

These statements are to be read in conjunction with the notes on pages 66 to 108.

# STATEMENTS OF COMPREHENSIVE INCOME

**FOR THE YEAR ENDED 30 JUNE 2014 :** PORT OF TAURANGA LIMITED AND SUBSIDIARIES

| | Note | GROUP 2014 NZ$000 | GROUP 2013 NZ$000 | PARENT COMPANY 2014 NZ$000 | PARENT COMPANY 2013 NZ$000 |
|---|---|---|---|---|---|
| Profit after tax attributable to owners of the Parent Company | | **78,252** | 112,123 | **70,793** | 111,679 |
| **Other comprehensive income** | | | | | |
| Items that are or may be reclassified to profit or loss: | | | | | |
| Effective portion of changes in fair value of cash flow hedges, net of tax * | | **36** | 1,902 | **36** | 1,902 |
| Change in fair value of cash flow hedges transferred to income statements, net of tax * | | **3,157** | 6,607 | **3,157** | 6,607 |
| Changes in cash flow hedges transferred to property, plant and equipment, net of tax * | | **(58)** | 696 | **(58)** | 696 |
| Share of net change in cash flow hedge reserves of Equity Accounted Investees | 17 | **181** | 264 | **0** | 0 |
| | | **3,316** | 9,469 | **3,135** | 9,205 |
| Items that will never be reclassified to profit or loss: | | | | | |
| Share of net change in revaluation reserve of Equity Accounted Investees | 17 | **(8)** | 1,366 | **0** | 0 |
| | | **(8)** | 1,366 | **0** | 0 |
| Total other comprehensive income | | **3,308** | 10,835 | **3,135** | 9,205 |
| **Total comprehensive income** | | **81,560** | 122,958 | **73,928** | 120,884 |
| **Attributable to:** | | | | | |
| Owners of the Parent Company | | **81,560** | 122,967 | **73,928** | 120,884 |
| Non controlling interest | | **0** | (9) | **0** | 0 |
| **Total comprehensive income** | | **81,560** | 122,958 | **73,928** | 120,884 |

**Tax effect is disclosed in notes 12 and 26.*

These statements are to be read in conjunction with the notes on pages 66 to 108.





# STATEMENTS OF CHANGES IN EQUITY

**FOR THE YEAR ENDED 30 JUNE 2014 :** PORT OF TAURANGA LIMITED AND SUBSIDIARIES

| GROUP | Share Capital 2014 NZ$000 | Share Capital 2013 NZ$000 | Hedging Reserve 2014 NZ$000 | Hedging Reserve 2013 NZ$000 | Revaluation Reserve 2014 NZ$000 | Revaluation Reserve 2013 NZ$000 | Retained Earnings 2014 NZ$000 | Retained Earnings 2013 NZ$000 | Non Controlling Interest 2014 NZ$000 | Non Controlling Interest 2013 NZ$000 | Total 2014 NZ$000 | Total 2013 NZ$000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at 1 July** | **68,381** | 68,421 | **(7,002)** | (16,471) | **598,905** | 597,547 | **133,594** | 84,489 | **0** | (112) | **793,878** | 733,874 |
| Profit for the period | **0** | 0 | **0** | 0 | **0** | 0 | **78,252** | 112,132 | **0** | (9) | **78,252** | 112,123 |
| Other comprehensive income | **0** | 0 | **3,316** | 9,469 | **(8)** | 1,366 | **0** | 0 | **0** | 0 | **3,308** | 10,835 |
| Transfer to retained earnings on disposal | **0** | 0 | **0** | 0 | **0** | (8) | **0** | 8 | **0** | 0 | **0** | 0 |
| **Total comprehensive income** | **0** | 0 | **3,316** | 9,469 | **(8)** | 1,358 | **78,252** | 112,140 | **0** | (9) | **81,560** | 122,958 |
| Increase/(decrease) in share capital | **16** | (40) | **0** | 0 | **0** | 0 | **0** | 0 | **0** | 0 | **16** | (40) |
| Dividends paid during the year (refer to note 21(b)) | **0** | 0 | **0** | 0 | **0** | 0 | **(63,035)** | (63,035) | **0** | 0 | **(63,035)** | (63,035) |
| **Total transactions with owners in their capacity as owners** | **16** | (40) | **0** | 0 | **0** | 0 | **(63,035)** | (63,035) | **0** | 0 | **(63,019)** | (63,075) |
| Acquisition of non controlling interest without change in control | **0** | 0 | **0** | 0 | **0** | 0 | **0** | 0 | **0** | 121 | **0** | 121 |
| **Total change in ownership interest in Subsidiaries** | **0** | 0 | **0** | 0 | **0** | 0 | **0** | 0 | **0** | 121 | **0** | 121 |
| **Total movements in equity** | **16** | (40) | **3,316** | 9,469 | **(8)** | 1,358 | **15,217** | 49,105 | **0** | 112 | **18,541** | 60,004 |
| **Balance at 30 June** | **68,397** | 68,381 | **(3,686)** | (7,002) | **598,897** | 598,905 | **148,811** | 133,594 | **0** | 0 | **812,419** | 793,878 |

| PARENT COMPANY | Share Capital 2014 NZ$000 | Share Capital 2013 NZ$000 | Hedging Reserve 2014 NZ$000 | Hedging Reserve 2013 NZ$000 | Revaluation Reserve 2014 NZ$000 | Revaluation Reserve 2013 NZ$000 | Retained Earnings 2014 NZ$000 | Retained Earnings 2013 NZ$000 | Total 2014 NZ$000 | Total 2013 NZ$000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at 1 July** | **68,841** | 68,841 | **(6,767)** | (15,972) | **582,614** | 582,622 | **115,984** | 67,332 | **760,672** | 702,823 |
| Profit for the period | **0** | 0 | **0** | 0 | **0** | 0 | **70,793** | 111,679 | **70,793** | 111,679 |
| Other comprehensive income | **0** | 0 | **3,135** | 9,205 | **0** | 0 | **0** | 0 | **3,135** | 9,205 |
| Transfer to retained earnings on disposal | **0** | 0 | **0** | 0 | **0** | (8) | **0** | 8 | **0** | 0 |
| **Total comprehensive income** | **0** | 0 | **3,135** | 9,205 | **0** | (8) | **70,793** | 111,687 | **73,928** | 120,884 |
| Dividends paid during the year (refer to note 21(b)) | **0** | 0 | **0** | 0 | **0** | 0 | **(63,035)** | (63,035) | **(63,035)** | (63,035) |
| **Total transactions with owners in their capacity as owners** | **0** | 0 | **0** | 0 | **0** | 0 | **(63,035)** | (63,035) | **(63,035)** | (63,035) |
| **Total movements in equity** | **0** | 0 | **3,135** | 9,205 | **0** | (8) | **7,758** | 48,652 | **10,893** | 57,849 |
| **Balance at 30 June** | **68,841** | 68,841 | **(3,632)** | (6,767) | **582,614** | 582,614 | **123,742** | 115,984 | **771,565** | 760,672 |

These statements are to be read in conjunction with the notes on pages 66 to 108.

# STATEMENTS OF FINANCIAL POSITION

**AS AT 30 JUNE 2014 :** PORT OF TAURANGA LIMITED AND SUBSIDIARIES

| | | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|---|
| | Note | **2014 NZ$000** | 2013 NZ$000 | **2014 NZ$000** | 2013 NZ$000 |
| **Assets** | | | | | |
| Property, plant and equipment | 13 | **998,742** | 946,929 | **969,699** | 933,435 |
| Intangible assets | 14 | **43,873** | 42,637 | **3,064** | 3,502 |
| Advances and receivables | 15 | **0** | 1,857 | **142** | 2,104 |
| Investments in Subsidiaries | 16 | **0** | 0 | **40,699** | 40,694 |
| Investments in Equity Accounted Investees | 17 | **71,079** | 49,915 | **41,576** | 21,800 |
| **Total non current assets** | | **1,113,694** | 1,041,338 | **1,055,180** | 1,001,535 |
| Cash and cash equivalents | | **1,560** | 37,218 | **349** | 24,980 |
| Receivables and prepayments | 19 | **38,569** | 33,234 | **48,372** | 45,777 |
| Derivative financial instruments | 18 | **52** | 81 | **52** | 81 |
| Inventories | 20 | **1,008** | 710 | **918** | 639 |
| **Total current assets** | | **41,189** | 71,243 | **49,691** | 71,477 |
| **Total assets** | | **1,154,883** | 1,112,581 | **1,104,871** | 1,073,012 |
| **Equity** | | | | | |
| Share capital | 21(a) | **68,397** | 68,381 | **68,841** | 68,841 |
| Hedging reserve | 21(c) | **(3,686)** | (7,002) | **(3,632)** | (6,767) |
| Revaluation reserve | 21(d) | **598,897** | 598,905 | **582,614** | 582,614 |
| Retained earnings | | **148,811** | 133,594 | **123,742** | 115,984 |
| **Total equity attributable to owners of the Parent Company** | | **812,419** | 793,878 | **771,565** | 760,672 |
| **Total equity** | | **812,419** | 793,878 | **771,565** | 760,672 |
| **Liabilities** | | | | | |
| Loans and borrowings | 23 | **96,129** | 79,767 | **95,000** | 79,000 |
| Deferred consideration | 24 | **500** | 500 | **500** | 500 |
| Derivative financial instruments | 18 | **3,340** | 8,692 | **3,340** | 8,692 |
| Provisions | 25 | **1,752** | 1,298 | **1,450** | 1,010 |
| Deferred tax liabilities | 26 | **48,718** | 48,458 | **47,153** | 47,769 |
| **Total non current liabilities** | | **150,439** | 138,715 | **147,443** | 136,971 |
| Loans and borrowings | 23 | **160,202** | 146,312 | **160,000** | 146,000 |
| Deferred consideration | 24 | **0** | 1,500 | **0** | 1,500 |
| Derivative financial instruments | 18 | **1,209** | 812 | **1,209** | 812 |
| Trade and other payables | 27 | **19,101** | 19,561 | **14,821** | 16,042 |
| Provisions | 25 | **2,043** | 3,657 | **1,433** | 3,446 |
| Income tax payable | | **9,470** | 8,146 | **8,400** | 7,569 |
| **Total current liabilities** | | **192,025** | 179,988 | **185,863** | 175,369 |
| **Total liabilities** | | **342,464** | 318,703 | **333,306** | 312,340 |
| **Total equity and liabilities** | | **1,154,883** | 1,112,581 | **1,104,871** | 1,073,012 |

For and on behalf of the Board of Directors who authorised these financial statements for issue on 21 August 2014.

Chairman

Director

These statements are to be read in conjunction with the notes on pages 66 to 108.





# STATEMENTS OF CASH FLOWS

**FOR THE YEAR ENDED 30 JUNE 2014 :** PORT OF TAURANGA LIMITED AND SUBSIDIARIES

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| | **2014 NZ$000** | 2013 NZ$000 | **2014 NZ$000** | 2013 NZ$000 |
| **Cash flows from operating activities** | | | | |
| Cash was provided from: | | | | |
| Receipts from customers | **262,476** | 248,214 | **207,356** | 216,118 |
| Interest received | **280** | 890 | **249** | 873 |
| Dividends received | **0** | 0 | **8,155** | 8,881 |
| | **262,756** | 249,104 | **215,760** | 225,872 |
| Cash was applied to: | | | | |
| Payments to suppliers and employees | **(137,988)** | (120,992) | **(94,180)** | (95,495) |
| Taxes paid | **(27,355)** | (26,926) | **(25,397)** | (26,418) |
| Interest paid | **(15,055)** | (17,792) | **(15,055)** | (17,568) |
| | **(180,398)** | (165,710) | **(134,632)** | (139,481) |
| **Net cash inflow from operating activities** | **82,358** | 83,394 | **81,128** | 86,391 |
| **Cash flows from investing activities** | | | | |
| Cash was provided from: | | | | |
| Proceeds from sale of property, plant and equipment | **140** | 485 | **7** | 322 |
| Proceeds from disposal of Equity Accounted Investee | **0** | 53,401 | **0** | 53,401 |
| Proceeds from repayment of capital notes | **0** | 16,599 | **0** | 16,599 |
| Finance lease payments received, including interest | **4,258** | 4,280 | **4,258** | 4,280 |
| Receipts from Subsidiaries | **0** | 0 | **2,803** | 135 |
| Dividends from Equity Accounted Investees | **8,155** | 8,881 | **0** | 0 |
| | **12,553** | 83,646 | **7,068** | 74,737 |
| Cash was applied to: | | | | |
| Cash outflow for property, plant and equipment | **(61,119)** | (68,105) | **(53,960)** | (66,215) |
| Cash outflow for intangibles | **(516)** | (625) | **(476)** | (596) |
| Purchase of Subsidiaries, net of cash acquired | **0** | (27,252) | **0** | (27,247) |
| Purchase of loans from Holmes Ventures Limited | **0** | (5,753) | **0** | (5,753) |
| Purchase of Equity Accounted Investees | **(19,776)** | 0 | **(19,776)** | 0 |
| Interest capitalised on property, plant and equipment | **(395)** | (1,271) | **(395)** | (1,271) |
| Payments under finance leases, including interest | **(437)** | (519) | **0** | 0 |
| Advances to Subsidiaries | **0** | 0 | **(1,785)** | (8,884) |
| Advances to Equity Accounted Investee | **(1,400)** | 0 | **(1,400)** | 0 |
| Consideration for net assets of Priority Logistics Group | **(10,000)** | 0 | **0** | 0 |
| Consideration for net assets of PrimePort Timaru Limited's container terminal operations | **(2,062)** | 0 | **0** | 0 |
| Payment of deferred and contingent consideration | **(1,500)** | (2,000) | **(1,500)** | (2,000) |
| | **(97,205)** | (105,525) | **(79,292)** | (111,966) |
| **Net cash used in investing activities** | **(84,652)** | (21,879) | **(72,224)** | (37,229) |

These statements are to be read in conjunction with the notes on pages 66 to 108.

# STATEMENTS OF CASH FLOWS

**FOR THE YEAR ENDED 30 JUNE 2014 :** PORT OF TAURANGA LIMITED AND SUBSIDIARIES

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| | **2014 NZ$000** | 2013 NZ$000 | **2014 NZ$000** | 2013 NZ$000 |
| **Cash flows from financing activities** | | | | |
| Cash was provided from: | | | | |
| Increase in borrowings | **64,155** | 30,000 | **64,000** | 30,000 |
| Proceeds from issue of new shares | **16** | 0 | **0** | 0 |
| | **64,171** | 30,000 | **64,000** | 30,000 |
| Cash was applied to: | | | | |
| Dividends paid | **(63,035)** | (63,035) | **(63,035)** | (63,035) |
| Repayment of borrowings | **(34,000)** | (466) | **(34,000)** | 0 |
| Purchase of premium paid collars | **(500)** | 0 | **(500)** | 0 |
| Repurchase of shares in the Parent Company | **0** | (40) | **0** | 0 |
| | **(97,535)** | (63,541) | **(97,535)** | (63,035) |
| **Net cash used in financing activities** | **(33,364)** | (33,541) | **(33,535)** | (33,035) |
| **Net (decrease)/increase in cash held** | **(35,658)** | 27,974 | **(24,631)** | 16,127 |
| Add opening cash brought forward | **37,218** | 9,244 | **24,980** | 8,853 |
| **Ending cash carried forward** | **1,560** | 37,218 | **349** | 24,980 |
| **Cash balances in statements of financial position** | | | | |
| Cash and cash equivalents | **1,560** | 37,218 | **349** | 24,980 |
| **Ending cash carried forward** | **1,560** | 37,218 | **349** | 24,980 |

These statements are to be read in conjunction with the notes on pages 66 to 108.





# RECONCILIATION OF SURPLUS AFTER TAXATION TO CASH FLOWS FROM OPERATING ACTIVITIES

**FOR THE YEAR ENDED 30 JUNE 2014 :** PORT OF TAURANGA LIMITED AND SUBSIDIARIES

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| | **2014 NZ$000** | 2013 NZ$000 | **2014 NZ$000** | 2013 NZ$000 |
| **Reported surplus after taxation** | **78,252** | 112,123 | **70,793** | 111,679 |
| Items classified as investing/financing activities: | | | | |
| Finance lease interest revenue | **(771)** | (1,233) | **(771)** | (1,233) |
| Finance lease interest expense | **130** | 90 | **0** | 0 |
| Gain on disposal of Equity Accounted Investee | **0** | (38,214) | **0** | (42,265) |
| Gain on sale of property, plant and equipment | **(15)** | (136) | **(1)** | (80) |
| | **(656)** | (39,493) | **(772)** | (43,578) |
| Add/(less) non cash items and non operating items: | | | | |
| Depreciation | **21,030** | 17,451 | **17,824** | 15,847 |
| Amortisation expense | **1,359** | 1,107 | **934** | 690 |
| Decrease in deferred taxation expense | **(2,119)** | (917) | **(1,834)** | (886) |
| Fair value movement in non hedge accounted derivatives | **(52)** | 0 | **(52)** | 0 |
| Ineffective portion of change in fair value of cash flow hedge | **(21)** | 357 | **(21)** | 357 |
| Subvention payment | **0** | 0 | **353** | 0 |
| Additional provisions net of reversals | **(1,160)** | 442 | **(1,573)** | 431 |
| Share of surpluses retained by Equity Accounted Investees | **(9,370)** | (10,360) | **0** | 0 |
| Impairment of property, plant and equipment | **160** | 0 | **160** | 0 |
| Interest on contingent consideration | **0** | 34 | **0** | 34 |
| Increase in impairment of trade receivables | **47** | 0 | **29** | 0 |
| | **9,874** | 8,114 | **15,820** | 16,473 |
| Add/(less) movements in working capital: | | | | |
| Change in trade receivables and prepayments | **(5,612)** | 3,934 | **(4,120)** | 3,488 |
| Change in inventories | **(298)** | (141) | **(279)** | (153) |
| Change in income tax payable | **1,324** | (881) | **831** | (1,717) |
| Change in trade and other payables | **(526)** | (262) | **(1,145)** | 199 |
| | **(5,112)** | 2,650 | **(4,713)** | 1,817 |
| **Net cash flows from operating activities** | **82,358** | 83,394 | **81,128** | 86,391 |

These statements are to be read in conjunction with the notes on pages 66 to 108.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2014 :** PORT OF TAURANGA LIMITED AND SUBSIDIARIES

## 1 REPORTING ENTITY

Port of Tauranga Limited (referred to as 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"). The Parent Company is an issuer in terms of the Financial Reporting Act 1993.

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

## 2 BASIS OF PREPARATION

**(a) Statement of Compliance**

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRSs), and other applicable financial reporting standards as appropriate for profit-oriented entities. The financial statements also comply with International Financial Reporting Standards (IFRS), the Companies Act 1993, the Port Companies Act 1988 and the Financial Reporting Act 1993.

The financial statements were approved by the Board of Directors on 21 August 2014.

**(b) Basis of Measurement**

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

The methods used to measure fair values are discussed further in note 4.

**(c) Functional and Presentation Currency**

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.

**(d) Use of 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.

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 notes 4(a) and 13);
- valuation of financial instruments (refer to notes 4(c) and 4(d));
- intangible assets (refer to note 14);
- lease classification and accounting for arrangements containing a lease (refer to notes 15 and 23);
- provisions (refer to note 25); and
- business combinations (refer to note 4(e)).

## 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

**(a) Basis of Consolidation**

*(i) Subsidiaries*

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. 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.

*(ii) Equity Accounted Investees*

The Group's interests in Equity Accounted Investees comprise interests in associates and joint ventures.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.






# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2014 :** PORT OF TAURANGA LIMITED AND SUBSIDIARIES


## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity Accounted Investees are accounted for using the equity method. The consolidated financial statements include the Group's share of the income and expenses of Equity Accounted Investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences, until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity investee, the carrying amount of that interest (including any long term investments) is reduced to nil and the recognition of further losses is discontinued, except to the extent that the Group has an obligation or has made payments on behalf of the investee.

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.

*(iii) Transactions Eliminated on Consolidation*

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with Equity Accounted Investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

**(b) Business Combinations and Investments in Equity Accounted Investees**

The Group applies the acquisition method for all business combinations. The consideration transferred in an acquisition includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and the fair value of contingent consideration. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at fair value at acquisition date, irrespective of the extent of non controlling interest.

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. The same approach is used to ascertain the value of goodwill included within the carrying amount of investments in Equity Accounted Investees.

If the cost of a business combination is less than the fair value of the net identifiable assets transferred, the difference is recognised directly in the income statements.

If the cost of investment in an Equity Accounted Investee is less than the fair value of the share of net identifiable assets of the investee, the difference is recognised by the Group in the income statement within share of profit from Equity Accounted Investees.

Transaction costs that the Group incurs in connection with a business combination such as legal fees, due diligence fees and other professional and consulting fees are expensed as incurred. When investing in an Equity Accounted Investee, the same types of transaction costs are included as a component of the cost of the investment.

**(c) Foreign Currency**

Transactions in foreign currencies are translated into the functional currency of Group entities at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statements, except when deferred in equity as qualifying cash flow hedges.

**(d) Financial Instruments**

*(i) Non Derivative Financial Instruments*

Non derivative financial instruments comprise investments in equity securities, advances and receivables, cash and cash equivalents, loans and borrowings, deferred consideration and trade and other payables.

Non derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through the profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining substantially all risks and rewards of the asset. Ordinary purchases and sales of financial assets are accounted for at trade date, the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations as specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting for finance income and expense is discussed in note 3(n).

*Loans and Receivables and Other Liabilities*

Subsequent to initial recognition, other non derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables and other liabilities comprise: advances and receivables; cash and cash equivalents; trade and other receivables; loans and borrowings; deferred consideration and trade and other payables.

*Investments in Equity Securities*

Investments in equity securities of Subsidiaries and Equity Accounted Investees are measured at cost in the separate financial statements of the Parent Company.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2014 :** PORT OF TAURANGA LIMITED AND SUBSIDIARIES

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*(ii) Derivative Financial Instruments and Hedging Activities*

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 statements. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the hedging relationship (see below).

*Cash Flow Hedges*

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 statements.

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 statements in the same period that the hedged item affects the income statements.

### (e) Property, Plant and Equipment

*(i) Recognition and Measurement*

The Group has five classes of property, plant and equipment:

- freehold land
- freehold buildings
- harbour improvements
- wharves and hardstanding
- plant and equipment

Land, buildings, harbour improvements, and wharves and hardstanding are measured at fair value, based upon periodic valuations by external independent valuers. Revaluations are performed with sufficient regularity to ensure that the carrying value of an asset does not differ materially from its fair value.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. Increases in the carrying amounts arising on revalued assets are credited to the revaluation reserve in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in the income statements, the increase is first recognised in the income statements. Decreases that reverse previous increases of the same asset, are first charged against the revaluation reserve attributable to the asset, all other decreases are charged to the income statements.

Upon disposal or derecognition, any revaluation reserve relating to the particular asset being disposed or derecognised is transferred to retained earnings.

Capital and maintenance dredging are held as harbour improvements within property, plant and equipment. 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.

Plant and equipment are stated at historical cost less depreciation and impairment losses.

The cost of purchased property, plant and equipment is the value of the consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service. Cost also includes transfers from the hedging reserve of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

The cost of assets constructed by the Group includes the cost of all materials used in construction, associated borrowing costs, direct labour on the project and an appropriate proportion of variable and fixed overheads. The Group capitalises borrowing costs where they are directly attributable to the acquisition, construction or production of a qualifying asset. A qualifying asset is deemed as having expenditure exceeding $500,000 and takes a substantial period, greater than six months, to complete and prepare the asset for its intended use. Costs cease to be capitalised as soon as the asset is ready for productive use.

Land and buildings held by Port of Tauranga Limited to provide a port facility to facilitate trade and commerce will be accounted for as property, plant and equipment, notwithstanding that certain land and buildings are leased to port customers and operators.



PORT OF TAURANGA »» NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Land and buildings that are not integral or associated with port operations and are leased with the principal objective of earning rentals and/or for capital appreciation are accounted for as investment properties.

*(ii) Subsequent Costs*

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be reliably measured.

All repairs and maintenance costs attributable to property, plant and equipment, are charged to the income statements during the financial period in which they are incurred.

*(iii) Depreciation*

Depreciation is provided on a straight line basis on all property, plant and equipment, other than freehold land and capital dredging (included within harbour improvements), at rates calculated to allocate the assets' cost or valuation less estimated residual value, over their estimated useful lives.

Major useful lives are:

| | | | | |
|---|---|---|---|---|
| *Freehold Buildings* | | | | |
| Freehold buildings | 33 | to | 100 | years |
| *Harbour Improvements* | | | | |
| Maintenance dredging | | | 3 | years |
| *Wharves and Hardstanding* | | | | |
| Wharves | 10 | to | 60 | years |
| Wharf rocks | 150 | to | 200 | years |
| Wharf piles | 60 | to | 130 | years |
| Basecourse | | | 50 | years |
| Asphalt | | | 15 | years |
| *Plant and Equipment* | | | | |
| 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 |

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

### (f) Dividend Income

Dividend income is recognised on the date that the Group's right to receive payment is established.

### (g) Intangible Assets

*(i) Goodwill*

Goodwill that arises upon the acquisition of Subsidiaries is included in intangible assets. In respect of Equity Accounted Investees, the carrying amount of goodwill is included in the carrying amount of the investment.

Goodwill is measured at cost less accumulated impairment losses.

*(ii) Other Intangible Assets*

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

*(iii) Subsequent Expenditure*

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

*(iv) Amortisation*

Amortisation is recognised in the income statements on a straight line basis over the useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

| | | | | |
|---|---|---|---|---|
| Rail services agreement | 10 | to | 15 | years |
| Computer software | 1 | to | 10 | years |

### (h) Leased Assets

*(i) Where the Group is the Lessee*

Leases, in terms of which the Group assumes substantially all the risks and rewards of ownership, are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2014 :** PORT OF TAURANGA LIMITED AND SUBSIDIARIES

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*(ii) Where the Group is the Lessor*

When assets are leased under a finance lease, where the lessee effectively receives substantially all the risks and rewards of ownership of the leased items, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Assets leased under operating leases are included in property, plant and equipment, in the statements of financial position, as appropriate.

**(i) Inventories**

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventories is determined on a first-in first-out basis, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

**(j) Impairment of Assets**

The carrying amounts of the Group's property, plant and equipment, intangibles and investments in Equity Accounted Investees and receivables, are reviewed at each reporting date to determine whether there is any objective evidence of impairment.

With respect to goodwill, it is tested for impairment at least annually.

**Property, Plant and Equipment, Intangibles and Investments in Equity Accounted Investees**

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment of individual assets for which it is not possible to estimate the recoverable amount, these assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit and then to reduce the carrying amount of the other assets in the cash generating unit on a pro-rata basis.

Impairment losses directly reduce the carrying amount of assets and are recognised in the income statements, unless the asset is carried at a revalued amount in which case it is treated as a revaluation decrease and recognised in equity. An impairment loss in respect of goodwill is not reversed.

**Advances and Receivables**

The recoverable amount of advances and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate. Advances and receivables with a short duration are not discounted.

**(k) Employee Benefits**

*(i) Long Term Employee Benefits*

The Group grants employees certain one-off annual leave entitlements upon reaching certain long service targets. The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to reporting date, using the projected unit credit method. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on New Zealand Government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

*(ii) Short Term Benefits*

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

**(l) Provisions**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

**(m) Revenue**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of GST, rebates and discounts. Revenue is recognised as follows:

*(i) Port Services*

Port services revenue is recognised when the related service is performed. If at reporting date, the service is in progress, then the portion performed is recognised in the current year.

*(ii) Rental Income*

Rental income from property leased under operating leases is recognised in the income statements 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.





NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2014 :** PORT OF TAURANGA LIMITED AND SUBSIDIARIES

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*(iii) Transport Operations*

Transport operations revenue is recognised when the service is performed. If at reporting date, the service is in progress, then the portion performed is recognised in the current year.

*(iv) Freight Handling*

Freight handling revenue is recognised when the service is performed. If at reporting date, the service is in progress, then the portion performed is recognised in the current year.

*(v) Forestry Services Income*

Forestry services income is recognised when the service is performed. If at reporting date the service is in progress, then the portion performed is recognised in the current year.

**(n) Finance Income and Expense**

Finance income comprises interest income on funds invested, finance lease interest, foreign currency gains, and gains on hedging instruments that are recognised in the income statements. Interest income is recognised as it accrues, 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, foreign currency losses, impairment losses recognised on financial assets (except for trade receivables), and losses on hedging instruments that are recognised in the income statements. Except as described in note 3(e)(i), all borrowing costs are recognised in the income statements using the effective interest method.

**(o) Lease Payments**

Payments made under finance leases are allocated between the liability and finance charges, using the effective interest method, so as to achieve a constant periodic rate of interest on the finance balance outstanding. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Payments made under operating leases are recognised in the income statements on a straight line basis over the term of the lease. Lease incentives are recognised as an integral part of the total lease expense, over the term of the lease.

**(p) Income Tax Expense**

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statements except to the extent that it relates to items recognised in other comprehensive income or equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes, and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting or taxable profit; and differences relating to investments in Subsidiaries and Equity Accounted Investee entities, to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**(q) Earnings Per Share**

The Group presents basic 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.

**(r) 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), as defined by *NZ IFRS 8 Operating Segments*.

The Group operates in four main reportable segments, being:

- Port Operations – consists of providing and managing port services, and cargo handling facilities through the Port of Tauranga, MetroPort and the 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 – consists of managing and maintaining the Port's property assets.
- Forestry Services – consists of the marshalling and scaling activities of Quality Marshalling Limited.
- Transport Services – consists of the road transport and freight handling activities, of Tapper Transport Limited, Tapper SIP Limited and MetroPack Limited.

The four 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2014 :** PORT OF TAURANGA LIMITED AND SUBSIDIARIES

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**(s) Group Financial Guarantees**

Where the Parent Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, the Parent Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Parent Company treats the guarantee contract as a contingent liability, until such time as it becomes probable that the Parent Company will be required to make a payment under guarantee.

**(t) Cash-settled Share Based Payments**

The fair value of the amount payable under the long term management incentive plan in respect of share appreciation rights, which are settled in cash, is recognised as an expense with a corresponding increase in liabilities over the period that management unconditionally become entitled to payment. The liability is re-measured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as employee benefit expenses in the income statement (refer to note 25).

**(u) New Standards Adopted and Pronouncements Not Yet Adopted**

The following new standards have been applied from 1 July 2013:

**NZ IAS 1 Amendments to Presentation of Financial Statements**

Amendments require entities to separate items presented in other comprehensive income into two groups based on whether they will affect profit or loss in the future.

**NZ IFRS 12 Disclosures of Interests in Other Entities**

NZ IFRS 12 sets out the required disclosures for entities reporting under the two new standards, NZ IFRS 10 Consolidated Financial Statements and NZ IFRS 11 Joint Arrangements, and replaces the disclosure requirements previously found in NZ IAS 28 Investments in Associates and Joint Ventures. The Group has applied these three new standards from 1 July 2013 however the changes have had no effect on any of the amounts recognised in relation to the Group's investments in these financial statements. An additional disclosure has been included as required by NZ IFRS 12.

**NZ IFRS 13 Fair Value Measurement**

NZ IFRS 13 establishes a single framework for measuring fair value when such measurements are required or permitted by other standards. It also replaces and expands the disclosure requirements about fair value measurement in other standards, including NZ IFRS 7 Financial Instruments: Disclosures. The Group has applied this new standard from 1 July 2013. The adoption of this standard has had no significant impact on the measurements of the Group's assets and liabilities.

**NZ IAS 27 Separate Financial Statements**

Together with NZ IFRS 10 Consolidated Financial Statements, NZ IAS 27 Separate Financial Statements supersedes the previous version of NZ IAS 27 Consolidated and Separate Financial Statements. The new standard now solely sets out the accounting requirements for separate (non-consolidated) financial statements. The changes have had no effect on the amounts recognised in the financial statements during the reporting period.

**NZ IAS 28 Investments in Associates and Joint Ventures**

This supersedes the previous version of NZ IAS 28 Investments in Associates. The new standard prescribes the accounting treatment for investments in associates and joint ventures using the equity method and defines the concept of 'significant influence' in relation to investees. The changes have had no effect on the classification of any of the Group's investees during the reporting period.

**NZ IAS 36 Amendments to Impairment of Assets**

The International Accounting Standards Board has issued amendments to reverse the unintended requirement in NZ IFRS 13 Fair Value Measurement to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under the amendments, recoverable amount is required to be disclosed only when an impairment loss has been recognised or reversed. The Group has early adopted this standard, effective from 1 July 2013.

The following new standard, amendment to standards and interpretations is effective for annual periods beginning after 1 July 2014, and has not been applied in preparing these financial statements:

**NZ IFRS 9 Financial Instruments**

This standard becomes mandatory for the Group's 2019 consolidated financial statements and could change the classification and measurement of financial assets. Management is currently in the process of evaluating the potential effect of the adoption of NZ IFRS 9.






# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2014 :** PORT OF TAURANGA LIMITED AND SUBSIDIARIES


## 4 DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, being market value, for both financial and non financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- *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 (ie as prices) or indirectly (ie derived from prices).
- *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

**(a) Land, Buildings, Harbour Improvements, and Wharves and Hardstanding**

All land, buildings, harbour improvements, and wharves and hardstanding, were revalued at fair value for non specialised assets and depreciated replacement cost for specialised assets. The latest valuation was carried out by independent valuers at 30 June 2012, who have appropriate recognised professional qualifications and recent experience in the location and category of assets being valued (refer to note 13).

**(b) Trade Receivables and Payables**

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

**(c) Derivatives**

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.

Valuation inputs for valuing derivatives are as follows:

| Valuation Input | Source |
|---|---|
| Interest rate forward price curve | Published market swap rates. |
| Foreign exchange forward prices | Published spot foreign exchange rates and interest rate differentials. |
| Discount rate for valuing interest rate and foreign exchange derivatives | Published market interest rates as applicable to the remaining life of the instrument adjusted by the cost of credit of the counterparty for assets and the cost of credit of the Group for liabilities. |

For more information on derivatives, refer to note 34.

**(d) Non Derivative Financial Assets and Liabilities (Including Deferred Consideration, Finance Lease Assets and Finance Lease Liabilities)**

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, and discounted at the market rate of interest at reporting date.

**(e) Fair Value of Business Combinations**

The fair value methodologies used for determining the fair value of business combinations including the purchase of Equity Accounted Investees is as follows:

| Asset Acquired | Valuation Technique |
|---|---|
| Valuation of business acquired | *Market comparison technique:* the fair value of the business is determined with reference to EBITDa multiples evidenced in similar transactions.<br><br>*Discounted cash flow technique:* the fair value of the business is determined with reference to the anticipated free cash flows earned by the business over a forecast period discounted using a risk adjusted discount rate. |
| Property, plant and equipment | *Market comparison technique and cost technique:* the valuation model considers quoted market prices for similar items when available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence. |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2014 :** PORT OF TAURANGA LIMITED AND SUBSIDIARIES

## 5 UNDERLYING PROFIT AFTER TAX (NON STATUTORY DISCLOSURE)

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| | **2014 NZ$000** | 2013 NZ$000 | **2014 NZ$000** | 2013 NZ$000 |
| Reporting profit after tax | **78,252** | 112,123 | **70,793** | 111,679 |
| Gain on sale of Equity Accounted Investee | **0** | (38,214) | **0** | (42,265) |
| Loss on termination of interest rate swaps (refer to note 11) | **0** | 4,610 | **0** | 4,610 |
| Tax impact of termination of interest rate swaps | **0** | (1,291) | **0** | (1,291) |
| **Underlying profit after tax** | **78,252** | 77,228 | **70,793** | 72,733 |
| Underlying earnings per share (cents) (refer to note 22) | **58.3** | 57.6 | | |

The Group sold its 50% share in C3 Limited to Asciano Limited on 28 November 2012 for $53.401 million and recorded a gain on sale of $38.214 million (Parent Company $42.265 million) as a result of this transaction.

The key differences between the underlying profit and the reported profit in 2013 relate to the sale of the investment in C3 Limited and the derivative contracts closed out that related to debt repaid with consideration received from the sale.

## 6 SEGMENTAL REPORTING

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 segment level, but rather at a port level, as all business decisions are made at a "whole port level".

The Group segment results are as follows:

| 2014 | Port Operations NZ$000 | Property Services NZ$000 | Unallocated [(1)] NZ$000 | Transport Services NZ$000 | Forestry Services NZ$000 | Group NZ$000 |
|---|---|---|---|---|---|---|
| **Total segment revenue (external)** | 189,732 | 22,137 | 0 | 37,214 | 17,190 | 266,273 |
| Share of profit from Equity Accounted Investees | 0 | 0 | 9,370 | 0 | 0 | 9,370 |
| Interest income | 1 | 0 | 1,020 | 23 | 7 | 1,051 |
| Other income | 2 | 0 | 324 | 12 | 0 | 338 |
| Interest expense | 0 | 0 | (15,235) | (130) | 0 | (15,365) |
| Depreciation and amortisation expense | (39) | 0 | (18,758) | (2,315) | (1,277) | (22,389) |
| Other unallocated expenditure | (2,638) | 0 | (88,442) | (30,908) | (12,479) | (134,467) |
| Income tax expense | (103) | 0 | (24,393) | (1,027) | (1,036) | (26,559) |
| **Total segment result** | **186,955** | **22,137** | **(136,114)** | **2,869** | **2,405** | **78,252** |

*[(1)] Operating costs are not allocated to individual business segments within the Parent Company.*

| 2013 | Port Operations NZ$000 | Property Services NZ$000 | Unallocated [(1)] NZ$000 | Transport Services NZ$000 | Forestry Services [(2)] NZ$000 | Group NZ$000 |
|---|---|---|---|---|---|---|
| **Total segment revenue (external)** | 191,002 | 19,859 | 0 | 23,191 | 9,959 | 244,011 |
| Share of profit from Equity Accounted Investees | 0 | 0 | 10,360 | 0 | 0 | 10,360 |
| Interest income | 0 | 0 | 2,107 | 15 | 1 | 2,123 |
| Other income | 0 | 0 | 38,294 | 0 | 56 | 38,350 |
| Interest expense | 0 | 0 | (16,295) | (532) | (803) | (17,630) |
| Depreciation and amortisation expense | 0 | 0 | (16,537) | (1,439) | (582) | (18,558) |
| Other unallocated expenditure | 0 | 0 | (96,001) | (18,933) | (6,471) | (121,405) |
| Income tax expense | 0 | 0 | (23,811) | (713) | (604) | (25,128) |
| **Total segment result** | **191,002** | **19,859** | **(101,883)** | **1,589** | **1,556** | **112,123** |

*[(1)] Operating costs are not allocated to individual business segments within the Parent Company.*
*[(2)] This segment commenced on 1 February 2013.*

Revenue derived from major customers, and the relevant operating segments is disclosed in note 34(c).



PORT OF TAURANGA >>> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2014 :** PORT OF TAURANGA LIMITED AND SUBSIDIARIES

## 7 BUSINESS COMBINATIONS AND INVESTMENTS IN EQUITY ACCOUNTED INVESTEES

During the period the Group has made a number of investments.

**(a) Acquisition of Priority Logistics Group**

On 1 July 2013 Tapper Transport Limited purchased Priority Logistics Group (Priority Logistics), a transport and logistics group based in Mount Maunganui.

Priority Logistics has a fleet of 35 trucks and warehouses providing transport and logistical solutions for containers, loose container load freight centred in the Bay of Plenty, and bulk liquid distribution throughout the North Island.

In the 12 months to 30 June 2014 Priority Logistics contributed revenue of $12.101 million and after tax profit of $0.874 million.

The following table summarises the major classes of consideration transferred, and the recognised amounts of assets acquired, and liabilities assumed at acquisition date:

| | **NZ$000** |
|---|---|
| **Consideration transferred** | |
| Cash | 10,000 |
| **Total consideration transferred** | **10,000** |
| **Fair value of identifiable assets acquired and liabilities assumed** | |
| Property, plant and equipment (refer to note 13) | 9,239 |
| Deferred tax liability (refer to note 26) | (1,161) |
| Employee liabilities | (137) |
| **Total net identifiable assets** | **7,941** |
| **Total goodwill (refer to note 14)** | **2,059** |

The Group incurred acquisition costs of $33,389 relating to external legal fees. These costs have been included in other expenses in the income statements.

**Contingent Consideration**

The Group has agreed to pay the vendors of Priority Logistics additional payments of up to $1.000 million contingent upon the realisation of certain profit forecasts over a two year period. No contingent consideration has been recognised as it is considered unlikely that these earnout targets will be achieved.

**Goodwill**

Goodwill recognised as a result of this acquisition is attributable mainly to Priority Logistics' skilled work force and synergies expected to be achieved from integrating Priority Logistics into the Group's existing business activities.

**(b) Purchase of the Container Terminal Operations of PrimePort Timaru Limited**

On 29 November 2013 Timaru Container Terminal Limited, a newly incorporated 100% Subsidiary of Port of Tauranga Limited, purchased the container terminal assets of PrimePort Timaru Limited and took over existing terminal operations. The major assets acquired included mobile harbour cranes and the forklift fleet.

Operating the Timaru Container Terminal fits strategically with Port of Tauranga's vision of becoming New Zealand's hub port. It will allow South Island exporters and importers to benefit from the large number of international services that call at Tauranga, share the significant freight savings that will come with the arrival in New Zealand of the next generation of large ships and benefit from Port of Tauranga's container terminal expertise and world class productivity.

In the period since acquisition, the Timaru Container Terminal Limited contributed revenue of $0.364 million and after tax profit of $0.261 million.

The following table summarises the major classes of consideration transferred to acquire the assets and liabilities assumed at the acquisition date:

| | **NZ$000** |
|---|---|
| **Consideration transferred** | |
| Cash | 2,062 |
| **Total consideration transferred** | **2,062** |
| **Fair value of identifiable assets acquired and liabilities assumed** | |
| Property, plant and equipment (refer to note 13) | 2,072 |
| Employee liabilities | (10) |
| **Total net identifiable assets** | **2,062** |
| **Total goodwill** | **0** |

The Group incurred acquisition costs of $16,052 relating to external legal fees. These costs have been included in other expenses in the income statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2014 :** PORT OF TAURANGA LIMITED AND SUBSIDIARIES

## 7 BUSINESS COMBINATIONS AND INVESTMENTS IN EQUITY ACCOUNTED INVESTEES (CONTINUED)

**Transactions Separate from the Business Combination**

Commencing 1 December 2013, Timaru Container Terminal Limited entered into a Lease Agreement with PrimePort Timaru Limited, for the lease of the container terminal at the Port of Timaru. The initial lease term is for 15 years, with two 10 year rights of renewal.

**(c) Purchase of 50% Interest in PrimePort Timaru Limited**

On 29 November 2013 Port of Tauranga Limited acquired a 50% shareholding in PrimePort Timaru Limited, as part of a strategic alliance to facilitate coastal shipping and to promote the development of port services in Timaru.

| | NZ$000 |
|---|---|
| **Consideration transferred** | |
| Purchase of shares for cash | 19,611 |
| Legal fees and due diligence expenses | 160 |
| **Total cost of investment (refer to note 17)** | **19,771** |
| **50% share of fair value of identifiable assets** | **20,018** |
| **Discount on acquisition** | **(247)** |

The discount on purchase of investment has been recognised in the Group Income Statement within share of profit from Equity Accounted Investees.

## 8 OPERATING INCOME

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| | **2014 NZ$000** | 2013 NZ$000 | **2014 NZ$000** | 2013 NZ$000 |
| **Revenue** | | | | |
| Port services income | **189,732** | 191,002 | **186,875** | 191,026 |
| Rental income | **22,137** | 19,859 | **22,368** | 19,902 |
| Forestry services income | **17,190** | 9,959 | **0** | 0 |
| Transport services income | **37,214** | 23,191 | **0** | 0 |
| **Total revenue** | **266,273** | 244,011 | **209,243** | 210,928 |
| **Other income** | | | | |
| Management fees | **0** | 0 | **0** | 1,304 |
| Dividend income from Equity Accounted Investees (refer to note 17) | **0** | 0 | **8,155** | 8,881 |
| Gain on sale of property, plant and equipment | **15** | 136 | **1** | 80 |
| Insurance proceeds | **250** | 0 | **250** | 0 |
| **Total other income** | **265** | 136 | **8,406** | 10,265 |
| **Operating income** | **266,538** | 244,147 | **217,649** | 221,193 |

## 9 EMPLOYEE BENEFIT EXPENSES

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| | **2014 NZ$000** | 2013 NZ$000 | **2014 NZ$000** | 2013 NZ$000 |
| Wages and salaries | **39,470** | 31,466 | **21,529** | 21,074 |
| ACC levy | **736** | 406 | **474** | 235 |
| Kiwisaver contribution | **1,183** | 908 | **869** | 793 |
| Medical subsidy | **160** | 147 | **115** | 115 |
| **Total** | **41,549** | 32,927 | **22,987** | 22,217 |



PORT OF TAURANGA >>> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2014 :** PORT OF TAURANGA LIMITED AND SUBSIDIARIES

## 10 OTHER EXPENSES

The following items of expenditure are included in other expenses:

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| | **2014 NZ$000** | 2013 NZ$000 | **2014 NZ$000** | 2013 NZ$000 |
| Operating lease payments | **4,074** | 3,172 | **1,198** | 1,168 |
| Directors' fees | **504** | 474 | **504** | 474 |
| Increase/(decrease) in provision for impairment of trade receivables | **47** | (8) | **29** | 0 |
| Bad debts written off | **141** | 17 | **141** | 17 |
| Subvention payment (refer to note 29) | **0** | 0 | **353** | 0 |
| Auditors fees: | | | | |
| Audit fees paid to principal auditor | **177** | 164 | **96** | 110 |
| Review of half year financial statements | **12** | 12 | **12** | 12 |
| Fees paid for other services provided by the principal auditor: | | | | |
| Security assessment and awareness | **5** | 19 | **5** | 19 |
| Accounting advisory | **0** | 7 | **0** | 7 |
| Research on comparable companies | **0** | 6 | **0** | 6 |

Other services provided by the principal auditor during the reporting period consists of security assessment and awareness training.

During the year ended 30 June 2013, other services provided by the principal auditor related to a review of internal security procedures, accounting treatment of loss on termination of interest rate swaps and research into industry trading and transaction multiples.

## 11 FINANCIAL INCOME AND EXPENSE

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| | **2014 NZ$000** | 2013 NZ$000 | **2014 NZ$000** | 2013 NZ$000 |
| Interest income on capital notes | **0** | 461 | **0** | 461 |
| Interest on finance lease | **771** | 1,233 | **771** | 1,233 |
| Interest income on bank deposits | **280** | 429 | **249** | 412 |
| Ineffective portion of changes in fair value of cash flow hedges | **21** | 0 | **21** | 0 |
| Fair value movement in derivatives not hedge accounted | **52** | 0 | **52** | 0 |
| **Finance income** | **1,124** | 2,123 | **1,093** | 2,106 |
| Interest expense on borrowings | **(15,491)** | (14,058) | **(15,491)** | (13,834) |
| Less: | | | | |
| Interest capitalised to property, plant and equipment | **395** | 1,271 | **395** | 1,271 |
| | **(15,096)** | (12,787) | **(15,096)** | (12,563) |
| Interest on finance leases | **(130)** | (90) | **0** | 0 |
| Interest on deferred consideration (refer to note 24) | **(139)** | (109) | **(139)** | (109) |
| Interest on contingent consideration (refer to note 25) | **0** | (34) | **0** | (34) |
| Loss on termination of interest rate swaps (refer to note 5) | **0** | (4,610) | **0** | (4,610) |
| Currency option expense | **(41)** | 0 | **(41)** | 0 |
| Ineffective portion of changes in fair value of cash flow hedges | **0** | (357) | **0** | (357) |
| **Finance expenses** | **(15,406)** | (17,987) | **(15,276)** | (17,673) |
| **Net finance costs** | **(14,282)** | (15,864) | **(14,183)** | (15,567) |

The average weighted interest rate for interest capitalised to property, plant and equipment was 5.70% for the current period (2013: 5.69%).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

## 12 INCOME TAX

### Components of Tax Expense

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| | **2014 NZ$000** | 2013 NZ$000 | **2014 NZ$000** | 2013 NZ$000 |
| **Profit before income tax for the period** | **104,811** | 137,251 | **95,186** | 135,490 |
| Income tax on the surplus for the period at 28.0 cents | **29,347** | 38,430 | **26,652** | 37,937 |
| Tax effect of amounts which are non deductible/(taxable) in calculating taxable income: | | | | |
| Non taxable gain on sale of C3 Limited | **0** | (10,700) | **0** | (11,834) |
| Adjustment for prior period | **(3)** | 150 | **(3)** | 150 |
| Share of Equity Accounted Investees after tax income | **(2,624)** | (2,901) | **0** | 0 |
| Benefit of imputation credits received | **0** | 0 | **(2,283)** | (2,497) |
| Other | **(161)** | 149 | **27** | 55 |
| **Income tax expense** | **26,559** | 25,128 | **24,393** | 23,811 |

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| | **2014 NZ$000** | 2013 NZ$000 | **2014 NZ$000** | 2013 NZ$000 |
| The income tax expense is represented by: | | | | |
| **Current tax expense** | | | | |
| Tax payable in respect of the current period | **28,394** | 25,724 | **25,917** | 24,376 |
| Adjustment for prior period | **284** | 321 | **310** | 321 |
| **Total current tax expense** | **28,678** | 26,045 | **26,227** | 24,697 |
| **Deferred tax expense** | | | | |
| Adjustment for prior period | **(287)** | (171) | **(313)** | (171) |
| Origination/reversal of temporary differences | **(1,832)** | (746) | **(1,521)** | (715) |
| **Total deferred tax expense (refer to note 26)** | **(2,119)** | (917) | **(1,834)** | (886) |
| **Income tax expense** | **26,559** | 25,128 | **24,393** | 23,811 |

Income tax recognised in other comprehensive income:

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| | **2014 NZ$000** | 2013 NZ$000 | **2014 NZ$000** | 2013 NZ$000 |
| Cash flow hedges | **1,218** | 3,580 | **1,218** | 3,580 |
| **Total (refer to note 26)** | **1,218** | 3,580 | **1,218** | 3,580 |

### Imputation Credit Account

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| | **2014 NZ$000** | 2013 NZ$000 | **2014 NZ$000** | 2013 NZ$000 |
| **Imputation credits available for use in subsequent reporting periods** | **55,480** | 48,057 | **50,965** | 46,080 |





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

## 13 PROPERTY, PLANT AND EQUIPMENT

| GROUP | 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 2012 | 442,498 | 66,942 | 175,504 | 115,959 | 124,367 | 20,863 | 946,133 |
| Additions | 6,102 | 2,319 | 0 | 1,385 | 3,220 | 55,266 | 68,292 |
| Disposals | 0 | 0 | 0 | 0 | (2,187) | 0 | (2,187) |
| Transfers from work in progress | 0 | 1,918 | 36,706 | 1,674 | 20,987 | (61,285) | 0 |
| Transferred to intangible assets (refer to note 14) | 0 | 0 | 0 | 0 | 0 | (1,374) | (1,374) |
| Quality Marshalling (Mount Maunganui) Limited assets acquired on acquisition | 0 | 349 | 0 | 0 | 8,426 | 0 | 8,775 |
| **Balance at 30 June 2013** | 448,600 | 71,528 | 212,210 | 119,018 | 154,813 | 13,470 | 1,019,639 |
| Balance at 1 July 2013 | 448,600 | 71,528 | 212,210 | 119,018 | 154,813 | 13,470 | **1,019,639** |
| Additions | 1,757 | 522 | 81 | 0 | 7,657 | 51,820 | **61,837** |
| Disposals | 0 | 0 | 0 | 0 | (879) | 0 | **(879)** |
| Transfers from work in progress | 27,538 | 9,847 | 5,296 | 3,737 | 13,825 | (60,243) | **0** |
| Transferred to intangible assets (refer to note 14) | 0 | 0 | 0 | 0 | 0 | (20) | **(20)** |
| PrimePort Timaru Limited – Timaru Container Terminal Limited's assets acquired on acquisition (refer to note 7) | 0 | 0 | 0 | 0 | 2,072 | 0 | **2,072** |
| Priority Logistics Group assets acquired on acquisition (refer to note 7) | 0 | 2,989 | 0 | 0 | 6,250 | 0 | **9,239** |
| **Balance at 30 June 2014** | **477,895** | **84,886** | **217,587** | **122,755** | **183,738** | **5,027** | **1,091,888** |
| **Accumulated depreciation and impairment:** | | | | | | | |
| Balance at 1 July 2012 | 0 | 0 | 0 | 0 | (57,097) | 0 | (57,097) |
| Depreciation expense | 0 | (1,811) | (6,698) | (1,370) | (7,572) | 0 | (17,451) |
| Disposals | 0 | 0 | 0 | 0 | 1,838 | 0 | 1,838 |
| **Balance at 30 June 2013** | 0 | (1,811) | (6,698) | (1,370) | (62,831) | 0 | (72,710) |
| Balance at 1 July 2013 | 0 | (1,811) | (6,698) | (1,370) | (62,831) | 0 | **(72,710)** |
| Depreciation expense | 0 | (2,139) | (7,422) | (1,782) | (9,687) | 0 | **(21,030)** |
| Impairment | 0 | 0 | 0 | 0 | (160) | 0 | **(160)** |
| Disposals | 0 | 0 | 0 | 0 | 754 | 0 | **754** |
| **Balance at 30 June 2014** | **0** | **(3,950)** | **(14,120)** | **(3,152)** | **(71,924)** | **0** | **(93,146)** |
| **Carrying amounts:** | | | | | | | |
| **Net book value as at 30 June 2013** | 448,600 | 69,717 | 205,512 | 117,648 | 91,982 | 13,470 | 946,929 |
| **Net book value as at 30 June 2014** | **477,895** | **80,936** | **203,467** | **119,603** | **111,814** | **5,027** | **998,742** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2014 :** PORT OF TAURANGA LIMITED AND SUBSIDIARIES

## 13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| PARENT COMPANY | 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 2012 | 442,498 | 66,942 | 175,504 | 115,959 | 119,127 | 20,863 | 940,893 |
| Additions | 6,102 | 2,319 | 0 | 1,385 | 377 | 55,266 | 65,449 |
| Disposals | 0 | 0 | 0 | 0 | (515) | 0 | (515) |
| Transfers from work in progress | 0 | 1,918 | 36,706 | 1,674 | 20,987 | (61,285) | 0 |
| Transfer to intangible assets (refer to note 14) | 0 | 0 | 0 | 0 | 0 | (1,374) | (1,374) |
| **Balance at 30 June 2013** | 448,600 | 71,179 | 212,210 | 119,018 | 139,976 | 13,470 | 1,004,453 |
| Balance at 1 July 2013 | 448,600 | 71,179 | 212,210 | 119,018 | 139,976 | 13,470 | **1,004,453** |
| Additions | 1,757 | 393 | 81 | 0 | 281 | 51,762 | **54,274** |
| Disposals | 0 | 0 | 0 | 0 | (80) | 0 | **(80)** |
| Transfers from work in progress | 27,538 | 9,847 | 5,296 | 3,737 | 13,825 | (60,243) | **0** |
| Transfer to intangible assets (refer to note 14) | 0 | 0 | 0 | 0 | 0 | (20) | **(20)** |
| **Balance at 30 June 2014** | **477,895** | **81,419** | **217,587** | **122,755** | **154,002** | **4,969** | **1,058,627** |
| **Accumulated depreciation and impairment:** | | | | | | | |
| Balance at 1 July 2012 | 0 | 0 | 0 | 0 | (55,438) | 0 | (55,438) |
| Depreciation expense | 0 | (1,803) | (6,698) | (1,370) | (5,976) | 0 | (15,847) |
| Disposals | 0 | 0 | 0 | 0 | 267 | 0 | 267 |
| **Balance at 30 June 2013** | 0 | (1,803) | (6,698) | (1,370) | (61,147) | 0 | (71,018) |
| Balance at 1 July 2013 | 0 | (1,803) | (6,698) | (1,370) | (61,147) | 0 | **(71,018)** |
| Depreciation expense | 0 | (2,009) | (7,422) | (1,782) | (6,611) | 0 | **(17,824)** |
| Impairment | 0 | 0 | 0 | 0 | (160) | 0 | **(160)** |
| Disposals | 0 | 0 | 0 | 0 | 74 | 0 | **74** |
| **Balance at 30 June 2014** | **0** | **(3,812)** | **(14,120)** | **(3,152)** | **(67,844)** | **0** | **(88,928)** |
| **Carrying amounts:** | | | | | | | |
| **Net book value as at 30 June 2013** | 448,600 | 69,376 | 205,512 | 117,648 | 78,829 | 13,470 | 933,435 |
| **Net book value as at 30 June 2014** | **477,895** | **77,607** | **203,467** | **119,603** | **86,158** | **4,969** | **969,699** |





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2014 :** PORT OF TAURANGA LIMITED AND SUBSIDIARIES

## 13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

**Valuation Information**

All land, buildings, harbour improvements, and wharves and hardstanding have been revalued to fair value, being market value, for non specialised assets and depreciated replacement cost (DRC) for specialised assets. The valuation was carried out as at 30 June 2012.

The fair value measurement has been categorised as a level 3 fair value based on the inputs to the valuation technique.

Wharves, hardstanding and harbour improvements assets owned by Port of Tauranga Limited are classified as specialised assets and have accordingly been valued on a depreciated replacement cost basis. The significant assumptions applied in the valuation of these assets are:

- Replacement unit cost: replacement unit costs were calculated taking into account:
  - Port of Tauranga Limited's historic cost data including any recent competitively tendered construction works.
  - Published cost information.
  - The Opus construction cost database.
  - Long run price trends.
  - Historic costs adjusted for changes in price levels.
  - An allowance of between 16 – 18% has been included for costs directly attributable to bringing assets into working condition.
  - An allowance of between 1 – 2% has been included for Port of Tauranga Limited's management costs.
  - An allowance of between 0.3 – 1.5% has been included for the financing cost of capital held over construction period.
- Depreciation: the calculated remaining lives of assets were reviewed, taking into account:
  - Observed and reported condition, performance and utilisation of the asset.
  - Future use of the asset (Port of Tauranga Limited's development strategy).
  - Planned replacement programme (forward maintenance plans).
  - Expected changes in technology.
  - Consideration of current use, age and operational demand.
  - Residual values.

The significant assumptions applied in the valuation of land and buildings are:

- Highest and best use of land: this has been determined by reference to zoning by the Tauranga City Council District Plan. Most of the land owned by Port of Tauranga Limited is zoned port business with a small portion of land at Mount Maunganui and Sulphur Point having industrial business zoning.
- Current market expectations: this is based on yield and recent local sales.
- Market value of buildings: this is made on a depreciated replacement cost basis with that assessment compared against actual or likely market rental capitalised at an appropriate rate of return between 5% and 10%.
- Current occupancy rates of premises.
- The impact of major building relocation and demolition planned by Port of Tauranga Limited to facilitate better utilisation of the wharf areas, including the prospect of increased berthage at Sulphur Point.
- No restriction of title: valuation is made on the assumption that having no legal title to the Tauranga harbour foreshore does not impact on the value of Port of Tauranga Limited's assets.

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:

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| | **2014 Notional Carrying Amount NZ$000** | 2013 Notional Carrying Amount NZ$000 | **2014 Notional Carrying Amount NZ$000** | 2013 Notional Carrying Amount NZ$000 |
| Freehold land | **104,719** | 75,424 | **104,719** | 75,424 |
| Freehold buildings | **60,070** | 48,889 | **56,741** | 48,548 |
| Wharves and hardstanding | **89,090** | 88,630 | **89,090** | 88,630 |
| Harbour improvements | **28,514** | 26,470 | **28,514** | 26,470 |
| **Total** | **282,393** | 239,413 | **279,064** | 239,072 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2014 :** PORT OF TAURANGA LIMITED AND SUBSIDIARIES

## 13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

**Restriction on Title**

An area of 8,000 square metres of land located between the Sulphur Point wharves and the Parliamentary approved reclamation does not have formal title. Actions are being taken to resolve the issue and obtain title. The resolution lies with the Government.

**Security**

Certain items of property, plant and equipment have been pledged as security against certain loans and borrowings of the Group (refer to note 23).

**Occupation of Foreshore**

Port of Tauranga Limited 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.

**Operating Leases**

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

| GROUP | 2014 Cost/ Valuation NZ$000 | 2014 Accumulated Depreciation NZ$000 | 2013 Cost/ Valuation NZ$000 | 2013 Accumulated Depreciation NZ$000 |
|---|---|---|---|---|
| Land | 206,996 | 0 | 199,021 | 0 |
| Buildings | 39,970 | (1,000) | 40,471 | (1,016) |
| Plant and equipment | 458 | (335) | 404 | (298) |
| **Total** | 247,424 | (1,335) | 239,896 | (1,314) |

| PARENT COMPANY | 2014 Cost/ Valuation NZ$000 | 2014 Accumulated Depreciation NZ$000 | 2013 Cost/ Valuation NZ$000 | 2013 Accumulated Depreciation NZ$000 |
|---|---|---|---|---|
| Land | 206,996 | 0 | 199,021 | 0 |
| Buildings | 39,970 | (1,000) | 40,471 | (1,016) |
| **Total** | 246,966 | (1,000) | 239,492 | (1,016) |

Future minimum lease receivables from non cancellable operating leases are as follows:

| | GROUP 2014 NZ$000 | GROUP 2013 NZ$000 | PARENT COMPANY 2014 NZ$000 | PARENT COMPANY 2013 NZ$000 |
|---|---|---|---|---|
| Within one year | 11,516 | 14,640 | 11,479 | 14,627 |
| One year to five years | 23,987 | 33,909 | 23,981 | 33,909 |
| Greater than five years | 19,689 | 21,177 | 19,689 | 21,177 |
| **Total** | 55,192 | 69,726 | 55,149 | 69,713 |





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2014 :** PORT OF TAURANGA LIMITED AND SUBSIDIARIES

## 14 INTANGIBLE ASSETS

| GROUP | Goodwill NZ$000 | Computer Software NZ$000 | Rail Services Agreement NZ$000 | Total NZ$000 |
|---|---|---|---|---|
| **Cost:** | | | | |
| Balance at 1 July 2012 | 11,554 | 7,552 | 10,000 | 29,106 |
| Intangible assets acquired on acquisition of Quality Marshalling Limited | 0 | 7 | 0 | 7 |
| Goodwill recognised on acquisition of Quality Marshalling Limited | 24,831 | 0 | 0 | 24,831 |
| Transferred from fixed assets work in progress (refer to note 13) | 0 | 1,374 | 0 | 1,374 |
| Additions | 0 | 635 | 0 | 635 |
| **Balance at 30 June 2013** | 36,385 | 9,568 | 10,000 | 55,953 |
| Balance at 1 July 2013 | 36,385 | 9,568 | 10,000 | 55,953 |
| Additions | 0 | 516 | 0 | 516 |
| Goodwill recognised on acquisition of Priority Logistics Group (refer to note 7) | 2,059 | 0 | 0 | 2,059 |
| Transferred from fixed assets work in progress (refer to note 13) | 0 | 20 | 0 | 20 |
| **Balance at 30 June 2014** | 38,444 | 10,104 | 10,000 | 58,548 |
| **Accumulated amortisation and impairment:** | | | | |
| Balance at 1 July 2012 | 0 | (4,204) | (8,005) | (12,209) |
| Amortisation expense | 0 | (769) | (338) | (1,107) |
| **Balance at 30 June 2013** | 0 | (4,973) | (8,343) | (13,316) |
| Balance at 1 July 2013 | 0 | (4,973) | (8,343) | (13,316) |
| Amortisation expense | 0 | (1,021) | (338) | (1,359) |
| **Balance at 30 June 2014** | 0 | (5,994) | (8,681) | (14,675) |
| **Carrying amounts:** | | | | |
| **Net book value 30 June 2013** | 36,385 | 4,595 | 1,657 | 42,637 |
| **Net book value 30 June 2014** | 38,444 | 4,110 | 1,319 | 43,873 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2014 :** PORT OF TAURANGA LIMITED AND SUBSIDIARIES

## 14 INTANGIBLE ASSETS (CONTINUED)

| PARENT COMPANY | Computer Software NZ$000 | Rail Services Agreement NZ$000 | **Total NZ$000** |
|---|---|---|---|
| **Cost:** | | | |
| Balance at 1 July 2012 | 4,128 | 10,000 | 14,128 |
| Additions | 606 | 0 | 606 |
| Transferred from fixed assets work in progress (refer to note 13) | 1,374 | 0 | 1,374 |
| **Balance at 30 June 2013** | 6,108 | 10,000 | 16,108 |
| Balance at 1 July 2013 | 6,108 | 10,000 | **16,108** |
| Additions | 476 | 0 | **476** |
| Transferred from fixed assets work in progress (refer to note 13) | 20 | 0 | **20** |
| **Balance at 30 June 2014** | **6,604** | **10,000** | **16,604** |
| **Accumulated amortisation and impairment:** | | | |
| Balance at 1 July 2012 | (3,911) | (8,005) | (11,916) |
| Amortisation expense | (352) | (338) | (690) |
| **Balance at 30 June 2013** | (4,263) | (8,343) | (12,606) |
| Balance at 1 July 2013 | (4,263) | (8,343) | **(12,606)** |
| Amortisation expense | (596) | (338) | **(934)** |
| **Balance at 30 June 2014** | **(4,859)** | **(8,681)** | **(13,540)** |
| **Carrying amounts:** | | | |
| **Net book value 30 June 2013** | 1,845 | 1,657 | 3,502 |
| **Net book value 30 June 2014** | **1,745** | **1,319** | **3,064** |

**Computer Software**

Computer software assets are stated at cost, less accumulated amortisation and impairment.

**Rail Services Agreement**

Port of Tauranga Limited has paid $10,000,000 to KiwiRail for expanded services and obligations over a 10 year period, relating to a seven-day-a-week rail link to MetroPort Auckland. The term of this agreement expires in 2018.

**Goodwill**

Goodwill relates to goodwill arising on the acquisition of Subsidiaries in respect of the transport services cash generating unit and forestry services cash generating unit.

Goodwill was tested for impairment as at 30 June 2014, based upon the value in use of cash generating units to which the goodwill relates. Value in use was determined by discounting five year future cash flows, generated from the continuing use of the units. The calculation of value in use was based upon the following key assumptions:

- Cash flows were projected using management forecasts.
- The anticipated annual profit growth included in the cash flow projections for the years 2015 to 2019 have been based upon expected growth levels and forecasted business activities. For the transport services cash generating unit a 5% growth rate has been applied over the period. For the forestry services cash generating unit an average 8.75% growth rate has been applied over the period.
- Terminal cash flows were estimated using a constant growth rate of 2% after year five.
- A pre-tax discount rate of 15% was applied in determining the recoverable amount of the units.

The values assigned to the key assumptions represent management's assessment of future trends in the transport and forestry industries and are based on both external sources and internal sources (historical data).





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2014 :** PORT OF TAURANGA LIMITED AND SUBSIDIARIES

## 15 ADVANCES AND RECEIVABLES

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| | **2014 NZ$000** | 2013 NZ$000 | **2014 NZ$000** | 2013 NZ$000 |
| Advances to Subsidiary | **0** | 0 | **142** | 247 |
| Finance lease – gross receivable (refer to note 15(a)) | **0** | 2,116 | **0** | 2,116 |
| Finance lease – unearned finance income (refer to note 15(a)) | **0** | (259) | **0** | (259) |
| **Total** | **0** | 1,857 | **142** | 2,104 |

**(a) Finance Lease Receivable**

In August 2003 Port of Tauranga Limited entered into an agreement with Genesis for the importation of coal for the Huntly power station. As part of this agreement, a coal conveyor system was constructed by the Port and Genesis agreed to lease this conveyor system for a 15 year period. Genesis were also granted an option to extend the lease for an additional 15 year period, for a nominal rental of $1.00. As Genesis effectively receives substantially all the risks and rewards of ownership of the conveyor system, the lease is treated as a finance lease by Port of Tauranga Limited. The effective interest rate on the finance lease receivable is 14.32% (2013: 14.32%).

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| | **2014 NZ$000** | 2013 NZ$000 | **2014 NZ$000** | 2013 NZ$000 |
| **Gross receivables from finance lease** | | | | |
| **Current portion** | | | | |
| Not later than one year (refer to note 19) | **2,116** | 4,258 | **2,116** | 4,258 |
| **Non current portion** | | | | |
| Later than one year and not later than five years | **0** | 2,116 | **0** | 2,116 |
| **Total gross receivables from finance lease** | **2,116** | 6,374 | **2,116** | 6,374 |
| **Unearned finance income** | | | | |
| **Current portion** | | | | |
| Not later than one year (refer to note 19) | **(259)** | (771) | **(259)** | (771) |
| **Non current portion** | | | | |
| Later than one year and not later than five years | **0** | (259) | **0** | (259) |
| **Total unearned finance income** | **(259)** | (1,030) | **(259)** | (1,030) |

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| | **2014 NZ$000** | 2013 NZ$000 | **2014 NZ$000** | 2013 NZ$000 |
| **Present value of minimum lease receipts** | | | | |
| Not later than one year | **1,857** | 3,487 | **1,857** | 3,487 |
| Later than one year and not later than five years | **0** | 1,857 | **0** | 1,857 |
| **Total present value of minimum lease receipts** | **1,857** | 5,344 | **1,857** | 5,344 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2014 :** PORT OF TAURANGA LIMITED AND SUBSIDIARIES

## 16 INVESTMENTS IN SUBSIDIARIES

**Investments in Subsidiaries Comprises:**

| Name of Entity | GROUP 2014 % | GROUP 2013 % | PARENT COMPANY 2014 % | PARENT COMPANY 2013 % | Balance Date |
|---|---|---|---|---|---|
| MetroPack Limited | **100.00** | 100.00 | **50.00** | 50.00 | 30 June |
| Port of Tauranga Trustee Company Limited | **100.00** | 100.00 | **100.00** | 100.00 | 30 June |
| Quality Marshalling (Mount Maunganui) Limited | **100.00** | 100.00 | **100.00** | 100.00 | 30 June |
| Tapper SIP Limited | **100.00** | 100.00 | **100.00** | 100.00 | 30 June |
| Tapper Transport Limited | **100.00** | 100.00 | **100.00** | 100.00 | 30 June |
| Timaru Container Terminal Limited | **100.00** | 0 | **100.00** | 0 | 30 June |

The principal activity of Port of Tauranga Trustee Company Limited is to hold shares in trust for employees. The company has no trading activities and the issued and paid up capital is $2. The company is incorporated in New Zealand.

The principal activity of Tapper Transport Limited is to operate an Auckland-based road transport and logistics company. The company was acquired on 1 April 2010 and is incorporated in New Zealand.

The principal activity of Tapper SIP Limited is to operate an Auckland-based inland freight centre. The company was acquired on 1 April 2010 and is incorporated in New Zealand.

The principal activity of MetroPack Limited is to operate as a freight operator providing container packing, unpacking and freight transport services. The company was incorporated, in New Zealand, in December 2010 and the issued and paid up capital is $100. Port of Tauranga Limited has a 50:50 shareholding in MetroPack Limited with Tapper Transport Limited.

The principal activities of Quality Marshalling (Mount Maunganui) Limited is to provide log marshalling, log scaling services and contracted container terminal services. The company was acquired on 31 January 2013 and is incorporated in New Zealand.

The Timaru Container Terminal Limited was incorporated on 3 September 2013 with share capital of $5,000. The principal activity is to operate the container terminal operations at PrimePort Timaru Limited.

| | PARENT COMPANY 2014 NZ$000 | PARENT COMPANY 2013 NZ$000 |
|---|---|---|
| Opening investment at cost | **40,694** | 12,447 |
| Additions | **5** | 28,247 |
| **Closing investment at cost** | **40,699** | 40,694 |

## 17 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES

| | GROUP 2014 NZ$000 | GROUP 2013 NZ$000 | PARENT COMPANY 2014 NZ$000 | PARENT COMPANY 2013 NZ$000 |
|---|---|---|---|---|
| **Investments in Equity Accounted Investees** | | | | |
| Ordinary shares at cost – opening balance | **0** | 0 | **21,800** | 32,936 |
| | **0** | 0 | **21,800** | 32,936 |
| Balance at beginning of period | **49,915** | 61,993 | **0** | 0 |
| Share of after tax surplus | **9,370** | 10,360 | **0** | 0 |
| Share of hedging reserve | **181** | 264 | **0** | 0 |
| Share of revaluation reserve | **(8)** | 1,366 | **0** | 0 |
| Disposals | **0** | (15,187) | **0** | (11,136) |
| Purchase of shares in PrimePort Timaru Limited (refer to note 7) | **19,771** | 0 | **19,771** | 0 |
| Formation of PortConnect Limited | **5** | 0 | **5** | 0 |
| Dividends received | **(8,155)** | (8,881) | **0** | 0 |
| | **71,079** | 49,915 | **19,776** | (11,136) |
| **Balance at end of period** | **71,079** | 49,915 | **41,576** | 21,800 |



PORT OF TAURANGA >>> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2014 :** PORT OF TAURANGA LIMITED AND SUBSIDIARIES

## 17 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES (CONTINUED)

Included within the carrying value is:

| | GROUP 2014 NZ$000 | GROUP 2013 NZ$000 |
|---|---|---|
| **Goodwill** | **2,913** | 2,913 |

The Group has interests in a number of individually immaterial Equity Accounted Investees. Northport Limited is considered to be the only individually material Equity Accounted Investee in which the Group participates.

**Northport Limited**

Port of Tauranga Limited has a 50% shareholding in the port at Marsden Point which trades as Northport Limited (Northport) (2013: 50%), with Northland Port Corporation (NZ) Limited holding the remaining 50%.

Northport also has a 50% shareholding in North Tugz Limited (2013: 50%), with Ports of Auckland Limited holding the remaining 50%. North Tugz Limited has been established to undertake the marine services within the Whangarei Harbour including Marsden Point.

Northport is structured as a separate vehicle and the Group has a residual interest in the net assets of Northport. Accordingly, the Group has classified its interests in Northport as a joint venture.

The following table summarises the financial information of Northport as included in its own financial statements, adjusted for fair value adjustments at acquisition and differences in accounting policies. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in Northport.

| | 2014 | 2013 |
|---|---|---|
| **Percentage ownership interest** | **50%** | 50% |
| | **NZ$000** | NZ$000 |
| Non current assets | **128,786** | 128,474 |
| Current assets (including cash and cash equivalents 2014: $537,000, 2013: ($30,644)) | **5,018** | 3,949 |
| Non current liabilities (including non current financial liabilities excluding trade and other payables and provisions 2014: $33,621,000, 2013: $1,580,000) | **(33,621)** | (1,580) |
| Current liabilities (including current financial liabilities excluding trade and other payables and provisions 2014: $1,998,000, 2013: $32,784,493) | **(4,849)** | (35,219) |
| **Net assets (100%)** | **95,334** | 95,624 |
| **Group's share of net assets (50%)** | **47,667** | 47,812 |
| **Carrying amount of interest in joint venture** | **47,667** | 47,812 |
| Revenue | **38,322** | 35,516 |
| Depreciation and amortisation | **(3,827)** | (3,514) |
| Interest expense | **(2,022)** | (2,255) |
| Income tax expense | **(5,395)** | (5,275) |
| Net profit after tax | **15,920** | 15,048 |
| Other comprehensive income | **(200)** | 3,258 |
| **Total comprehensive income (100%)** | **15,720** | 18,306 |
| **Group's share of total comprehensive income (50%)** | **7,860** | 9,153 |
| **Dividends received by the Group** | **8,005** | 6,556 |

**MetroBox Auckland Limited**

Port of Tauranga Limited has a 50% shareholding in MetroBox Auckland Limited (MetroBox) (2013: 50%), with KiwiRail holding the remaining 50% (2013: 50%).

MetroBox is located alongside MetroPort and fits with the Group's strategic objective of developing a "freight village" in South Auckland, with MetroPort giving customers the ability to select from a range of container handling services.

MetroBox is structured as a separate vehicle and the Group has a residual interest in the net assets of MetroBox. Accordingly, the Group has classified its interest in MetroBox as a joint venture.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

## 17 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES (CONTINUED)

**Cubic Transport Services Limited**

Port of Tauranga Limited has a 37.5% shareholding in Cubic Transport Services Limited (Cubic), with Quadrant Pacific Limited holding 37.5% and PGB Trustee Limited holding the remaining 25%.

Cubic is a domestic transport operator and is involved in managing and distributing cargo throughout New Zealand using road, rail and coastal shipping (on behalf of freight forwarders).

The Group is considered to have significant influence over Cubic without joint control. Accordingly, the Group has classified its interest in Cubic as an Associate.

**PrimePort Timaru Limited**

On 29 November 2013, Port of Tauranga Limited acquired a 50% shareholding in PrimePort Timaru Limited (PrimePort), with Timaru District Holdings Limited holding the remaining 50%.

PrimePort operates the bulk and marine operations of Port of Timaru and leases the container terminal wharf facilities to Timaru Container Terminal Limited.

PrimePort is structured as a separate vehicle and the Group has a residual interest in the net assets of PrimePort. Accordingly, the Group has classified its interest in PrimePort as a joint venture.

**PortConnect Limited**

Port of Tauranga Limited has a 50% shareholding in PortConnect Limited (PortConnect), with Ports of Auckland Limited holding the remaining 50%. PortConnect was established under a joint venture agreement on 27 May 2014.

PortConnect operates an online cargo management system, connecting ports to their logistics companies.

PortConnect is structured as a separate vehicle and the Group has a residual interest in the net assets of PortConnect. Accordingly, the Group has classified its interest in PortConnect as a joint venture.

The following table summarises the financial information relevant to the Group's interests in individually immaterial joint ventures. The table, in conjunction with the information for Northport above, also reconciles to the carrying amount of the Group's interest in Equity Accounted Investees.

| | Total 2014 NZ$000 | Total 2013 NZ$000 |
|---|---|---|
| Current assets | 5,486 | 1,420 |
| Non current assets | 21,773 | 1,825 |
| **Total assets** | 27,259 | 3,245 |
| Current liabilities | 3,039 | 346 |
| Non current liabilities | 1,791 | 1,785 |
| **Total liabilities** | 4,830 | 2,131 |
| **Net assets** | 22,429 | 1,114 |
| Goodwill | 976 | 976 |
| Fair value adjustment on acquisition | 7 | 13 |
| **Carrying amount of interest in individually immaterial Equity Accounted Investees** | 23,412 | 2,103 |
| Revenues | 11,969 | 4,297 |
| Expenses | (10,559) | (3,920) |
| **Net profit after tax** | 1,410 | 377 |
| Other comprehensive income | 273 | 0 |
| **Total comprehensive income** | 1,683 | 377 |





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

## 18 DERIVATIVE FINANCIAL INSTRUMENTS

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| | 2014 NZ$000 | 2013 NZ$000 | 2014 NZ$000 | 2013 NZ$000 |
| **Current assets** | | | | |
| Foreign currency derivatives – not hedge accounted | 52 | 0 | 52 | 0 |
| Foreign currency derivatives – cash flow hedges | 0 | 81 | 0 | 81 |
| **Total assets** | 52 | 81 | 52 | 81 |
| **Current liabilities** | | | | |
| Foreign currency derivatives – cash flow hedges | (1,149) | 0 | (1,149) | 0 |
| Interest rate derivatives – cash flow hedges | (60) | (812) | (60) | (812) |
| **Total current liabilities** | (1,209) | (812) | (1,209) | (812) |
| **Non current liabilities** | | | | |
| Interest rate derivatives – cash flow hedges | (3,340) | (8,692) | (3,340) | (8,692) |
| **Total non current liabilities** | (3,340) | (8,692) | (3,340) | (8,692) |
| **Total liabilities** | (4,549) | (9,504) | (4,549) | (9,504) |

For additional information about the Group's use of derivatives refer to note 34.

## 19 RECEIVABLES AND PREPAYMENTS

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| | 2014 NZ$000 | 2013 NZ$000 | 2014 NZ$000 | 2013 NZ$000 |
| Trade receivables | 31,433 | 25,373 | 24,681 | 20,842 |
| Less: | | | | |
| Provision for impairment of trade receivables | (54) | (7) | (29) | 0 |
| Receivables from Equity Accounted Investees, Subsidiaries and related parties | 66 | 66 | 291 | 534 |
| | 31,445 | 25,432 | 24,943 | 21,376 |
| Advances to Equity Accounted Investees (refer to note 29) | 3,185 | 1,785 | 3,185 | 1,785 |
| Advances to Subsidiaries (refer to note 29) | 0 | 0 | 16,335 | 17,601 |
| Prepayments and sundry receivables | 2,082 | 2,530 | 2,052 | 1,528 |
| Finance lease – gross receivable (refer to note 15) | 2,116 | 4,258 | 2,116 | 4,258 |
| Finance lease – unearned finance income (refer to note 15) | (259) | (771) | (259) | (771) |
| **Total** | 38,569 | 33,234 | 48,372 | 45,777 |

Current trade and other receivables are non interest-bearing and receipt is normally on 30 day terms, therefore the carrying value of debtors and other receivables approximate their fair value.

The ageing of trade receivables at reporting date was:

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| | 2014 NZ$000 | 2013 NZ$000 | 2014 NZ$000 | 2013 NZ$000 |
| Not past due | 26,502 | 22,836 | 21,522 | 19,125 |
| Past due 0 – 30 days | 4,540 | 2,197 | 2,991 | 1,606 |
| Past due 30 – 60 days | 262 | 242 | 117 | 94 |
| Past due 60 – 90 days | 109 | 83 | 31 | 2 |
| More than 90 days | 20 | 15 | 20 | 15 |
| **Total** | 31,433 | 25,373 | 24,681 | 20,842 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

## 19 RECEIVABLES AND PREPAYMENTS (CONTINUED)

Impairment for trade receivables is calculated as a percentage of specific overdue debts which, based on historical performance and individual investigation, are unlikely to be collected.

Movements in the provision for impairment of receivables were as follows:

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| | 2014 NZ$000 | 2013 NZ$000 | 2014 NZ$000 | 2013 NZ$000 |
| Opening balance | 7 | 15 | 0 | 0 |
| Additional provision | 47 | 0 | 29 | 0 |
| Reversed during the period | 0 | (8) | 0 | 0 |
| **Balance as at 30 June** | 54 | 7 | 29 | 0 |

## 20 INVENTORIES

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| | 2014 NZ$000 | 2013 NZ$000 | 2014 NZ$000 | 2013 NZ$000 |
| **Inventory of parts and consumables** | 1,008 | 710 | 918 | 639 |

Included in inventories at 30 June 2014 was $222,000 of straddle parts (2013: $289,000) and $643,000 of crane parts (2013: $151,000) purchased for planned maintenance of machinery in the following financial year. Other major components of inventories include diesel fuel and fender parts.

## 21 CAPITAL AND RESERVES

(a) **Share Capital**

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| | 2014 NZ$000 | 2013 NZ$000 | 2014 NZ$000 | 2013 NZ$000 |
| **Ordinary shares issued** | | | | |
| Balance as at 1 July | 134,070,196 | 134,052,916 | 134,116,246 | 134,116,246 |
| Shares issued during year | 1,400 | 44,400 | 0 | 0 |
| Shares repurchased by the Group during the year | 0 | (27,120) | 0 | 0 |
| **Balance as at 30 June** | 134,071,596 | 134,070,196 | 134,116,246 | 134,116,246 |

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

During the year 1,400 shares at $11.70 per share were issued to employees from the Port of Tauranga Trustee Company Limited (2013: 44,400 shares at $6.25 per share).

During the year no shares were repurchased on market and transferred to the Port of Tauranga Trustee Company Limited as part of the Employee Share Ownership Plan (2013: 27,120 shares at an average value of $11.71 per share).

Refer to note 32 for additional information on the Employee Share Ownership Plan.

(b) **Dividends**

The following dividends were declared and paid during the period:

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| | 2014 NZ$000 | 2013 NZ$000 | 2014 NZ$000 | 2013 NZ$000 |
| Final 2013 dividend paid 26.0 cents per share (2012: 27.0 cps) | 34,870 | 36,211 | 34,870 | 36,211 |
| Interim 2014 dividend paid 21.0 cents per share (2013: 20.0 cps) | 28,165 | 26,824 | 28,165 | 26,824 |
| **Total** | 63,035 | 63,035 | 63,035 | 63,035 |

The dividends are fully imputed. Supplementary dividends of $322,342 (2013: $413,596) were paid to shareholders not tax resident in New Zealand, for which the Group received a foreign tax credit entitlement.

A final dividend of 29 cents (2013: 26 cents) per share to a total of $39,473,711 (2013: $34,870,224) 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.





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

## 21 CAPITAL AND RESERVES (CONTINUED)

(c) **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.

(d) **Revaluation Reserve**

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

## 22 EARNINGS PER SHARE

**Group**

The calculation of basic earnings per share at 30 June 2014 of 58.3 cents per share (2013: 83.6 cents per share) was based on the profit attributable to ordinary shareholders of $78,252,000 (2013: $112,132,000) and a weighted average number of ordinary shares outstanding of 134,116,246 (2013: 134,116,246).

There are no dilutive potential ordinary shares (2013: nil).

**Underlying Earnings Per Share**

The calculation of underlying earnings per share for the Group at 30 June 2014 of 58.3 cents per share (2013: 57.6 cents per share) was based on the underlying profit after tax of $78,252,000 (2012: $77,228,000) and a weighted average number of ordinary shares outstanding of 134,116,246 (2013: 134,116,246), refer to note 5.

## 23 LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's interest bearing loans and borrowings. For additional information about the Group's exposure and sensitivity to interest rate risk, refer to note 34.

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| | 2014 NZ$000 | 2013 NZ$000 | 2014 NZ$000 | 2013 NZ$000 |
| **Non current liabilities** | | | | |
| Fixed rate bond (refer to note 23(a)) | 50,000 | 0 | 50,000 | 0 |
| Standby revolving cash advance facility (refer 23(b)) | 45,000 | 79,000 | 45,000 | 79,000 |
| Advances from employees (refer to note 23(g)) | 300 | 71 | 0 | 0 |
| Finance lease liabilities (refer to note 23(h)) | 829 | 696 | 0 | 0 |
| **Total non current liabilities** | 96,129 | 79,767 | 95,000 | 79,000 |
| **Current liabilities** | | | | |
| Commercial papers (refer to note 23c) | 160,000 | 146,000 | 160,000 | 146,000 |
| Advances from employees (refer to note 23(g)) | 0 | 74 | 0 | 0 |
| Finance lease liabilities (refer to note 23(h)) | 202 | 238 | 0 | 0 |
| **Total current liabilities** | 160,202 | 146,312 | 160,000 | 146,000 |
| **Total** | 256,331 | 226,079 | 255,000 | 225,000 |

(a) **Fixed Rate Bond**

On 29 October 2013 the Parent Company issued a six year $50 million fixed rate bond bearing a fixed interest rate of 5.865% per annum. Interest is payable every six months on 29 April and 29 October and the bond has a final maturity in October 2019. The Parent Company incurred costs of $0.109 million in connection with the issuance of the bond which has been capitalised and is being amortised over the term of the bond.

(b) **Standby Revolving Cash Advance Facility Agreement**

The Parent Company has a $280 million (2013: $280 million) financing arrangement with ANZ Banking Group (New Zealand) Limited, Bank of New Zealand Limited and the Commonwealth Bank of Australia, New Zealand branch. The facility, which is secured, provides for both direct borrowings and support for issuance of commercial papers. During the current period the Parent Company negotiated an extension to the maturity of this facility.

The standby revolving cash advance facility comprises of three tranches (2013: three tranches), tranche 1, a $100 million (2013: $100 million) facility maturing 31 January 2016 (2013: 31 July 2014), tranche 2, a $50 million (2013: $50 million) facility maturing 31 July 2017 (2013: 31 July 2016), and tranche 3, a $130 million (2013: $130 million) facility maturing 31 July 2019 (2013: 31 July 2018). These facilities are secured by way of a ships' mortgage over certain floating plant assets ($2,240,000, 2013: $2,498,000), mortgages over the land and building assets ($555,502,000, 2013: $517,976,000), and by a general security agreement over the assets of the Parent Company ($1,104,871,000, 2013: $1,073,012,000).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2014 :** PORT OF TAURANGA LIMITED AND SUBSIDIARIES

## 23 LOANS AND BORROWINGS (CONTINUED)

**(c) 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 2014 the Parent Company and Group had $160 million of commercial paper debt that is classified within current liabilities (2013: $146 million). Due to this classification the Group's current liabilities exceed the Group's current assets. Despite this fact, the Parent Company and Group do 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. Refer to note 23(b).

**(d) Overdraft Facility**

Tapper Transport Limited has a $900,000 overdraft facility with the Bank of New Zealand Limited, which is primarily used for short term working capital requirements. This facility has no fixed duration and is secured via a general security agreement over all assets of the company. At 30 June 2014 this facility was undrawn (2013: nil).

**(e) Multi Option Facility Agreement**

The Parent Company has a $5 million (2013: $5 million) multi option financing facility with the Bank of New Zealand Limited, which is primarily used for short term working capital requirements. At 30 June 2014 this facility was undrawn (2013: nil). This facility expires on 31 December 2014 (2013: 31 December 2013). The Parent Company has the option to roll-over this facility for the period of one year, by giving notice to the Bank of New Zealand prior to the expiry of the facility. This facility is secured by way of a ships' mortgage over certain floating plant assets ($2,240,000, 2013: $2,498,000), and by a general security agreement over the land and building assets of the Parent Company ($555,502,000, 2013: $517,976,000).

**(f) Headroom Facility**

The Parent Company has a $30 million (2013: $30 million) revolving cash advance facility with ANZ Banking Group (New Zealand) Limited, used for headroom purposes. The facility is secured by way of a ship's mortgage over certain floating plant assets ($2,240,000, 2013: $2,498,000), mortgages over the land and building assets ($555,502,000, 2013: $517,976,000), and by a general security agreement over the assets of the Parent Company ($1,104,871,000, 2013: $1,073,012,000). At 30 June 2014 this facility is undrawn (2013: nil) and expires 13 months after the date of notice given by the Parent Company or ANZ Banking Group (NZ) Limited.

**(g) Advances From Employees**

Advances from employees are contributions by employees to the Employee Share Ownership Plan (ESOP), refer to note 32.

**(h) Finance Lease Liabilities**

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| | **2014 NZ$000** | 2013 NZ$000 | **2014 NZ$000** | 2013 NZ$000 |
| **Gross payables under finance leases** | | | | |
| **Current portion** | | | | |
| Not later than one year | **315** | 349 | **0** | 0 |
| **Non current portion** | | | | |
| Later than one year and not later than five years | **860** | 922 | **0** | 0 |
| Later than five years | **186** | 0 | **0** | 0 |
| **Total non current** | **1,046** | 922 | **0** | 0 |
| **Total gross payables under finance leases** | **1,361** | 1,271 | **0** | 0 |
| **Future finance charges on finance leases** | | | | |
| **Current portion** | | | | |
| Not later than one year | **(113)** | (111) | **0** | 0 |
| **Non current portion** | | | | |
| Later than one year and not later than five years | **(205)** | (226) | **0** | 0 |
| Later than five years | **(12)** | 0 | **0** | 0 |
| **Total non current** | **(217)** | (226) | **0** | 0 |
| **Total future finance charges on finance leases** | **(330)** | (337) | **0** | 0 |





NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

## 23 LOANS AND BORROWINGS (CONTINUED)

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| | **2014 NZ$000** | 2013 NZ$000 | **2014 NZ$000** | 2013 NZ$000 |
| **Present value of minimum lease payments** | | | | |
| Not later than one year | **202** | 238 | **0** | 0 |
| Later than one year and not later than five years | **655** | 696 | **0** | 0 |
| Later than five years | **174** | 0 | **0** | 0 |
| **Total present value of minimum lease payments** | **1,031** | 934 | **0** | 0 |

The weighted average effective interest rate implicit in the leases is 13.60% (2013: 12.87%).

Finance lease liabilities relate to leases over certain items of operating plant and equipment by Tapper Transport Limited.

**(i) Fair Values of Loans and Borrowings**

The amortised cost of variable rate loans and borrowings is assumed to closely approximate fair value as debt facilities are repriced every 90 days.

**(j) Terms and Debt Repayment Schedule**

Terms and conditions of outstanding interest bearing loans are as follows:

| | | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|---|
| | Year of Maturity | **2014 NZ$000** | 2013 NZ$000 | **2014 NZ$000** | 2013 NZ$000 |
| Fixed rate bond | 2019 | **50,000** | 0 | **50,000** | 0 |
| Standby revolving cash advance facility – tranche 1 | 2016 | **45,000** | 0 | **45,000** | 0 |
| Standby revolving cash advance facility – tranche 1 | 2014 | **0** | 14,000 | **0** | 14,000 |
| Standby revolving cash advance facility – tranche 2 | 2016 | **0** | 65,000 | **0** | 65,000 |
| Commercial papers | 2014 | **160,000** | 0 | **160,000** | 0 |
| Commercial papers | 2013 | **0** | 146,000 | **0** | 146,000 |
| **Total** | | **255,000** | 225,000 | **255,000** | 225,000 |

The average weighted interest rate of interest bearing loans was 5.59% at 30 June 2014 (2013: 3.79%).

## 24 DEFERRED CONSIDERATION

**Tapper Transport Limited**

An amount of $1.000 million was retained by the Group in the 2013 period as a "Warranty Retention Fund" to satisfy any potential claims that may arise subsequent to acquisition. On 16 April 2014, $1.000 million was paid to the vendors, there are no further accounts owing.

**Quality Marshalling Limited**

An amount of $500,000 (2013: $1.000 million) has been retained by the Group as a "Warranty Retention Fund" to satisfy any potential claims that may arise subsequent to acquisition. An amount of $500,000 was held for a period of one year from settlement and was paid out on 31 January 2014. An additional amount of $500,000 shall be held for a period of three years from the date of settlement. Whilst any Warranty Retention Fund remains owing to the vendors, interest shall be paid on the amount owing at a rate of 10% per annum.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2014 :** PORT OF TAURANGA LIMITED AND SUBSIDIARIES

## 25 PROVISIONS

**(a) Non Current Liabilities**

| | GROUP 2014 NZ$000 | GROUP 2013 NZ$000 | PARENT COMPANY 2014 NZ$000 | PARENT COMPANY 2013 NZ$000 |
|---|---|---|---|---|
| **Employee benefits – long service leave provision** | | | | |
| Balance at beginning of period | 1,010 | 982 | 1,010 | 982 |
| Additional provision | 155 | 181 | 155 | 181 |
| Unused amounts reversed | (67) | (24) | (67) | (24) |
| Utilised during the period | (52) | (129) | (52) | (129) |
| **Balance at end of period** | 1,046 | 1,010 | 1,046 | 1,010 |
| **Employee benefits – Management Long Term Incentive (LTI)** | | | | |
| Balance at beginning of period | 0 | 1,170 | 0 | 1,170 |
| Additional provision | 404 | 0 | 404 | 0 |
| Transferred to current (refer to note 25(b)) | 0 | (1,170) | 0 | (1,170) |
| **Balance at end of period** | 404 | 0 | 404 | 0 |
| **Unearned lease incentive income** | | | | |
| Balance at beginning of period | 288 | 335 | 0 | 0 |
| Additional provision | 135 | 104 | 0 | 0 |
| Transferred to current (refer to note 25(b)) | (121) | (151) | 0 | 0 |
| **Balance at end of period** | 302 | 288 | 0 | 0 |
| **Total non current provisions** | 1,752 | 1,298 | 1,450 | 1,010 |





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2014 :** PORT OF TAURANGA LIMITED AND SUBSIDIARIES

## 25 PROVISIONS (CONTINUED)

**(b) Current Liabilities**

| | GROUP 2014 NZ$000 | GROUP 2013 NZ$000 | PARENT COMPANY 2014 NZ$000 | PARENT COMPANY 2013 NZ$000 |
|---|---|---|---|---|
| **Employee benefits – profit sharing and bonuses** | | | | |
| Balance at beginning of period | 1,424 | 1,905 | 1,364 | 1,873 |
| Additional provision | 1,086 | 1,517 | 949 | 1,457 |
| Utilised during the period | (1,536) | (1,998) | (1,536) | (1,966) |
| **Balance at end of period** | 974 | 1,424 | 777 | 1,364 |
| **Employee benefits – Management Long Term Incentive (LTI)** | | | | |
| Balance at beginning of period | 2,082 | 0 | 2,082 | 0 |
| Additional provision | 0 | 912 | 0 | 912 |
| Utilised during the period | (889) | 0 | (889) | 0 |
| Unused amounts reversed | (537) | 0 | (537) | 0 |
| Transferred from non current (refer to note 25(a)) | 0 | 1,170 | 0 | 1,170 |
| **Balance at end of period** | 656 | 2,082 | 656 | 2,082 |
| **Contingent consideration** | | | | |
| Balance at beginning of period | 0 | 1,966 | 0 | 1,966 |
| Utilised during the period | 0 | (2,000) | 0 | (2,000) |
| Unwind of discount, interest | 0 | 34 | 0 | 34 |
| **Balance at end of period** | 0 | 0 | 0 | 0 |
| **Unearned lease incentive income** | | | | |
| Balance at beginning of period | 151 | 121 | 0 | 0 |
| Transferred from non current (refer to note 25(a)) | 121 | 151 | 0 | 0 |
| Utilised during the period | (151) | (121) | 0 | 0 |
| **Balance at end of period** | 121 | 151 | 0 | 0 |
| **Wharf maintenance** | | | | |
| Balance at beginning of period | 0 | 0 | 0 | 0 |
| Additional provision | 292 | 0 | 0 | 0 |
| **Balance at end of period** | 292 | 0 | 0 | 0 |
| **Total current provisions** | 2,043 | 3,657 | 1,433 | 3,446 |

**Long Service Leave Provision**

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.

**Employee Benefits – Management Long Term Incentive (LTI)**

Members of the Parent Company's Executive Management Team are eligible to receive payment under the Management Long Term Incentive Scheme, implemented during the 2011 financial year. The scheme is classified as a cash settled share based payment scheme and is based upon a combination of total shareholder return versus an index and earnings per share growth, both over a three year period.

The amount recognised in the income statements of the Parent Company during the period is ($133,000), (2013: $912,000).

**Unearned Lease Incentive Income**

Unearned lease incentive income relates to operating lease agreements for the lease of properties at Southdown, Auckland with the Group as a lessee. The lease incentive is recognised over the contractual term of the lease against rental expense in the income statements.

**Wharf Maintenance**

Under the terms of PrimePort Timaru Limited's lease agreement with Timaru Container Terminal Limited, Timaru Container Terminal Limited must provide for up to $500,000 in wharf maintenance expenditure per year. This maintenance provision is cumulative over the term of the lease.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2014 :** PORT OF TAURANGA LIMITED AND SUBSIDIARIES

## 26 DEFERRED TAXATION

| GROUP | Assets 2014 NZ$000 | Assets 2013 NZ$000 | Liabilities 2014 NZ$000 | Liabilities 2013 NZ$000 | Net 2014 NZ$000 | Net 2013 NZ$000 |
|---|---|---|---|---|---|---|
| **Deferred tax (asset)/liability** | | | | | | |
| Property, plant and equipment | 0 | 0 | 50,267 | 49,966 | 50,267 | 49,966 |
| Intangible assets | 0 | 0 | 851 | 846 | 851 | 846 |
| Finance lease receivables | 0 | 0 | 520 | 1,497 | 520 | 1,497 |
| Derivatives | (1,413) | (2,654) | 0 | 23 | (1,413) | (2,631) |
| Trade receivables | (8) | 0 | 0 | 0 | (8) | 0 |
| Provisions and accruals | (1,489) | (1,215) | 0 | 0 | (1,489) | (1,215) |
| Finance lease payables | (10) | (5) | 0 | 0 | (10) | (5) |
| **Total** | (2,920) | (3,874) | 51,638 | 52,332 | 48,718 | 48,458 |

| GROUP | Recognised in the Statements of Financial Position on Acquisition of Subsidiary 2014 NZ$000 | 2013 NZ$000 | Recognised in the Income Statements 2014 NZ$000 | 2013 NZ$000 | Recognised in Equity 2014 NZ$000 | 2013 NZ$000 |
|---|---|---|---|---|---|---|
| Property, plant and equipment | 1,199 | 262 | (898) | (453) | 0 | 0 |
| Intangible assets | 0 | 0 | 5 | 75 | 0 | 0 |
| Finance lease receivables | 0 | 0 | (977) | (853) | 0 | 0 |
| Derivatives | 0 | 0 | 0 | (1) | 1,218 | 3,580 |
| Trade receivables | 0 | 0 | (8) | 0 | 0 | 0 |
| Provisions and accruals | (38) | 0 | (236) | 221 | 0 | 0 |
| Finance lease payables | 0 | 0 | (5) | 94 | 0 | 0 |
| **Total** | 1,161 | 262 | (2,119) | (917) | 1,218 | 3,580 |

| PARENT COMPANY | Assets 2014 NZ$000 | Assets 2013 NZ$000 | Liabilities 2014 NZ$000 | Liabilities 2013 NZ$000 | Net 2014 NZ$000 | Net 2013 NZ$000 |
|---|---|---|---|---|---|---|
| **Deferred tax (asset)/liability** | | | | | | |
| Property, plant and equipment | 0 | 0 | 48,962 | 49,739 | 48,962 | 49,739 |
| Intangible assets | 0 | 0 | 203 | 85 | 203 | 85 |
| Finance lease receivables | 0 | 0 | 520 | 1,497 | 520 | 1,497 |
| Derivatives | (1,413) | (2,654) | 0 | 23 | (1,413) | (2,631) |
| Trade receivables | (8) | 0 | 0 | 0 | (8) | 0 |
| Provisions and accruals | (1,111) | (921) | 0 | 0 | (1,111) | (921) |
| **Total** | (2,532) | (3,575) | 49,685 | 51,344 | 47,153 | 47,769 |

| PARENT COMPANY | Recognised in the Income Statements 2014 NZ$000 | 2013 NZ$000 | Recognised in Equity 2014 NZ$000 | 2013 NZ$000 |
|---|---|---|---|---|
| Property, plant and equipment | (777) | (414) | 0 | 0 |
| Intangible assets | 118 | 75 | 0 | 0 |
| Finance lease receivables | (977) | (853) | 0 | 0 |
| Derivatives | 0 | 0 | 1,218 | 3,580 |
| Trade receivables | (8) | 0 | 0 | 0 |
| Provisions and accruals | (190) | 306 | 0 | 0 |
| **Total** | (1,834) | (886) | 1,218 | 3,580 |





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2014 :** PORT OF TAURANGA LIMITED AND SUBSIDIARIES

## 27 TRADE AND OTHER PAYABLES

| | GROUP 2014 NZ$000 | GROUP 2013 NZ$000 | PARENT COMPANY 2014 NZ$000 | PARENT COMPANY 2013 NZ$000 |
|---|---|---|---|---|
| Accounts payable | 5,044 | 4,406 | 3,372 | 3,001 |
| Accruals | 13,920 | 15,152 | 11,254 | 13,027 |
| Payables due to Equity Accounted Investees and related parties | 137 | 3 | 195 | 14 |
| **Total** | 19,101 | 19,561 | 14,821 | 16,042 |

Payables denominated in currencies other than the functional currency are nil (2013: AUD 6,600).

Trade and other payables are non interest-bearing and are normally settled on 30 day terms, therefore the carrying value of trade and other payables approximates their fair value.

## 28 OPERATING LEASE OBLIGATIONS

| | GROUP 2014 NZ$000 | GROUP 2013 NZ$000 | PARENT COMPANY 2014 NZ$000 | PARENT COMPANY 2013 NZ$000 |
|---|---|---|---|---|
| Obligations payable after reporting date on non cancellable operating leases are as follows: | | | | |
| Within one year | 3,817 | 2,226 | 686 | 687 |
| One year to two years | 3,314 | 2,233 | 649 | 669 |
| Two years to five years | 7,196 | 4,276 | 1,817 | 1,844 |
| Greater than five years | 9,074 | 3,486 | 1,779 | 1,779 |
| **Total** | 23,401 | 12,221 | 4,931 | 4,979 |

The Group leases a number of properties and various items of equipment under operating leases. All properties and plant are leased at market rentals and reviewed at regular intervals. It has been determined that substantially all the risks and rewards of the leased assets remain with the lessor, and therefore the Group classifies the leases as operating leases.

## 29 RELATED PARTY TRANSACTIONS

Related party transactions with related parties:

| | 2014 NZ$000 | 2013 NZ$000 |
|---|---|---|
| **Transactions with Related Parties** | | |
| **MetroPack Limited** | | |
| Advances by Port of Tauranga Limited | 347 | 700 |
| Advances by Tapper Transport Limited | 146 | 500 |
| Services provided by Port of Tauranga Limited | 173 | 13 |
| Services provided to Port of Tauranga Limited | 26 | 0 |
| Accounts payable by Port of Tauranga Limited | 30 | 0 |
| Services provided by Tapper Transport Limited | 1,257 | 910 |
| Accounts receivable by Tapper Transport Limited | 137 | 111 |
| Services provided to Tapper Transport Limited | 454 | 250 |
| Accounts payable by Tapper Transport Limited | 46 | 206 |
| Tax subvention payment received from Port of Tauranga Limited | 353 | 0 |
| Tax subvention payment received from Tapper Transport Limited | 353 | 0 |
| **Port of Tauranga Trustee Company Limited** | | |
| Advances to Port of Tauranga Trustee Company Limited for employees in share ownership plan by Port of Tauranga Limited | 142 | 296 |
| Accounts payable by Port of Tauranga Limited | 12 | 14 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2014 :** PORT OF TAURANGA LIMITED AND SUBSIDIARIES

## 29 RELATED PARTY TRANSACTIONS (CONTINUED)

| | 2014 NZ$000 | 2013 NZ$000 |
|---|---|---|
| **Quality Marshalling Limited** | | |
| Advances by Port of Tauranga Limited | 6,948 | 5,753 |
| Accounts receivable by Port of Tauranga Limited | 264 | 277 |
| Services provided by Port of Tauranga Limited | 103 | 1,260 |
| Accounts payable by Port of Tauranga Limited | 148 | 0 |
| Services provided to Port of Tauranga Limited | 454 | 0 |
| **Tapper Transport Limited** | | |
| Services provided by Port of Tauranga Limited | 45 | 259 |
| Advances by Port of Tauranga Limited | 8,450 | 11,100 |
| Accounts receivable by Port of Tauranga Limited | 10 | 253 |
| Services provided to Port of Tauranga Limited | 0 | 41 |
| Accounts payable by Port of Tauranga Limited | 9 | 0 |
| **Timaru Container Terminal Limited** | | |
| Advances by Port of Tauranga Limited | 590 | 0 |
| Services provided by Port of Tauranga Limited | 90 | 0 |
| Accounts receivable by Port of Tauranga Limited | 13 | 0 |
| Accounts payable by Port of Tauranga Limited | 5 | 0 |
| Sale of fixed assets to Quality Marshalling Limited | 1,195 | 0 |
| **Transactions With Equity Accounted Investees** | | |
| **Cubic Transport Services Limited** | | |
| Services provided to Tapper Transport Limited | 1 | 15 |
| Services provided by Tapper Transport Limited | 575 | 802 |
| Accounts receivable by Tapper Transport Limited | 57 | 50 |
| **MetroBox Auckland Limited** | | |
| Advances by Port of Tauranga Limited | 1,785 | 1,785 |
| Services provided to Tapper Transport Limited | 35 | 39 |
| Accounts payable by Tapper Transport Limited | 6 | 3 |
| **Northport Limited** | | |
| Services provided by Port of Tauranga Limited | 32 | 15 |
| Accounts receivable by Port of Tauranga Limited | 4 | 3 |
| **PortConnect Limited** | | |
| Services provided to Port of Tauranga Limited | 110 | 0 |
| Advances by Port of Tauranga Limited | 1,400 | 0 |
| Accounts payable by Port of Tauranga Limited | 126 | 0 |
| **PrimePort Timaru Limited** | | |
| Services provided to Timaru Container Terminal Limited | 1,272 | 0 |
| Accounts payable by Timaru Container Terminal Limited | 131 | 0 |
| Services provided by Timaru Container Terminal Limited | 4 | 0 |
| Accounts receivable by Timaru Container Terminal Limited | 5 | 0 |
| Accounts receivable by Port of Tauranga Limited | 12 | 0 |

During the year the Parent Company and Tapper Transport Limited made a subvention payment to MetroPack Limited of $353,471 each in exchange for tax losses of the same amount. The payment was offset against loans in each of the individual financial statements and has been eliminated in the Group financial statements.

During the year, 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, forgiven or provided for as doubtful during the year.





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2014 :** PORT OF TAURANGA LIMITED AND SUBSIDIARIES

## 29 RELATED PARTY TRANSACTIONS (CONTINUED)

**Controlling Entity**

Quayside Securities Limited owns 54.94% of the 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, $11,000 (2013: $18,000) and accounts payable by Port of Tauranga Limited, $0 (2013: $2,000).

**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.

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| | 2014 NZ$000 | 2013 NZ$000 | 2014 NZ$000 | 2013 NZ$000 |
| **Directors** | | | | |
| Directors' fees recognised during the period | 504 | 474 | 504 | 474 |
| **Executive Officers** | | | | |
| Executive salaries and short term employee benefits recognised during the period | 2,592 | 2,842 | 2,592 | 2,842 |
| Share based payments recognised during the period (refer to note 25) | 1,545 | 0 | 1,545 | 0 |

All Executive Officers participate in a cash settled share based incentive scheme.

## 30 COMMITMENTS

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| | 2014 NZ$000 | 2013 NZ$000 | 2014 NZ$000 | 2013 NZ$000 |
| **Capital commitments for property, plant and equipment** | | | | |
| Estimated capital commitments for the Group contracted for at balance date but not provided for | 31,373 | 9,205 | 30,108 | 6,505 |

Major capital commitments at 30 June 2014 relate to the purchase of two tugs and 15 hectares of land in Rolleston. Major capital commitments at 30 June 2013 related to the purchase of a container crane.

## 31 CONTINGENT LIABILITIES

At 30 June 2014 for the Group and Parent Company there were no contingent liabilities (2013: nil), other than the contingent consideration referred to in note 7.

## 32 EMPLOYEE SHARE OWNERSHIP PLAN

The Parent Company has an Employee Share Ownership Plan (ESOP), in terms of section DC12 of the Income Tax Act 2007. At the reporting date the ESOP held 0.03% of the Parent Company's share capital in ordinary shares (2013: 0.03%).

To finance the plan the ESOP borrows from the Parent Company interest free, repayable over three years. The ESOP has no external funding. The ESOP has a non beneficial interest in all shares allocated to employees, and a beneficial interest in shares which have not been allocated.

Neither the Parent Company nor its related parties have rights to acquire shares held by the plan.

Employees are able to subscribe for shares up to a value of $2,340 once every three years.

The value of shares issued is set at 90% of the average market price of the share on the day of issue.

At reporting date the Group held 44,650 shares under the ESOP (2013: 46,050 shares), and of these, 43,300 shares (2013: 45,800 shares) were allocated to employees and have been paid up to $300,000 (2013: $145,215), and $143,653 (2013: $313,101) remains to be paid. This is to be repaid over a three year term. No shares are subject to options.

The Trustees of the ESOP are appointed by the Directors of the Parent Company.

The shares held by the ESOP carry the same voting rights as other issued ordinary shares. Voting rights attached to the shares held by Trustees are to be exercised by the Trustees at their discretion in the case of a vote on a poll, or on any particular resolution.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2014 :** PORT OF TAURANGA LIMITED AND SUBSIDIARIES

## 33 SUBSEQUENT EVENTS

**Rolleston**

Port of Tauranga Limited signed an agreement with the Selwyn District Council to purchase 15 hectares of land in the Izone Industrial Park at Rolleston for development as an intermodal freight hub. The Izone development is a 180 hectare industrial park 12 kilometres south of Christchurch, with excellent road and rail connections, which has been established to cater for manufacturing, warehousing and logistics businesses. Port of Tauranga is planning to establish an intermodal freight hub to receive, pack and distribute containerised cargo. The proposed purchase amounted to $15 million and settled on 12 August 2014.

**MetroBox Limited**

Port of Tauranga Limited, KiwiRail Limited and Specialised Container Services (Auckland) Limited have signed a heads of agreement to expand the services of MetroBox Limited (previously MetroBox Auckland Limited) to an additional site at Southdown, Auckland. The arrangement will see the restructure of the ownership of MetroBox Limited, which is currently jointly owned by Port of Tauranga Limited and KiwiRail Limited with the parties holding 50% each. The shareholding in the restructured entity is proposed to be 37.5%, 37.5%, and 25.0% owned by Port of Tauranga Limited, Specialised Container Services (Auckland) Limited, and KiwiRail Limited respectively. The changes are expected to take place in late 2014.

**Kotahi Logistics**

On 1 August 2014 Port of Tauranga Limited issued 2.0 million shares to Kotahi Logistics as part of a strategic 10 year freight alliance. The new arrangement is founded on the following:

- Kotahi has committed to provide up to 1.8 million twenty foot equivalent units (TEU) export cargo containers to the Port of Tauranga over the next 10 years, commencing 1 August 2014;
- Kotahi has committed significant export cargo to Timaru Container Terminal Limited for the next 10 years, commencing 1 August 2014;
- the Port of Tauranga has committed to investment in infrastructure to enable visits from the larger 6,500 TEU container ships within the next few years; and
- Kotahi will receive a 49.9% shareholding in Timaru Container Terminal Limited.

## 34 FINANCIAL INSTRUMENTS

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

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

The Group's overall 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 regularly 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.





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2014 :** PORT OF TAURANGA LIMITED AND SUBSIDIARIES

## 34 FINANCIAL INSTRUMENTS (CONTINUED)

The Group held the following financial instruments at reporting date:

| GROUP 2014 | Designated at Fair Value NZ$000 | Assets Held for Trading Through Profit or Loss NZ$000 | Loans and Receivables NZ$000 | Other Amortised Cost NZ$000 | Total Carrying Amount NZ$000 | Fair Value NZ$000 |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and cash equivalents | 0 | 0 | 1,560 | 0 | 1,560 | 1,560 |
| Receivables and prepayments | 0 | 0 | 38,569 | 0 | 38,569 | 38,761 |
| Derivative financial instruments | 0 | 52 | 0 | 0 | 52 | 52 |
| **Total current assets** | 0 | 52 | 40,129 | 0 | 40,181 | 40,373 |
| **Total assets** | **0** | **52** | **40,129** | **0** | **40,181** | **40,373** |
| **Liabilities** | | | | | | |
| Loans and borrowings | 0 | 0 | 0 | 96,129 | 96,129 | 96,043 |
| Deferred consideration | 0 | 0 | 0 | 500 | 500 | 537 |
| Derivative financial instruments | 3,340 | 0 | 0 | 0 | 3,340 | 3,340 |
| **Total non current liabilities** | 3,340 | 0 | 0 | 96,629 | 99,969 | 99,920 |
| Loans and borrowings | 0 | 0 | 0 | 160,202 | 160,202 | 160,299 |
| Derivative financial instruments | 1,209 | 0 | 0 | 0 | 1,209 | 1,209 |
| Trade and other payables | 0 | 0 | 0 | 19,101 | 19,101 | 19,101 |
| **Total current liabilities** | 1,209 | 0 | 0 | 179,303 | 180,512 | 180,609 |
| **Total liabilities** | **4,549** | **0** | **0** | **275,932** | **280,481** | **280,529** |

| GROUP 2013 | Designated at Fair Value NZ$000 | Loans and Receivables NZ$000 | Other Amortised Cost NZ$000 | Total Carrying Amount NZ$000 | Fair Value NZ$000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Advances and receivables | 0 | 1,857 | 0 | 1,857 | 1,933 |
| **Total non current assets** | 0 | 1,857 | 0 | 1,857 | 1,933 |
| Cash and cash equivalents | 0 | 37,218 | 0 | 37,218 | 37,218 |
| Receivables and prepayments | 0 | 33,234 | 0 | 33,234 | 33,819 |
| Derivative financial instruments | 81 | 0 | 0 | 81 | 81 |
| **Total current assets** | 81 | 70,452 | 0 | 70,533 | 71,118 |
| **Total assets** | **81** | **72,309** | **0** | **72,390** | **73,051** |
| **Liabilities** | | | | | |
| Loans and borrowings | 0 | 0 | 79,767 | 79,767 | 79,813 |
| Deferred consideration | 0 | 0 | 500 | 500 | 517 |
| Derivative financial instruments | 8,692 | 0 | 0 | 8,692 | 8,692 |
| **Total non current liabilities** | 8,692 | 0 | 80,267 | 88,959 | 89,022 |
| Loans and borrowings | 0 | 0 | 146,312 | 146,312 | 146,415 |
| Deferred consideration | 0 | 0 | 1,500 | 1,500 | 1,591 |
| Derivative financial instruments | 812 | 0 | 0 | 812 | 812 |
| Trade and other payables | 0 | 0 | 19,561 | 19,561 | 19,561 |
| **Total current liabilities** | 812 | 0 | 167,373 | 168,185 | 168,379 |
| **Total liabilities** | **9,504** | **0** | **247,640** | **257,144** | **257,401** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2014 :** PORT OF TAURANGA LIMITED AND SUBSIDIARIES

## 34 FINANCIAL INSTRUMENTS (CONTINUED)

| PARENT COMPANY 2014 | Designated at Fair Value NZ$000 | Assets Held for Trading Through Profit or Loss NZ$000 | Loans and Receivables NZ$000 | Other Amortised Cost NZ$000 | Total Carrying Amount NZ$000 | Fair Value NZ$000 |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Advances and receivables | 0 | 0 | 142 | 0 | 142 | 142 |
| **Total non current assets** | 0 | 0 | 142 | 0 | 142 | 142 |
| Cash and cash equivalents | 0 | 0 | 349 | 0 | 349 | 349 |
| Receivables and prepayments | 0 | 0 | 48,372 | 0 | 48,372 | 48,564 |
| Derivative financial instruments | 0 | 52 | 0 | 0 | 52 | 52 |
| **Total current assets** | 0 | 52 | 48,721 | 0 | 48,773 | 48,965 |
| **Total assets** | **0** | **52** | **48,863** | **0** | **48,915** | **49,107** |
| **Liabilities** | | | | | | |
| Loans and borrowings | 0 | 0 | 0 | 95,000 | 95,000 | 94,910 |
| Deferred consideration | 0 | 0 | 0 | 500 | 500 | 537 |
| Derivative financial instruments | 3,340 | 0 | 0 | 0 | 3,340 | 3,340 |
| **Total non current liabilities** | 3,340 | 0 | 0 | 95,500 | 98,840 | 98,787 |
| Loans and borrowings | 0 | 0 | 0 | 160,000 | 160,000 | 160,000 |
| Derivative financial instruments | 1,209 | 0 | 0 | 0 | 1,209 | 1,209 |
| Trade and other payables | 0 | 0 | 0 | 14,822 | 14,822 | 14,822 |
| **Total current liabilities** | 1,209 | 0 | 0 | 174,822 | 176,031 | 176,031 |
| **Total liabilities** | **4,549** | **0** | **0** | **270,322** | **274,871** | **274,818** |

| PARENT COMPANY 2013 | Designated at Fair Value NZ$000 | Loans and Receivables NZ$000 | Other Amortised Cost NZ$000 | Total Carrying Amount NZ$000 | Fair Value NZ$000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Advances and receivables | 0 | 2,104 | 0 | 2,104 | 2,180 |
| **Total non current assets** | 0 | 2,104 | 0 | 2,104 | 2,180 |
| Cash and cash equivalents | 0 | 24,980 | 0 | 24,980 | 24,980 |
| Receivables and prepayments | 0 | 45,777 | 0 | 45,777 | 46,362 |
| Derivative financial instruments | 81 | 0 | 0 | 81 | 81 |
| **Total current assets** | 81 | 70,757 | 0 | 70,838 | 71,423 |
| **Total assets** | **81** | **72,861** | **0** | **72,942** | **73,603** |
| **Liabilities** | | | | | |
| Loans and borrowings | 0 | 0 | 79,000 | 79,000 | 79,000 |
| Deferred consideration | 0 | 0 | 500 | 500 | 517 |
| Derivative financial instruments | 8,692 | 0 | 0 | 8,692 | 8,692 |
| **Total non current liabilities** | 8,692 | 0 | 79,500 | 88,192 | 88,209 |
| Loans and borrowings | 0 | 0 | 146,000 | 146,000 | 146,000 |
| Deferred consideration | 0 | 0 | 1,500 | 1,500 | 1,591 |
| Derivative financial instruments | 812 | 0 | 0 | 812 | 812 |
| Trade and other payables | 0 | 0 | 16,042 | 16,042 | 16,042 |
| **Total current liabilities** | 812 | 0 | 163,542 | 164,354 | 164,445 |
| **Total liabilities** | **9,504** | **0** | **243,042** | **252,546** | **252,654** |





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2014 :** PORT OF TAURANGA LIMITED AND SUBSIDIARIES

## 34 FINANCIAL INSTRUMENTS (CONTINUED)

**(a) Fair Value Estimation**

The fair value of finance lease receivables and finance lease payables, are based upon the net present value of interest and capital payments over their term. The applicable discount rates used in determining the fair value of finance lease receivables and finance lease payables, were 6.55% (2013: 6.18%), and 7.43% (2013: 6.89%).

The fair value of deferred consideration is based upon the net present value of the anticipated future cash outflows. The applicable discount rate used in determining the fair value of deferred consideration was 5.22% (2013: 4.36%).

Further information on the basis for determining fair values is disclosed in note 4.

**(b) Fair Value Hierarchy**

The following table analyses financial instruments classified as either designated at fair value or held for trading through the income statements, by valuation method. Refer to note 4 for details of the different hierarchy level definitions which have been used.

| GROUP AND PARENT COMPANY 2014 | Level 1 NZ$000 | Level 2 NZ$000 | Level 3 NZ$000 | **Total NZ$000** |
|---|---|---|---|---|
| **Assets per the statements of financial position** | | | | |
| Derivative financial instrument assets | 0 | 52 | 0 | **52** |
| **Total assets** | **0** | **52** | **0** | **52** |
| **Liabilities per the statements of financial position** | | | | |
| Derivative financial instrument liabilities | 0 | (4,549) | 0 | **(4,549)** |
| **Total liabilities** | **0** | **(4,549)** | **0** | **(4,549)** |

| GROUP AND PARENT COMPANY 2013 | Level 1 NZ$000 | Level 2 NZ$000 | Level 3 NZ$000 | **Total NZ$000** |
|---|---|---|---|---|
| **Assets per the statements of financial position** | | | | |
| Derivative financial instrument assets | 0 | 81 | 0 | 81 |
| **Total assets** | 0 | 81 | 0 | 81 |
| **Liabilities per the statements of financial position** | | | | |
| Derivative financial instrument liabilities | 0 | (9,504) | 0 | (9,504) |
| **Total liabilities** | 0 | (9,504) | 0 | (9,504) |

There were no transfers between fair value hierarchies during 2014 (2013: nil).

**(c) Credit Risk**

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 Subsidiaries and Equity Accounted Investees, finance lease receivables and derivative instruments.

**Exposure to Credit Risk**

The carrying amount of financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at reporting date was:

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| | **2014 NZ$000** | 2013 NZ$000 | **2014 NZ$000** | 2013 NZ$000 |
| Derivative financial instruments | **52** | 81 | **52** | 81 |
| Advances and receivables | **0** | 1,857 | **142** | 2,104 |
| Receivables and prepayments | **38,569** | 33,234 | **48,372** | 45,777 |
| Cash and cash equivalents | **1,560** | 37,218 | **349** | 24,980 |
| **Total** | **40,181** | 72,390 | **48,915** | 72,942 |

The only significant concentration of credit risk at reporting date relates to bank balances, finance lease receivables for the Genesis equipment lease and advances to Subsidiaries and Equity Accounted Investees. Management are satisfied with the credit quality of all these debtors and does not anticipate any non performance.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2014 :** PORT OF TAURANGA LIMITED AND SUBSIDIARIES

## 34 FINANCIAL INSTRUMENTS (CONTINUED)

The Group adheres to a credit policy that requires each new customer to be analysed individually for credit worthiness 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.

The nature of the Group's business means that the top ten customers account for 49.0% of total Group revenue (2013: 53.8%). The Group is satisfied with the credit quality of these debtors and does not anticipate any non performance.

In the current period there were no sales transactions with single customers which amounted to 10% or more of the Group's revenues.

In the 2013 financial year, the following table sets out revenue attributable to sales transactions with single customers whose business amounts to 10% or more of the Group's revenues, and the operating segments that this revenue is attributed to:

| GROUP 2013 | Port Operations NZ$000 | Total NZ$000 | % |
|---|---|---|---|
| **Customer 1** | **25,676** | **25,676** | **10.5** |

(d) Liquidity Risk

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.

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

| GROUP 2014 | Statements 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 | (256,331) | (279,409) | (163,358) | (3,050) | (50,131) | (11,218) | (51,652) |
| Deferred consideration | (500) | (579) | (25) | (25) | (529) | 0 | 0 |
| Trade and other payables | (19,101) | (19,101) | (19,101) | 0 | 0 | 0 | 0 |
| **Total non derivative financial liabilities** | (275,932) | (299,089) | (182,484) | (3,075) | (50,660) | (11,218) | (51,652) |
| **Derivatives** | | | | | | | |
| Interest rate derivatives outflow | (3,400) | (3,888) | (1,613) | (1,150) | (1,330) | (203) | 408 |
| **Foreign currency derivatives** | | | | | | | |
| Outflow | (1,149) | (20,285) | (14,179) | (6,106) | 0 | 0 | 0 |
| Inflow | 52 | 19,170 | 13,496 | 5,674 | 0 | 0 | 0 |
| **Total derivatives** | (4,497) | (5,003) | (2,296) | (1,582) | (1,330) | (203) | 408 |
| **Total** | **(280,429)** | **(304,092)** | **(184,780)** | **(4,657)** | **(51,990)** | **(11,421)** | **(51,244)** |





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2014 :** PORT OF TAURANGA LIMITED AND SUBSIDIARIES

## 34 FINANCIAL INSTRUMENTS (CONTINUED)

| GROUP 2013 | Statements 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 | (226,079) | (237,448) | (148,134) | (2,083) | (17,182) | (69,768) | (281) |
| Deferred consideration | (2,000) | (2,214) | (86) | (1,549) | (50) | (529) | 0 |
| Trade and other payables | (19,561) | (19,561) | (19,561) | 0 | 0 | 0 | 0 |
| **Total non derivative financial liabilities** | (247,640) | (259,223) | (167,781) | (3,632) | (17,232) | (70,297) | (281) |
| **Derivatives** | | | | | | | |
| Interest rate derivatives outflow | (9,504) | (9,793) | (2,002) | (2,473) | (3,325) | (2,742) | 749 |
| **Foreign currency derivatives** | | | | | | | |
| Outflow | 0 | (3,471) | (3,471) | 0 | 0 | 0 | 0 |
| Inflow | 81 | 3,552 | 3,552 | 0 | 0 | 0 | 0 |
| **Total derivatives** | (9,423) | (9,712) | (1,921) | (2,473) | (3,325) | (2,742) | 749 |
| **Total** | **(257,063)** | **(268,935)** | **(169,702)** | **(6,105)** | **(20,557)** | **(73,039)** | **468** |

| PARENT COMPANY 2014 | Statements 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 | (255,000) | (277,754) | (162,906) | (2,892) | (49,849) | (10,641) | (51,466) |
| Deferred consideration | (500) | (579) | (25) | (25) | (529) | 0 | 0 |
| Trade and other payables | (14,822) | (14,822) | (14,822) | 0 | 0 | 0 | 0 |
| **Total non derivative financial liabilities** | (270,322) | (293,155) | (177,753) | (2,917) | (50,378) | (10,641) | (51,466) |
| **Derivatives** | | | | | | | |
| Interest rate derivatives outflow | (3,400) | (3,888) | (1,613) | (1,150) | (1,330) | (203) | 408 |
| **Foreign currency derivatives** | | | | | | | |
| Outflow | (1,149) | (20,285) | (14,179) | (6,106) | 0 | 0 | 0 |
| Inflow | 52 | 19,170 | 13,496 | 5,674 | 0 | 0 | 0 |
| **Total derivatives** | (4,497) | (5,003) | (2,296) | (1,582) | (1,330) | (203) | 408 |
| **Total** | **(274,819)** | **(298,158)** | **(180,049)** | **(4,499)** | **(51,708)** | **(10,844)** | **(51,058)** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2014 :** PORT OF TAURANGA LIMITED AND SUBSIDIARIES

## 34 FINANCIAL INSTRUMENTS (CONTINUED)

| PARENT COMPANY 2013 | Statements 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 | (225,000) | (236,033) | (147,908) | (1,887) | (16,960) | (69,278) | 0 |
| Deferred consideration | (2,000) | (2,214) | (86) | (1,549) | (50) | (529) | 0 |
| Trade and other payables | (16,042) | (16,042) | (16,042) | 0 | 0 | 0 | 0 |
| **Total non derivative financial liabilities** | (243,042) | (254,289) | (164,036) | (3,436) | (17,010) | (69,807) | 0 |
| **Derivatives** | | | | | | | |
| Interest rate derivatives outflow | (9,504) | (9,793) | (2,002) | (2,473) | (3,325) | (2,742) | 749 |
| **Foreign currency derivatives** | | | | | | | |
| Outflow | 0 | (3,471) | (3,471) | 0 | 0 | 0 | 0 |
| Inflow | 81 | 3,552 | 3,552 | 0 | 0 | 0 | 0 |
| **Total derivatives** | (9,423) | (9,712) | (1,921) | (2,473) | (3,325) | (2,742) | 749 |
| **Total** | **(252,465)** | **(264,001)** | **(165,957)** | **(5,909)** | **(20,335)** | **(72,549)** | **749** |

The following table indicates the periods in which the cash flows associated with derivatives that are cash flow hedges are expected to occur and also impact on the income statements:

| GROUP AND PARENT COMPANY 2014 | Statements 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 |
|---|---|---|---|---|---|---|---|
| **Interest rate swaps** | | | | | | | |
| Liabilities | (3,400) | (3,888) | (1,613) | (1,150) | (1,330) | (203) | 408 |
| **Foreign currency derivatives** | | | | | | | |
| Outflow | (1,149) | (15,609) | (9,503) | (6,106) | 0 | 0 | 0 |
| Inflow | 0 | 14,442 | 8,768 | 5,674 | 0 | 0 | 0 |
| **Total** | **(4,549)** | **(5,055)** | **(2,348)** | **(1,582)** | **(1,330)** | **(203)** | **408** |

| GROUP AND PARENT COMPANY 2013 | Statements 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 |
|---|---|---|---|---|---|---|---|
| **Interest rate swaps** | | | | | | | |
| Liabilities | (9,504) | (9,793) | (2,002) | (2,473) | (3,325) | (2,742) | 749 |
| **Foreign currency derivatives** | | | | | | | |
| Outflow | 0 | (3,471) | (3,471) | 0 | 0 | 0 | 0 |
| Inflow | 81 | 3,552 | 3,552 | 0 | 0 | 0 | 0 |
| **Total** | **(9,423)** | **(9,712)** | **(1,921)** | **(2,473)** | **(3,325)** | **(2,742)** | **749** |

**(e) Market Risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and commodity prices, 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 have been approved by the Board of Directors. Generally the Group seeks to apply hedge accounting in order to manage volatility in the income statements.





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2014 :** PORT OF TAURANGA LIMITED AND SUBSIDIARIES

## 34 FINANCIAL INSTRUMENTS (CONTINUED)

*(i) 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.

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

| | Carrying Amount | | | |
|---|---|---|---|---|
| | GROUP | | PARENT COMPANY | |
| | **2014 NZ$000** | 2013 NZ$000 | **2014 NZ$000** | 2013 NZ$000 |
| **Fixed rate instruments** | | | | |
| Finance lease receivables | **1,857** | 5,344 | **1,857** | 5,344 |
| Fixed rate bond | **(50,000)** | 0 | **(50,000)** | 0 |
| Finance lease payables | **(1,031)** | (934) | **0** | 0 |
| Deferred consideration | **(500)** | (2,000) | **(500)** | (2,000) |
| Interest rate derivatives | **(3,400)** | (9,504) | **(3,400)** | (9,504) |
| **Total** | **(53,074)** | (7,094) | **(52,043)** | (6,160) |
| **Variable rate instruments** | | | | |
| Commercial papers | **(160,000)** | (146,000) | **(160,000)** | (146,000) |
| Standby revolving cash advance facility | **(45,000)** | (79,000) | **(45,000)** | (79,000) |
| Cash balances | **1,560** | 37,218 | **349** | 24,980 |
| **Total** | **(203,440)** | (187,782) | **(204,651)** | (200,020) |

*Sensitivity Analysis*

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 analysis is performed on the same basis for 2013.

| | Profit or Loss | | Cash Flow Hedge Reserve | |
|---|---|---|---|---|
| GROUP | 100 bp Increase NZ$000 | 100 bp Decrease NZ$000 | 100 bp Increase NZ$000 | 100 bp Decrease NZ$000 |
| Variable rate instruments | (1,460) | 1,460 | 0 | 0 |
| Interest rate derivatives | 2,184 | (1,629) | 4,054 | (4,886) |
| **30 June 2014** | **724** | **(169)** | **4,054** | **(4,886)** |
| Variable rate instruments | (1,298) | 1,318 | 0 | 0 |
| Interest rate derivatives | 1,331 | (1,331) | 5,245 | (5,546) |
| **30 June 2013** | **33** | **(13)** | **5,245** | **(5,546)** |

| | Profit or Loss | | Cash Flow Hedge Reserve | |
|---|---|---|---|---|
| PARENT COMPANY | 100 bp Increase NZ$000 | 100 bp Decrease NZ$000 | 100 bp Increase NZ$000 | 100 bp Decrease NZ$000 |
| Variable rate instruments | (1,473) | 1,473 | 0 | 0 |
| Interest rate derivatives | 2,184 | (1,629) | 4,054 | (4,886) |
| **30 June 2014** | **711** | **(156)** | **4,054** | **(4,886)** |
| Variable rate instruments | (1,379) | 1,398 | 0 | 0 |
| Interest rate derivatives | 1,331 | (1,331) | 5,245 | (5,546) |
| **30 June 2013** | **(48)** | **67** | **5,245** | **(5,546)** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2014 :** PORT OF TAURANGA LIMITED AND SUBSIDIARIES

## 34 FINANCIAL INSTRUMENTS (CONTINUED)

(ii) *Currency Risk*

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

The Group does not have any material exposure to currency risk except for the one-off purchases of assets (eg plant and machinery) denominated in foreign currencies. It is Group policy that foreign exchange exposures on imported goods must be hedged by way of foreign exchange forward contracts or options to a minimum of 50% at the time the exposure is known with certainty on all transactions in excess of NZ$200,000.

At 30 June 2014, the Group had entered into forward contracts to purchase USD 12.462 million (2013: EUR 2.095 million) and a foreign currency option to purchase EUR 3.000 million (2013: nil) for capital commitments.

*Sensitivity Analysis*

If, at reporting date, a 10% strengthening/weakening of the above currency against the New Zealand dollar occurred with all other variables held constant, it would increase/(decrease) post tax profit or loss and the cash flow hedge reserve by the amounts shown below. The analysis is performed in the same basis for 2013.

| | Profit or Loss | | Cash Flow Hedge Reserve | |
|---|---|---|---|---|
| **GROUP AND PARENT COMPANY** | 10% Increase NZ$000 | 10% Decrease NZ$000 | 10% Increase NZ$000 | 10% Decrease NZ$000 |
| **Foreign currency derivatives 30 June 2014** | **(37)** | **414** | **(943)** | **1,156** |
| **Foreign currency derivatives 30 June 2013** | 0 | 0 | (174) | 344 |

(iii) *Commodity Price Risk*

The Group manages commodity price risks through the use of negotiated supply contracts and commodity derivatives. The negotiated supply contracts are for the purpose of receipt in accordance with the Group's expected usage requirements only and are not accounted for as financial instruments.

The Group uses commodity derivatives and fuel swap agreements, to reduce the impact of price changes on fuel costs in accordance with Group policy. Up to 75% of the next twelve months' operating fuel costs may be hedged via commodity derivatives. At 30 June 2014, the Group had no commodity derivative contracts outstanding (2013: nil).

(f) **Capital Management**

The Board'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 Board endeavours to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. 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 dividend payout is maintained between a level of between 70% and 100% of surplus after tax.

The Group and Parent Company are required to comply with certain financial covenants in respect of external borrowings namely that: interest cover is to be maintained at a minimum of 2.5 times; shareholders' funds as a percentage of total tangible assets must exceed 45% at all times; and total tangible assets and earnings before interest and taxes (EBIT) for the Parent Company must at all times exceed 85% of total tangible assets and EBIT respectively for the Group.

There have been no changes in the Group's approach to capital management during the year.

The Port of Tauranga Limited has complied with all capital management policies and covenants during the reporting periods.





# FINANCIAL AND OPERATIONAL FIVE YEAR SUMMARY

**AS AT 30 JUNE 2014 :** PORT OF TAURANGA LIMITED AND SUBSIDIARIES

## FINANCIAL

| | **Year 2014 $000** | Year 2013 $000 | Year 2012 $000 | Year 2011 $000 | Year 2010 $000 |
|---|---|---|---|---|---|
| Operating income | **266,538** | 244,147 | 227,242 | 185,374 | 148,076 |
| EBITDa | **142,565** | 134,992 | 128,898 | 108,868 | *93,516 |
| Surplus after taxation – reported | **78,252** | 112,123 | 73,469 | 58,398 | 38,016 |
| Surplus after taxation – underlying | **78,252** | 77,228 | 73,469 | 57,922 | 49,403 |
| Dividends paid related to earnings | **63,035** | 63,035 | 44,258 | 40,224 | 36,193 |
| Total equity | **812,419** | 793,878 | 733,874 | 700,252 | 668,468 |
| Net interest bearing debt | **254,471** | 190,787 | 187,183 | 188,795 | 198,528 |
| Total assets | **1,154,883** | 1,112,581 | 1,033,878 | 990,468 | 956,273 |
| Interest cover (times) | **7.8** | 8.3 | 8.2 | 6.6 | 6.3 |
| Shareholders' equity (%) | **70.3** | 71.4 | 71.0 | 70.7 | 69.9 |
| Return on average equity (%) | **9.7** | 10.1 | 10.2 | 8.5 | 7.5 |
| Share price ($) | **15.45** | 13.90 | 11.08 | 8.85 | 6.65 |
| Market capitalisation ($) | **2,072,096** | 1,864,215 | 1,486,008 | 1,186,742 | 891,629 |
| Net asset backing per share ($) | **6.06** | 5.92 | 5.47 | 5.22 | 4.99 |
| Underlying earnings per share (cents per share) | **58.3** | 57.6 | 54.8 | 43.6 | 36.9 |

**Includes $2.352 million negative revaluation movement.*

The Board approved a final dividend of 29.0 cents per share ($39.5 million) after year end payable on 3 October 2014.

## OPERATIONAL

| | **Year 2014** | Year 2013 | Year 2012 | Year 2011 | Year 2010 |
|---|---|---|---|---|---|
| Cargo throughput (000 tonnes) | **19,737** | 19,065 | 18,452 | 15,390 | 13,748 |
| Containers (TEU) | **759,587** | 848,384 | 796,024 | 590,506 | 511,343 |
| Net crane rate (container moves per hour)* | **36.9** | 34.5 | 30.6 | 35.0 | 35.1 |
| Ship departures | **1,612** | 1,529 | 1,501 | 1,329 | 1,225 |
| Berth occupancy (%) | **43** | 40 | 40 | 34 | 30 |
| Total cargo ship days in port | **2,364** | 2,232 | 2,189 | 1,839 | 1,661 |
| Turn-around time per cargo ship (days) | **1.5** | 1.5 | 1.4 | 1.4 | 1.4 |
| Cargo tonnes per ship | **12,921** | 12,469 | 12,123 | 11,606 | 11,223 |
| Average cargo ship gross tonnage (GT) | **24,924** | 24,641 | 22,435 | 21,491 | 20,675 |
| Average cargo ship length overall (metres) | **187** | 187 | 179 | 177 | 174 |
| Number of employees – Port of Tauranga Limited | **191** | 185 | 169 | 158 | 155 |
| Lost time injuries (LTI – frequency)** | **3.1** | 14.1 | 5.9 | 6.2 | 18.6 |
| Total injury (frequency rate) | **3.1** | 31.0 | 26.8 | 21.7 | 46.5 |

**As measured by the Australian Productivity Commission.*
***Number of lost time claims per million hours worked.*

Operational data relates to the Parent Company as opposed to the Group.