

PORT OF
TAURANGA



INTERIM REPORT 2014

20:14:00 

*Kota Loceng and Noble Regor working
at the Tauranga Container Terminal*



NEW ZEALAND'S

Port for the Future 

INTERIM REPORT 2014

FOR THE SIX MONTHS ENDED 31 DECEMBER 2014 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

We are pleased to report on a successful year to date for Port of Tauranga, as well as an exciting new development that will see us merge our logistics businesses with those of freight management company Kotahi.

HALF YEAR REVIEW

Reported net profit for the half year rose 8.2% to \$42.6 million from \$39.3 million in the same period last year. Underlying profit, which excludes one-off items, fell slightly to \$38.5 million from \$39.3 million last year. In the period Port of Tauranga made a \$4.1 million gain relating largely to the sale of a 49.9% stake in Timaru Container Terminal to Kotahi.

The Board has declared an interim dividend of 22 cents per share, an increase of 4.8% on the previous corresponding period.

CARGO TRENDS

Imports increased 16.8% to 3.6 million tonnes compared to the same period in the prior year. Fertiliser imports grew by 19% to 325,000 tonnes, while stock feed supplements grew by 31.9% to 704,000 tonnes. Other significant increases included cement (up by 61.9% in volume to 93,000 tonnes) and dry chemicals (up 10.7% to 75,000 tonnes).

Container numbers handled grew from 381,107 TEU (twenty foot equivalent units) to 426,512 TEU.

Export volumes dropped by 5.9% overall to 6.4 million tonnes, largely due to a fall in log export volumes which were down 17% to 2,821,000 tonnes. Port of Tauranga expects log volumes to be similar in the six months to 30 June 2015.

Ship departures have decreased from 821 to 746, due to fewer log and container vessels.

Meanwhile, milk powder exports handled by the port increased 10.9% as new volume agreements with Kotahi took effect. Frozen meat exports increased 42.9% to 262,000 tonnes.

Kiwifruit volumes are recovering from the impact of PSA, and grew 2.9% to 336,000 tonnes, compared to the previous comparative period.

Trans-shipped containers, when cargo is transferred from one ship to another at Tauranga, increased by 28.9%, reflecting the emergence of Tauranga as a national hub port and international freight gateway.

Trans-shipped volumes will continue to increase as our strategic alliance with PrimePort Timaru reaps benefits for South Island-based importers and exporters wishing to access the international services calling at Tauranga.

Tauranga Container Terminal



INTERIM REPORT 2014

FOR THE SIX MONTHS ENDED 31 DECEMBER 2014 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

Timaru Container Terminal



We have been pleased with the warm welcome we have received from South Island customers in the year since the alliance was formed and we took over operation of the Timaru Container Terminal.

OPERATIONAL DEVELOPMENTS

During the period we made excellent progress, reinforcing our position as New Zealand's pre-eminent freight gateway.

Last year's agreements with Kotahi are already delivering for Port of Tauranga shareholders. Following Kotahi's container volume commitments, Maersk Line relocated its "Southern Star" service to Port of Tauranga, driving increased container traffic through the port.

Port of Tauranga's expansion of its South Island operations continues with the granting of a resource consent to develop a 15 hectare intermodal freight hub at Rolleston, 12 kilometres south of Christchurch.

The hub will allow South Island importers and exporters to efficiently access Port of Tauranga's container terminal at Timaru. It will enable the receipt, packing and distribution of containerised cargo and the provision of empty container depot services. Construction is underway and the facility is expected to be operational by May 2015.

Meanwhile, in March 2015 Port of Tauranga will put out to international tender the dredging of the Tauranga harbour channels. The work is scheduled to be completed by August 2016. The Port will also soon take delivery of two new tug boats capable of handling the larger vessels we expect to be regularly visiting Tauranga.

The Board has approved the purchase of two new super post-panamax gantry cranes to provide the crane intensity needed to handle our projections of over 1 million TEUs, once big ships commence calling in our 2017 financial year.

NEW FREIGHT ALLIANCE

With freight and logistics management company Kotahi, Port of Tauranga has formed a new logistics joint venture named Coda Group. The venture is designed to create leaner, more efficient pathways to and from distribution centres and key New Zealand ports. It combines Kotahi's Dairy Transport Logistics with Port of Tauranga's subsidiary Tapper Transport, its container packing and unpacking facility MetroPack, and its 37.5% shareholding in empty container repair and storage business MetroBox.

Coda Group will deliver significant transport efficiencies across the supply chain by improving connectivity between freight hubs and driving freight consolidation.

OUTLOOK

Port of Tauranga Group is well positioned to capitalise on the ongoing trends of larger cargo volumes being carried by increasingly larger vessels.

Trade volumes are expected to improve over the second half of the year. However given the downturn in the forestry sector we expect our full year underlying group net profit after tax to be in line with last year's result.

David Pilkington
CHAIRMAN

Mark Cairns
CHIEF EXECUTIVE

CONSOLIDATED INCOME STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2014 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

	(Unaudited) Six Months Ended 31 December 2014 Group NZ\$000	(Unaudited) Six Months Ended 31 December 2013 Group NZ\$000	(Audited) Year Ended 30 June 2014 Group NZ\$000
Revenue	136,269	137,110	266,273
Other income	73	1	265
Operating income	136,342	137,111	266,538
Contracted services for port operations	(24,388)	(22,440)	(43,369)
Contracted services for transport operations	(3,397)	(2,679)	(4,809)
Employee benefit expenses	(22,424)	(22,211)	(41,549)
Direct fuel and power expenses	(5,420)	(6,491)	(12,329)
Maintenance of property, plant and equipment	(8,474)	(7,947)	(14,605)
Other expenses	(7,678)	(8,599)	(17,605)
Operating expenses	(71,781)	(70,367)	(134,266)
Results from operating activities	64,561	66,744	132,272
Depreciation and amortisation	(11,835)	(11,138)	(22,389)
Impairment of property, plant and equipment	0	0	(160)
	(11,835)	(11,138)	(22,549)
Operating profit before finance costs and taxation	52,726	55,606	109,723
Finance income	1,157	647	1,124
Finance expenses (refer note 7)	(8,273)	(7,293)	(15,406)
Net finance costs	(7,116)	(6,646)	(14,282)
Fair value gain recognised on loss of control of Subsidiary (refer note 10)	4,731	0	0
Share of profit from equity accounted investees	4,872	4,059	9,370
Profit before income tax	55,213	53,019	104,811
Income tax expense	(12,642)	(13,677)	(26,559)
Profit for the period	42,571	39,342	78,252
Attributable to:			
Owners of the Parent Company	42,571	39,342	78,252
Profit for the period	42,571	39,342	78,252
Basic and diluted earnings per share attributable to ordinary equity holders of the Parent Company (cents)	31.3	29.3	58.3
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 (refer note 5)	38,508	39,342	78,252
Underlying earnings per share (cents)	28.3	29.3	58.3

These statements are to be read in conjunction with the notes on pages 7 to 14.


CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 FOR THE SIX MONTHS ENDED 31 DECEMBER 2014 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

	(Unaudited) Six Months Ended 31 December 2014 Group NZ\$000	(Unaudited) Six Months Ended 31 December 2013 Group NZ\$000	(Audited) Year Ended 30 June 2014 Group NZ\$000
Profit for the period	42,571	39,342	78,252
Other comprehensive income			
Effective portion of changes in fair value of cash flow hedges, net of tax	(3,354)	2,961	36
Change in fair value of cash flow hedges transferred to the income statements, net of tax	828	1,412	3,157
Changes in cash flow hedges transferred to property, plant and equipment, net of tax	247	(58)	(58)
Share of net change in cash flow hedge reserves of equity accounted investees	(118)	244	181
	(2,397)	4,559	3,316
Items that will never be reclassified to profit or loss:			
Share of net change in revaluation reserves of equity accounted investees	0	0	(8)
	0	0	(8)
Total other comprehensive income	(2,397)	4,559	3,308
Total comprehensive income	40,174	43,901	81,560
Attributable to:			
Owners of the Parent Company	40,174	43,901	81,560
Total comprehensive income	40,174	43,901	81,560

These statements are to be read in conjunction with the notes on pages 7 to 14.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 2014 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

	Share Capital Group NZ\$000	Share- based Payment Reserve Group NZ\$000	Hedging Reserve Group NZ\$000	Revaluation Reserve Group NZ\$000	Retained Earnings Group NZ\$000	Total Group NZ\$000
Balance at 30 June 2013	68,381	0	(7,002)	598,905	133,594	793,878
Profit for the period	0	0	0	0	39,342	39,342
Total other comprehensive income	0	0	4,559	0	0	4,559
Total comprehensive income	0	0	4,559	0	39,342	43,901
Increase in share capital	7	0	0	0	0	7
Dividends paid during the period (refer note 8)	0	0	0	0	(34,870)	(34,870)
Total transactions with owners in their capacity as owners	7	0	0	0	(34,870)	(34,863)
Balance at 31 December 2013	68,388	0	(2,443)	598,905	138,066	802,916
Profit for the period	0	0	0	0	38,910	38,910
Total other comprehensive income	0	0	(1,243)	(8)	0	(1,251)
Total comprehensive income	0	0	(1,243)	(8)	38,910	37,659
Increase in share capital	9	0	0	0	0	9
Dividends paid during the period	0	0	0	0	(28,165)	(28,165)
Total transactions with owners in their capacity as owners	9	0	0	0	(28,165)	(28,156)
Balance at 30 June 2014	68,397	0	(3,686)	598,897	148,811	812,419
Profit for the period	0	0	0	0	42,571	42,571
Total other comprehensive income	0	0	(2,397)	0	0	(2,397)
Total comprehensive income	0	0	(2,397)	0	42,571	40,174
Decrease in share capital	(137)	0	0	0	0	(137)
Dividends paid during the period (refer note 8)	0	0	0	0	(39,474)	(39,474)
Equity settled share-based payment	0	504	0	0	0	504
Total transactions with owners in their capacity as owners	(137)	504	0	0	(39,474)	(39,107)
Balance at 31 December 2014	68,260	504	(6,083)	598,897	151,908	813,486

These statements are to be read in conjunction with the notes on pages 7 to 14.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

	(Unaudited) 31 December 2014 Group NZ\$000	(Unaudited) 31 December 2013 Group NZ\$000	(Audited) 30 June 2014 Group NZ\$000
Assets			
Property, plant and equipment (refer note 12)	1,012,341	965,042	998,742
Intangible assets	43,440	43,133	43,873
Investments in equity accounted investees	77,727	69,610	71,079
Total non current assets	1,133,508	1,077,785	1,113,694
Cash and cash equivalents	11,120	8,626	1,560
Receivables and prepayments	41,185	39,567	38,569
Inventories	969	1,163	1,008
Derivative financial instruments	12	0	52
Total current assets	53,286	49,356	41,189
Total assets	1,186,794	1,127,141	1,154,883
Equity			
Share capital	68,260	68,388	68,397
Share-based payment reserve (refer note 9)	504	0	0
Hedging reserve	(6,083)	(2,443)	(3,686)
Revaluation reserve	598,897	598,905	598,897
Retained earnings	151,908	138,066	148,811
Total equity attributable to owners of the Parent Company	813,486	802,916	812,419
Total equity	813,486	802,916	812,419
Liabilities			
Loans and borrowings	97,244	131,084	96,129
Deferred consideration	500	500	500
Derivative financial instruments (refer note 15)	6,473	3,265	3,340
Provisions	1,430	1,186	1,752
Deferred tax liabilities	46,602	48,767	48,718
Total non current liabilities	152,249	184,802	150,439
Loans and borrowings	195,315	110,629	160,202
Deferred consideration	0	1,500	0
Derivative financial instruments (refer note 15)	732	143	1,209
Trade and other payables	19,962	19,045	19,101
Provisions	1,311	2,505	2,043
Provision for tax	3,739	5,601	9,470
Total current liabilities	221,059	139,423	192,025
Total liabilities	373,308	324,225	342,464
Total equity and liabilities	1,186,794	1,127,141	1,154,883

These statements are to be read in conjunction with the notes on pages 7 to 14.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2014 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

	(Unaudited) Six Months Ended 31 December 2014 Group NZ\$000	(Unaudited) Six Months Ended 31 December 2013 Group NZ\$000	(Audited) Year Ended 30 June 2014 Group NZ\$000
Cash flows from operating activities			
Cash inflows	135,237	132,850	262,756
Cash outflows	(100,524)	(99,123)	(180,398)
Net cash inflow from operating activities	34,713	33,727	82,358
Cash flows from investing activities			
Cash inflows	6,797	6,549	12,553
Cash outflows	(28,310)	(48,907)	(97,205)
Net cash used in investing activities	(21,513)	(42,358)	(84,652)
Cash flows from financing activities			
Cash inflows	35,834	51,088	64,171
Cash outflows	(39,474)	(71,049)	(97,535)
Net cash used in financing activities	(3,640)	(19,961)	(33,364)
Net increase/(decrease) in cash and cash equivalents	9,560	(28,592)	(35,658)
Add opening cash brought forward	1,560	37,218	37,218
Ending cash carried forward	11,120	8,626	1,560
RECONCILIATION OF PROFIT FOR THE PERIOD TO CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period	42,571	39,342	78,252
Adjustments for non cash and non operating items			
Finance lease interest revenue	(258)	(445)	(771)
Depreciation and amortisation expense	11,835	11,138	22,389
Decrease in deferred taxation expense	(1,040)	(1,369)	(2,119)
Share of surpluses retained by equity accounted investees	(4,872)	(4,059)	(9,370)
Fair value gain recognised on loss of control of Subsidiary (refer note 10)	(4,731)	0	0
Other	400	(1,286)	(911)
	1,334	3,979	9,218
Less movements in working capital	(9,192)	(9,594)	(5,112)
Net cash flows from operating activities	34,713	33,727	82,358

These statements are to be read in conjunction with the notes on pages 7 to 14.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2014 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

1 Reporting Entity

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

The unaudited interim financial statements (the "financial statements") for Port of Tauranga Limited comprise the Port of Tauranga Limited, its subsidiaries, and the Group's interest in equity accounted investees (together referred to as the "Group").

2 Basis of Preparation

These financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP") and New Zealand International Accounting Standard ("NZ IAS") 34 Interim Financial Reporting. They do not include all information required for full annual financial statements and should be read in conjunction with the annual financial statements and related notes included in Port of Tauranga Limited's Annual Report for the year ended 30 June 2014.

3 Significant Accounting Policies

Except as described below, the accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2014.

Two new policies, relating to equity-settled share-based payment transactions (refer note 9), and loss of control (refer note 10), have been adopted during the six months ended 31 December 2014.

Equity-settled Share-based Payment Transactions

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

Loss of Control of Subsidiary

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

The following new standards, amendment to standards and interpretations are effective for annual periods beginning after 1 July 2015, and has not been applied in preparing these financial statements.

New Zealand International Financial Reporting Standards ("NZ IFRS") 9 Financial Instruments

This standard was issued on 24 July 2014 and affects the classification and measurement of financial assets and also widens the scope on impairment judgements. The standard will be effective for annual periods beginning on or after 1 January 2018, and will be applied retrospectively with some exemptions. Early adoption is permitted.

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.

NZ IFRS 15 Revenue From Contracts With Customers

This standard was issued by the International Accounting Standards Board ("IASB") on 28 May 2014. The standard replaces NZ IAS 11 *Construction Contracts*, NZ IAS 18 *Revenue*, IFRS Interpretations Committee ("IFRIC") 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers* and Standards Interpretations Committee ("SIC") 31 *Revenue - Barter Transactions Involving Advertising Services*.

The new standard applies to contracts with customers and is effective for annual periods beginning on or after 1 January 2017, with the early adoption permitted under NZ IFRS.

Management is currently in the process of evaluating the potential effect of the adoption of NZ IFRS 15.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2014 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

4 Accounting Estimates and Judgements

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

In preparing these financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty, were the same as those applied to the Group's consolidated financial statements for the year ended 30 June 2014, other than those referred to in notes 9, 10 and 11.

5 Underlying Profit After Tax (Non Statutory Disclosure)

	Six Months Ended 31 December 2014 Group NZ\$000	Six Months Ended 31 December 2013 Group NZ\$000
Reported profit after tax	42,571	39,342
Fair value gain recognised on loss of control of Subsidiary (refer note 10)	(4,731)	0
Impairment of goodwill in MetroBox Limited (refer note 11)	668	0
Underlying profit after tax	38,508	39,342

6 Segment Information

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

The Group operates in four main reportable segments, being:

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

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2014 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

6 Segment Information (Continued)

Six Months Ended 31 December 2014	Port Operations Group NZ\$000	Property Services Group NZ\$000	Unallocated ⁽¹⁾ Group NZ\$000	Transport Services Group NZ\$000	Marshalling Services Group NZ\$000	Group NZ\$000
Total segment revenue (external)	98,685	11,791	0	19,903	5,890	136,269
Other income and expenditure:						
Share of profit from equity accounted investees	0	0	4,872	0	0	4,872
Interest income	0	0	319	0	0	319
Other income	0	0	5,582	0	60	5,642
Interest expense	0	0	(8,210)	(63)	0	(8,273)
Depreciation and amortisation expense	0	0	(9,498)	(1,173)	(1,164)	(11,835)
Other unallocated expenditure	0	0	(50,863)	(16,421)	(4,497)	(71,781)
Income tax expense	0	0	(11,956)	(663)	(23)	(12,642)
Total other income and expenditure	0	0	(69,754)	(18,320)	(5,624)	(93,698)
Total segment result	98,685	11,791	(69,754)	1,583	266	42,571

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

Six Months Ended 31 December 2013	Port Operations Group NZ\$000	Property Services Group NZ\$000	Unallocated ⁽¹⁾ Group NZ\$000	Transport Services Group NZ\$000	Marshalling Services Group NZ\$000	Group NZ\$000
Total segment revenue (external)	95,086	10,680	0	18,951	12,393	137,110
Other income and expenditure:						
Share of profit from equity accounted investees	0	0	4,059	0	0	4,059
Interest income	0	0	633	8	6	647
Other income	0	0	1	0	0	1
Interest expense	0	0	(6,242)	(64)	(1,008)	(7,314)
Depreciation and amortisation expense	0	0	(9,283)	(1,123)	(732)	(11,138)
Other unallocated expenditure	0	0	(46,784)	(15,452)	(8,110)	(70,346)
Income tax expense	0	0	(12,311)	(652)	(714)	(13,677)
Total other income and expenditure	0	0	(69,927)	(17,283)	(10,558)	(97,768)
Total segment result	95,086	10,680	(69,927)	1,668	1,835	39,342

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2014 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

7 Finance Expenses

	Six Months Ended 31 December 2014 Group NZ\$000	Six Months Ended 31 December 2013 Group NZ\$000
Interest expense on borrowings	8,256	7,368
Less:		
Interest capitalised to property, plant and equipment	(71)	(208)
	8,185	7,160
Interest on finance leases	63	64
Interest on deferred consideration	25	90
Ineffective portion of changes in fair value of cash flow hedges	0	(21)
Total finance expenses	8,273	7,293

8 Dividends

The following dividends were paid by the Group:

	Six Months Ended 31 December 2014 Group NZ\$000	Six Months Ended 31 December 2013 Group NZ\$000
Final dividend of 29.0 cents per share (2013: 26.0 cps)	39,474	34,870

9 Share-Based Payment Reserve

	Six Months Ended 31 December 2014 Group NZ\$000	Six Months Ended 31 December 2013 Group NZ\$000
Opening balance	0	0
Increase in reserve	504	0
Balance at end of the period	504	0

On 1 August 2014 the Parent Company issued 2.0 million shares as a volume rebate to Kotahi Logistics LP ("Kotahi") as part of a 10 year freight alliance. The shares are subject to a call option allowing the Parent Company to "call" shares back at zero cost if Kotahi fails to meet the volume commitments specified in the Volume Commitment Agreement.

The increase in the reserve recognises the shares earned based on containers delivered during the period.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2014 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

10 Loss of Control Over Subsidiary

Partial Disposal of Group's Interest in Timaru Container Terminal Limited

On 1 August 2014, the Parent Company sold a 49.9% shareholding in Timaru Container Terminal Limited to Kotahi in exchange for a Container Volume Commitment Agreement.

Under the terms of the agreement, Kotahi has committed to providing an agreed number of containers per annum to the Timaru Container Terminal Limited over a ten year period. If Kotahi does not meet its contractual volumes, it is required to compensate Timaru Container Terminal Limited. If the agreement is terminated by either party prior to the expiry date of the agreement, the shares held by Kotahi are required to be sold to the Parent Company at fair market value.

If after ten years Kotahi renews its volume commitment, at current levels, it will retain its 49.9% interest in Timaru Container Terminal Limited for the new term. If Kotahi does not renew its volume commitment, or renews its volume commitment at a volume less than the current volume, Kotahi's shareholding in Timaru Container Terminal Limited is adjusted on a pro-rata basis and any forfeited shares are required to be sold to the Parent Company at fair market value.

The following table summarises the consideration received, the carrying amount of the former Subsidiary's net assets which have been derecognised and the fair value of the Group's retained non controlling investment in Timaru Container Terminal Limited:

	NZ\$000
Loss of control over Timaru Container Terminal Limited	
Total consideration received	0
Carrying amount of the former Subsidiary's net assets	(269)
Fair value of retained non controlling interest	5,000
Fair value gain recognised on loss of control of Subsidiary	4,731

The Group's retained 50.1% non controlling interest in Timaru Container Terminal Limited has now been classified as a joint venture.

11 Investments in Equity Accounted Investees

MetroBox Limited Restructure

On 1 December 2014, MetroBox Limited ("MetroBox") restructured its business by purchasing the Auckland operations of Specialised Container Services (Auckland) Limited ("SCS") in exchange for a 50% shareholding in MetroBox. MetroBox issued 8,776,748 new shares to SCS as part of the transaction, which diluted the Parent Company's shareholding in MetroBox from 50% to 25%.

The fair value of both MetroBox and the Auckland operations of SCS were determined to be \$3.000 million each, prior to sale. As a result of this valuation, MetroBox impaired goodwill on its statement of financial position. An impairment charge of \$0.668 million has been recognised by the Group within the share of profit from equity accounted investees in the current period.

Post the MetroBox restructure, the Parent Company purchased an additional 12.5% shareholding (2,194,187 shares) from SCS for \$0.750 million, increasing the Parent Company's shareholding in MetroBox to 37.5%.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2014 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

12 Property, Plant and Equipment

Acquisitions and Disposals

During the six months ended 31 December 2014, the Group acquired assets with a cost of \$25.640 million (six months ended 31 December 2013: \$28.857 million).

During the six months ended 31 December 2014, the Group disposed of assets with a carrying value of \$0.117 million (six months ended 31 December 2013: \$0.389 million).

13 Related Party Transactions

During the period the Parent Company has had the following transactions with related parties:

	Six Months Ended 31 December 2014 NZ\$000	Six Months Ended 31 December 2013 NZ\$000
Transactions With Equity Accounted Investees		
Services provided to Tapper Transport Limited	63	28
Services provided by Tapper Transport Limited	320	321
Accounts receivable by Tapper Transport Limited	55	36
Accounts payable by Tapper Transport Limited	26	5
Services provided to Port of Tauranga Limited	75	0
Services provided by Port of Tauranga Limited	142	15
Accounts receivable by Port of Tauranga Limited	28	4
Accounts payable by Port of Tauranga Limited	29	0
Advances by Port of Tauranga Limited	4,339	1,785
Services provided to Timaru Container Terminal Limited	711	177
Services provided by Timaru Container Terminal Limited	12	0
Accounts receivable by Timaru Container Terminal Limited	3	0
Accounts payable by Timaru Container Terminal Limited	158	178

The following table shows the Group's change in shareholdings relevant to 31 December 2014:

Related Party	31 December 2014 % Ownership	31 December 2013 % Ownership
Timaru Container Terminal Limited	50.10	100.00
PortConnect Limited	50.00	0
MetroBox Limited (previously MetroBox Auckland Limited)	37.50	50.00

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2014 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

13 Related Party Transactions (Continued)

During the six months ended 31 December 2014 the Group entered into transactions with companies in which Group Directors hold directorships. These directorships have not resulted in the Group having a significant influence over the operations, policies, or key decisions of these companies.

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

Controlling Entity

Quayside Securities Limited owns 54.14% (as at 31 December 2013: 54.94%) of the issued ordinary shares in Port of Tauranga Limited.

Quayside Securities Limited is beneficially owned by Bay of Plenty Regional Council, the Ultimate Controlling Party. Transactions with the Ultimate Controlling Party during the period include services provided to Port of Tauranga Limited \$11,506 (six months ended 31 December 2013: \$10,000).

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.

	Six Months Ended 31 December 2014 Group NZ\$000	Six Months Ended 31 December 2013 Group NZ\$000
Short term employee benefits		
Directors' fees	258	266
Executive salaries	1,536	2,159

14 Commitments

	Six Months Ended 31 December 2014 Group NZ\$000	Six Months Ended 31 December 2013 Group NZ\$000
Capital commitments		
Estimated capital commitments for the Group contracted for at the reporting date but not provided for	21,199	55,029

Capital commitments at 31 December 2014 relate to the purchase of two tugs, a container crane, two straddles and a container handler.

Capital commitments at 31 December 2013 related to the purchase of Gateside Industrial Park in Auckland, two tugs, a container crane, a number of small items of operational plant, and a contribution to the Ngā Mātarae Charitable Trust.

15 Financial Instruments

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

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

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

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

16 Subsequent Events

Formation of Coda Group

On 19 February 2015 Port of Tauranga Limited and Kotahi announced the merger of four of their complementary logistics businesses to form Coda Group. Coda Group is intending to deliver significant transport efficiencies across the supply chain by driving the consolidation of traffic and improving connectivity between freight hubs across the country.

Key elements of the merger are:

- a new 50:50 joint venture named Coda Group which will be formed;
- Kotahi will contribute their logistics and transport company, Dairy Transport Logistics, to the joint venture;
- Port of Tauranga will contribute its wholly-owned subsidiaries Tapper Transport Limited, MetroPack Limited, and its 37.5% shareholding in MetroBox Limited, to the joint venture; and
- the transaction is expected to be completed by 1 May 2015.

Fixed Rate Bond

On 29 January 2015 the Parent Company issued a six year \$75 million fixed rate bond, bearing an interest rate of 4.792% per annum. Interest is payable every six months on 29 January and 29 July, and the bond has a final maturity in January 2021.



COMPANY DIRECTORY

PORT OF TAURANGA LIMITED

DIRECTORS

D A Pilkington, *Chairman*

A W Baylis

J M Cronin

K R Ellis

A R Lawrence

M J Smith

Sir Dryden Spring (retired 23 October 2014)

K Tempest

EXECUTIVE

M C Cairns, *Chief Executive*

S G Gray, *Chief Financial Officer*

S M Lunam, *Corporate Services Manager*

L E Sampson, *Commercial Manager*

D A Kneebone, *Property Manager*

REGISTERED OFFICE

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SHARE REGISTRY

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

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Victoria Street West

Auckland 1142

New Zealand

Telephone 09 375 5998

Facsimile 09 375 5990

Email enquiries@linkmarketservices.com

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







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