KPMG

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF PORT OF TAURANGA LIMITED AND GROUP'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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 45 to 95, that comprise the statement of financial position as at 30 June 2013, 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 45 to 95:

- 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 2013; 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 22 August 2013. 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 also 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.

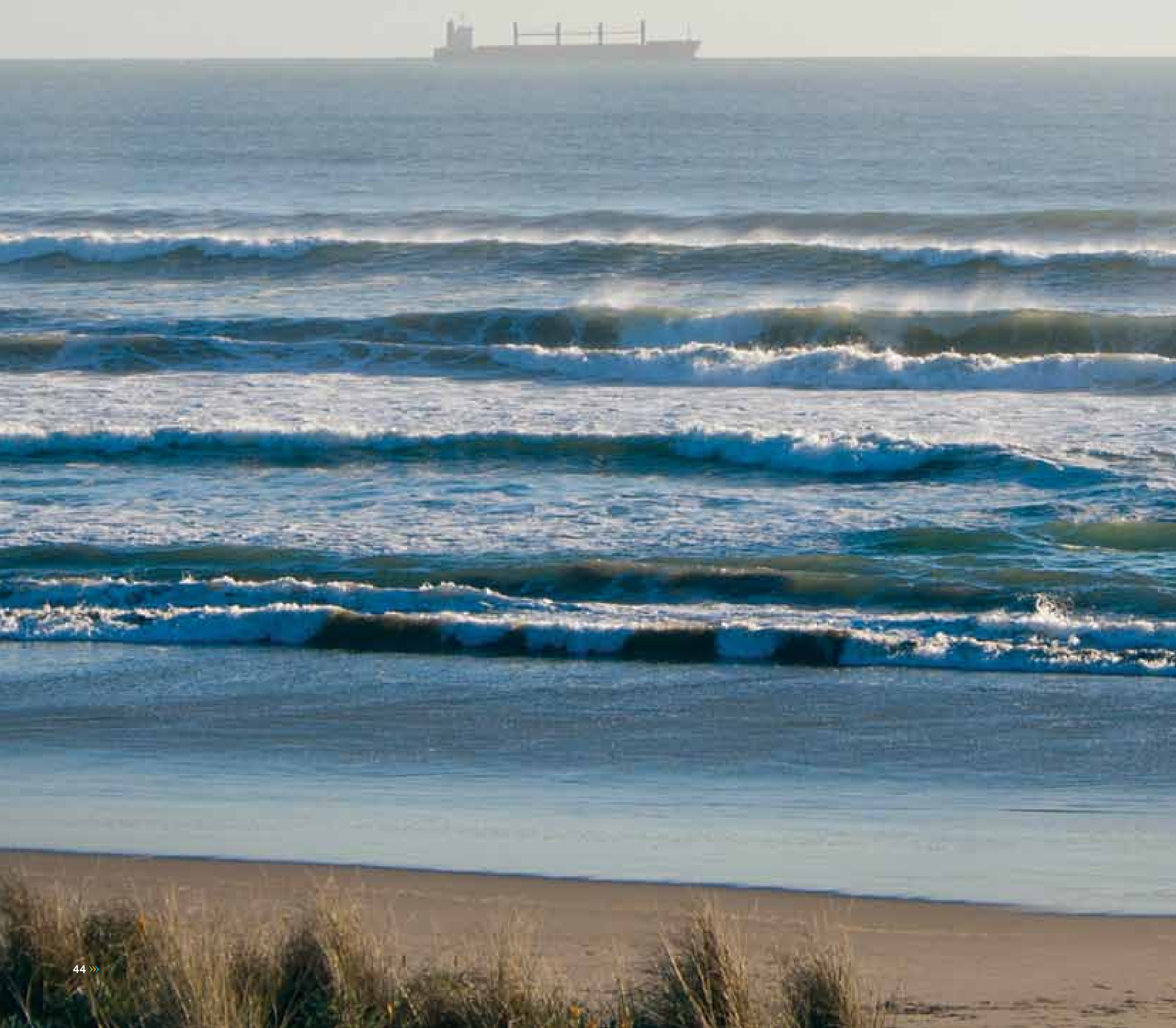
Independence

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 we have carried out assignments in relation to corporate research, financial reporting advice and an internal security review, 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 2013



INCOME STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

	Note	GROUP		PARENT COMPANY	
		2013 NZ$000	2012 NZ$000	**2013 NZ$000**	2012 NZ$000
Revenue	8	**244,011**	226,193	**210,928**	203,530
Other income	8	**136**	1,049	**10,265**	8,387
Operating income		**244,147**	227,242	**221,193**	211,917
Contracted services for port operations		**(49,127)**	(46,449)	**(49,168)**	(46,449)
Contracted services for transport operations		**(4,507)**	(5,824)	**0**	0
Employee benefit expenses	9	**(32,927)**	(28,388)	**(22,217)**	(21,006)
Direct fuel and power expenses		**(9,951)**	(8,631)	**(7,598)**	(7,405)
Maintenance of property, plant and equipment		**(9,905)**	(9,880)	**(6,794)**	(8,203)
Other expenses	10	**(14,631)**	(13,751)	**(10,087)**	(10,045)
Operating expenses		**(121,048)**	(112,923)	**(95,864)**	(93,108)
Results from operating activities		**123,099**	114,319	**125,329**	118,809
Depreciation and amortisation	13, 14	**(18,558)**	(17,100)	**(16,537)**	(15,830)
Impairment of property, plant and equipment on revaluation	13	**0**	(1,305)	**0**	(1,305)
		(18,558)	(18,405)	**(16,537)**	(17,135)
Operating profit before finance costs and taxation		**104,541**	95,914	**108,792**	101,674
Finance income	11	**2,123**	2,856	**2,106**	2,844
Finance expenses	11	**(17,987)**	(13,769)	**(17,673)**	(13,701)
Net finance costs		**(15,864)**	(10,913)	**(15,567)**	(10,857)
Gain on sale of associate	17	**38,214**	0	**42,265**	0
Share of profit from associates	17	**10,360**	12,280	**0**	0
Profit before income tax		**137,251**	97,281	**135,490**	90,817
Income tax expense	12	**(25,128)**	(23,812)	**(23,811)**	(23,265)
Profit for the period		**112,123**	73,469	**111,679**	67,552
Attributable to:					
Owners of the Parent Company		**112,132**	73,554	**111,679**	67,552
Non controlling interest		**(9)**	(85)	**0**	0
Profit for the period		**112,123**	73,469	**111,679**	67,552
Basic earnings per share attributable to ordinary equity holders of the Parent Company (cents)	22	**83.6**	54.8		

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.

	Note				
Underlying profit after tax	5	**77,228**	73,469	**72,733**	67,552

These statements are to be read in conjunction with the notes on pages 52 to 95.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2013 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

		GROUP		PARENT COMPANY	
	Note	**2013 NZ$000**	2012 NZ$000	**2013 NZ$000**	2012 NZ$000
Profit after tax attributable to owners of the Parent Company		**112,123**	73,469	**111,679**	67,552
Other comprehensive income					
Effective portion of changes in fair value of cash flow hedges, net of tax*		**1,902**	(11,109)	**1,902**	(11,109)
Change in fair value of cash flow hedges transferred to income statements, net of tax*		**6,607**	3,076	**6,607**	3,076
Changes in cash flow hedges transferred to property, plant and equipment, net of tax*		**696**	252	**696**	252
Net change in share of associates' cash flow hedge reserves	17	**264**	33	**0**	0
Net change in share of associates' revaluation reserves	17	**1,366**	689	**0**	0
Asset revaluation, net of tax*	13	**0**	11,483	**0**	11,483
Total comprehensive income		**122,958**	77,893	**120,884**	71,254
Attributable to:					
Owners of the Parent Company		**122,967**	77,978	**120,884**	71,254
Non controlling interest		**(9)**	(85)	**0**	0
Total comprehensive income		**122,958**	77,893	**120,884**	71,254

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

These statements are to be read in conjunction with the notes on pages 52 to 95.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2013 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

GROUP	Share Capital 2013 NZ$000	Share Capital 2012 NZ$000	Share Based Payment Reserve 2013 NZ$000	Share Based Payment Reserve 2012 NZ$000	Hedging Reserve 2013 NZ$000	Hedging Reserve 2012 NZ$000	Revaluation Reserve 2013 NZ$000	Revaluation Reserve 2012 NZ$000	Retained Earnings 2013 NZ$000	Retained Earnings 2012 NZ$000	Non Controlling Interest 2013 NZ$000	Non Controlling Interest 2012 NZ$000	Total 2013 NZ$000	Total 2012 NZ$000
Balance at 1 July	**68,421**	68,224	**0**	210	**(16,471)**	(8,723)	**597,547**	585,375	**84,489**	55,193	**(112)**	(27)	**733,874**	700,252
Profit for the period	**0**	0	**0**	0	**0**	0	**0**	0	**112,132**	73,554	**(9)**	(85)	**112,123**	73,469
Other comprehensive income	**0**	0	**0**	0	**9,469**	(7,748)	**1,366**	12,172	**0**	0	**0**	0	**10,835**	4,424
Transfer to retained earnings on disposal	**0**	0	**0**	0	**0**	0	**(8)**	0	**8**	0	**0**	0	**0**	0
Total comprehensive income	**0**	0	**0**	0	**9,469**	(7,748)	**1,358**	12,172	**112,140**	73,554	**(9)**	(85)	**122,958**	77,893
Bonus share issue to employees	**0**	0	**0**	(210)	**0**	0	**0**	0	**0**	0	**0**	0	**0**	(210)
Increase/(decrease) in share capital	**(40)**	197	**0**	0	**0**	0	**0**	0	**0**	0	**0**	0	**(40)**	197
Dividends paid during the year (refer note 21(b))	**0**	0	**0**	0	**0**	0	**0**	0	**(63,035)**	(44,258)	**0**	0	**(63,035)**	(44,258)
Total transactions with owners in their capacity as owners	**(40)**	197	**0**	(210)	**0**	0	**0**	0	**(63,035)**	(44,258)	**0**	0	**(63,075)**	(44,271)
Acquisition of non controlling interest without change in control	**0**	0	**0**	0	**0**	0	**0**	0	**0**	0	**121**	0	**121**	0
Total change in ownership interest in subsidiaries	**0**	0	**0**	0	**0**	0	**0**	0	**0**	0	**121**	0	**121**	0
Total movements in equity	**(40)**	197	**0**	(210)	**9,469**	(7,748)	**1,358**	12,172	**49,105**	29,296	**112**	(85)	**60,004**	33,622
Balance at 30 June	**68,381**	68,421	**0**	0	**(7,002)**	(16,471)	**598,905**	597,547	**133,594**	84,489	**0**	(112)	**793,878**	733,874

PARENT COMPANY	Share Capital 2013 NZ$000	Share Capital 2012 NZ$000	Share Based Payment Reserve 2013 NZ$000	Share Based Payment Reserve 2012 NZ$000	Hedging Reserve 2013 NZ$000	Hedging Reserve 2012 NZ$000	Revaluation Reserve 2013 NZ$000	Revaluation Reserve 2012 NZ$000	Retained Earnings 2013 NZ$000	Retained Earnings 2012 NZ$000	Total 2013 NZ$000	Total 2012 NZ$000
Balance at 1 July	**68,841**	68,651	**0**	210	**(15,972)**	(8,191)	**582,622**	571,139	**67,332**	44,038	**702,823**	675,847
Profit for the period	**0**	0	**0**	0	**0**	0	**0**	0	**111,679**	67,552	**111,679**	67,552
Other comprehensive income	**0**	0	**0**	0	**9,205**	(7,781)	**0**	11,483	**0**	0	**9,205**	3,702
Transfer to retained earnings on disposal	**0**	0	**0**	0	**0**	0	**(8)**	0	**8**	0	**0**	0
Total comprehensive income	**0**	0	**0**	0	**9,205**	(7,781)	**(8)**	11,483	**111,687**	67,552	**120,884**	71,254
Bonus share issue to employees	**0**	0	**0**	(210)	**0**	0	**0**	0	**0**	0	**0**	(210)
Increase in share capital	**0**	190	**0**	0	**0**	0	**0**	0	**0**	0	**0**	190
Dividends paid during the year (refer note 21(b))	**0**	0	**0**	0	**0**	0	**0**	0	**(63,035)**	(44,258)	**(63,035)**	(44,258)
Total transactions with owners in their capacity as owners	**0**	190	**0**	(210)	**0**	0	**0**	0	**(63,035)**	(44,258)	**(63,035)**	(44,278)
Total movements in equity	**0**	190	**0**	(210)	**9,205**	(7,781)	**(8)**	11,483	**48,652**	23,294	**57,849**	26,976
Balance at 30 June	**68,841**	68,841	**0**	0	**(6,767)**	(15,972)	**582,614**	582,622	**115,984**	67,332	**760,672**	702,823

These statements are to be read in conjunction with the notes on pages 52 to 95.

STATEMENTS OF FINANCIAL POSITION »»

AS AT 30 JUNE 2013 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

	Note	GROUP 2013 NZ$000	GROUP 2012 *Restated NZ$000	GROUP 1 July 2011 *Restated NZ$000	PARENT COMPANY 2013 NZ$000	PARENT COMPANY 2012 *Restated NZ$000	PARENT COMPANY 1 July 2011 *Restated NZ$000
Assets							
Property, plant and equipment	13	**946,929**	889,036	852,378	**933,435**	885,455	850,420
Intangible assets	14	**42,637**	16,897	17,720	**3,502**	2,212	2,646
Advances and receivables	15	**1,857**	21,943	24,990	**2,104**	21,943	25,127
Investments in subsidiaries	16	**0**	0	0	**40,694**	12,447	12,447
Investments in associates	17	**49,915**	61,993	56,329	**21,800**	32,936	32,936
Total non current assets		**1,041,338**	989,869	951,417	**1,001,535**	954,993	923,576
Cash and cash equivalents		**37,218**	9,244	12,266	**24,980**	8,853	11,268
Receivables and prepayments	19	**33,234**	34,256	26,359	**45,777**	34,571	26,497
Derivative financial instruments	18	**81**	0	0	**81**	0	0
Inventories	20	**710**	509	426	**639**	486	401
Total current assets		**71,243**	44,009	39,051	**71,477**	43,910	38,166
Total assets		**1,112,581**	1,033,878	990,468	**1,073,012**	998,903	961,742
Equity							
Share capital	21(a)	**68,381**	68,421	68,224	**68,841**	68,841	68,651
Share based payment reserve		**0**	0	210	**0**	0	210
Hedging reserve	21(d)	**(7,002)**	(16,471)	(8,723)	**(6,767)**	(15,972)	(8,191)
Revaluation reserve	21(e)	**598,905**	597,547	585,375	**582,614**	582,622	571,139
Retained earnings		**133,594**	84,489	55,193	**115,984**	67,332	44,038
Total equity attributable to owners of the Parent Company		**793,878**	733,986	700,279	**760,672**	702,823	675,847
Non controlling interest	21(f)	**0**	(112)	(27)	**0**	0	0
Total equity		**793,878**	733,874	700,252	**760,672**	702,823	675,847
Liabilities							
Loans and borrowings	23	**79,767**	55,077	92,847	**79,000**	55,000	92,500
Deferred consideration	24	**500**	1,000	1,000	**500**	1,000	1,000
Derivative financial instruments	18	**8,692**	20,827	11,384	**8,692**	20,827	11,384
Provisions	25	**1,298**	2,487	4,523	**1,010**	2,152	3,311
Deferred tax liabilities	26	**48,458**	45,533	46,692	**47,769**	45,075	46,784
Total non current liabilities		**138,715**	124,924	156,446	**136,971**	124,054	154,979
Loans and borrowings	23	**146,312**	140,961	105,529	**146,000**	140,000	105,000
Deferred consideration	24	**1,500**	0	2,000	**1,500**	0	2,000
Derivative financial instruments	18	**812**	1,421	77	**812**	1,421	77
Trade and other payables	27	**19,561**	19,750	14,819	**16,042**	17,480	12,779
Provisions	25	**3,657**	3,992	3,345	**3,446**	3,839	3,224
Income tax payable		**8,146**	8,956	8,000	**7,569**	9,286	7,836
Total current liabilities		**179,988**	175,080	133,770	**175,369**	172,026	130,916
Total liabilities		**318,703**	300,004	290,216	**312,340**	296,080	285,895
Total equity and liabilities		**1,112,581**	1,033,878	990,468	**1,073,012**	998,903	961,742

**Refer note 23(a).*

For and on behalf of the Board of Directors who authorised these financial statements for issue on 22 August 2013.

Chairman

Director

These statements are to be read in conjunction with the notes on pages 52 to 95.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2013 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

	GROUP		PARENT COMPANY	
	2013 NZ$000	2012 NZ$000	**2013 NZ$000**	2012 NZ$000
Cash flows from operating activities				
Cash was provided from:				
Receipts from customers	**248,214**	221,969	**216,118**	196,292
Interest received	**890**	1,229	**873**	1,217
Dividends received	**0**	0	**8,881**	7,338
	249,104	223,198	**225,872**	204,847
Cash was applied to:				
Payments to suppliers and employees	**(120,992)**	(111,259)	**(95,495)**	(87,426)
Taxes paid	**(26,926)**	(23,968)	**(26,418)**	(23,477)
Interest paid	**(17,792)**	(13,467)	**(17,568)**	(13,467)
	(165,710)	(148,694)	**(139,481)**	(124,370)
Net cash inflow from operating activities	**83,394**	74,504	**86,391**	80,477
Cash flows from investing activities				
Cash was provided from:				
Proceeds from sale of property, plant and equipment	**485**	10	**322**	10
Proceeds from insurance	**0**	1,046	**0**	1,046
Proceeds from disposal of associate	**53,401**	0	**53,401**	0
Proceeds from repayment of capital notes	**16,599**	0	**16,599**	0
Finance lease payments received, including interest	**4,280**	4,342	**4,280**	4,342
Receipts from subsidiary companies	**0**	0	**135**	547
Dividends from associate companies	**8,881**	7,338	**0**	0
	83,646	12,736	**74,737**	5,945
Cash was applied to:				
Cash outflow for property, plant and equipment	**(68,105)**	(38,699)	**(66,215)**	(36,672)
Cash outflow for intangibles	**(625)**	(89)	**(596)**	(77)
Purchase of subsidiaries, net of cash acquired	**(27,252)**	0	**(27,247)**	0
Purchase of loans from Holmes Ventures Limited	**(5,753)**	0	**(5,753)**	0
Interest capitalised on property, plant and equipment	**(1,271)**	(305)	**(1,271)**	(305)
Payments under finance leases, including interest	**(519)**	(714)	**0**	0
Advances to subsidiaries	**0**	0	**(8,884)**	(800)
Advances to associate	**0**	0	**0**	(225)
Payment of deferred and contingent consideration	**(2,000)**	(4,000)	**(2,000)**	(4,000)
	(105,525)	(43,807)	**(111,966)**	(42,079)
Net cash used in investing activities	**(21,879)**	(31,071)	**(37,229)**	(36,134)

These statements are to be read in conjunction with the notes on pages 52 to 95.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2013 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

	GROUP		PARENT COMPANY	
	2013 NZ$000	2012 NZ$000	**2013 NZ$000**	2012 NZ$000
Cash flows from financing activities				
Cash was provided from:				
Increase in borrowings	**30,000**	296	**30,000**	0
Proceeds from issue of new shares	**0**	7	**0**	0
	30,000	303	**30,000**	0
Cash was applied to:				
Dividends paid	**(63,035)**	(44,258)	**(63,035)**	(44,258)
Repayment of borrowings	**(466)**	(2,500)	**0**	(2,500)
Repurchase of shares in the Parent Company	**(40)**	0	**0**	0
	(63,541)	(46,758)	**(63,035)**	(46,758)
Net cash used in financing activities	**(33,541)**	(46,455)	**(33,035)**	(46,758)
Net (decrease)/increase in cash held	**27,974**	(3,022)	**16,127**	(2,415)
Add opening cash brought forward	**9,244**	12,266	**8,853**	11,268
Ending cash carried forward	**37,218**	9,244	**24,980**	8,853
Cash balances in statements of financial position				
Cash and cash equivalents	**37,218**	9,244	**24,980**	8,853
Ending cash carried forward	**37,218**	9,244	**24,980**	8,853

These statements are to be read in conjunction with the notes on pages 52 to 95.

RECONCILIATION OF SURPLUS AFTER TAXATION TO CASH FLOWS FROM OPERATING ACTIVITIES

FOR THE YEAR ENDED 30 JUNE 2013 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

	GROUP		PARENT COMPANY	
	2013 NZ$000	2012 NZ$000	**2013 NZ$000**	2012 NZ$000
Reported surplus after taxation	**112,123**	73,469	**111,679**	67,552
Items classified as investing/financing activities:				
Finance lease interest revenue	**(1,233)**	(1,627)	**(1,233)**	(1,627)
Finance lease interest expense	**90**	68	**0**	0
Gain on disposal of associate	**(38,214)**	0	**(42,265)**	0
Insurance proceeds	**0**	(1,046)	**0**	(1,046)
Loss/gain on sale of property, plant and equipment	**(136)**	336	**(80)**	336
	(39,493)	(2,269)	**(43,578)**	(2,337)
Add/(less) non cash items and non operating items:				
Depreciation expense	**17,451**	16,164	**15,847**	15,295
Amortisation expense	**1,107**	936	**690**	535
Decrease in deferred taxation expense	**(917)**	(1,111)	**(886)**	(1,661)
Ineffective portion of change in fair value of cash flow hedge	**357**	15	**357**	15
Additional provisions net of reversals	**442**	448	**431**	1,293
Share of surpluses retained by associates	**(10,360)**	(12,280)	**0**	0
Impairment of property, plant and equipment on revaluation	**0**	1,305	**0**	1,305
Interest on contingent consideration	**34**	163	**34**	163
(Decrease)/increase in impairment of trade receivables	**0**	(2)	**0**	(10)
	8,114	5,638	**16,473**	16,935
Add/(less) movements in working capital:				
Change in receivables and prepayments	**3,934**	(7,563)	**3,488**	(7,117)
Change in inventories	**(141)**	(83)	**(153)**	(85)
Change in income tax payable	**(881)**	956	**(1,717)**	1,450
Change in trade and other payables	**(262)**	4,356	**199**	4,079
	2,650	(2,334)	**1,817**	(1,673)
Net cash flows from operating activities	**83,394**	74,504	**86,391**	80,477

These statements are to be read in conjunction with the notes on pages 52 to 95.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS »»

FOR THE YEAR ENDED 30 JUNE 2013 : 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 associates (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 Group has early adopted the Accounting Standards Framework – XRB A1 for the financial year ended 30 June 2013. The Parent Company is classified as a Tier 1 reporting entity. This adoption has not resulted in any changes to disclosure or impacted on comprehensive income or earnings per share.

The financial statements were approved by the Board of Directors on 22 August 2013.

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

3 SIGNIFICANT ACCOUNTING POLICIES

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

Certain comparative amounts in the statements of financial position have been reclassified to conform with the current year's presentation (see note 23(a)).

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS »»

FOR THE YEAR ENDED 30 JUNE 2013 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non Controlling Interest

The share of the net assets of controlled entities attributable to non controlling interests is disclosed separately on the statements of financial position. In the income statements, the profit or loss of the Group is allocated between profit or loss attributable to non controlling interest and profit or loss attributable to owners of the Parent Company.

(ii) *Associates*

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method. The consolidated financial statements include the Group's share of the profits 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

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

(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 statements of cash flows.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 associates are measured at cost in the separate financial statements of the Parent Company.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS »»

FOR THE YEAR ENDED 30 JUNE 2013 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS »

FOR THE YEAR ENDED 30 JUNE 2013 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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 associates 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.

(i) Property, Plant and Equipment, Intangibles and Investments in Associates

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.

(ii) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS »»

FOR THE YEAR ENDED 30 JUNE 2013 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 Income

Port services income 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 lease 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.

(iii) Transport Services Income

Transport 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.

(iv) Freight Handling Income

Freight handling 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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS »»

FOR THE YEAR ENDED 30 JUNE 2013 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 associate 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. 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 (Mount Maunganui) 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.

(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 note 25).

(u) New Standards Adopted and Pronouncements Not Yet Adopted

There are no amendments or revisions to NZ IFRS that have had a material impact on these financial statements.

The following new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 July 2013, and have not been applied in preparing these financial statements:

- *NZ IFRS 9 Financial Instruments*

  This standard becomes mandatory for the Group's 2016 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS »

FOR THE YEAR ENDED 30 JUNE 2013 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- *NZ IFRS 10 Consolidated Financial Statements*

  This standard replaces all of the guidance on control and consolidation in *NZ IAS 27 Consolidated and Separate Financial Statements*, and *NZ SIC 12 Consolidation – Special Purpose Entities.* The core principal that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. The Group does not expect the new standard to have a significant impact on its composition. The Group intends to adopt NZ IFRS 10 from 1 July 2013.

- *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 and *NZ IFRS 11Joint Arrangements*, and replaces the disclosure requirements currently found in *NZ IAS 28 Investments in Associates and Joint Ventures*. Application of this standard by the Group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's investments. The Group intends to adopt NZ IFRS 12 from 1 July 2013.

- *NZ IFRS 13 Fair Value Measurement*

  NZ IFRS 13 explains how to measure fair value and aims to enhance fair value disclosures. The Group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Group intends to adopt NZ IFRS 13 from 1 July 2013.

- *NZ IAS 19 Employee Benefits*

  This standard requires the recognition of all re-measurements of defined benefit assets and liabilities immediately in other comprehensive income and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset. The standard also introduces a number of disclosures for defined benefit assets and liabilities and could affect the timing of the recognition of termination benefits. The Group does not expect the new standard to have a significant impact. The Group intends to adopt NZ IAS 19 from 1 July 2013.

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. 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 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.

(d) Non Derivative Financial Assets and Liabilities (Including Capital Notes, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

5 UNDERLYING PROFIT AFTER TAX (NON STATUTORY DISCLOSURE)

	GROUP		PARENT COMPANY	
	2013 NZ$000	2012 NZ$000	**2013 NZ$000**	2012 NZ$000
Reported profit after tax	**112,123**	73,469	**111,679**	67,552
Gain on sale of associate	**(38,214)**	0	**(42,265)**	0
Loss on termination of interest rate swaps (refer note 11)	**4,610**	0	**4,610**	0
Tax impact of termination of interest rate swaps	**(1,291)**	0	**(1,291)**	0
Underlying profit after tax	**77,228**	73,469	**72,733**	67,552
Underlying earnings per share (cents) (refer note 22)	**57.6**	54.8		

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.

The Parent Company sold its 50% share in C3 Limited on 28 November 2012. The share of associate profits from C3 Limited during the reporting period amounted to $2.457 million (2012: $5.734 million), which is included within share of profits from associates in the income statements.

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:

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 associates	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.*

2012	Port Operations NZ$000	Property Services NZ$000	Unallocated [1] NZ$000	Transport Services NZ$000	Group NZ$000
Total segment revenue (external)	184,709	18,800	0	22,684	226,193
Share of profit from associates	0	0	12,280	0	12,280
Interest income	0	0	2,844	12	2,856
Other income	0	0	1,049	0	1,049
Interest expense	0	0	(13,552)	(68)	(13,620)
Depreciation and amortisation expense	0	0	(15,830)	(1,270)	(17,100)
Other unallocated expenditure	0	0	(94,540)	(19,837)	(114,377)
Income tax expense	0	0	(23,265)	(547)	(23,812)
Total segment result	**184,709**	**18,800**	**(131,014)**	**974**	**73,469**

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

7 BUSINESS COMBINATION

On 31 January 2013 the Group acquired control over Quality Marshalling (Mount Maunganui) Limited (Quality Marshalling). The purchased investment comprised 100% ownership in Quality Marshalling.

Quality Marshalling is the second largest log marshalling and scaling company in New Zealand, handling approximately 2.5 million cubic metres of logs at Tauranga and Northport. The acquisition of Quality Marshalling enables the Group to further develop its customer supply chain relationships within the forestry industry which is a core strategic component of its business.

In the five months to 30 June 2013, Quality Marshalling contributed revenue of $9,959,000 and profit of $1,556,000. If the acquisition had occurred on 1 July 2012, management estimates that consolidated revenue of the Group would have increased by $12,456,000 and consolidated profit for the Group for the period would have increased by $2,495,000. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 July 2012.

The following tables summarise the major classes of consideration transferred to acquire the interests, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

Investments in subsidiaries	**NZ$000**
Consideration transferred	
Cash	**27,247**
Deferred consideration	**1,000**
Total consideration transferred (refer note 16)	**28,247**
Fair value of identifiable assets acquired and liabilities assumed	
Property, plant and equipment (refer note 13)	**8,775**
Intangible software assets (refer note 14)	**7**
Inventories	**60**
Receivables and prepayments	**2,464**
Cash and cash equivalents	**(5)**
Deferred tax liabilities (refer note 26)	**(262)**
Income tax payable	**(71)**
Loans and borrowings (owing to Port of Tauranga Limited)	**(5,753)**
Trade and other payables	**(1,799)**
Total net identifiable assets	**3,416**
Total goodwill (refer note 14)	**24,831**

The Group incurred acquisition-related costs of $45,715 relating to external legal fees. These costs have been included in other expenses in the income statements.

(a) Deferred Consideration

An amount of $1,000,000 has been retained by the Group as a "Warranty Retention Fund" to satisfy any potential claims that may arise subsequent to acquisition, which could have a material impact on the value of the investment purchased by the Group. An amount of $500,000 will be held for a period of one year from the date of settlement and $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.

(b) Goodwill

Goodwill recognised as a result of this acquisition is attributable mainly to Quality Marshalling's existing customer base, skilled work force and the synergies expected to be achieved from integrating Quality Marshalling into the Group's existing business activities. None of the goodwill is expected to be deductible for income tax purposes.

(c) Transactions Separate from the Business Combination

The Group also purchased $5.753 million of shareholder loans made by Holmes Ventures Limited to Quality Marshalling. These loans owing by Quality Marshalling to the Parent Company are interest free and repayable on demand.

For the Group, these loans are eliminated on consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS »»

FOR THE YEAR ENDED 30 JUNE 2013 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

8 OPERATING INCOME

	GROUP		PARENT COMPANY	
	2013 NZ$000	2012 NZ$000	2013 NZ$000	2012 NZ$000
Revenue				
Port services income	191,002	184,709	191,026	184,730
Rental income	19,859	18,800	19,902	18,800
Forestry services income	9,959	0	0	0
Transport services income	23,191	22,684	0	0
Total revenue	244,011	226,193	210,928	203,530
Other income				
Management fees	0	0	1,304	0
Dividend income from associates (refer note 17)	0	0	8,881	7,338
Gain on sale of property, plant and equipment	136	0	80	0
Bad debts recovered	0	3	0	3
Insurance proceeds	0	1,046	0	1,046
Total other income	136	1,049	10,265	8,387
Operating income	244,147	227,242	221,193	211,917

9 EMPLOYEE BENEFIT EXPENSES

	GROUP		PARENT COMPANY	
	2013 NZ$000	2012 NZ$000	2013 NZ$000	2012 NZ$000
Wages and salaries	31,466	27,028	21,074	19,824
ACC levy	406	436	235	337
Kiwisaver contribution	908	769	793	707
Medical subsidy	147	155	115	138
Total	32,927	28,388	22,217	21,006

10 OTHER EXPENSES

The following items of expenditure are included in other expenses:

	GROUP		PARENT COMPANY	
	2013 NZ$000	2012 NZ$000	2013 NZ$000	2012 NZ$000
Operating lease payments	3,172	3,520	1,168	1,056
Directors' fees	474	448	474	448
(Decrease)/increase in provision for impairment of trade receivables	(8)	(2)	0	(10)
Bad debts written off	17	7	17	7
Auditors fees:				
Audit fees paid to principal auditor	176	173	112	144
Fees paid for other services provided by the principal auditor:				
Internal control review project	19	21	19	21
Taxation and accounting advice	13	2	13	2
Loss on sale of property, plant and equipment	0	336	0	336

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS »»

FOR THE YEAR ENDED 30 JUNE 2013 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

10 OTHER EXPENSES (CONTINUED)

Other services provided by the principal auditor during the reporting period consist of a review of internal Security Procedures, accounting treatment of loss on termination of interest rate swaps and research into industry trading and transaction multiples. During the year ended 30 June 2012, other services provided by the principal auditor related to advisory services in relation to the accounting treatment of changes in use of property, plant and equipment, and review of internal IT Disaster Recovery Procedures.

11 FINANCIAL INCOME AND EXPENSE

	GROUP		PARENT COMPANY	
	2013 NZ$000	2012 NZ$000	**2013 NZ$000**	2012 NZ$000
Interest on capital notes	**461**	1,115	**461**	1,115
Interest on finance lease	**1,233**	1,627	**1,233**	1,627
Interest on bank deposits	**429**	114	**412**	102
Finance income	**2,123**	2,856	**2,106**	2,844
Interest expense on borrowings	**(14,058)**	(13,517)	**(13,834)**	(13,517)
Less:				
Interest capitalised to property, plant and equipment	**1,271**	305	**1,271**	305
	(12,787)	(13,212)	**(12,563)**	(13,212)
Interest on finance leases	**(90)**	(68)	**0**	0
Interest on deferred consideration (refer note 24)	**(109)**	(177)	**(109)**	(177)
Interest on contingent consideration (refer note 25)	**(34)**	(163)	**(34)**	(163)
Loss on termination of interest rate swaps (refer note 5)	**(4,610)**	0	**(4,610)**	0
Currency option expense	**0**	(134)	**0**	(134)
Ineffective portion of changes in fair value of cash flow hedges	**(357)**	(15)	**(357)**	(15)
Finance expense	**(17,987)**	(13,769)	**(17,673)**	(13,701)
Net finance costs	**(15,864)**	(10,913)	**(15,567)**	(10,857)

The average weighted interest rate for interest capitalised to property, plant and equipment was 5.69% for the current period (2012: 5.67%).

12 INCOME TAX

Components of Tax Expense

	GROUP		PARENT COMPANY	
	2013 NZ$000	2012 NZ$000	**2013 NZ$000**	2012 NZ$000
Profit before income tax for the period	**137,251**	97,281	**135,490**	90,817
Income tax on the surplus for the period at 28.0 cents	**38,430**	27,239	**37,937**	25,429
Tax effect of amounts which are non deductible/(taxable) in calculating taxable income:				
Non taxable gain on sale of C3 Limited	**(10,700)**	0	**(11,834)**	0
Adjustment for prior period	**150**	38	**150**	38
Share of associates after tax income	**(2,901)**	(3,438)	**0**	0
Benefit of imputation credits received	**0**	0	**(2,497)**	(2,263)
Other	**149**	(27)	**55**	61
Income tax expense	**25,128**	23,812	**23,811**	23,265

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS »»

FOR THE YEAR ENDED 30 JUNE 2013 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

12 INCOME TAX (CONTINUED)

	GROUP		PARENT COMPANY	
	2013 NZ$000	2012 NZ$000	**2013 NZ$000**	2012 NZ$000
The income tax expense is represented by:				
Current tax expense				
Tax payable in respect of the current period	**25,724**	24,981	**24,376**	24,984
Adjustment for prior period	**321**	(58)	**321**	(58)
Total current tax expense	**26,045**	24,923	**24,697**	24,926
Deferred tax expense				
Adjustment for prior period	**(171)**	96	**(171)**	96
Origination/reversal of temporary differences	**(746)**	(1,207)	**(715)**	(1,757)
Total deferred tax expense (refer note 26)	**(917)**	(1,111)	**(886)**	(1,661)
Income tax expense	**25,128**	23,812	**23,811**	23,265

Income tax recognised in other comprehensive income:

	GROUP		PARENT COMPANY	
	2013 NZ$000	2012 NZ$000	**2013 NZ$000**	2012 NZ$000
Revaluation of property, plant and equipment	**0**	2,978	**0**	2,978
Cash flow hedges	**3,580**	(3,026)	**3,580**	(3,026)
Total (refer note 26)	**3,580**	(48)	**3,580**	(48)

Imputation Credit Account

	GROUP		PARENT COMPANY	
	2013 NZ$000	2012 NZ$000	**2013 NZ$000**	2012 NZ$000
Imputation credits available for use in subsequent reporting periods	**48,057**	44,875	**46,080**	44,311

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS »»

FOR THE YEAR ENDED 30 JUNE 2013 : 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 2011	445,954	78,059	164,833	108,056	111,310	7,174	915,386
Additions	0	5	0	0	2,778	37,254	40,037
Disposals	0	(5)	0	0	(1,406)	0	(1,411)
Transfers from work in progress	0	449	9,076	2,396	11,620	(23,541)	0
Transferred to intangible assets (refer note 14)	0	0	0	0	0	(24)	(24)
Transfers between classes	0	(65)	0	0	65	0	0
Revaluation	(3,456)	(11,501)	1,595	5,507	0	0	(7,855)
Balance at 30 June 2012	442,498	66,942	175,504	115,959	124,367	20,863	946,133
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 note 14)	0	0	0	0	0	(1,374)	**(1,374)**
Quality Marshalling (Mount Maunganui) Limited assets acquired on acquisition (refer note 7)	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**
Accumulated depreciation and impairment:							
Balance at 1 July 2011	0	(2,711)	(6,741)	(1,035)	(52,521)	0	(63,008)
Depreciation expense	0	(2,456)	(6,910)	(1,157)	(5,641)	0	(16,164)
Disposals	0	0	0	0	1,065	0	1,065
Revaluation	0	5,167	13,651	2,192	0	0	21,010
Balance at 30 June 2012	0	0	0	0	(57,097)	0	(57,097)
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)**
Carrying amounts:							
Net book value as at 30 June 2012	442,498	66,942	175,504	115,959	67,270	20,863	889,036
Net book value as at 30 June 2013	**448,600**	**69,717**	**205,512**	**117,648**	**91,982**	**13,470**	**946,929**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS »»

FOR THE YEAR ENDED 30 JUNE 2013 : 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 2011	445,954	78,059	164,833	108,056	108,515	7,004	912,421
Additions	0	5	0	0	286	37,254	37,545
Disposals	0	(5)	0	0	(1,189)	0	(1,194)
Transfers from work in progress	0	449	9,076	2,396	11,450	(23,371)	0
Transfer to intangible assets	0	0	0	0	0	(24)	(24)
Transfers between classes	0	(65)	0	0	65	0	0
Revaluation	(3,456)	(11,501)	1,595	5,507	0	0	(7,855)
Balance at 30 June 2012	442,498	66,942	175,504	115,959	119,127	20,863	940,893
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	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**
Accumulated depreciation and impairment:							
Balance at 1 July 2011	0	(2,711)	(6,741)	(1,035)	(51,514)	0	(62,001)
Depreciation expense	0	(2,456)	(6,910)	(1,157)	(4,772)	0	(15,295)
Disposals	0	0	0	0	848	0	848
Revaluation	0	5,167	13,651	2,192	0	0	21,010
Balance at 30 June 2012	0	0	0	0	(55,438)	0	(55,438)
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)**
Carrying amounts:							
Net book value as at 30 June 2012	442,498	66,942	175,504	115,959	63,689	20,863	885,455
Net book value as at 30 June 2013	**448,600**	**69,376**	**205,512**	**117,648**	**78,829**	**13,470**	**933,435**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS »»

FOR THE YEAR ENDED 30 JUNE 2013 : 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 and increased the value of property, plant and equipment, by $13.155 million for both the Group and Parent Company in the previous reporting period.

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	
	2013 Notional Carrying Amount NZ$000	2012 Notional Carrying Amount NZ$000	**2013 Notional Carrying Amount NZ$000**	2012 Notional Carrying Amount NZ$000
Freehold land	**75,424**	69,322	**75,424**	69,322
Freehold buildings	**48,889**	46,193	**48,548**	46,193
Wharves and hardstanding	**88,630**	56,675	**88,630**	56,675
Harbour improvements	**26,470**	24,692	**26,470**	24,692
Total	**239,413**	196,882	**239,072**	196,882

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS »

FOR THE YEAR ENDED 30 JUNE 2013 : 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 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 as follows:

GROUP	2013 Cost/ Valuation NZ$000	2013 Accumulated Depreciation NZ$000	2012 Cost/ Valuation NZ$000	2012 Accumulated Depreciation NZ$000
Land	199,021	0	193,876	0
Buildings	40,471	(1,016)	49,500	0
Plant and equipment	404	(298)	622	(462)
Total	**239,896**	**(1,314)**	243,998	(462)

PARENT COMPANY	2013 Cost/ Valuation NZ$000	2013 Accumulated Depreciation NZ$000	2012 Cost/ Valuation NZ$000	2012 Accumulated Depreciation NZ$000
Land	199,021	0	193,876	0
Buildings	40,471	(1,016)	49,500	0
Total	**239,492**	**(1,016)**	243,376	0

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

	GROUP		PARENT COMPANY	
	2013 NZ$000	2012 NZ$000	2013 NZ4000	2012 NZ$000
Within one year	14,640	11,232	14,627	11,085
One year to five years	33,909	31,163	33,909	31,154
Greater than five years	21,177	29,291	21,177	29,291
Total	**69,726**	71,686	**69,713**	71,530

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013 : 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 2011	11,554	8,103	10,000	29,657
Additions	0	89	0	89
Disposals	0	(664)	0	(664)
Transferred from fixed assets work in progress (refer note 13)	0	24	0	24
Balance at 30 June 2012	11,554	7,552	10,000	29,106
Balance at 1 July 2012	11,554	7,552	10,000	**29,106**
Intangible assets acquired on acquisition of Quality Marshalling (Mount Maunganui) Limited (refer note 7)	0	7	0	**7**
Goodwill recognised on acquisition of Quality Marshalling (Mount Maunganui) Limited (refer note 7)	24,831	0	0	**24,831**
Transferred from fixed assets work in progress (refer 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**
Accumulated amortisation and impairment:				
Balance at 1 July 2011	0	(4,271)	(7,666)	(11,937)
Amortisation expense	0	(597)	(339)	(936)
Disposals	0	664	0	664
Balance at 30 June 2012	0	(4,204)	(8,005)	(12,209)
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)**
Carrying amounts:				
Net book value 30 June 2012	11,554	3,348	1,995	16,897
Net book value 30 June 2013	**36,385**	**4,595**	**1,657**	**42,637**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS »»

FOR THE YEAR ENDED 30 JUNE 2013 : 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 2011	4,027	10,000	14,027
Additions	77	0	77
Transferred from fixed assets work in progress (refer note 13)	24	0	24
Balance at 30 June 2012	4,128	10,000	14,128
Balance at 1 July 2012	4,128	10,000	**14,128**
Additions	606	0	**606**
Transferred from fixed assets work in progress (refer note 13)	1,374	0	**1,374**
Balance at 30 June 2013	**6,108**	**10,000**	**16,108**
Accumulated amortisation and impairment:			
Balance at 1 July 2011	(3,715)	(7,666)	(11,381)
Amortisation expense	(196)	(339)	(535)
Balance at 30 June 2012	(3,911)	(8,005)	(11,916)
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)**
Carrying amounts:			
Net book value 30 June 2012	217	1,995	2,212
Net book value 30 June 2013	**1,845**	**1,657**	**3,502**

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 2013, 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 and are consistent with past experience.
- The anticipated annual profit growth included in the cash flow projections for the years 2014 to 2018 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 a 10% 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 12% was applied in determining the recoverable amount of the units. The discount rate was estimated based on past experience and the weighted average cost of capital of the Parent Company.

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 2013 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

15 ADVANCES AND RECEIVABLES

		GROUP		PARENT COMPANY	
	Note	2013 NZ$000	2012 NZ$000	2013 NZ$000	2012 NZ$000
Advances to subsidiary		**0**	0	**247**	0
Capital notes	15(a)	**0**	16,599	**0**	16,599
Finance lease – gross receivable	15(b)	**2,116**	6,374	**2,116**	6,374
Finance lease – unearned finance income	15(b)	**(259)**	(1,030)	**(259)**	(1,030)
Total		**1,857**	21,943	**2,104**	21,943

(a) Capital Notes

In the previous reporting period, C3 Limited, had issued 16,599,000 $1.00 capital notes to both the Parent Company and Asciano Limited. The notes were unsecured, carried no voting rights and paid interest at a rate of 6.718% (2012: 6.718%). During the current reporting period these notes were repaid.

(b) 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% (2012: 14.32%).

	GROUP		PARENT COMPANY	
	2013 NZ$000	2012 NZ$000	2013 NZ$000	2012 NZ$000
Gross receivables from finance lease				
Current portion				
Not later than one year (refer note 19)	**4,258**	4,280	**4,258**	4,280
Non current portion				
Later than one year and not later than five years	**2,116**	6,374	**2,116**	6,374
Total gross receivables from finance lease	**6,374**	10,654	**6,374**	10,654
Unearned finance income				
Current portion				
Not later than one year (refer note 19)	**(771)**	(1,233)	**(771)**	(1,233)
Non current portion				
Later than one year and not later than five years	**(259)**	(1,030)	**(259)**	(1,030)
Total unearned finance income	**(1,030)**	(2,263)	**(1,030)**	(2,263)

	GROUP		PARENT COMPANY	
	2013 NZ$000	2012 NZ$000	2013 NZ$000	2012 NZ$000
Present value of minimum lease receipts				
Not later than one year	**3,487**	3,047	**3,487**	3,047
Later than one year and not later than five years	**1,857**	5,344	**1,857**	5,344
Total present value of minimum lease receipts	**5,344**	8,391	**5,344**	8,391

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS »»

FOR THE YEAR ENDED 30 JUNE 2013 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

16 INVESTMENTS IN SUBSIDIARIES

Investments in Subsidiaries Comprises:

	GROUP		PARENT COMPANY		
Name of Entity	**2013 %**	2012 %	**2013 %**	2012 %	Balance Date
MetroPack Limited	**100.00**	83.50	**50.00**	34.00	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**	0	**100.00**	0	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

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% (2012: 34%) shareholding in MetroPack Limited alongside Tapper Transport Limited 50% (2012: 33%) and C3 Limited nil (2012: 33%).

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

	PARENT COMPANY	
	2013 NZ$000	2012 NZ$000
Opening investment at cost	**12,447**	12,447
Acquisition of subsidiary (refer note 7)	**28,247**	0
Closing investment at cost	**40,694**	12,447

17 INVESTMENTS IN ASSOCIATES

	GROUP		PARENT COMPANY	
	2013 NZ$000	2012 NZ$000	**2013 NZ$000**	2012 NZ$000
Investments in associates				
Ordinary shares at cost – opening balance	**0**	0	**32,936**	32,936
	0	0	**32,936**	32,936
Balance at beginning of period	**61,993**	56,329	**0**	0
Share of after tax surplus	**10,360**	12,280	**0**	0
Share of hedging reserve	**264**	33	**0**	0
Share of revaluation reserve	**1,366**	689	**0**	0
Disposals	**(15,187)**	0	**(11,136)**	0
Dividends from associates	**(8,881)**	(7,338)	**0**	0
	49,915	61,993	**(11,136)**	0
Balance at end of period	**49,915**	61,993	**21,800**	32,936

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

17 INVESTMENTS IN ASSOCIATES (CONTINUED)

Included within the carrying value is:

	GROUP 2013 NZ$000	GROUP 2012 NZ$000
Goodwill	**2,913**	14,003

Summary financial information for associate companies, not adjusted for the percentage ownership of the Group is:

	Total 2013 NZ$000	Total 2012 NZ$000
Current assets	**7,182**	35,185
Non current assets	**132,125**	178,054
Total assets	**139,307**	213,239
Current liabilities	**(36,141)**	(18,346)
Non current liabilities	**(5,150)**	(72,859)
Total liabilities	**(41,291)**	(91,205)
Revenues	**45,105**	156,672
Expenses	**(25,895)**	(132,112)
Profit/(loss)	**19,210**	24,560

All associate companies are incorporated in New Zealand.

Northport Limited

Port of Tauranga Limited has a 50% shareholding in the port at Marsden Point which trades as Northport Limited (2012: 50%), with Northland Port Corporation (NZ) Limited holding the remaining 50%.

Northport Limited also has a 50% shareholding in North Tugz Limited (2012: 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.

MetroBox Auckland Limited

Port of Tauranga Limited has a 50% shareholding in MetroBox Auckland Limited (MetroBox) (2012: 50%), with KiwiRail holding the remaining 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.

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).

C3 Limited

Port of Tauranga Limited had a 50% shareholding in C3 Limited (2012: 50%), with Asciano Limited holding the remaining 50%.

C3 Limited operates marshalling and stevedoring operations in thirteen New Zealand ports.

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 share of associates' profits in the current reporting period amounted to $2.457 million which is included within share of profits from associates in the income statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS »»

FOR THE YEAR ENDED 30 JUNE 2013 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

18 DERIVATIVE FINANCIAL INSTRUMENTS

	GROUP		PARENT COMPANY	
	2013 NZ$000	2012 NZ$000	2013 NZ$000	2012 NZ$000
Current assets				
Foreign currency derivatives – cash flow hedges	81	0	81	0
Total assets	81	0	81	0
Current liabilities				
Foreign currency derivatives – cash flow hedges	0	(939)	0	(939)
Interest rate derivatives – cash flow hedges	(812)	(482)	(812)	(482)
Total current liabilities	(812)	(1,421)	(812)	(1,421)
Non current liabilities				
Foreign currency derivatives – cash flow hedges	0	(28)	0	(28)
Interest rate derivatives – cash flow hedges	(8,692)	(20,799)	(8,692)	(20,799)
Total non current liabilities	(8,692)	(20,827)	(8,692)	(20,827)
Total liabilities	(9,504)	(22,248)	(9,504)	(22,248)

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

19 RECEIVABLES AND PREPAYMENTS

		GROUP		PARENT COMPANY	
	Note	2013 NZ$000	2012 NZ$000	2013 NZ$000	2012 NZ$000
Trade receivables		25,373	27,979	20,842	25,219
Less:					
Provision for impairment of trade receivables		(7)	(15)	0	0
Receivables from associates, subsidiaries and related parties		66	414	534	151
		25,432	28,378	21,376	25,370
Advances to associates	29	1,785	1,785	1,785	2,110
Advances to subsidiaries	29	0	0	17,601	3,022
Prepayments and sundry receivables		2,530	1,046	1,528	1,022
Finance lease – gross receivable	15	4,258	4,280	4,258	4,280
Finance lease – unearned finance income	15	(771)	(1,233)	(771)	(1,233)
Total		33,234	34,256	45,777	34,571

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	
	2013 NZ$000	2012 NZ$000	2013 NZ$000	2012 NZ$000
Not past due	22,836	21,961	19,125	20,272
Past due 0 – 30 days	2,197	5,410	1,606	4,563
Past due 30 – 60 days	242	481	94	379
Past due 60 – 90 days	83	124	2	2
More than 90 days	15	3	15	3
Total	25,373	27,979	20,842	25,219

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS »

FOR THE YEAR ENDED 30 JUNE 2013 : 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	
	2013 NZ$000	2012 NZ$000	**2013 NZ$000**	2012 NZ$000
Opening balance	**15**	17	**0**	10
Additional provision	**0**	8	**0**	0
Reversed during the period	**(8)**	(10)	**0**	(10)
Balance as at 30 June	**7**	15	**0**	0

20 INVENTORIES

	GROUP		PARENT COMPANY	
	2013 NZ$000	2012 NZ$000	**2013 NZ$000**	2012 NZ$000
Inventory of parts and consumables	**710**	509	**639**	486

Included in inventories at 30 June 2013 was $289,000 of straddle parts (2012: $344,000) and $151,000 of crane parts (2012: nil) 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	
	2013	2012	**2013**	2012
Ordinary shares issued				
Balance as at 1 July	**134,052,916**	134,030,756	**134,116,246**	134,095,196
Shares issued during year	**44,400**	22,160	**0**	21,050
Shares repurchased by the Group during the year	**(27,120)**	0	**0**	0
Balance as at 30 June	**134,070,196**	134,052,916	**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 44,400 shares at $6.25 per share were issued to employees from the Port of Tauranga Trustee Company Limited (2012: 1,110 shares at $6.25 per share). During the year no shares were issued to staff as part of a Staff Bonus Scheme (2012: 21,050 shares were issued to staff at $9.04 per share).

During the year 27,120 shares at an average value of $11.71 per share were repurchased on market and transferred to the Port of Tauranga Trustee Company Limited as part of the Employee Share Ownership Plan (2012: nil).

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	
	2013 NZ$000	2012 NZ$000	**2013 NZ$000**	2012 NZ$000
Final 2012 dividend paid 27.0 cents per share (2011: 21.0 cps)	**36,211**	28,164	**36,211**	28,164
Interim 2013 dividend paid 20.0 cents per share (2012: 12.0 cps)	**26,824**	16,094	**26,824**	16,094
Total	**63,035**	44,258	**63,035**	44,258

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS »»

FOR THE YEAR ENDED 30 JUNE 2013 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

21 CAPITAL AND RESERVES (CONTINUED)

The dividends are fully imputed. Supplementary dividends of $413,596 (2012: $316,677) were paid to shareholders not tax resident in New Zealand, for which the Group received a foreign tax credit entitlement.

A final dividend of 26 cents (2012: 27 cents) per share to a total of $34,870,224 (2012: $36,211,386) 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.

(c) Share Based Payment Reserve

The share based payment reserve relates to the bonus issue of shares to employees.

(d) 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.

(e) Revaluation Reserve

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

(f) Non Controlling Interest

Non controlling interest in the equity of the Group is as follows:

	GROUP		PARENT COMPANY	
	2013 NZ$000	2012 NZ$000	**2013 NZ$000**	2012 NZ$000
Share capital	**0**	0	**0**	0
Retained earnings	**0**	(112)	**0**	0
Balance as at 30 June	**0**	(112)	**0**	0

Non controlling interest in 2012 arose from the consolidation of MetroPack Limited as the Group held 83.5% of the share capital of the company at the time. At 30 June 2013 MetroPack Limited is a 100% subsidiary of the Group.

22 EARNINGS PER SHARE

Group

The calculation of basic earnings per share at 30 June 2013 of 83.6 cents per share (2012: 54.8 cents per share) was based on the profit attributable to ordinary shareholders of $112,132,000 (2012: $73,554,000) and a weighted average number of ordinary shares outstanding of 134,116,246 (2012: 134,105,721).

There are no dilutive potential ordinary shares (2012: nil).

Underlying Earnings Per Share

The calculation of underlying earnings per share for the Group at 30 June 2013 of 57.6 cents per share (2012: 54.8 cents per share) was based on the underlying profit after tax of $77,228,000 (2012: $73,469,000) and a weighted average number of ordinary shares outstanding of 134,116,246 (2012: 134,105,721), refer note 5.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS »»

FOR THE YEAR ENDED 30 JUNE 2013 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

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 note 34.

		GROUP			PARENT COMPANY		
	Note	**2013 NZ$000**	2012 *Restated NZ$000	1 July 2011 *Restated NZ$000	**2013 NZ$000**	2012 *Restated NZ$000	1 July 2011 *Restated NZ$000
Non current liabilities							
Commercial papers	23(a)	**0**	0	0	**0**	0	0
Standby revolving cash advance facility	23(b)	**79,000**	55,000	92,500	**79,000**	55,000	92,500
Advances from employees	23(f)	**71**	0	165	**0**	0	0
Finance lease liabilities	23(g)	**696**	77	182	**0**	0	0
Total non current liabilities		**79,767**	55,077	92,847	**79,000**	55,000	92,500
Current liabilities							
Commercial papers	23(a)	**146,000**	140,000	105,000	**146,000**	140,000	105,000
Advances from employees	23(f)	**74**	286	0	**0**	0	0
Advance from associate	29	**0**	325	150	**0**	0	0
Finance lease liabilities	23(g)	**238**	350	379	**0**	0	0
Total current liabilities		**146,312**	140,961	105,529	**146,000**	140,000	105,000
Total		**226,079**	196,038	198,376	**225,000**	195,000	197,500

*Refer note 23(a).

(a) 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.

In previous years, acting on professional advice, commercial papers have been classified as non current liabilities on the basis that they are an integral component of the Parent Company's standby revolving cash advance facility and are interchangeable with bank borrowings. Commercial paper debt had been treated as a term liability for financial reporting purposes because in the event that the commercial papers could not be issued, the Parent Company has the contractual right to draw down on fully committed term banking facilities.

The Directors have received new professional advice that on a strictly technical analysis, commercial papers as an instrument within the facility are current liabilities. As such they have been classified as current liabilities as at 30 June 2013. The comparatives have been restated to conform with current year presentation. The commercial paper programme is fully backed by committed and undrawn term bank facilities.

(b) Standby Revolving Cash Advance Facility Agreement

The Parent Company has a $280 million (2012: $260 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. Refer note 23(a).

The standby revolving cash advance facility comprises of three tranches (2012: two tranches), tranche 1, a $100 million (2012: $130 million) facility maturing 31 July 2014 (2012: 31 December 2013), tranche 2, a $50 million (2012: $130 million) facility maturing 31 July 2016 (2012: 31 December 2015), and tranche 3, a $130 million (2012: nil) facility maturing 31 July 2018. These facilities are secured by way of a ships' mortgage over certain floating plant assets ($2,498,000, 2012: $2,757,000), mortgages over the land and building assets ($517,976,000, 2012: $509,440,000), and by a general security agreement over the assets of the Parent Company ($1,073,012,000, 2012: $998,903,000).

(c) 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 2013 this facility was undrawn (2012: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

23 LOANS AND BORROWINGS (CONTINUED)

(d) Multi Option Facility Agreement

The Parent Company has a $5 million (2012: $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 2013 this facility was undrawn (2012: nil). This facility expires on 31 December 2013 (2012: 31 December 2012). 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 ($2,498,000, 2012: $2,757,000), and by a general security agreement over the land and building assets of the Parent Company ($517,976,000, 2012: $509,440,000).

(e) Headroom Facility

The Parent Company has a $30 million (2012: nil) 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 ($2,498,000, 2012: $2,757,000), mortgages over the land and building assets ($517,976,000, 2012: $509,440,000), and by a general security agreement over the assets of the Parent Company ($1,073,012,000, 2012: $998,903,000). At 30 June 2013 this facility is undrawn (2012: nil) and expires 13 months after the date of notice given by the Parent Company or ANZ Banking Group (NZ) Limited.

(f) Advances From Employees

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

(g) Finance Lease Liabilities

	GROUP 2013 NZ$000	GROUP 2012 NZ$000	PARENT COMPANY 2013 NZ$000	PARENT COMPANY 2012 NZ$000
Gross payables under finance leases				
Current portion				
Not later than one year	**349**	370	**0**	0
Non current portion				
Later than one year and not later than five years	**922**	88	**0**	0
Total gross payables under finance leases	**1,271**	458	**0**	0
Future finance charges on finance leases				
Current portion				
Not later than one year	**(111)**	(20)	**0**	0
Non current portion				
Later than one year and not later than five years	**(226)**	(11)	**0**	0
Total future finance charges on finance leases	**(337)**	(31)	**0**	0

	GROUP 2013 NZ$000	GROUP 2012 NZ$000	PARENT COMPANY 2013 NZ$000	PARENT COMPANY 2012 NZ$000
Present value of minimum lease payments				
Not later than one year	**238**	350	**0**	0
Later than one year and not later than five years	**696**	77	**0**	0
Total present value of minimum lease payments	**934**	427	**0**	0

The weighted average effective interest rate implicit in the leases is 12.87% (2012: 11.66%).

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

(h) Fair Values of Loans and Borrowings

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

23 LOANS AND BORROWINGS (CONTINUED)

(i) Terms and Debt Repayment Schedule

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

		GROUP			PARENT COMPANY		
	Year of Maturity	**2013 NZ$000**	2012 *Restated NZ$000	1 July 2011 *Restated NZ$000	**2013 NZ$000**	2012 *Restated NZ$000	1 July 2011 *Restated NZ$000
Standby revolving cash advance facility – tranche 1	2013	**0**	55,000	85,000	**0**	55,000	85,000
Standby revolving cash advance facility – tranche 1	2014	**14,000**	0	0	**14,000**	0	0
Standby revolving cash advance facility – tranche 2	2015	**0**	0	7,500	**0**	0	7,500
Standby revolving cash advance facility – tranche 2	2016	**65,000**	0	0	**65,000**	0	0
Commercial papers	2011	**0**	0	105,000	**0**	0	105,000
Commercial papers	2012	**0**	140,000	0	**0**	140,000	0
Commercial papers	2013	**146,000**	0	0	**146,000**	0	0
Total		**225,000**	195,000	197,500	**225,000**	195,000	197,500

**Refer note 23(a).*

The average weighted interest rate of interest bearing loans was 3.79% at 30 June 2013 (2012: 3.97%).

24 DEFERRED CONSIDERATION

Tapper Transport

An amount of $1,000,000 (2012: $1,000,000) has been retained by the Group as a "Warranty Retention Fund" to satisfy any potential claims that may arise subsequent to acquisition, which could have a material impact on the value of the investment purchased by the Group. An amount of $1,000,000 shall be held for a period of four years from the date of settlement, payable 16 April 2014. While any Warranty Retention Fund remains owing to the vendors, interest shall be paid on the amount owing at a rate of 7% per annum.

Quality Marshalling

Refer note 7(a) for details of deferred consideration resulting from the acquisition of Quality Marshalling.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

25 PROVISIONS

(a) Non Current Liabilities

	GROUP		PARENT COMPANY	
	2013 NZ$000	2012 NZ$000	**2013 NZ$000**	2012 NZ$000
Employee benefits – long service leave provision				
Balance at beginning of period	**982**	966	**982**	966
Additional provision	**181**	186	**181**	186
Unused amounts reversed	**(24)**	(61)	**(24)**	(61)
Utilised during the period	**(129)**	(109)	**(129)**	(109)
Balance at end of period	**1,010**	982	**1,010**	982
Employee benefits – Management Long Term Incentive (LTI)				
Balance at beginning of period	**1,170**	508	**1,170**	508
Additional provision	**0**	662	**0**	662
Transferred to current (refer note 25(b))	**(1,170)**	0	**(1,170)**	0
Balance at end of period	**0**	1,170	**0**	1,170
Contingent consideration				
Balance at beginning of period	**0**	1,837	**0**	1,837
Unwind of discount	**0**	0	**0**	0
Transferred to current (refer note 25(b))	**0**	(1,837)	**0**	(1,837)
Balance at end of period	**0**	0	**0**	0
Site restoration – provision of hardstanding repairs				
Balance at beginning of period	**0**	940	**0**	0
Utilised during the period	**0**	(940)	**0**	0
Balance at end of period	**0**	0	**0**	0
Unearned lease incentive income				
Balance at beginning of period	**335**	272	**0**	0
Additional provision	**104**	184	**0**	0
Transferred to current (refer note 25(b))	**(151)**	(121)	**0**	0
Balance at end of period	**288**	335	**0**	0
Total non current provisions	**1,298**	2,487	**1,010**	2,152

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS »»

FOR THE YEAR ENDED 30 JUNE 2013 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

25 PROVISIONS (CONTINUED)

(b) Current Liabilities

	GROUP		PARENT COMPANY	
	2013 NZ$000	2012 NZ$000	**2013 NZ$000**	2012 NZ$000
Employee benefits – profit sharing and bonuses				
Balance at beginning of period	**1,905**	1,258	**1,873**	1,258
Additional provision	**1,517**	1,905	**1,457**	1,873
Utilised during the period	**(1,998)**	(1,258)	**(1,966)**	(1,258)
Balance at end of period	**1,424**	1,905	**1,364**	1,873
Employee benefits – Management Long Term Incentive (LTI)				
Balance at beginning of period	**0**	0	**0**	0
Additional provision	**912**	0	**912**	0
Transferred from non current (refer note 25(a))	**1,170**	0	**1,170**	0
Balance at end of period	**2,082**	0	**2,082**	0
Contingent consideration				
Balance at beginning of period	**1,966**	1,966	**1,966**	1,966
Utilised during the period	**(2,000)**	(2,000)	**(2,000)**	(2,000)
Transferred from non current (refer note 25(a))	**0**	1,837	**0**	1,837
Unwind of discount, interest	**34**	163	**34**	163
Balance at end of period	**0**	1,966	**0**	1,966
Unearned lease incentive income				
Balance at beginning of period	**121**	121	**0**	0
Transferred from non current (refer note 25(a))	**151**	121	**0**	0
Utilised during the period	**(121)**	(121)	**0**	0
Balance at end of period	**151**	121	**0**	0
Total current provisions	**3,657**	3,992	**3,446**	3,839

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.

Contingent Consideration

In relation to the acquisition of the Tapper Group, the Group has agreed to pay the vendors of Tapper Group additional payments of up to $4,000,000, including an interest component of $505,000, contingent upon the realisation of certain profit forecasts over a two year earn-out period. This contingent payment has been discounted using a 7% interest rate in line with the interest rate agreed on deferred consideration (refer note 24). During the current period, $2,000,000 of contingent consideration, including an interest component of $34,000, was paid on the realisation of profit forecasts.

Management Long Term Incentive

The Management Long Term Incentive Scheme rewards Senior Management based on a combination of total shareholder return versus an index and earnings per share growth, both over a three year period. The incentive only vests on completion of three years' service. The amount of LTI recognised in the income statements during the period is $912,000 (2012: $662,000).

Site Restoration – Provision of Hardstanding Repairs

During the prior period $940,000 was paid by the Group to rectify damage caused to leased hardstanding on leased land.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS »»

FOR THE YEAR ENDED 30 JUNE 2013 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

25 PROVISIONS (CONTINUED)

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.

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.

26 DEFERRED TAXATION

	Assets		Liabilities		Net	
GROUP	**2013 NZ$000**	2012 NZ$000	**2013 NZ$000**	2012 NZ$000	**2013 NZ$000**	2012 NZ$000
Deferred tax (asset)/liability						
Property, plant and equipment	**0**	0	**49,966**	50,157	**49,966**	50,157
Intangible assets	**0**	0	**846**	771	**846**	771
Finance lease receivables	**0**	0	**1,497**	2,350	**1,497**	2,350
Derivatives	**(2,654)**	(6,211)	**23**	0	**(2,631)**	(6,211)
Provisions and accruals	**(1,215)**	(1,435)	**0**	0	**(1,215)**	(1,435)
Finance lease payables	**(5)**	(99)	**0**	0	**(5)**	(99)
Total	**(3,874)**	(7,745)	**52,332**	53,278	**48,458**	45,533

	Recognised in the Statements of Financial Position on Acquisition of Subsidiary		Recognised in the Income Statements		Recognised in Equity	
GROUP	**2013 NZ$000**	2012 NZ$000	**2013 NZ$000**	2012 NZ$000	**2013 NZ$000**	2012 NZ$000
Property, plant and equipment	**262**	0	**(453)**	(699)	**0**	2,978
Intangible assets	**0**	0	**75**	324	**0**	0
Finance lease receivables	**0**	0	**(853)**	(760)	**0**	0
Derivatives	**0**	0	**(1)**	0	**3,580**	(3,026)
Provisions and accruals	**0**	0	**221**	13	**0**	0
Finance lease payables	**0**	0	**94**	11	**0**	0
Total	**262**	0	**(917)**	(1,111)	**3,580**	(48)

	Assets		Liabilities		Net	
PARENT COMPANY	**2013 NZ$000**	2012 NZ$000	**2013 NZ$000**	2012 NZ$000	**2013 NZ$000**	2012 NZ$000
Deferred tax (asset)/liability						
Property, plant and equipment	**0**	0	**49,739**	50,153	**49,739**	50,153
Intangible assets	**0**	0	**85**	10	**85**	10
Finance lease receivables	**0**	0	**1,497**	2,350	**1,497**	2,350
Derivatives	**(2,654)**	(6,211)	**23**	0	**(2,631)**	(6,211)
Provisions and accruals	**(921)**	(1,227)	**0**	0	**(921)**	(1,227)
Total	**(3,575)**	(7,438)	**51,344**	52,513	**47,769**	45,075

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS »

FOR THE YEAR ENDED 30 JUNE 2013 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

26 DEFERRED TAXATION (CONTINUED)

PARENT COMPANY	Recognised in the Income Statements 2013 NZ$000	2012 NZ$000	Recognised in Equity 2013 NZ$000	2012 NZ$000
Property, plant and equipment	**(414)**	(671)	**0**	2,978
Intangible assets	**75**	(20)	**0**	0
Finance lease receivables	**(853)**	(760)	**0**	0
Derivatives	**0**	0	**3,580**	(3,026)
Provisions and accruals	**306**	(210)	**0**	0
Total	**(886)**	(1,661)	**3,580**	(48)

27 TRADE AND OTHER PAYABLES

	GROUP 2013 NZ$000	2012 NZ$000	PARENT COMPANY 2013 NZ$000	2012 NZ$000
Accounts payable	**4,406**	3,114	**3,001**	2,288
Accruals	**15,152**	14,644	**13,027**	13,214
Payables due to associates and related parties	**3**	1,992	**14**	1,978
Total	**19,561**	19,750	**16,042**	17,480

Payables denominated in currencies other than the functional currency comprise trade payables denominated in AUD 6,600 (2012: USD 39,000).

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 2013 NZ$000	2012 NZ$000	PARENT COMPANY 2013 NZ$000	2012 NZ$000
Obligations payable after reporting date on non cancellable operating leases are as follows:				
Within one year	**2,226**	2,410	**687**	547
One year to two years	**2,233**	2,179	**669**	531
Two years to five years	**4,276**	4,865	**1,844**	1,462
Greater than five years	**3,486**	3,378	**1,779**	1,056
Total	**12,221**	12,832	**4,979**	3,596

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ›››

FOR THE YEAR ENDED 30 JUNE 2013 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

29 RELATED PARTY TRANSACTIONS

Related party transactions with subsidiaries and associates:

	2013 NZ$000	2012 NZ$000
C3 Limited		
Services provided to Port of Tauranga Limited*	**6,351**	14,802
Services provided by Port of Tauranga Limited*	**568**	1,400
Accounts receivable by Port of Tauranga Limited (capital notes)*	**0**	16,599
Accounts receivable by Port of Tauranga Limited*	**0**	99
Accounts payable by Port of Tauranga Limited*	**0**	1,972
Northport Limited		
Services provided by Port of Tauranga Limited	**15**	17
Accounts receivable by Port of Tauranga Limited	**3**	2
MetroBox Auckland Limited		
Advances by Port of Tauranga Limited	**1,785**	1,785
Services provided to Tapper Transport Limited	**39**	32
Accounts payable by Tapper Transport Limited	**3**	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	**296**	122
Accounts payable by Port of Tauranga Limited	**14**	0
Tapper Transport Limited		
Services provided by Port of Tauranga Limited	**259**	21
Advances by Port of Tauranga Limited	**11,100**	2,900
Accounts receivable by Port of Tauranga Limited	**253**	2
Services provided to Port of Tauranga Limited	**41**	5
Accounts payable by Port of Tauranga Limited	**0**	6
Cubic Transport Services Limited		
Services provided to Tapper Transport Limited	**15**	8
Services provided by Tapper Transport Limited	**802**	858
Accounts receivable by Tapper Transport Limited	**50**	99
MetroPack Limited		
Advances by Port of Tauranga Limited	**700**	325
Advances by C3 Limited	**0**	325
Advances by Tapper Transport Limited	**500**	325
Services provided by Port of Tauranga Limited	**13**	221
Accounts receivable by Port of Tauranga Limited	**0**	48
Services provided by Tapper Transport Limited	**910**	798
Accounts receivable by Tapper Transport Limited	**111**	170
Services provided to Tapper Transport Limited	**250**	60
Accounts payable by Tapper Transport Limited	**206**	50
Services provided by Cubic Transport Services Limited	**0**	6
Services provided to C3 Limited*	**32**	45
Services provided by C3 Limited*	**12**	49
Accounts receivable by C3 Limited*	**0**	17
Accounts payable by C3 Limited*	**0**	4
Quality Marshalling Limited		
Advances by Port of Tauranga Limited	**5,753**	0
Accounts receivable by Port of Tauranga Limited	**277**	0
Services provided by Port of Tauranga Limited	**1,260**	0

**C3 Limited ceased to be an associate of the Group on 28 November 2012.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS »»

FOR THE YEAR ENDED 30 JUNE 2013 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

29 RELATED PARTY TRANSACTIONS (CONTINUED)

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 or forgiven during the year.

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, $18,000 (2012: $10,000) and accounts payable by Port of Tauranga Limited, $2,000 (2012: nil).

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	
	2013 NZ$000	2012 NZ$000	**2013 NZ$000**	2012 NZ$000
Short term employee benefits				
Directors' fees	**474**	448	**474**	448
Executive salaries and other short term employee benefits	**2,842**	2,829	**2,842**	2,829

30 COMMITMENTS

	GROUP		PARENT COMPANY	
	2013 NZ$000	2012 NZ$000	**2013 NZ$000**	2012 NZ$000
Capital commitments for property, plant and equipment				
Estimated capital commitments for the Group contracted for at balance date but not provided for	**9,205**	37,504	**6,505**	36,975

Major capital commitments at 30 June 2013 relate to the purchase of a container crane. Major capital commitments at 30 June 2012 relate to the purchase of two container cranes, six straddle carriers and the Sulphur Point wharf extension.

31 CONTINGENT LIABILITIES

At 30 June 2013 for the Group and Parent Company there were no contingent liabilities (30 June 2012: nil).

32 EMPLOYEE SHARE OWNERSHIP PLAN

The Group 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 (2012: 0.05%).

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 46,050 shares under the ESOP (2012: 63,330 shares), and of these, 45,800 shares (2012: 59,100 shares) were allocated to employees and have been paid up to $145,215 (2012: $286,380), and $313,101 (2012: $105,781) 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 2013 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

33 SUBSEQUENT EVENTS

Priority Logistics Group

On 1 July 2013 Tapper Transport Limited purchased the assets and took over operations of the Priority Logistics Group, a Bay of Plenty based freight transport operator, for the consideration of $10.0 million. At the date of issue of these financial statements, the initial accounting for the business combination had not been completed. As a result, no estimate has been made of the acquisition date fair values of assets and liabilities, and therefore information related to the acquisition date fair values and goodwill, if any, have not been disclosed.

PrimePort Timaru

On 5 August 2013 Port of Tauranga entered into a Heads of Agreement with PrimePort Timaru Limited, Port Industry Holdings Limited and Timaru District Holdings Limited. Under the terms of the Heads of Agreement, for a total investment of $21.6 million Port of Tauranga Limited has agreed to: acquire a 50% shareholding in PrimePort, excluding its investment properties, lease PrimePort's container terminal for up to 35 years, acquire the container terminal operating assets and set up a new Port of Tauranga wholly owned subsidiary to operate the terminal.

Port of Tauranga sees opportunities to grow container volumes and promote coastal shipping at Timaru and this alliance with PrimePort will allow South Island exporters and importers to benefit from the large number of international services that call at Tauranga. PrimePort is ideally positioned to become a South Island freight marshalling and shipping hub for transhipment to Port of Tauranga's container terminal.

Prior to this transaction being finalised, the Timaru District Council needs to go through a consultation process with ratepayers and if approved the expected completion date for the above transaction is 1 December 2013.

Gateside Industry Park

On 12 August 2013 Port of Tauranga Limited acquired Gateside Industry Park in Auckland, from Goodman Property Limited for $37.2 million. This property purchase is a strategic acquisition of 6.8 hectares immediately adjacent to Port of Tauranga's inland port, MetroPort, and includes three large industrial warehouses, an office building and more than two hectares of land earmarked for future development.

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 2013 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

34 FINANCIAL INSTRUMENTS (CONTINUED)

The Group held the following financial instruments at reporting date:

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**

GROUP 2012	Designated at Fair Value NZ$000	Loans and Receivables NZ$000	Held to Maturity NZ$000	Other Amortised Cost NZ$000	Total Carrying Amount NZ$000	Fair Value NZ$000
Assets						
Advances and receivables, including capital notes	0	5,344	16,599	0	21,943	22,571
Total non current assets	0	5,344	16,599	0	21,943	22,571
Cash and cash equivalents	0	9,244	0	0	9,244	9,244
Receivables and prepayments	0	34,256	0	0	34,256	35,310
Total current assets	0	43,500	0	0	43,500	44,554
Total assets	**0**	**48,844**	**16,599**	**0**	**65,443**	**67,125**
Liabilities						
Loans and borrowings	0	0	0	55,077	55,077	55,083
Deferred consideration	0	0	0	1,000	1,000	1,054
Derivative financial instruments	20,827	0	0	0	20,827	20,827
Total non current liabilities	20,827	0	0	56,077	76,904	76,964
Loans and borrowings	0	0	0	140,961	140,961	140,971
Derivative financial instruments	1,421	0	0	0	1,421	1,421
Trade and other payables	0	0	0	19,750	19,750	19,750
Total current liabilities	1,421	0	0	160,711	162,132	162,142
Total liabilities	**22,248**	**0**	**0**	**216,788**	**239,036**	**239,106**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS »»

FOR THE YEAR ENDED 30 JUNE 2013 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

34 FINANCIAL INSTRUMENTS (CONTINUED)

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**

PARENT COMPANY 2012	Designated at Fair Value NZ$000	Loans and Receivables NZ$000	Held to Maturity NZ$000	Other Amortised Cost NZ$000	Total Carrying Amount NZ$000	Fair Value NZ$000
Assets						
Advances and receivables, including capital notes	0	5,344	16,599	0	21,943	22,571
Total non current assets	0	5,344	16,599	0	21,943	22,571
Cash and cash equivalents	0	8,853	0	0	8,853	8,853
Receivables and prepayments	0	34,571	0	0	34,571	35,625
Total current assets	0	43,424	0	0	43,424	44,478
Total assets	**0**	**48,768**	**16,599**	**0**	**65,367**	**67,049**
Liabilities						
Loans and borrowings	0	0	0	55,000	55,000	55,000
Deferred consideration	0	0	0	1,000	1,000	1,054
Derivative financial instruments	20,827	0	0	0	20,827	20,827
Total non current liabilities	20,827	0	0	56,000	76,827	76,881
Loans and borrowings	0	0	0	140,000	140,000	140,000
Derivative financial instruments	1,421	0	0	0	1,421	1,421
Trade and other payables	0	0	0	17,480	17,480	17,480
Total current liabilities	1,421	0	0	157,480	158,901	158,901
Total liabilities	**22,248**	**0**	**0**	**213,480**	**235,728**	**235,782**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS »»

FOR THE YEAR ENDED 30 JUNE 2013 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

34 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Fair Value Estimation

The fair value of finance lease receivables, finance lease payables and capital notes, 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, finance lease payables and capital notes, were 6.18% (2012: 5.85%), 6.89% (2012: 5.70%) and nil (2012: 5.65%), respectively.

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 4.36% (2012: 3.98%).

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. The different levels have been defined as follows:

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

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)**

GROUP AND PARENT COMPANY 2012	Level 1 NZ$000	Level 2 NZ$000	Level 3 NZ$000	**Total NZ$000**
Liabilities per the statements of financial position				
Derivative financial instrument liabilities	0	(22,248)	0	**(22,248)**
Total liabilities	**0**	**(22,248)**	**0**	**(22,248)**

There were no transfers between fair value hierarchies during 2013 (2012: 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 associates, 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	
	2013 NZ$000	2012 NZ$000	**2013 NZ$000**	2012 NZ$000
Derivative financial instruments	**81**	0	**81**	0
Advances and receivables	**1,857**	21,943	**2,104**	21,943
Receivables and prepayments	**33,234**	34,256	**45,777**	34,571
Cash and cash equivalents	**37,218**	9,244	**24,980**	8,853
Total	**72,390**	65,443	**72,942**	65,367

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS »»

FOR THE YEAR ENDED 30 JUNE 2013 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

34 FINANCIAL INSTRUMENTS (CONTINUED)

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 associates. 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.

The Group adheres to a credit policy that requires each new customer is 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 53.8% of total Group revenue (2012: 51.7%). The Group is satisfied with the credit quality of these debtors and does not anticipate any non performance.

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**

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

(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 tables set out the contractual cash outflows for all financial liabilities (including estimated interest payments) and derivatives:

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**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

34 FINANCIAL INSTRUMENTS (CONTINUED)

GROUP 2012 *RESTATED	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	(196,038)	(203,080)	(142,660)	(1,975)	(56,978)	(1,467)	0
Deferred consideration	(1,000)	(1,128)	(35)	(35)	(1,058)	0	0
Trade and other payables	(19,750)	(19,750)	(19,750)	0	0	0	0
Total non derivative financial liabilities	(216,788)	(223,958)	(162,445)	(2,010)	(58,036)	(1,467)	0
Derivatives							
Interest rate derivatives outflow	(21,281)	(23,325)	(2,742)	(2,838)	(5,994)	(10,722)	(1,029)
Foreign currency derivatives							
Outflow	(967)	(20,637)	(11,291)	(5,875)	(3,471)	0	0
Inflow	0	19,659	10,575	5,642	3,442	0	0
Total derivatives	(22,248)	(24,303)	(3,458)	(3,071)	(6,023)	(10,722)	(1,029)
Total	**(239,036)**	**(248,261)**	**(165,903)**	**(5,081)**	**(64,059)**	**(12,189)**	**(1,029)**

**Refer note 23(a).*

GROUP AND PARENT COMPANY 1 JULY 2011 *RESTATED	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 (commercial papers only)	(105,000)	(105,000)	(105,000)	0	0	0	0

**Refer note 23(a).*

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**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS »»

FOR THE YEAR ENDED 30 JUNE 2013 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

34 FINANCIAL INSTRUMENTS (CONTINUED)

PARENT COMPANY 2012 *RESTATED	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	(195,000)	(202,011)	(141,852)	(1,802)	(56,890)	(1,467)	0
Deferred consideration	(1,000)	(1,128)	(35)	(35)	(1,058)	0	0
Trade and other payables	(17,480)	(17,480)	(17,480)	0	0	0	0
Total non derivative financial liabilities	(213,480)	(220,619)	(159,367)	(1,837)	(57,948)	(1,467)	0
Derivatives							
Interest rate derivatives outflow	(21,281)	(23,325)	(2,742)	(2,838)	(5,994)	(10,722)	(1,029)
Foreign currency derivatives							
Outflow	(967)	(20,637)	(11,291)	(5,875)	(3,471)	0	0
Inflow	0	19,659	10,575	5,642	3,442	0	0
Total derivatives	(22,248)	(24,303)	(3,458)	(3,071)	(6,023)	(10,722)	(1,029)
Total	**(235,728)**	**(244,922)**	**(162,825)**	**(4,908)**	**(63,971)**	**(12,189)**	**(1,029)**

*Refer note 23(a).

The following tables indicate 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 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**

GROUP AND PARENT COMPANY 2012	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	(21,281)	(23,325)	(2,742)	(2,838)	(5,994)	(10,722)	(1,029)
Foreign currency derivatives							
Outflow	(967)	(20,637)	(11,291)	(5,875)	(3,471)	0	0
Inflow	0	19,659	10,575	5,642	3,442	0	0
Total	**(22,248)**	**(24,303)**	**(3,458)**	**(3,071)**	**(6,023)**	**(10,722)**	**(1,029)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

34 FINANCIAL INSTRUMENTS (CONTINUED)

(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.

(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	
	2013 NZ$000	2012 NZ$000	**2013 NZ$000**	2012 NZ$000
Fixed rate instruments				
Finance lease receivables	**5,344**	8,391	**5,344**	8,391
Capital notes	**0**	16,599	**0**	16,599
Finance lease payables	**(934)**	(427)	**0**	0
Deferred consideration	**(2,000)**	(1,000)	**(2,000)**	(1,000)
Interest rate derivatives	**(9,504)**	(21,281)	**(9,504)**	(21,281)
Total	**(7,094)**	2,282	**(6,160)**	2,709
Variable rate instruments				
Commercial papers	**(146,000)**	(140,000)	**(146,000)**	(140,000)
Standby revolving cash advance facility	**(79,000)**	(55,000)	**(79,000)**	(55,000)
Cash balances	**37,218**	9,244	**24,980**	8,853
Total	**(187,782)**	(185,756)	**(200,020)**	(186,147)

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 cash flow hedge reserve by the amounts shown below. The analysis is performed on the same basis for 2012.

	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	(1,298)	1,318	0	0
Interest rate swaps	1,331	(1,331)	5,245	(5,546)
30 June 2013	**33**	**(13)**	**5,245**	**(5,546)**
Variable rate instruments	(1,272)	1,290	0	0
Interest rate swaps	1,246	(1,246)	7,503	(8,008)
30 June 2012	**(26)**	**44**	**7,503**	**(8,008)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS »»

FOR THE YEAR ENDED 30 JUNE 2013 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

34 FINANCIAL INSTRUMENTS (CONTINUED)

	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	(1,379)	1,398	0	0
Interest rate swaps	1,331	(1,331)	5,245	(5,546)
30 June 2013	**(48)**	**67**	**5,245**	**(5,546)**
Variable rate instruments	(1,275)	1,293	0	0
Interest rate swaps	1,246	(1,246)	7,503	(8,008)
30 June 2012	**(29)**	**47**	**7,503**	**(8,008)**

(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 2013, the Group had entered into forward contracts to purchase EUR 2.095 million (2012: EUR 12.226 million) 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 2012.

	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 forward exchange contracts 30 June 2013	**0**	**0**	**(174)**	**344**
Foreign currency forward exchange contracts 30 June 2012	**0**	**0**	**(1,265)**	**1,546**

(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 2013, the Group had no commodity derivative contracts outstanding (2012: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

34 FINANCIAL INSTRUMENTS (CONTINUED)

(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 as follows:

	GROUP	
	2013	2012
Port of Tauranga Group policies		
Interest cover (times)	**8.3**	8.2
Debt ratio (percentage)	**22**	21
Dividend payout ratio *(underlying earnings)* (percentage)	**80**	71
Bank covenants		
Interest cover (times)	**8.3**	8.2
Shareholders funds as a percentage of tangible assets (percentage)	**74**	72
Parent Company EBIT as percentage of Group EBIT (percentage)	**99**	94
Parent Company tangible assets as a percentage of Group tangible assets (percentage)	**100**	98

STATUTORY INFORMATION

AS AT 22 AUGUST 2013

SHAREHOLDER INFORMATION

The ordinary shares of Port of Tauranga Limited are listed on NZX. The information in the disclosures below has been taken from the Company's registers as at 22 August 2013.

TWENTY LARGEST ORDINARY EQUITY HOLDERS

Holder	Number Held	% of Issued Equity
Quayside Securities Limited	73,687,536	54.94
New Zealand Central Securities Depository Limited	13,522,913	10.08
Custodial Services Limited (3 a/c)	4,572,176	3.41
Custodial Services Limited (2 a/c)	1,896,739	1.41
FNZ Custodians Limited	1,504,718	1.12
Custodial Services Limited (18 a/c)	1,281,737	0.96
Custodial Services Limited (4 a/c)	1,081,694	0.81
Custodial Services Limited (1 a/c)	616,999	0.46
Masfen Securities Limited	545,000	0.41
Investment Custodial Services Limited	506,390	0.38
JB Were (NZ) Nominees Limited	400,000	0.30
Custodial Services Limited (16 a/c)	382,502	0.29
Guy Perry & D A Thompson Trustee Limited	350,000	0.26
Lloyd James Christie	307,000	0.23
New Zealand Depository Nominee Limited	285,318	0.21
Forsyth Barr Custodians Limited	284,004	0.21
Karen Maureen Pensabene	260,000	0.19
Investment Custodial Services Limited	228,745	0.17
Custodial Services Limited (6 a/c)	223,075	0.17
Fraser Grant McKenzie & Dorothy Ann McKenzie	200,306	0.15
Total	**102,136,852**	**76.16**

DISTRIBUTION OF EQUITY SECURITIES

Range of Equity Holdings	Number of Holders	Number of Shares Held	% of Issued Equity
1 - 5,000	8,528	13,968,914	10.42
5,001 - 10,000	966	7,099,426	5.29
10,001 - 50,000	467	8,793,953	6.56
50,001 - 100,000	16	1,192,688	0.89
100,001 and over	27	103,061,265	76.85
Total	**10,004**	**134,116,246**	**100.00**

STATUTORY INFORMATION

AS AT 22 AUGUST 2013

SHAREHOLDER INFORMATION (CONTINUED)

SUBSTANTIAL SECURITY HOLDERS

The following information is given in accordance with section 26 of the Securities Amendment Act 1988. According to notices received, the following persons were substantial security holders in the Company as at 22 August 2013.

Holder	Number of Shares Held	%
Quayside Securities Limited	73,687,536	54.94

The total number of issued voting securities of the Company as at 22 August 2013 was 134,116,246.

DIRECTORS' SECURITY HOLDINGS

	Beneficially Held		Held by Associated Persons	
	30.06.13	30.06.12	**30.06.13**	30.06.12
J S Parker	**0**	25,500	**78,450**	52,950
A W Baylis	**0**	0	**10,000**	10,000
J M Cronin	**0**	0	**2,500**	2,500
K R Ellis	**0**	0	**12,550**	
D A Pilkington	**0**	0	**0**	0
M J Smith	**0**	0	**22,370**	22,370
Sir Dryden Spring	**32,000**	32,000	**4,500**	4,500
K Tempest	**0**	0	**0**	0

FINANCIAL AND OPERATIONAL FIVE YEAR SUMMARY »»

AS AT 30 JUNE 2013 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

FINANCIAL

	Year 2013 $000	Year 2012 $000	Year 2011 $000	Year 2010 $000	Year 2009 $000
Operating income	**244,147**	227,242	185,374	148,076	143,619
EBITDa	**134,992**	128,898	108,868	*93,516	89,277
Surplus after taxation – reported	**112,123**	73,469	58,398	38,016	45,185
Surplus after taxation – underlying	**77,228**	73,469	57,922	49,403	45,185
Dividends paid related to earnings	**63,035**	44,258	40,224	36,193	33,509
Total equity	**793,878**	733,874	700,252	668,468	643,057
Net interest bearing debt	**190,716**	187,183	188,795	198,528	207,484
Total assets	**1,112,581**	1,033,878	990,468	956,273	910,654
Interest cover (times)	**8.3**	8.2	6.6	6.3	5.4
Shareholders' equity (%)	**71.4**	71.0	70.7	69.9	70.6
Return on average equity (%)	**10.1**	10.2	8.5	7.5	7.0
Share price ($)	**13.90**	11.08	8.85	6.65	6.15
Market capitalisation ($)	**1,864,216**	1,486,008	1,186,742	891,629	824,314
Net asset backing per share ($)	**5.92**	5.47	5.22	4.99	4.80
Underlying earnings per share (cents per share)	**57.6**	54.8	43.6	36.9	33.7

**Includes $2.352 million negative revaluation movement.*

The Board approved a final dividend of 26.0 cents per share ($34.9 million) after year end payable on 4 October 2013.

OPERATIONAL

	Year 2013	Year 2012	Year 2011	Year 2010	Year 2009
Cargo throughput (000 tonnes)	**19,065**	18,452	15,390	13,748	13,458
Containers (TEU)	**848,384**	796,024	590,506	511,343	546,521
Net crane rate (container moves per hour)*	**34.5**	30.6	35.0	35.1	33.8
Ship departures	**1,529**	1,501	1,329	1,225	1,233
Berth occupancy (%)	**40**	40	34	30	29
Total cargo ship days in port	**2,232**	2,189	1,839	1,661	1,534
Turn-around time per cargo ship (days)	**1.5**	1.4	1.4	1.4	1.3
Cargo tonnes per ship	**12,469**	12,123	11,606	11,223	10,906
Average cargo ship gross tonnage (GT)	**24,641**	22,435	21,491	20,675	21,051
Average cargo ship length overall (metres)	**187**	179	177	174	176
Number of employees – Port of Tauranga Limited	**185**	169	158	155	156
Lost time injuries (LTI – frequency)**	**14.1**	5.9	6.2	18.6	3.1
Total injury (frequency rate)	**31.0**	26.8	21.7	46.5	

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

COMPANY DIRECTORY

DIRECTORS

J S Parker
Chairman

A W Baylis

J M Cronin

K R Ellis
(appointed 31 May 2013)

D A Pilkington

M J Smith

Sir Dryden Spring

K Tempest

EXECUTIVE

M C Cairns
Chief Executive

S G Gray
Chief Financial Officer

S M Lunam
Corporate Services Manager

G J Marshall
Commercial Manager

D Kneebone
Property & Infrastructure Manager

REGISTERED OFFICE

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

Telephone	07 572 8899
Facsimile	07 572 8800
Internet	www.port-tauranga.co.nz
Email	marketing@port-tauranga.co.nz

AUDITORS

KPMG

Tauranga

On behalf of the Auditor-General

SOLICITORS

Holland Beckett

Tauranga

BANKERS

ANZ National Bank Limited

Bank of New Zealand

Commonwealth Bank

CREDIT RATING AGENCY

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

SHARE REGISTRY

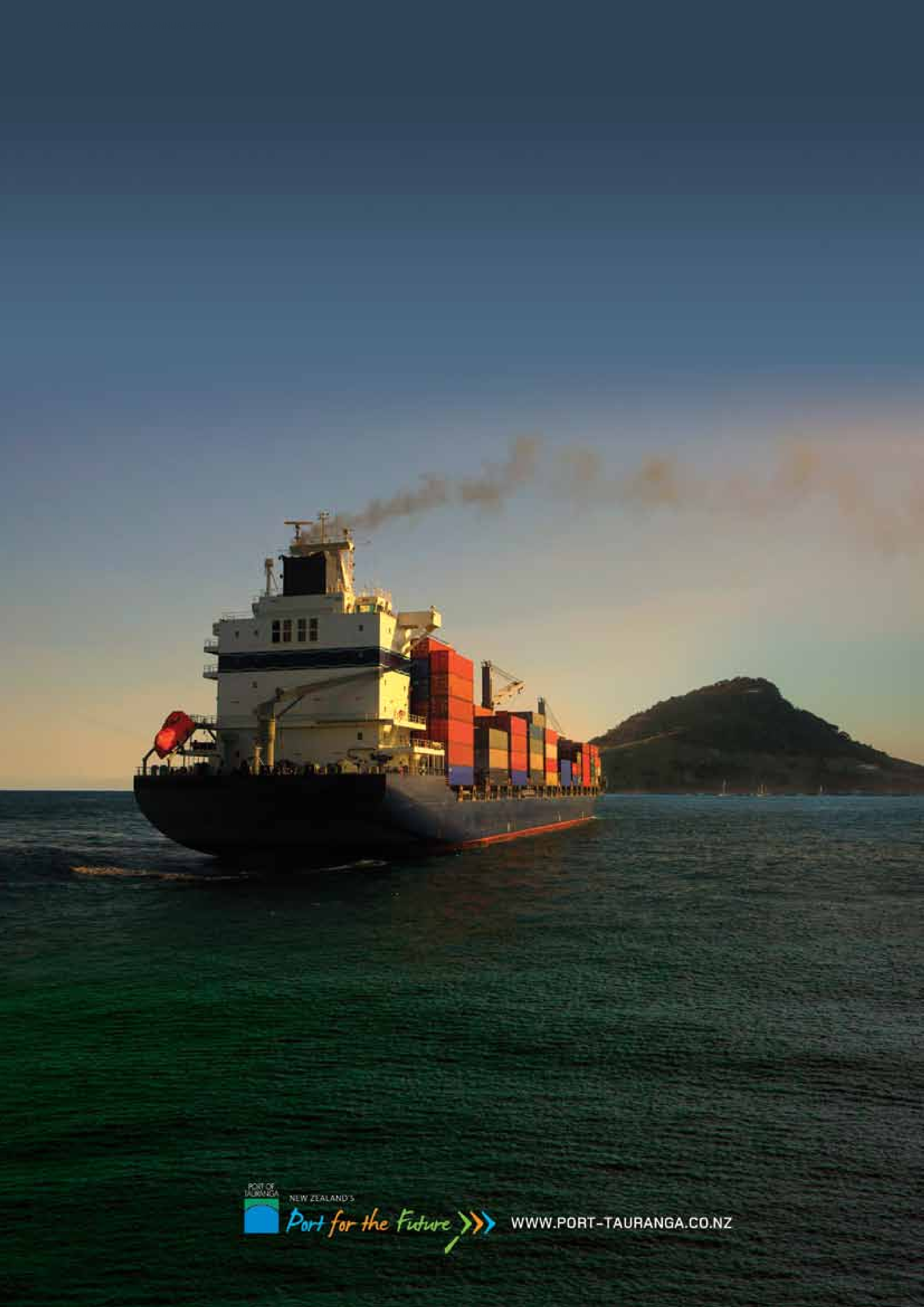
For enquiries about share transactions, change of address or dividend payments contact:

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

Telephone	09 375 5998
Facsimile	09 375 5990
Email	enquiries@linkmarketservices.com

FINANCIAL CALENDAR

4 October 2013	Final dividend payment
24 October 2013	Annual Meeting
20 February 2014	Half year results announcement
March 2014	Interim Report published
14 March 2014	Interim dividend payment
30 June 2014	Financial year end
21 August 2014	Annual results announcement
September 2014	Annual Report published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