Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021
PORT OF TAURANGA LIMITED AND SUBSIDIARIES

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PORT OF TAURANGA LIMITED AND SUBSIDIARIES

Directors' Responsibility Statement

FOR THE YEAR ENDED 30 JUNE 2021

The Directors are responsible for ensuring that the financial statements give a true and fair view of Port of Tauranga Limited (the Group) as at 30 June 2021.

The Directors consider that the financial statements of the Group have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates, and that all relevant financial reporting and accounting standards have been followed.

The Directors are pleased to present the financial statements of the Group for the year ended 30 June 2021.

The financial statements were authorised for issue for and on behalf of the Directors on 26 August 2021.

Chair

Director

Independent Auditor's Report

To the Shareholders of Port of Tauranga Limited

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

OPINION

We have audited the consolidated financial statements of the Group on pages 71 to 111, that comprise the consolidated statement of financial position as at 30 June 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

BASIS FOR OUR OPINION

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

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

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

Other than in our capacity as auditor we have no relationship with, or interests in, the Group.

KEY AUDIT MATTERS

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

The Key Audit Matter	How The Matter Was Addressed in Our Audit
Value of property, plant and equipment	

Refer note 11 of the financial statements.
 	
The Group has property, plant and equipment ("PP&E") of $1,758 million.
 	
The Group has a policy of valuing land, buildings, wharves, hardstanding and harbour improvements ("Revalued PP&E") at fair value. Full Independent valuations are obtained at least every three years (by an independent valuer) over these asset classes.
 	
In the current year, the fair value of land was updated based on an index of movements in underlying land values. Buildings were assessed to not have materially moved in value and no adjustment was made. Wharves and hardstandings and harbour Improvements were revalued by an independent valuer.
 	
The Revalued PP&E is considered a key audit matter due to the judgement involved in the assessment of the fair value and the material value of PP&E on the balance sheet.
	Our procedures focussed on the appropriateness of the Group's assessment as to whether the carrying values of Revalued PP&E materially represent their fair values, and if a revaluation of a class of asset was required, that the revalued assets have been accurately reflected in the financial statements.
	
	– For land and buildings we have:
	  – Assessed the methodology applied by management to determine the index of land values.
	  – Reviewed the valuation reports of a sample of properties prepared by an independent valuer that inform the land index.
	  – Assessed the competence, objectivity and independence of the valuer used.
	  – Corroborated the movements in the valuation reports with industrial property market movements to assess the estimated movements in the land indices.
	  – Recalculated management's assessment of the movement in building values for the year. This included corroborating market capitalisation rates and recalculating the movement in rental income in the year.

Value of property, plant and equipment (continued)	– For wharves, hardstandings and harbour improvements (including these asset classes contained within the equity accounted investment balance) we have:
	  – Assessed the competence, objectivity and independence of the valuer used.
	  – Reviewed the valuation reports and assessed whether the valuation approach was in accordance with professional valuation standards and suitable for determining the fair value of identified assets.
	  – Compared the asset holdings in the fixed asset register to those valued to ensure all relevant property was captured.
	  – Compared on a sample basis asset data used by the valuer to physical asset records and prior valuation reports.
	
	We assessed whether the increase in valuations across the different asset classes were correctly accounted for within the Revaluation Reserve and Statement of Comprehensive Income.
	
	Wharves and hardstandings and harbour improvements within the Group's associates have historically been held at cost. In the current year a revaluation was performed over these asset classes to align the accounting policies across the Group. This resulted in changes to the fair value of PP&E in associates and restated amounts recorded in previously issued financial statements. We assessed the disclosure of the restatements against the requirements of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

OTHER INFORMATION

The Directors are responsible on behalf of the Group for the other information. The other information comprises the information included on pages 1 to 67 and 112 to 122, but does not include the consolidated financial statements and our Auditor's Report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the Directors.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Independent Auditor's Report (continued)

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Our responsibilities arise from the Public Audit Act 2001.

Brent Manning
KPMG

On behalf of the Auditor-General
Wellington, New Zealand

26 August 2021

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

Consolidated Income Statement

FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 NZ$000	2020 Restated* NZ$000
Total operating revenue	5	**338,281**	301,985
Contracted services for port operations		**(69,143)**	(61,363)
Employee benefit expenses	6	**(43,520)**	(40,110)
Direct fuel and power expenses		**(11,545)**	(10,195)
Maintenance of property, plant and equipment		**(15,633)**	(11,543)
Other expenses		**(21,306)**	(16,547)
Operating expenses		**(161,147)**	(139,758)
Results from operating activities		**177,134**	162,227
Depreciation and amortisation	11, 12, 13	**(33,998)**	(29,746)
Impairment of property, plant and equipment		**(12)**	0
Impairment of property, plant and equipment on revaluation		**(2,326)**	0
Reversal of previous revaluation deficit		**0**	175
		(36,336)	(29,571)
Operating profit before finance costs, share of profit from Equity Accounted Investees and taxation		**140,798**	132,656
Finance income	8	**164**	310
Finance expenses	8	**(16,736)**	(18,840)
Net finance costs	8	**(16,572)**	(18,530)
Share of profit from Equity Accounted Investees	15(c)	**13,524**	9,957
Impairment of investment in Equity Accounted Investees	15(b)	**0**	(6,986)
Loss on disposal of Equity Accounted Investees	4	**(741)**	0
		12,783	2,971
Profit before income tax		**137,009**	117,097
Income tax expense	9	**(34,634)**	(28,418)
Profit for the period		**102,375**	88,679
**Refer to note 15(c).*			
Basic earnings per share (cents)	18	**15.2**	13.2
Diluted earnings per share (cents)	18	**15.0**	13.0

These statements are to be read in conjunction with the notes on pages 77 to 111.

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2021

	2021 NZ$000	2020 Restated* NZ$000
Profit for the period	**102,375**	88,679
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Cash flow hedge – changes in fair value**	**6,618**	(7,555)
Cash flow hedge – reclassified to profit or loss**	**3,903**	2,341
Share of net change in cash flow hedge reserves of Equity Accounted Investees	**496**	(186)
Items that will never be reclassified to profit or loss:		
Asset revaluation, net of tax**	**157,842**	36,876
Share of net change in revaluation reserve of Equity Accounted Investees	**12,090**	216
Total other comprehensive income	**180,949**	31,692
Total comprehensive income	**283,324**	120,371

*Refer to note 15(c).

**Net of tax effect as disclosed in notes 9 and 10.

These statements are to be read in conjunction with the notes on pages 77 to 111.

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2021

	Note	Share Capital NZ$000	Share Based Payment Reserve NZ$000	Hedging Reserve NZ$000	Revaluation Reserve NZ$000	Retained Earnings NZ$000	Total Equity NZ$000
Balance at 30 June 2019, as previously		**69,757**	**4,085**	**(16,975)**	**1,013,131**	**95,887**	**1,165,885**
Adjustments		0	0	0	32,952	0	32,952
Restated* balance at 1 July 2019		69,757	4,085	(16,975)	1,046,083	95,887	1,198,837
Profit for the period		0	0	0	0	88,679	88,679
Other comprehensive income		0	0	(5,400)	37,092	0	31,692
Total comprehensive income		**0**	**0**	**(5,400)**	**37,092**	**88,679**	**120,371**
Decrease in share capital		(705)	0	0	0	0	(705)
Dividends paid during the period	17	0	0	0	0	(124,486)	(124,486)
Equity settled share based payment accrual	17	0	1,167	0	0	0	1,167
Shares issued upon vesting of Management Long Term Incentive Plan		764	(739)	0	0	(25)	0
Total transactions with owners in their capacity as owners		**59**	**428**	**0**	**0**	**(124,511)**	**(124,024)**
Restated* balance at 30 June 2020		**69,816**	**4,513**	**(22,375)**	**1,083,175**	**60,055**	**1,195,184**
Profit for the period		0	0	0	0	102,375	102,375
Other comprehensive income		0	0	11,017	169,932	0	180,949
Total comprehensive income		**0**	**0**	**11,017**	**169,932**	**102,375**	**283,324**
Increase in share capital		735	0	0	0	0	735
Dividends paid during the period	17	0	0	0	0	(84,353)	(84,353)
Equity settled share based payment accrual	17	0	2,078	0	0	0	2,078
Shares, previously subject to call option, issued		3,954	(3,954)	0	0	0	0
Shares issued upon vesting of Management Long Term Incentive Plan		415	(225)	0	0	(190)	0
Total transactions with owners in their capacity as owners		**5,104**	**(2,101)**	**0**	**0**	**(84,543)**	**(81,540)**
Balance at 30 June 2021		**74,920**	**2,412**	**(11,358)**	**1,253,107**	**77,887**	**1,396,968**

*Refer to note 15(c).

These statements are to be read in conjunction with the notes on pages 77 to 111.

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

Consolidated Statement of Financial Position

AS AT 30 JUNE 2021

	Note	2021 NZ$000	2020 Restated* NZ$000	1 July 2019 Restated* NZ$000
Assets				
Property, plant and equipment	11	**1,758,109**	1,584,865	1,531,211
Right-of-use assets	12	**40,577**	25,011	0
Intangible assets	13	**24,200**	18,979	19,028
Investments in Equity Accounted Investees	15	**167,650**	158,588	165,683
Receivables and prepayments	16	**16,502**	0	12
Derivative financial instruments	21	**77**	0	0
Total non-current assets		**2,007,115**	1,787,443	1,715,934
Cash and cash equivalents		**7,886**	8,565	3,903
Receivables and prepayments	16	**65,260**	51,399	60,610
Inventories		**1,009**	1,383	1,366
Total current assets		**74,155**	61,347	65,879
Total assets		**2,081,270**	1,848,790	1,781,813
Equity	17			
Share capital		**74,920**	69,816	69,757
Share based payment reserve		**2,412**	4,513	4,085
Hedging reserve		**(11,358)**	(22,375)	(16,975)
Revaluation reserve		**1,253,107**	1,083,175	1,046,083
Retained earnings		**77,887**	60,055	95,887
Total equity		**1,396,968**	1,195,184	1,198,837
Liabilities				
Loans and borrowings	19	**215,000**	229,458	124,213
Lease liabilities	12	**41,041**	24,810	0
Derivative financial instruments	21	**13,763**	29,359	20,895
Employee benefits	6	**2,244**	3,157	1,783
Deferred tax liabilities	10	**85,627**	65,349	66,389
Contingent consideration	4	**2,920**	0	0
Total non-current liabilities		**360,595**	352,133	213,280
Loans and borrowings	19	**270,000**	259,000	322,000
Lease liabilities	12	**837**	592	0
Derivative financial instruments	21	**1,151**	0	1,138
Trade and other payables	22	**37,722**	32,066	33,688
Revenue received in advance		**162**	93	260
Employee benefits	6	**3,389**	724	2,178
Income tax payable		**10,012**	8,998	10,432
Contingent consideration	4	**434**	0	0
Total current liabilities		**323,707**	301,473	369,696
Total liabilities		**684,302**	653,606	582,976
Total equity and liabilities		**2,081,270**	1,848,790	1,781,813
Net tangible assets per share (dollars per share)		**2.04**	1.75	1.76

**Refer to note 15(c).*

For and on behalf of the Board of Directors who authorised these financial statements for issue on 26 August 2021.

Chair

Director

These statements are to be read in conjunction with the notes on pages 77 to 111.

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 NZ$000	2020 NZ$000
Cash flows from operating activities			
Receipts from customers		**333,135**	321,275
Interest received		**165**	273
Payments to suppliers and employees		**(179,521)**	(151,007)
Taxes paid		**(36,576)**	(35,293)
Interest paid		**(17,521)**	(18,111)
Net cash inflow from operating activities		**99,682**	117,137
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**10**	68
Finance lease payments received, including interest		**13**	13
Repayment of advances from Equity Accounted Investees		**680**	0
Dividends from Equity Accounted Investees	15	**9,636**	10,096
Purchase of property, plant and equipment		**(22,267)**	(38,239)
Purchase of intangible assets		**(937)**	(587)
Interest capitalised on property, plant and equipment		**(89)**	(451)
Cash acquired as part of business combinations	4	**794**	0
Total net cash used in investing activities		**(12,160)**	(29,100)
Cash flows from financing activities			
Proceeds from borrowings		**61,020**	130,265
Dividends paid	17	**(84,353)**	(124,486)
Repurchase of shares		**0**	(716)
Repayment of borrowings		**(64,000)**	(88,004)
Repayment of lease liabilities		**(868)**	(434)
Net cash used in financing activities		**(88,201)**	(83,375)
Net increase/(decrease) in cash held		**(679)**	4,662
Add opening cash brought forward		**8,565**	3,903
Ending cash and cash equivalents		**7,886**	8,565

These statements are to be read in conjunction with the notes on pages 77 to 111.

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

Reconciliation of Profit for the Period to Cash Flows From Operating Activities

FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 NZ$000	2020 Restated* NZ$000
Profit for the period		**102,375**	88,679
Items classified as investing/financing activities:			
Finance lease interest revenue	8	**(1)**	(2)
(Gain)/loss on sale of property, plant and equipment		**(10)**	68
		(11)	66
Add/(less) non-cash items and non-operating items:			
Depreciation	11, 12	**32,576**	29,110
Amortisation expense	13	**1,422**	636
Impairment of property, plant and equipment	11	**12**	0
Impairment of property, plant and equipment on revaluation		**2,326**	0
Reversal of previous revaluation deficit		**0**	(175)
Decrease in deferred taxation expense	10	**(2,973)**	(5,441)
Ineffective portion of change in fair value of cash flow hedge	20	**3**	(1)
Amortisation of interest rate collar premium	20	**86**	86
Share of net profit after tax retained by Equity Accounted Investees	15(c)	**(13,524)**	(9,957)
Impairment of investment in Equity Accounted Investees	15(b)	**0**	6,986
Loss on disposal of Equity Accounted Investees	4	**741**	0
Change in the fair value of contingent consideration		**103**	0
Increase in equity settled share based payment accrual		**2,078**	1,167
		22,850	22,411
Add/(less) movements in working capital:			
Change in trade receivables and prepayments		**(31,584)**	9,211
Change in inventories		**374**	(17)
Change in income tax payable		**1,170**	(1,434)
Change in trade, other payables and revenue received in advance		**4,508**	(1,779)
		(25,532)	5,981
Net cash flows from operating activities		**99,682**	117,137

**Refer to note 15(c).*

These statements are to be read in conjunction with the notes on pages 77 to 111.

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

1 COMPANY INFORMATION

Reporting Entity

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

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

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

The financial statements of the Group for the year ended 30 June 2021 comprise the Parent Company and its Subsidiaries (together referred to as the Group) and the Group's interest in Equity Accounted Investees.

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

2 BASIS OF PREPARATION

Statement of Compliance and Basis of Preparation

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

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

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

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

Certain comparative period information has been recognised and restated. Refer to note 15(c) for further details.

Accounting Estimates and Judgements

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

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

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

- valuation of land, buildings, harbour improvements, and wharves and hardstanding (refer to note 11);
- valuation of derivative financial instruments (refer to note 20);
- impairment assessment of intangible assets (refer to note 13);
- impairment assessment of investments in Equity Accounted Investees (refer to note 15); and
- valuation of share rights granted (refer to note 24).

Fair Value Hierarchy

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

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

Financial Instruments

Financial Assets – Classification and Subsequent Measurement

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

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

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

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

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

2 BASIS OF PREPARATION (CONTINUED)

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

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

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

Financial Liabilities – Classification, Subsequent Measurement and Gains and Losses

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

New and Amended Accounting Standards Adopted

The following new and amended standards have been adopted and applied in preparing these financial statements:

- **NZ IAS 1 Presentation of Financial Statements**
  The Group has early adopted amendments to NZ IAS 1 Presentation of Financial Statements for the year ended 30 June 2021. The amendments clarify the classification of liabilities as current or non-current. The Group has applied this classification of current and non-current liabilities in determining the classification of loan facilities within these financial statements. The early adoption of the amendment to NZ IAS 1 had no impact on the classification of the Group's debt facilities.
- **Software-as-a-Service Arrangements**
  The IFRS Interpretations Committee recently published two agenda decisions clarifying how arrangements in respect of a specific part of cloud technology, Software-as-a-Service, should be accounted for. The clarification has not had a material impact on the financial statements.

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

Covid-19

As an essential service provider, the Group continued operations during the Covid-19 response. During the year to 30 June 2021, the Group's results from operating activities were not adversely impacted by the resultant shut-downs and other social and economic disruptions. In addition, there has not been a material impact on key assumptions used in valuing the Group's assets and therefore no Covid-19 related impairments have been recorded.

3 SEGMENTAL REPORTING

Operating Segments

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

The Group operates in three primary reportable segments, being:

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

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

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

The Group operates in one geographical area, that being New Zealand. During the year the Group received revenue from two external customers which individually comprised more than 10% of total revenue. Revenue from these two customers is included in Port Operations and accounts for 30% and 12% (2020: 30% and 11%) of total revenue.

3 SEGMENTAL REPORTING (CONTINUED)

The Group segment results are as follows:

2021	Port Operations Group NZ$000	Property Services Group NZ$000	Marshalling Services Group NZ$000	Unallocated* Group NZ$000	Inter Segment Group NZ$000	Group NZ$000
Revenue (external)	302,545	30,912	3,845	0	0	337,302
Inter segment revenue	5	64	17,946	0	(18,015)	0
Total segment revenue	**302,550**	**30,976**	**21,791**	**0**	**(18,015)**	**337,302**
Other income and expenditure:						
Share of profit from Equity Accounted Investees	0	0	0	13,524	0	13,524
Loss on disposal of Equity Accounted Investees	0	0	0	(741)	0	(741)
Interest income	0	0	0	199	(35)	164
Other income	0	0	0	1,296	(317)	979
Interest expense	0	0	0	(16,771)	35	(16,736)
Depreciation and amortisation expense	0	0	(1,038)	(32,960)	0	(33,998)
Other unallocated expenditure	0	0	(15,883)	(165,934)	18,332	(163,485)
Income tax expense	0	0	(1,370)	(33,264)	0	(34,634)
Total other income and expenditure	0	0	(18,291)	(234,651)	18,015	(234,927)
Total segment result	**302,550**	**30,976**	**3,500**	**(234,651)**	**0**	**102,375**

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

2020	Port Operations Group NZ$000	Property Services Group NZ$000	Marshalling Services Group NZ$000	Unallocated* Group Restated** NZ$000	Inter Segment Group NZ$000	Group Restated** NZ$000
Revenue (external)	266,293	29,628	4,966	0	0	300,887
Inter segment revenue	0	69	13,004	0	(13,073)	0
Total segment revenue	**266,293**	**29,697**	**17,970**	**0**	**(13,073)**	**300,887**
Other income and expenditure:						
Share of profit from Equity Accounted Investees	0	0	0	9,957	0	9,957
Impairment of investment in Equity Accounted Investees	0	0	0	(6,986)	0	(6,986)
Interest income	0	0	0	310	0	310
Other income	0	0	0	1,273	0	1,273
Interest expense	0	0	0	(18,840)	0	(18,840)
Depreciation and amortisation expense	0	0	(946)	(28,800)	0	(29,746)
Other unallocated expenditure	0	0	(13,513)	(139,318)	13,073	(139,778)
Income tax expense	0	0	(983)	(27,435)	0	(28,418)
Total other income and expenditure	0	0	(15,442)	(209,839)	13,073	(212,208)
Total segment result	**266,293**	**29,697**	**2,528**	**(209,839)**	**0**	**88,679**

**Operating costs are not allocated to individual business segments within the Parent Company.*
***Refer to note 15(c).*

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FOR THE YEAR ENDED 30 JUNE 2021

4 ACQUISITION OF REMAINING SHAREHOLDING IN TIMARU CONTAINER TERMINAL LIMITED

On 30 October 2020 the Parent Company acquired Kotahi Logistics LP's (Kotahi) 49.9% shareholding in Timaru Container Terminal Limited (Timaru Container Terminal), bringing the Parent Company's total shareholding to 100%. The Parent Company purchased the shareholding in exchange for a volume based rebate and a contract extension fee.

Timaru Container Terminal fits into the Parent Company's hub port strategy. It allows South Island exporters and importers to benefit from the large number of international services that call at Tauranga, and to share the Parent Company's container terminal expertise and world class productivity.

In the eight months to 30 June 2021, Timaru Container Terminal contributed revenue of $11.331 million and profit of $1.539 million. If the acquisition had occurred on 1 July 2020, Group revenue would have increased by $3.761 million and profit would have remained the same. 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 date had occurred on 1 July 2020.

This transaction has been accounted for as a step acquisition in accordance with NZ IFRS 3 Business Combinations (NZ IFRS 3). The acquisition method in NZ IFRS 3 has been applied to account for the step acquisition which has resulted in the carrying value of the Parent Company's 50.1% previously held equity interest in Timaru Container Terminal being derecognised and a gain or loss being recognised accordingly. In addition, the fair value of the previously held interest is used as a component of total consideration when calculating goodwill.

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

	2021 NZ$000
Consideration	
Contingent consideration, net of tax	3,268
Fair value of previously held 50.1% interest in Timaru Container Terminal	6,671
Fair value of consideration	9,939
Fair value of identifiable assets acquired and liabilities assumed	
Property, plant and equipment (refer to note 11)	7,571
Right-of-use asset (refer to note 12)	15,675
Intangible software assets (refer to note 13)	34
Customer contracts (refer to note 13)	2,667
Receivables and prepayments	2,018
Cash and cash equivalents	794
Income tax	156
Deferred tax liabilities (refer to note 10)	(1,140)
Loans and borrowings (owing to the Parent Company)	(3,239)
Trade and other payables	(1,371)
Lease liabilities (refer to note 12)	(16,156)
Total net identifiable assets	7,009
Total goodwill (refer to note 13)	2,930

The following table represents the disposal of Timaru Container Terminal as an Equity Accounted Investee:

	2021 NZ$000
Fair value of previously held 50.1% interest in Timaru Container Terminal	6,671
Carrying value of previously held 50.1% interest in Timaru Container Terminal	(7,412)
Loss on disposal of Equity Accounted Investee	(741)

Contingent Consideration	Contingent consideration is made up of a volume based rebate and a contract extension fee. The volume based rebate is based on forecast volumes. In addition to the rebate, a maximum of $2.700 million will be paid to Kotahi, contingent on the extension of the Container Volume Commitment Agreement which expires on 31 July 2024. The value of the contract extension fee recognised as contingent consideration has been probability weighted with probabilities determined by management.
Goodwill	Goodwill recognised as a result of this acquisition is largely attributable to the benefits that will be gained by leveraging the expertise and relationships of the workforce and management at the Parent Company in further optimising the operations of Timaru Container Terminal.

5 OPERATING REVENUE

	2021 NZ$000	2020 NZ$000
Revenue from contracts with customers		
Container terminal revenue	209,212	178,394
Multi cargo revenue	61,348	52,584
Marine services revenue	35,830	40,281
	306,390	271,259
Other revenue		
Rental revenue	30,912	29,628
Other income	979	1,098
Total operating revenue	338,281	301,985

Policies

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

- *Container terminal revenue:* relates to the handling, processing, storage and rail of containers. Contracts are entered into with shipping lines and cargo owners. The primary performance obligations identified include the load and discharge of containers (which include the services provided to support the handling of containers). Container terminal revenue is recognised over time based on the number of containers exchanged (an output method). This method is considered appropriate as it allows revenue to be recognised based on the Group's effort to satisfy the performance obligation. The transaction price is determined by the contract and adjusted by variable consideration (rebates). Rebates are based on container volume and the Group accounts for the variable consideration using the expected value method. The expected value is the sum of probability weighted amounts in a range of possible consideration amounts. The Group estimates container volumes based on market knowledge and historical data.
- *Multi cargo revenue:* relates to the wharfage and storage of bulk goods. Contracts are entered into with cargo owners. The stevedoring services are provided by a third party. Multi cargo revenue is recognised over time, from the point that cargo transferred from vessel to land (or vice versa), being an output method. The transaction price for multi cargo services is determined by the contract.
- *Marine services revenue:* relates directly to the visit of a vessel to the port and includes fees for pilotage, towage and mooring. Contracts are entered into with vessel operators. The performance obligations identified include vessel arrival, departure and berthage. Revenue is recognised over time, based on time elapsed (berthage), being an input method. The transaction price for marine services is determined by the contract.
- *Rental revenue:* from property leased under operating leases is recognised in the income statement on a straight line basis over the term of the lease. Lease incentives provided are recognised as an integral part of the total lease income, over the term of the lease.
- *Other income:* is recognised when the right to receive payment is established.

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6 EMPLOYEE BENEFITS

Employee Benefit Expenses

	2021 NZ$000	2020 NZ$000
Wages and salaries	41,422	38,096
ACC levy	271	291
KiwiSaver contribution	1,523	1,436
Medical subsidy	304	287
Total employee benefit expenses	43,520	40,110

Employee Benefit Provisions

	Long Service Leave NZ$000	Profit Sharing and Bonuses NZ$000	Total NZ$000
Balance at 30 June 2020	2,112	1,769	3,881
Additional provision	288	3,888	4,176
Unused amounts reversed	(176)	0	(176)
Utilised during the period	(118)	(2,130)	(2,248)
Balance at 30 June 2021	2,106	3,527	5,633
Total current provisions	179	3,210	3,389
Total non-current provisions	1,927	317	2,244

Employee Benefits – Long Service Leave	Underlying assumptions for provisions relate to the probabilities of employees reaching the required vesting period to qualify for long service leave. Probability factors for reaching long service leave entitlements are based on historic employee retention information.
Employee Benefits – Profit Sharing and Bonuses	The Profit Sharing and Bonus Scheme rewards eligible employees based on a combination of Company performance against budget and personal performance. The incentive is generally paid biannually.

7 AUDIT FEES

Included in other expenses are fees paid to the auditors:

	2021 NZ$000	2020 NZ$000
Audit and review of financial statements	294	201
Data analytics review of GST and fixed assets	0	13
Total audit and other services fees	294	214

8 FINANCIAL INCOME AND EXPENSE

	2021 NZ$000	2020 NZ$000
Interest on lease	1	2
Interest income on bank deposits	96	68
Interest on advances to Equity Accounted Investees	67	205
Ineffective portion of changes in fair value of cash flow hedges	0	35
Finance income	164	310
Interest expense on borrowings	(14,979)	(18,209)
Less:		
Interest capitalised to property, plant and equipment	89	451
	(14,890)	(17,758)
Interest expense on lease liabilities (refer to note 12)	(1,757)	(996)
Ineffective portion of changes in fair value of cash flow hedges	(3)	0
Amortisation of interest rate collar premium	(86)	(86)
Finance expenses	(16,736)	(18,840)
Total net finance costs	(16,572)	(18,530)

Policies	Finance income comprises interest income on bank deposits, finance lease interest and gains on hedging instruments that are recognised in the income statement. Interest income on financial assets carried at amortised cost is calculated using the effective interest method. Finance lease interest is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return. Finance expenses comprise interest expense on borrowings, finance lease interest expense, unwinding of the discount of provisions and losses on hedging instruments that are recognised in the income statement. Except for interest capitalised directly attributable to the purchase or construction of qualifying assets, all borrowing costs are measured at amortised cost and recognised in the income statement, using the effective interest method.
Capitalised Interest	The average weighted interest rate for interest capitalised to property, plant and equipment, was 2.45% for the current period (2020: 3.25%). Total interest capitalised to property, plant and equipment, was $0.089 million for the current period (2020: $0.451 million).

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9 INCOME TAX

Components of Tax Expense

	2021 NZ$000	2020 Restated* NZ$000
Profit before income tax for the period	**137,009**	117,097
Income tax on the surplus for the period at 28.0 cents	**38,363**	32,787
Tax effect of amounts which are non-deductible/(taxable) in calculating taxable income:		
Tax effect on change to depreciation rate for buildings	**0**	(3,327)
Impairment of investment in Equity Accounted Investees (refer to note 15)	**0**	1,956
Share of Equity Accounted Investees after tax income, excluding Coda Group Limited Partnership	**(3,289)**	(3,060)
Loss on disposal of Equity Accounted Investees (refer to note 4)	**207**	0
Other	**(647)**	62
Total income tax expense	**34,634**	28,418
The income tax expense is represented by:		
Current tax expense		
Tax payable in respect of the current period	**36,977**	33,206
Adjustment for prior period	**630**	653
Total current tax expense	**37,607**	33,859
Deferred tax expense		
Adjustment for prior period	**(478)**	(634)
Origination/reversal of temporary differences	**(2,495)**	(1,480)
Tax effect on change to depreciation rate for buildings (refer to note 10)	**0**	(3,327)
Total deferred tax expense (refer to note 10)	**(2,973)**	(5,441)
Total income tax expense	**34,634**	28,418

*Refer to note 15(c).

Income tax recognised in other comprehensive income:

	2021 NZ$000	2020 NZ$000
Revaluation of property, plant and equipment	**18,470**	6,429
Cash flow hedges	**4,091**	(2,028)
Total income tax recognised in other comprehensive income (refer to note 10)	**22,561**	4,401

Policies	Income tax expense comprises current and deferred tax, calculated using the rate enacted or substantively enacted at balance date and any adjustments to tax payable in respect to prior years. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or equity.
Imputation Credits	Total imputation credits available for use in subsequent reporting periods are $37.803 million at 30 June 2021 (2020: $28.696 million).

10 DEFERRED TAXATION

	Assets		Liabilities		Net	
	2021 NZ$000	2020 NZ$000	2021 NZ$000	2020 NZ$000	2021 NZ$000	2020 NZ$000
Deferred tax (asset)/liability						
Property, plant and equipment	**0**	0	**93,224**	75,939	**93,224**	75,939
Intangible assets	**0**	0	**1,060**	520	**1,060**	520
Finance lease receivables	**0**	0	**0**	4	**0**	4
Derivatives	**(4,182)**	(8,273)	**0**	0	**(4,182)**	(8,273)
Provisions and accruals	**(3,489)**	(2,416)	**0**	0	**(3,489)**	(2,416)
Equity Accounted Investees	**(638)**	(425)	**0**	0	**(638)**	(425)
Contingent consideration	**(348)**	0	**0**	0	**(348)**	0
Total	**(8,657)**	(11,114)	**94,284**	76,463	**85,627**	65,349

	Recognised in the Statement of Financial Position on Acquisition of Subsidiary		Recognised in the Income Statement		Recognised in Other Comprehensive Income	
	2021 NZ$000	2020 NZ$000	2021 NZ$000	2020 NZ$000	2021 NZ$000	2020 NZ$000
Deferred tax (asset)/liability						
Property, plant and equipment	**390**	0	**(1,575)**	(4,556)	**18,470**	6,429
Intangible assets	**757**	0	**(217)**	(35)	**0**	0
Finance lease receivables	**0**	0	**(4)**	(3)	**0**	0
Derivatives	**0**	0	**0**	1	**4,091**	(2,028)
Provisions and accruals	**(7)**	0	**(1,066)**	(423)	**0**	0
Equity Accounted Investees	**0**	0	**(213)**	(425)	**0**	0
Contingent consideration	**(450)**	0	**102**	0	**0**	0
Total	**690**	0	**(2,973)**	(5,441)	**22,561**	4,401

Policies	Deferred tax is recognised on temporary differences that arise between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse. A deferred tax asset is recognised only to the extent it is probable it will be utilised. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of buildings classified as property, plant and equipment carried at cost is presumed to be recovered through use.
Unrecognised Tax Losses or Temporary Differences	There are no material unrecognised income tax losses or temporary differences carried forward. There are no material unrecognised temporary differences associated with the Group's investments in Subsidiaries or Equity Accounted Investees.

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11 PROPERTY, PLANT AND EQUIPMENT

	Freehold Land NZ$000	Freehold Buildings NZ$000	Wharves and Hardstanding NZ$000	Harbour Improvements NZ$000	Plant and Equipment NZ$000	Work in Progress NZ$000	**Total NZ$000**
Gross carrying amount:							
Balance at 1 July 2019	803,204	114,928	318,812	174,467	218,964	14,656	**1,645,031**
Additions	0	5,323	6,940	1,284	29,432	(4,383)	**38,596**
Disposals	0	(145)	0	0	(1,139)	0	**(1,284)**
Revaluation	22,352	12,652	0	0	0	0	**35,004**
Transfers between asset classes	0	4,687	(4,687)	0	0	0	**0**
Balance at 30 June 2020	**825,556**	**137,445**	**321,065**	**175,751**	**247,257**	**10,273**	**1,717,347**
Balance at 1 July 2020	825,556	137,445	321,065	175,751	247,257	10,273	**1,717,347**
Additions	1,660	10,836	10,572	956	2,978	(4,029)	**22,973**
Assets acquired on acquisition of Timaru Container Terminal Limited	0	361	106	0	7,104	0	**7,571**
Revaluation	103,838	0	28,688	2,255	0	0	**134,781**
Balance at 30 June 2021	**931,054**	**148,642**	**360,431**	**178,962**	**257,339**	**6,244**	**1,882,672**
Accumulated depreciation and impairment:							
Balance at 1 July 2019	0	(4,205)	(11,147)	(1,291)	(97,177)	0	**(113,820)**
Depreciation expense	0	(4,373)	(11,675)	(1,518)	(10,719)	0	**(28,285)**
Disposals	0	145	0	0	1,003	0	**1,148**
Transfers between asset classes	0	(96)	96	0	0	0	**0**
Revaluation	0	8,475	0	0	0	0	**8,475**
Balance at 30 June 2020	**0**	**(54)**	**(22,726)**	**(2,809)**	**(106,893)**	**0**	**(132,482)**
Balance at 1 July 2020	0	(54)	(22,726)	(2,809)	(106,893)	0	**(132,482)**
Depreciation expense	0	(5,643)	(12,086)	(1,590)	(11,955)	0	**(31,274)**
Impairment	0	0	0	0	(12)	0	**(12)**
Revaluation	0	0	34,806	4,399	0	0	**39,205**
Balance at 30 June 2021	**0**	**(5,697)**	**(6)**	**0**	**(118,860)**	**0**	**(124,563)**
Carrying amounts:							
Total net book value as at 30 June 2020	**825,556**	**137,391**	**298,339**	**172,942**	**140,364**	**10,273**	**1,584,865**
Total net book value as at 30 June 2021	**931,054**	**142,945**	**360,425**	**178,962**	**138,479**	**6,244**	**1,758,109**

Policies

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

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

Land, buildings, harbour improvements, and wharves and hardstanding are measured at fair value, based upon periodic valuations by external independent valuers. The Group undertakes a three yearly revaluation cycle to ensure the carrying value of these assets does not differ materially from their fair value. In the years between independent valuations, the carrying value of land is adjusted annually based on a sample valuation provided by an independent valuer, as underlying land values are considered the significant determinant of fair value changes. For the remaining asset classes, if during the three year revaluation cycle there are indicators that the fair value of a particular asset class may differ materially from its carrying value, an interim revaluation of that asset class is undertaken.

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Policies (continued)

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

Major useful lives are:

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

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

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

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

Security

Certain items of property, plant and equipment have been pledged as security against certain loans and borrowings of the Group (refer to note 19).

Occupation of Foreshore

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

Capital Commitments

The estimated capital expenditure for property, plant and equipment contracted for at balance date but not provided for is $29.437 million.

On 28 September 2020, the Parent Company formed a 50:50 joint venture named Ruakura Inland Port LP with Tainui Group Holdings Limited.

The new joint venture will take an initial 50 year ground lease to establish an inland port in Ruakura, and plans to start operations within two years.

The Parent Company has committed capital of $25.000 million to fund the development of the inland port and as at 30 June 2021 nothing has been provided for.

In addition, if the development costs exceed the initial $25.000 million capital commitment, construction contingency funding of up to $2.500 million must be provided to the joint venture.

Judgements

Fair Values

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

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

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

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

As at 30 June 2021, wharves and hardstanding, and harbour improvements, have been revalued, and the carrying value of land has been adjusted based on a sample valuation.

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11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Judgements (continued)

Land Valuation

The sample valuation of land assets was carried out by Colliers International New Zealand Limited. The valuation increased the carrying amount of land by $103.838 million.

For sample valuations, as performed at 30 June 2021, the Group selects three land titles which strongly reflect the characteristics of the total land holding. Valuations are performed on these titles to determine an index movement which is applied to the total carrying value of land. The work performed is less than that which would be undertaken at the full revaluation cycle.

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

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

Asset Valuation Method	Key Valuation Assumptions	Hectares	2021 Range of Significant Assumptions $	2021 Weighted Average $	2020 Range of Significant Assumptions $	2020 Weighted Average $
Direct sales comparison	Tauranga (Sulphur Point) / Mount Maunganui – wharf and industrial land per square metre	181.7	**404–1,044**	**468**	360–930	417
	Auckland land – land adjacent to MetroPort Auckland per square metre	6.8	**842–936**	**873**	720–800	746
	Rolleston land – MetroPort Christchurch per square metre	15.0	**124**	**124**	110	110

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

Building Valuations

The last valuation of buildings was carried out by Colliers International New Zealand Limited, at 30 June 2020.

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

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

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

At 30 June 2021, the Group assessed the movement in capitalisation rates and rental incomes over the preceding 12 months. It was determined that the movements were not large enough to warrant a revaluation of buildings.

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

Asset Valuation Method	Key Valuation Assumptions	2021 Range of Significant Assumptions %	2021 Weighted Average %	2020 Range of Significant Assumptions %	2020 Weighted Average %
Capitalised income model	Market capitalisation rate	**4.50–8.00**	**5.33**	4.50–8.00	5.33

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Judgements (continued)

Wharves and Hardstanding, and Harbour Improvements

The valuation of wharves and hardstanding, and harbour improvements assets was carried out by WSP New Zealand Limited. The valuation increased the carrying amount of wharves and hardstanding, and harbour improvements by $70.148 million.

Wharves and hardstanding, and harbour improvements assets 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 Costs of Construction Rates – Cost Rates Are Calculated Taking Into Account:*
  - The Parent Company's historic cost data, including any recent competitively tendered construction works.
  - Published cost information.
  - The WSP New Zealand Limited construction cost database.
  - Long run price trends.
  - Historic costs adjusted for changes in price levels.
  - An allowance is included for costs directly attributable to bringing assets into working condition, management costs and the financing cost of capital held over construction period.
- *Depreciation – the Calculated Remaining Lives of Assets Are Reviewed, Taking Into Account:*
  - Observed and reported condition, performance and utilisation of the asset.
  - Expected changes in technology.
  - Consideration of current use, age and operational demand.
  - Discussions with the Parent Company's operational officers.
  - WSP Consultants' in-house experience from other infrastructure valuations.
  - Residual values.

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

Asset Valuation Method	Key Valuation Assumptions	2021 Range of Significant Assumptions $	2021 Weighted Average $	2020 Range of Significant Assumptions $	2020 Weighted Average $
Depreciated replacement cost basis	Wharf construction replacement unit cost rates per square metre – high performance wharves	**107,000–220,000**	**181,170**	92,000–215,000	135,468
	Earthworks construction replacement unit cost rates per square metre	**7.50**	**7.50**	9	9
	Basecourse construction replacement unit cost rates per cubic metre	**21–42**	**34**	20–40	31
	Asphalt construction replacement unit cost rates per square metre	**27–55**	**44**	23–50	44
	Capital dredging replacement unit cost rates per square metre	**4–77**	*****	4–75	*
	Depreciation method	**Straight line basis**	**Not applicable**	Straight line basis	Not applicable
	Channel assets (capital dredging) useful life	**Indefinite**	**Not applicable**	Indefinite	Not applicable
	Pavement remaining useful lives (years)	**2–38**	**15**	2–32	16
	Wharves remaining useful lives (years)	**0–62**	**21**	0–65	22

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

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

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11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Judgements (continued)

Sensitivities to Changes in Key Valuation Assumptions for Land, Buildings, Wharves and Hardstanding, and Harbour Improvements

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

		Fair Value Measurement Sensitivity to Significant Increase in Input	Fair Value Measurement Sensitivity to Significant Decrease in Input
Unobservable inputs within the direct sales comparison approach for land			
Rate per square metre	The rate per square metre assessed from recently sold properties of a similar nature	Increase	Decrease
Unobservable inputs within the income capitalisation approach for buildings			
Market rent	The valuer's assessment of the net market income attributable to the property	Increase	Decrease
Market capitalisation rate	The rate of return, determined through analysis of comparable market related sales transactions, that is applied to a market rent to assess a property's value	Decrease	Increase
Unobservable inputs within depreciated replacement cost analysis for buildings, wharves and hardstanding, and harbour improvements			
Unit costs of construction	The cost of constructing various asset types based on a variety of sources	Increase	Decrease
Remaining useful lives	The remaining useful life on an asset	Increase	Decrease

12 LEASES

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

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

	2021 NZ$000	2020 NZ$000
Right-of-use assets		
Opening balance	25,011	24,273
Depreciation	(1,302)	(825)
Additions to right-of-use assets	1,174	298
Adjustments to existing right-of-use assets	19	1,265
Right-of-use assets acquired on acquisition of Timaru Container Terminal Limited	15,675	0
Closing balance	40,577	25,011
Lease liabilities maturity analysis		
Between zero to one year	837	592
Between one to five years	3,086	2,496
More than five years	37,955	22,314
Total lease liabilities	41,878	25,402

During the year a lease liabilities interest expense of $1.757 million (2020: $0.996 million) was recognised in the income statement.

12 LEASES (CONTINUED)

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

	2021 NZ$000	2020 NZ$000
Within one year	17,643	21,527
One to two years	13,353	14,603
Two to three years	10,956	11,486
Three to four years	10,138	9,018
Four to five years	9,226	8,280
More than five years	35,359	44,096
Total	96,675	109,010

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

	2021 Valuation NZ$000	2021 Accumulated Depreciation NZ$000	2020 Valuation NZ$000	2020 Accumulated Depreciation NZ$000
Land	484,311	0	430,094	0
Buildings	104,832	3,508	104,378	0
Total	589,143	3,508	534,472	0

Policies

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

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

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

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

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

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

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

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

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13 INTANGIBLE ASSETS

	Goodwill NZ$000	Computer Software NZ$000	Consents and Contracts NZ$000	**Total NZ$000**
Cost:				
Balance at 1 July 2019	15,490	4,640	10,567	**30,697**
Additions	0	587	0	**587**
Balance at 30 June 2020	**15,490**	**5,227**	**10,567**	**31,284**
Balance at 1 July 2020	15,490	5,227	10,567	**31,284**
Additions	0	305	937	**1,242**
Disposals	0	(285)	(10,000)	**(10,285)**
Intangible assets acquired on acquisition of Timaru Container Terminal Limited	2,930	34	2,667	**5,631**
Balance at 30 June 2021	**18,420**	**5,281**	**4,171**	**27,872**
Accumulated amortisation:				
Balance at 1 July 2019	0	(2,158)	(9,511)	**(11,669)**
Amortisation expense	0	(497)	(139)	**(636)**
Disposals	0	55	10,000	**10,055**
Balance at 30 June 2020	**0**	**(2,655)**	**(9,650)**	**(12,305)**
Balance at 1 July 2020	0	(2,655)	(9,650)	**(12,305)**
Amortisation expense	0	(544)	(878)	**(1,422)**
Disposals	0	55	10,000	**10,055**
Balance at 30 June 2021	**0**	**(3,144)**	**(528)**	**(3,672)**
Carrying amounts:				
Total net book value 30 June 2020	**15,490**	**2,572**	**917**	**18,979**
Total net book value 30 June 2021	**18,420**	**2,137**	**3,643**	**24,200**

Policies

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

Goodwill is measured at cost less accumulated impairment losses.

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

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

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

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

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

Judgements

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

Goodwill was tested for impairment at 30 June 2021 and confirmed that no adjustment was required.

For impairment testing the calculation of value-in-use was based upon the following key assumptions:

- Cash flows were projected using management forecasts over the five year period.
- Terminal cash flows were estimated using a constant growth rate of 2% after year five.
- A pre-tax discount rate of 12% was used.

14 INVESTMENTS IN SUBSIDIARIES

Investments in Subsidiaries Comprises:

Name of Entity	Place of Business	Principal Activity	**2021 %**	2020 %	Balance Date
Port of Tauranga Trustee Company Limited	New Zealand	Holding company for employee share scheme	**100.00**	100.00	30 June
Quality Marshalling (Mount Maunganui) Limited	New Zealand	Marshalling and terminal operations services	**100.00**	100.00	30 June
Timaru Container Terminal Limited*	New Zealand	Sea port	**100.00**	0	30 June

**On 30 October 2020, the Parent Company acquired the remaining 49.9% shareholding in Timaru Container Terminal Limited. As such, its investment classification has changed from an Equity Accounted Investee to a Subsidiary. Refer to note 4.*

Policies

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

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

15 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES

(a) Investments in Equity Accounted Investees Comprises

Name of Entity	Principal Activity	**2021 %**	2020 %	Balance Date
Coda Group Limited Partnership	Freight logistics and warehousing	**50.00**	50.00	30 June
Northport Limited	Sea port	**50.00**	50.00	30 June
PortConnect Limited	On line cargo management	**50.00**	50.00	30 June
PrimePort Timaru Limited	Sea port	**50.00**	50.00	30 June
Timaru Container Terminal Limited*	Sea port	**0**	50.10	30 June
Ruakura Inland Port LP	Inland port	**50.00**	0	30 June

**On 30 October 2020, the Parent Company acquired the remaining 49.9% shareholding in Timaru Container Terminal Limited. As such, its investment classification has changed from an Equity Accounted Investee to a Subsidiary. Refer to note 4.*

(b) Carrying Value of Investments in Equity Accounted Investees

	2021 NZ$000	2020 Restated* NZ$000
Balance as at 1 July	**158,588**	165,683
Group's share of net profit after tax	**13,524**	9,957
Group's share of hedging reserve	**496**	(186)
Group's share of revaluation reserve	**12,090**	216
Group's share of total comprehensive income	**26,110**	9,987
Disposal of Equity Accounted Investees (refer note 4)	**(7,412)**	0
Impairment of investment in Equity Accounted Investees	**0**	(6,986)
Dividends received	**(9,636)**	(10,096)
Balance as at 30 June	**167,650**	158,588

**Refer to note 15(c).*

15 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES (CONTINUED)

(c) Summarised Financial Information of Equity Accounted Investees

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

2021	Northport Limited NZ$000	Coda Group Limited Partnership NZ$000	PrimePort Timaru Limited NZ$000	Individually Immaterial Equity Accounted Investees NZ$000	**Total NZ$000**
Cash and cash equivalents	359	12,978	702	792	**14,831**
Total current assets	**5,934**	**35,296**	**4,043**	**1,072**	**46,345**
Total non-current assets	**198,674**	**85,828**	**129,636**	**1,820**	**415,958**
Total assets	**204,608**	**121,124**	**133,679**	**2,892**	**462,303**
Current financial liabilities excluding trade and other payables and provisions	0	(9,529)	(408)	(2,800)	**(12,737)**
Total current liabilities	**(5,006)**	**(28,495)**	**(4,809)**	**(3,168)**	**(41,478)**
Non-current financial liabilities excluding trade and other payables and provisions	(40,985)	(52,393)	(37,004)	0	**(130,382)**
Total non-current liabilities	**(40,985)**	**(52,393)**	**(37,004)**	**0**	**(130,382)**
Total liabilities	**(45,991)**	**(80,888)**	**(41,813)**	**(3,168)**	**(171,860)**
Net assets	**158,617**	**40,236**	**91,866**	**(276)**	**290,443**
Group's share of net assets	**79,309**	**20,118**	**45,933**	**(138)**	**145,222**
Goodwill acquired on acquisition of Equity Accounted Investees, less impairment losses	**0**	**22,428**	**0**	**0**	**22,428**
Carrying amount of Equity Accounted Investees	**79,309**	**42,546**	**45,933**	**(138)**	**167,650**
Revenues	44,609	218,833	25,625	5,466	**294,533**
Depreciation and amortisation	(5,407)	(13,334)	(3,163)	(393)	**(22,297)**
Interest expense	(1,909)	(2,895)	(967)	(72)	**(5,843)**
Net profit before tax	**23,770**	**3,554**	**8,189**	**431**	**35,944**
Tax expense	(6,278)	0	(2,493)	(125)	**(8,896)**
Net profit after tax	**17,492**	**3,554**	**5,696**	**306**	**27,048**
Other comprehensive income	18,798	0	6,374	0	**25,172**
Total comprehensive income	**36,290**	**3,554**	**12,070**	**306**	**52,220**
Group's share of net profit after tax	**8,746**	**1,777**	**2,848**	**153**	**13,524**
Group's share of total comprehensive income	**18,145**	**1,777**	**6,035**	**153**	**26,110**
Group's share of dividends/distributions	**8,295**	**0**	**850**	**491**	**9,636**

15 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES (CONTINUED)

2020	Northport Limited Restated* NZ$000	Coda Group Limited Partnership NZ$000	PrimePort Timaru Limited Restated* NZ$000	Individually Immaterial Equity Accounted Investees NZ$000	**Total Restated* NZ$000**
Cash and cash equivalents	325	2,923	793	2,430	**6,471**
Total current assets	**5,366**	**22,782**	**5,027**	**4,971**	**38,146**
Total non-current assets	**185,392**	**98,796**	**106,051**	**28,362**	**418,601**
Total assets	**190,758**	**121,578**	**111,078**	**33,333**	**456,747**
Current financial liabilities excluding trade and other payables and provisions	0	(1,539)	(177)	(7,969)	**(9,685)**
Total current liabilities	**(5,542)**	**(15,345)**	**(3,490)**	**(9,421)**	**(33,798)**
Non-current financial liabilities excluding trade and other payables and provisions	(46,298)	(69,551)	(26,092)	(18,428)	**(160,369)**
Total non-current liabilities	**(46,298)**	**(69,551)**	**(26,092)**	**(18,428)**	**(160,369)**
Total liabilities	**(51,840)**	**(84,896)**	**(29,582)**	**(27,849)**	**(194,167)**
Net assets	**138,918**	**36,682**	**81,496**	**5,484**	**262,580**
Group's share of net assets	**69,459**	**18,341**	**40,748**	**2,750**	**131,298**
Goodwill acquired on acquisition of Equity Accounted Investees, less impairment losses	**0**	**22,428**	**0**	**4,862**	**27,290**
Carrying amount of Equity Accounted Investees	**69,459**	**40,769**	**40,748**	**7,612**	**158,588**
Revenues	39,840	219,000	23,689	15,682	**298,211**
Depreciation and amortisation	(5,118)	(14,600)	(3,003)	(701)	**(23,422)**
Interest expense	(1,850)	(3,240)	(1,023)	(279)	**(6,392)**
Net profit before tax	**20,697**	**(1,944)**	**6,643**	**1,476**	**26,872**
Tax expense	(4,639)	0	(2,013)	(308)	**(6,960)**
Net profit after tax	**16,058**	**(1,944)**	**4,630**	**1,168**	**19,912**
Other comprehensive income	(1,026)	0	1,086	0	**60**
Total comprehensive income	**15,032**	**(1,944)**	**5,716**	**1,168**	**19,972**
Group's share of net profit after tax	**8,092**	**(972)**	**2,315**	**585**	**9,957**
Group's share of total comprehensive income	**7,516**	**(972)**	**2,858**	**585**	**9,987**
Group's share of dividends/distributions	**8,745**	**0**	**850**	**501**	**10,096**

**Refer to note 15(c).*

Policies	The Parent Company's interests in Equity Accounted Investees comprise interests in Joint Ventures. A Joint Venture is an arrangement in which the Parent Company has joint control, whereby the Parent Company has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. Equity Accounted Investees are accounted for using the equity method. In respect of Equity Accounted Investees, the carrying amount of goodwill is included in the carrying amount of the investment and not tested for impairment separately.
Tax Treatment of Coda Group Limited Partnership	Coda Group Limited Partnership is treated as a partnership for tax purposes and is not taxed at the partnership level. Fifty percent of the income and expense flow through the limited partnership to the Parent Company who is then taxed.

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15 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES (CONTINUED)

Judgements

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

Impairment indicators for the Parent Company's investment in Coda Group Limited Partnership were reviewed at 30 June 2021 and confirmed that no adjustment was required.

In the prior year, the Parent Company impaired its investment in Coda Group Limited Partnership by $6.986 million.

Restatement

The Group is required to prepare its financial statements using uniform accounting policies for like transactions and events in similar circumstances. The Group identified that certain Equity Accounted Investees' financial statements had not been prepared in line with the Group's property, plant and equipment accounting policies (refer to note 11 for the Group's policy) in prior years.

In particular, harbour improvements, and wharves and hardstanding assets owned by Northport Limited (Northport) and PrimePort Timaru Limited (PrimePort) had been measured at cost, rather than at fair value in accordance with the Group's policy. As a consequence, the Group's revaluation reserve and investments in Equity Accounted Investees had been understated. Further, the share of profit from Equity Accounted Investees has been reduced to reflect the additional depreciation expense which would have been attributed to those revalued items of plant, property and equipment.

To rectify this error, an independent valuation was undertaken on both Northport and PrimePort's harbour improvements, and wharves and hardstanding assets.

Adjustments to the valuations were made where the underlying cash flows of the entities did not support the independent valuations, to ensure the carrying value of the Group's investment in Northport and PrimePort did not exceed the fair value.

Affected financial statement line items have been restated for prior periods and are summarised in the following tables::

Consolidated Statement of Financial Position (Extract)

	30 June 2019 Audited NZ$000	*Adjustments NZ$000*	***1 July 2019 Restated NZ$000***
Investment in Equity Accounted Investees	132,731	32,952	**165,683**
Net assets	**1,165,885**	**32,952**	**1,198,837**
Revaluation reserve	1,013,131	32,952	**1,046,083**
Total equity	**1,165,885**	**32,952**	**1,198,837**

	30 June 2020 Audited NZ$000	*Adjustments NZ$000*	***30 June 2020 Restated NZ$000***
Investment in Equity Accounted Investees	126,984	31,604	**158,588**
Net assets	**1,163,580**	**31,604**	**1,195,184**
Revaluation reserve	1,050,223	32,952	**1,083,175**
Retained earnings	61,403	(1,348)	**60,055**
Total equity	**1,163,580**	**31,604**	**1,195,184**

Consolidated Income Statement (Extract)

	Year Ended 30 June 2020 Audited NZ$000	*Adjustments NZ$000*	***Year Ended 30 June 2020 Restated NZ$000***
Share of profit from Equity Accounted Investees	11,305	(1,348)	**9,957**
Profit for the period	**90,027**	**(1,348)**	**88,679**
Basic earnings per share (cents)	13.4	(0.02)	**13.2**
Diluted earnings per share (cents)	13.2	(0.02)	**13.0**

There is no impact on the total operating, investing or financing cash flows for the year ended 30 June 2020.

16 RECEIVABLES AND PREPAYMENTS

	2021 NZ$000	2020 NZ$000
Non-current		
Prepayments and sundry receivables	**16,502**	0
Total non-current	**16,502**	0
Current		
Trade receivables	**58,241**	44,278
Provision for expected credit losses – trade receivables (refer to note 21(a))	**0**	(201)
Trade receivables from Equity Accounted Investees and related parties	**312**	101
	58,553	44,178
Advances to Equity Accounted Investees (refer to note 23)	**1,400**	5,319
Provision for expected credit losses – advances to Equity Accounted Investees (refer to note 21(a))	**(265)**	(481)
Prepayments and sundry receivables	**5,572**	2,383
Total current	**65,260**	51,399
Total	**81,762**	51,399

The ageing of trade receivables at reporting date was:

	2021 NZ$000	2020 NZ$000
Not past due	**45,054**	31,374
Past due 0–30 days	**10,570**	11,442
Past due 30–60 days	**1,946**	1,078
Past due 60–90 days	**499**	92
More than 90 days	**172**	292
Total of ageing of trade receivables	**58,241**	44,278

Polices

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

Receivables with a short duration are not discounted.

Fair Values

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

Judgements

A provision for expected credit losses is established when the assessment under NZ IFRS 9 deems a provision is required (refer to note 21(a)).

Advances to Equity Accounted Investees

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

17 EQUITY

Share Capital

	2021	2020
Number of ordinary shares issued		
Balance as at 1 July	**679,965,432**	679,920,525
Shares issued during year	**301,863**	155,530
Shares repurchased by the Group during the year	**(10,486)**	(110,623)
Balance as at 30 June	**680,256,809**	679,965,432

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17 EQUITY (CONTINUED)

Dividends

The following dividends were declared and paid during the period:

	2021 NZ$000	2020 NZ$000
Final 2020 dividend paid 6.4 cents per share (2019: 7.3 cps)	43,537	49,661
Final 2020 special dividend paid 0.0 cents per share (2019: 5.0 cps)	0	34,014
Interim 2021 dividend paid 6.0 cents per share (2020: 6.0 cps)	40,816	40,811
Total dividends	**84,353**	124,486

Policies	*Capital Management* The Parent Company's policy is to maintain a strong capital base, which the Group defines as total shareholders' equity, so as to maintain investor, creditor and market confidence, and to sustain the future business development of the Group. The Group has established policies in capital management, including the specific requirements that interest cover is to be maintained at a minimum of three times and that the debt/(debt + equity) ratio is to be maintained at a 40% maximum. It is also Group policy that the ordinary dividend payout is maintained between a level of between 70% and 100% of net profit after tax for the period. The Group has complied with all capital management policies during the reporting periods.
Share Capital	All shares are fully paid and have no par value. All shares rank equally with one vote attached to each fully paid ordinary share. Where the Group purchases its own share capital (treasury shares), the consideration paid, including and directly attributable to incremental costs are deducted from share capital until the shares are cancelled or reissued. Where such shares are reissued, any consideration received, net of any directly attributable transaction costs, are included in share capital. During the year, nil shares were repurchased on market and held as treasury stock (2020: 110,623 shares).
Dividends	The dividends are fully imputed. Supplementary dividends of $0.407 million (2020: $0.588 million) were paid to shareholders that are not tax residents in New Zealand, for which the Group received a foreign tax credit entitlement.
Share Based Payment Reserve – Container Volume Commitment Agreement	On 1 August 2014 the Parent Company issued 2,000,000 shares as a volume rebate to Kotahi as part of a 10 year freight alliance. Due to the Parent Company completing a 5:1 share split on 17 October 2016, the number of shares originally issued to Kotahi increased to 10,000,000. Of these shares, 8,500,000 are subject to a call option allowing the Parent Company to "call" shares back at zero cost if Kotahi fails to meet the volume commitments. The increase in the reserve of $2.191 million (2020: $1.277 million) recognises the shares earned based on containers delivered during the period. The grant-date fair value of equity settled share based payments is recognised as a rebate against revenue, with a corresponding increase in equity, over the vesting period. The amount recognised as a rebate is adjusted to reflect the number of awards for which the related service is expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service conditions at the vesting date.
Share Based Payments Reserve – Management Long Term Incentive	Share rights are granted to employees in accordance with the Parent Company's Management Long Term Incentive Plan. The fair value of share rights granted under the plan are measured at grant date and recognised as an employee expense over the vesting period with a corresponding increase in equity. The fair value at grant date of the share rights are independently determined using an appropriate valuation model that takes into account the terms and conditions upon which they were granted (refer to note 24). This reserve is used to record the accumulated value of the unvested shares rights, which have been recognised as an expense in the income statement. Upon the vesting of share rights, the balance of the reserve relating to the share rights is offset against the cost of treasury stock allotted to settle the obligation, with any difference in the cost of settling the commitment transferred to retained earnings.
Hedging Reserve	The hedging reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedging instruments, related to hedged transactions that have not yet occurred.
Revaluation Reserve	The revaluation reserve relates to the revaluation of land, buildings, wharves and hardstanding, and harbour improvements.

18 EARNINGS PER SHARE

	2021	2020 Restated*
Earnings per share		
Net profit attributable to ordinary shareholders (NZ$000)	102,375	88,679
Weighted average number of ordinary shares (net of treasury stock) for basic earnings per share	672,377,703	671,685,796
Basic earnings per share (cents)	15.2	13.2
Weighted average number of ordinary shares (net of treasury stock) for diluted earnings per share	680,775,549	680,771,040
Diluted earnings per share (cents)	15.0	13.0

**Refer to note 15(c).*

Policies	The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Parent Company by the weighted average number of ordinary shares outstanding for the Parent Company during the period. Diluted EPS adjusts for any commitments the Parent Company has to issue shares in the future that would decrease the basic EPS. The Parent Company has two types of dilutive potential ordinary shares, Management Long Term Incentive Plan share rights (refer to note 24) and Container Volume Commitment Agreement share rights (refer to note 17). Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of the share rights.

19 LOANS AND BORROWINGS

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

2021	Maturity	Coupon	Committed Facilities NZ$000	Undrawn Facilities NZ$000	Carrying Value NZ$000
Non-current					
Fixed rate bond	2025	1.02%	100,000	0	100,000
Standby revolving cash advance facility	2024	Floating	100,000	0	100,000
Standby revolving cash advance facility	2023	Floating	200,000	185,000	15,000
Standby revolving cash advance facility	2022	Floating	130,000	130,000	0
Total non-current			**530,000**	**315,000**	**215,000**
Current					
Standby revolving cash advance facility	2022	Floating	50,000	0	50,000
Multi option facility	2021	Floating	5,000	5,000	0
Commercial papers	<3 months	Floating	0	0	220,000
Total current			**55,000**	**5,000**	**270,000**
Total			**585,000**	**320,000**	**485,000**

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19 LOANS AND BORROWINGS (CONTINUED)

2020	Maturity	Coupon	Committed Facilities NZ$000	Undrawn Facilities NZ$000	Carrying Value NZ$000
Non-current					
Standby revolving cash advance facility	2023	Floating	200,000	121,000	79,000
Standby revolving cash advance facility	2022	Floating	180,000	130,000	50,000
Standby revolving cash advance facility	2021	Floating	200,000	100,000	100,000
Advances from employees	Various	0%	0	0	458
Total non-current			**580,000**	**351,000**	**229,458**
Current					
Fixed rate bond	2021	4.792%	75,000	0	75,000
Multi option facility	2020	Floating	5,000	5,000	0
Commercial papers	<3 months	Floating	0	0	184,000
Total current			**80,000**	**5,000**	**259,000**
Total			**660,000**	**356,000**	**488,458**

Policies	Loans and borrowings are recognised at fair value, plus any directly attributable transaction costs, if the Group becomes a party to the contractual provisions of the instrument. Loans and borrowings are derecognised if the Group's obligations as specified in the contract expire or are discharged or cancelled. Subsequent to initial recognition, loans and borrowings are measured at amortised cost using the effective interest method, less any impairment losses.
Fixed Rate Bonds	The Parent Company has issued a $100 million fixed rate bond with final maturity on 29 September 2025.
Commercial Papers	Commercial papers are secured, short term discounted debt instruments issued by the Parent Company for funding requirements as a component of its banking arrangements. The commercial paper programme is fully backed by committed term bank facilities. At 30 June 2021 the Group had $220 million of commercial paper debt that is classified within current liabilities (2020: $184 million). Due to this classification, the Group's current liabilities exceed the Group's current assets. Despite this fact, the Group does not have any liquidity or working capital concerns as a result of the commercial paper debt being interchangeable with direct borrowings within the standby revolving cash advance facility which is a term facility.
Standby Revolving Cash Advance Facility Agreement	The Parent Company has a $480 million financing arrangement with ANZ Bank New Zealand Limited, Bank of New Zealand Limited, Commonwealth Bank of Australia, New Zealand Branch and MUFG Bank, Ltd, Auckland Branch (2020: $580 million). The facility, which is secured, provides for both direct borrowings and support for issuance of commercial papers.
Multi Option Facility	The Parent Company has a $5 million multi option facility with Bank of New Zealand Limited, used for short term working capital requirements (2020: $5 million).
Security	Bank facilities and fixed rate bonds are secured by way of a security interest over certain floating plant assets ($15.954 million, 2020: $16.620 million), mortgages over the land and building assets ($1,073.498 million, 2020: $962.784 million), and by a general security agreement over the assets of the Parent Company ($1,956.214 million, 2020: $1,768.615 million).
Covenants	The Parent Company borrows under a negative pledge arrangement, which with limited circumstances does not permit the Parent Company to grant any security interest over its assets. The negative pledge deed requires the Parent Company to maintain certain levels of shareholders' funds and operate within defined performance and debt gearing ratios. The Parent Company has complied with all covenants during the reporting periods.
Fair Values	The fair value of fixed rate loans and borrowings is calculated by discounting the future contractual cash flows at current market interest rates that are available for similar financial instruments. The amortised cost of variable rate loans and borrowings is assumed to closely approximate fair value as debt facilities mature every 90 days.
Interest Rates	The average weighted interest rate of interest bearing loans was 2.38% at 30 June 2021 (2020: 2.73%).

20 DERIVATIVE FINANCIAL INSTRUMENTS

The details of hedging instruments and hedged items are as follows:

2021	Hedging Instrument	Hedging item	Carrying Amount of Hedging Instrument: Assets NZ$000	Carrying Amount of Hedging Instrument: (Liabilities) NZ$000	Carrying Amount of Hedged Item: Assets NZ$000	Carrying Amount of Hedged Item: (Liabilities) NZ$000	Change in Fair Value Used for Calculating Hedge Effectiveness NZ$000	Change in Fair Value Used for Calculating Hedge Ineffectiveness NZ$000	Notional* Amount of Hedging Instrument
Cash flow hedge	Interest rate derivatives	Loans and borrowings	0	(14,914)	0	(240,000)	14,449	(3)	NZD375.000 million
Cash flow hedge	Foreign exchange derivatives	Plant, property and equipment	77	0	0	0	77	0	USD1.410 million
Total			**77**	**(14,914)**	**0**	**(240,000)**	**14,526**	**(3)**	

Includes forward starting derivatives.

2020	Hedging Instrument	Hedging item	Carrying Amount of Hedging Instrument: Assets NZ$000	Carrying Amount of Hedging Instrument: (Liabilities) NZ$000	Carrying Amount of Hedged Item: Assets NZ$000	Carrying Amount of Hedged Item: (Liabilities) NZ$000	Change in Fair Value Used for Calculating Hedge Effectiveness NZ$000	Change in Fair Value Used for Calculating Hedge Ineffectiveness NZ$000	Notional* Amount of Hedging Instrument
Cash flow hedge	Interest rate derivatives	Loans and borrowings	0	(29,359)	0	(180,000)	(7,593)	1	NZD280.000 million
Cash flow hedge	Foreign exchange derivatives	Plant, property and equipment	0	0	0	0	266	0	0
Total				**(29,359)**		**(180,000)**	**(7,327)**	**1**	

Includes forward starting derivatives.

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

	2021 NZ$000	2020 NZ$000
Opening balance	**(22,375)**	(16,975)
Fair value gains / (losses)	**14,523**	(7,327)
Ineffective portion transferred to income statement	**3**	(1)
Amortisation of interest rate collar premium	**86**	86
Movement in hedging reserve of Equity Accounted Investees	**496**	(186)
Tax impact (refer to note 9)	**(4,091)**	2,028
Closing balance	**(11,358)**	(22,375)

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20 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Policies

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

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

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

The Group's hedging policy parameters are:

Interest Rate Derivatives

Debt Maturity	*Minimum Hedging %*	*Maximum Hedging %*
Within one year	45	100
One to three years	30	85
Three to seven years	15	65
Seven to ten years	0	50

Foreign Exchange Derivatives

Expenditure	*Minimum Hedging %*	*Maximum Hedging %*
Upon Board approval of capital expenditure denominated in a foreign currency	0	50
Upon signing of contract with supplier for capital expenditure denominated in a foreign currency	75	100

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 statement. The effective portion of changes in fair value of hedging instruments is accumulated in the cash flow hedge reserve as a separate component of equity.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows. The Group assesses whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

The notional amount of the hedging instrument must match the designated amount of the hedged item for the hedge to be effective.

The Group's policy of ensuring a certain level of its interest rate risk exposure is at a fixed rate, is achieved partly by entering into fixed-rate instruments and partly by borrowing at a floating rate and using interest rate swaps as hedges of the variability in cash flows attributable to movements in interest rates. The Group applies a hedge ratio of 1:1.

Sources of hedge ineffectiveness are:

- Material changes in credit risk that affect the hedging instrument but do not affect the hedged item.
- Drawn liabilities that fall below the hedging amount, causing the hedge ratio to exceed 100%.

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

20 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Fair Values

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

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

Valuation inputs for valuing derivatives are:

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

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

21 FINANCIAL INSTRUMENTS

The following tables show the classification, fair value and carrying amount of financial instruments held by the Group at reporting date:

2021	Fair Value Through Profit and Loss NZ$000	Amortised Cost NZ$000	Total Carrying Amount NZ$000	Fair Value NZ$000
Derivative financial instruments	77	0	77	77
Total non-current assets	**77**	**0**	**77**	**77**
Cash and cash equivalents	0	7,886	7,886	7,886
Receivables	0	59,688	59,688	59,688
Total current assets	**0**	**67,574**	**67,574**	**67,574**
Total assets	**77**	**67,574**	**67,651**	**67,651**
Liabilities				
Lease liabilities	0	41,041	41,041	41,041
Loans and borrowings	0	215,000	215,000	211,688
Derivative financial instruments	13,763	0	13,763	13,763
Contingent consideration	2,920	0	2,920	2,920
Total non-current liabilities	**16,683**	**256,041**	**272,724**	**269,412**
Lease liabilities	0	837	837	837
Loans and borrowings	0	270,000	270,000	270,000
Trade and other payables	0	10,460	10,460	10,460
Derivative financial instruments	1,151	0	1,151	1,151
Contingent consideration	434	0	434	434
Total current liabilities	**1,585**	**281,297**	**282,882**	**282,882**
Total liabilities	**18,268**	**537,338**	**555,606**	**552,294**

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21 FINANCIAL INSTRUMENTS (CONTINUED)

2020	Fair Value Through Profit and Loss NZ$000	Amortised Cost NZ$000	Total Carrying Amount NZ$000	Fair Value NZ$000
Cash and cash equivalents	0	8,565	8,565	8,565
Receivables	0	49,016	49,016	49,016
Total current assets	**0**	**57,581**	**57,581**	**57,581**
Total assets	**0**	**57,581**	**57,581**	**57,581**
Liabilities				
Lease liabilities	0	24,810	24,810	24,810
Loans and borrowings	0	229,458	229,458	229,458
Derivative financial instruments	29,359	0	29,359	29,359
Total non-current liabilities	**29,359**	**254,268**	**283,627**	**283,627**
Lease liabilities	0	592	592	592
Loans and borrowings	0	259,000	259,000	260,676
Trade and other payables	0	7,311	7,311	7,311
Total current liabilities	**0**	**266,903**	**266,903**	**268,579**
Total liabilities	**29,359**	**521,171**	**550,530**	**552,206**

Financial Risk Management

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

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

(a) Credit Risk

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

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

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

21 FINANCIAL INSTRUMENTS (CONTINUED)

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

2021	Not Past Due	Past Due 0-30 Days	Past Due 30-60 Days	More Than 60 Days	**Total**
Expected loss rate (%)	0	0	0	0	**0**
Gross carrying amount – trade receivables (NZ$000)	45,054	10,570	1,946	671	**58,241**
Loss allowance on trade receivables (NZ$000)	0	0	0	0	**0**

Movements in the provision for impairment of financial assets are:

	2021 NZ$000	2020 NZ$000
Opening balance	**682**	291
Provision for trade receivables	**(201)**	179
Provision for advances to Equity Accounted Investees	**(216)**	212
Bad debts written off	**0**	0
Closing balance	**265**	682

Credit Risk Management Policies

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

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

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

Default

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

Write-off

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

Concentration of Credit Risk

The only significant concentration of credit risk at reporting date relates to bank balances and advances to Equity Accounted Investees. The nature of the Group's business means that the top ten customers account for 63.8% of total Group revenue (2020: 64.1%). The Group is satisfied with the credit quality of these debtors and does not anticipate any non-performance.

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21 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity Risk

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

2021	Statement of Financial Position NZ$000	Contractual Cash Flows NZ$000	6 Months or Less NZ$000	6–12 Months NZ$000	1–2 Years NZ$000	2–5 Years NZ$000	More Than 5 Years NZ$000
Non-derivative financial liabilities							
Loans and borrowings	(485,000)	(494,870)	(386,895)	(1,446)	(2,665)	(103,864)	0
Lease liabilities	(41,878)	(85,032)	(1,469)	(1,440)	(2,773)	(8,227)	(71,123)
Trade and other payables	(10,460)	(10,460)	(10,460)	0	0	0	0
Contingent consideration	(3,354)	(3,881)	0	(499)	(534)	(2,848)	0
Total non-derivative financial liabilities	**(540,692)**	**(594,243)**	**(398,824)**	**(3,385)**	**(5,972)**	**(114,939)**	**(71,123)**
Derivatives							
Interest rate derivatives							
Cash flow hedges – outflow	(14,914)	(18,954)	(3,833)	(3,492)	(4,693)	(6,726)	(210)
Cash flow hedges – inflow	0	2,600	0	0	65	1,087	1,448
Total derivatives	**(14,914)**	**(16,354)**	**(3,833)**	**(3,492)**	**(4,628)**	**(5,693)**	**1,238**
Total	**(555,606)**	**(610,597)**	**(402,657)**	**(6,877)**	**(10,600)**	**(120,578)**	**(69,885)**

2020	Statement of Financial Position NZ$000	Contractual Cash Flows NZ$000	6 Months or Less NZ$000	6–12 Months NZ$000	1–2 Years NZ$000	2–5 Years NZ$000	More Than 5 Years NZ$000
Non-derivative financial liabilities							
Loans and borrowings	(488,458)	(498,575)	(483,875)	(11,149)	(1,818)	(1,733)	0
Lease liabilities	(25,402)	(50,326)	(793)	(790)	(1,552)	(4,263)	(42,928)
Trade and other payables	(7,311)	(7,311)	(7,311)	0	0	0	0
Total non-derivative financial liabilities	**(521,171)**	**(556,212)**	**(491,979)**	**(11,939)**	**(3,370)**	**(5,996)**	**(42,928)**
Derivatives							
Interest rate derivatives							
Cash flow hedges – outflow	(29,359)	(30,947)	(2,931)	(3,469)	(7,930)	(15,333)	(1,284)
Total derivatives	**(29,359)**	**(30,947)**	**(2,931)**	**(3,469)**	**(7,930)**	**(15,333)**	**(1,284)**
Total	**(550,530)**	**(587,159)**	**(494,910)**	**(15,408)**	**(11,300)**	**(21,329)**	**(44,212)**

Liquidity and Funding Risk Management Policies

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

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

21 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Market Risk

Interest Rate Risk

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

	Carrying Amount 2021 NZ$000	2020 NZ$000
Fixed rate instruments		
Lease liabilities	**(41,878)**	(25,402)
Fixed rate bonds	**(100,000)**	(75,000)
Total	**(141,878)**	(100,402)
Variable rate instruments		
Commercial papers	**(220,000)**	(184,000)
Standby revolving cash advance facility	**(165,000)**	(229,000)
Interest rate derivatives	**(14,914)**	(29,359)
Cash balances	**7,886**	8,565
Total	**(392,028)**	(433,794)

Sensitivity Analysis

If, at reporting date, bank interest rates had been 100 basis points higher/lower, with all other variables held constant, the result would increase/(decrease) post tax profit or loss and the hedging reserve by the amounts shown below. The analysis was performed on the same basis for 2020.

	Profit or Loss		Cash Flow Hedge Reserve	
	100 bp Increase NZ$000	100 bp Decrease NZ$000	100 bp Increase NZ$000	100 bp Decrease NZ$000
Variable rate instruments	(2,731)	2,773	0	0
Interest rate derivatives	1,746	(1,746)	8,116	(8,652)
Total as at 30 June 2021	**(985)**	**1,027**	**8,116**	**(8,652)**
Variable rate instruments	(2,918)	2,959	0	0
Interest rate derivatives	1,477	(1,477)	7,886	(8,360)
Total as at 30 June 2020	**(1,441)**	**1,482**	**7,886**	**(8,360)**

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21 FINANCIAL INSTRUMENTS (CONTINUED)

Profile of Timing

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

	Maturity				
2021	Less Than 12 Months	1–4 Years	4–7 Years	More Than 7 Years	**Total**
Interest rate derivatives					
Notional amount (NZD$000)	75,000	120,000	110,000	70,000	**375,000**
Average rate (%)	3.77	3.04	2.03	1.65	**3.05**

	Maturity				
2020	Less Than 12 Months	1–4 Years	4–7 Years	More Than 7 Years	**Total**
Interest rate derivatives					
Notional amount (NZD$000)	0	110,000	150,000	20,000	**280,000**
Average rate (%)	3.88	3.49	2.72	0.99	**3.42**

Market Risk Management Policies	Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The Group uses derivative financial instruments such as interest rate swaps and foreign currency options to hedge certain risk exposures. All derivative transactions are carried out within the guidelines set out in the Group's Treasury Policy which has been approved by the Board of Directors. Generally the Group seeks to apply hedge accounting in order to manage volatility in the income statement.
Interest Rate Risk	Interest rate risk is the risk of financial loss, or impairment to cash flows in current or future periods, due to adverse movements in interest rates on borrowings or investments. The Group uses interest rate derivatives to manage its exposure to variable interest rate risk by converting variable rate debt to fixed rate debt. The Group enters into derivative transactions into International Swaps Derivatives Association (ISDA) master agreements. The ISDA agreements do not meet the criteria for offsetting in the balance sheet for accounting purposes.
Foreign Exchange Risk	Full disclosures on foreign exchange risk have not been presented as this risk is insignificant to the Group.

22 TRADE AND OTHER PAYABLES

	2021 NZ$000	2020 NZ$000
Accounts payable	**10,185**	7,259
Accrued employee benefit liabilities	**5,075**	5,120
Accruals	**22,187**	19,635
Payables due to Equity Accounted Investees and related parties	**275**	52
Total trade and other payables	**37,722**	32,066

Policies	Trade and other payables are initially measured at fair value and subsequently measured at amortised cost.
Fair Values	The nominal value of trade and other payables are assumed to approximate their fair values due to their short term nature.

23 RELATED PARTY TRANSACTIONS

Related party transactions with related parties:

	2021 NZ$000	2020 NZ$000
Transactions with Equity Accounted Investees		
Services provided to Port of Tauranga Limited	**754**	511
Services provided by Port of Tauranga Limited	**4,348**	4,987
Accounts receivable by Port of Tauranga Limited	**154**	27
Accounts payable by Port of Tauranga Limited	**14**	342
Advances by Port of Tauranga Limited	**1,400**	5,319
Services provided to Quality Marshalling (Mount Maunganui) Limited	**25**	18
Services provided by Quality Marshalling (Mount Maunganui) Limited	**2,045**	4,028
Accounts receivable by Quality Marshalling (Mount Maunganui) Limited	**158**	365
Accounts payable by Quality Marshalling (Mount Maunganui) Limited	**2**	1
Services provided to Timaru Container Terminal Limited	**2,701**	0
Services provided by Timaru Container Terminal Limited	**1**	0
Accounts payable by Timaru Container Terminal Limited	**259**	0
Transactions with key management personnel		
Directors' fees recognised during the period	**767**	764
Executive officers' salaries and short term employee benefits recognised during the period	**5,216**	2,965
Executive officers' share based payments (equity settled) recognised during the period	**62**	1,414
Post employment executive officers' share based payments (equity settled) recognised during the period	**(186)**	0

Related Parties	Related parties of the Group include the Joint Ventures disclosed in note 15 and the Controlling Entity (Quayside Securities Limited) or Ultimate Controlling Party (Bay of Plenty Regional Council). Quayside Securities Limited owns 54.14% (2020: 54.14%) of the ordinary shares in Port of Tauranga Limited. Quayside Securities Limited is beneficially owned by Bay of Plenty Regional Council. Transactions with the Ultimate Controlling Party during the period include services provided to Port of Tauranga Limited, $0.013 million (2020: $0.021 million). In March 2013, the Ultimate Controlling Party granted Port of Tauranga Limited a resource consent to widen and deepen the shipping channels. As a condition of this consent, an environmental bond to the value of $1.000 million is to be held in escrow in favour of the Ultimate Controlling Party. The bond is to ensure the remedy of any unforeseen adverse effects on the environment arising from the dredging. The resource consent expires on 6 June 2027. No related party debts have been written off, forgiven or provided for as doubtful during the year.
Transactions With Key Management Personnel	During the year, the Group entered into transactions with companies in which Group Directors hold directorships. These directorships have not resulted in key management personnel having a significant influence over the operations, policies, or key decisions of these companies. The Group does not provide any non-cash benefits to Directors in addition to their Directors' fees. All members of the Parent Company's Executive Management Team participate in Management Long Term Incentive Plans and may receive cash or non-cash benefits as a result of these plans (refer to note 24).

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

24 MANAGEMENT LONG TERM INCENTIVE PLAN

Policy

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

Equity Settled Transactions

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

Management Long Term Incentive Plan – Equity Settled

In December 2016, the Directors introduced an equity settled long term incentive (LTI) plan that will vest from financial year 2019 onwards. Under this LTI plan, share rights are issued to participating executives and have a three year vesting period. The first granting of share rights under this LTI plan occurred in the 2018 financial year and this LTI plan replaces the former cash settled plan.

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

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

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

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

The share based payment expense relating to the LTI plan for the year ended 30 June 2021 is -$0.113 million (2020: -$0.110 million) with a corresponding increase in the share based payments reserve (refer to note 17).

Number of Share Rights Issued to Executives:

Grant Date	*Scheme End Date*	*Right Type*	*Balance at 30 June 2020*	*Granted During the Year*	*Vested During the Year*	*Forfeited During the Year*	*Balance at 30 June 2021*
1 March 2018	30 June 2020	EPS	121,934	0	(22,205)	(99,729)	0
1 March 2018	30 June 2020	TSR	101,612	0	(101,612)	0	0
1 July 2018	30 June 2021	EPS	108,500	0	0	0	108,500
1 July 2018	30 June 2021	TSR	90,417	0	0	0	90,417
1 July 2019	30 June 2022	EPS	90,058	0	0	0	90,058
1 July 2019	30 June 2022	TSR	75,050	0	0	0	75,050
1 July 2020	30 June 2023	EPS	0	88,409	0	0	88,409
1 July 2020	30 June 2023	TSR	0	73,674	0	0	73,674
Total LTI Plan			**587,571**	**162,083**	**(123,817)**	**(99,729)**	**526,108**

Fair Value of Share Rights Granted

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

Grant Date	*Scheme End Date*	*Right Type*	*Grant Date Share Price $*	*Risk Free Interest Rate %*	*Expected Volatility of Share Price %*	*Valuation per Share Right $*
1 July 2018	30 June 2021	EPS	5.10	1.72	16.3	4.64
1 July 2018	30 June 2021	TSR	5.10	1.72	16.3	2.00
1 July 2019	30 June 2022	EPS	6.28	0.80	17.6	6.02
1 July 2019	30 June 2022	TSR	6.28	0.80	17.6	2.72
1 July 2020	30 June 2023	EPS	7.59	0.00	25.0	7.03
1 July 2020	30 June 2023	TSR	7.59	0.00	25.0	3.01

PAYE Liability

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

25 CONTINGENT LIABILITIES

Ruakura Inland Port LP (RIP)

Refer to the Capital Commitments section of note 11 for details on the construction contingency the Parent Company may be required to fund.

26 SUBSEQUENT EVENTS

Approval of Financial Statements

The financial statements were approved by the Board of Directors on 27 August 2021.

Final and Special Dividend

A final dividend of 7.5 cents per share to a total of $51,019,990 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.

Covid-19

On Tuesday 17 August 2021 at 11.59pm, New Zealand moved to Alert Level 4 following the detection of a positive case of Covid-19 in the community.

This Alert Level escalation has had no material impact on the performance of the Group.

Corporate Governance Statement

FOR THE YEAR ENDED 30 JUNE 2021

Committed to Effective Governance

This statement is a summary of the Corporate Governance Statement approved by the Board of Directors (the Board) of Port of Tauranga Limited (the Company) on 26 August 2021. The full statement is available at: http://www.port-tauranga.co.nz/about-port-of-tauranga/corporate-governance/

The Board and Senior Management Team of the Company recognise the importance of good corporate governance and consider it is core to ensuring the creation, protection and enhancement of shareholder value. The Board is committed to ensuring that the Company meets best practice governance principles and maintains the highest ethical standards.

The Board has an important role in directing the Company's activities. With the objective of increasing shareholder value, it is responsible for setting the Company's strategic direction, providing oversight of its management and directing business strategy.

As at 26 August 2021, the Board considers that the Company's corporate governance practices adhere to the NZX Corporate Governance Best Practice Code, the Financial Markets Authority's Corporate Governance in New Zealand Principles and Guidelines and the NZX Main Board Listing Rules (NZX Rules). The Board regularly reviews and assesses the Company's governance structures and processes to ensure that they are consistent with best practice.

The Board's policies and charters are available on the Corporate Structure page of the About Port of Tauranga section of the Company's website: http://www.port-tauranga.co.nz/about-port-of-tauranga/corporate-governance/

ETHICS

The Code of Ethics provides guidance regarding the ethical and behavioural standards expected of Directors, Senior Management and employees in relation to conduct, conflicts, proper use of assets and information and the procedure for reporting concerns. The Whistleblowing Policy sets out the procedure for reporting concerns regarding a breach of the Code of Ethics or any other serious wrongdoing within the Company.

New Directors are provided with a copy of the Code of Ethics and they confirm that they have read and understand the document. Confirmation is required that these have been read and understood.

SHARE TRADING

The Board has an Insider Trading Policy which sets out the procedures that must be followed by Directors, Senior Management and any other employees with inside information when purchasing or selling Company securities. Directors and Senior Management require approval to trade shares at any time and may not trade during certain specified periods. Directors' interests are disclosed on page 117 of this Integrated Annual Report.

OUR BOARD STRUCTURE

The Board has the ultimate responsibility for all decision making within the Company. The roles and responsibilities are set out in the Board Charter.

The Board comprises seven Directors, five of whom are independent. Profiles are provided on pages 62 to 63 of this Integrated Annual Report and on the website. Director independence is assessed annually by the Board. A normal term of service for a Director is nine years but can extend beyond this term with continued Board and shareholder support. All new Directors are provided with a letter of engagement.

The Board has determined that to operate effectively and to meet its responsibilities it requires a mix of skills, perspectives, knowledge and competencies. The current mix of skills and experience is considered appropriate for governing the Company.

Directors' period of appointment are:

	0-3 Years	4-6 Years	7-9 Years	9 Years+
Number of Directors	1	3	2	1

Director attendance at meetings together with remuneration, are set out in the comprehensive Corporate Governance Report held on the Company's website: http://www.port-tauranga.co.nz/about-port-of-tauranga/corporate-governance/

The Board has three Committees to provide oversight on certain matters. The Committees are Audit, Nomination and Remuneration. All Committees operate under a charter approved by the Board.

The performance of the Board, Committees, Directors and the Chair is reviewed regularly.

The Chief Executive, Chief Financial Officer and other Management regularly attend Board Meetings, and when invited, attend Committee Meetings.

The positions of Chair of the Board and Chair of the Audit Committee are held by independent Directors. These two roles, and the role of Chief Executive, are all held by different people. The Chair has been assessed as being independent by the Board.

DIVERSITY AND INCLUSION

The Board is committed to providing a workplace that recognises and values different skills, abilities, genders, ethnicity and experiences. The Board is committed to creating an inclusive workplace where all employees feel included and valued, and to providing equal employment opportunities with all appointments being merit based.

Last year the Company revised its Diversity and Inclusion Policy and set itself the objective of achieving a minimum of 40% females and 40% males holding director, executive and manager level positions by 2025. In 2021 the Company had 29% females and 71% males holding these positions.

	As at 30 June 2021				As at 30 June 2020			
	Female		Male		Female		Male	
	No.	%	No.	%	No.	%	No.	%
Non-independent Directors	**0**	**0**	**2**	**100**	0	0	2	100
Independent Directors	**2**	**40**	**3**	**60**	2	40	3	60
Executives	**2**	**29**	**5**	**71**	0	0	5	100
Management	**3**	**25**	**9**	**75**	2	18	9	82
Permanent employees	**42**	**19**	**182**	**81**	39	18	183	82
Total	**49**	**20**	**201**	**80**	**43**	**18**	**202**	**82**

FINANCIAL AND NON-FINANCIAL INFORMATION

The Board is committed to ensuring timely and accurate information is provided to shareholders and market participants. The Integrated Annual Report for 2021 is based on the Integrated Reporting Framework so that stakeholders can better understand the non-financial aspects of the Company. It is the Company's third Integrated Report.

REMUNERATION

Remuneration policies and processes for Directors, the Chief Executive and Senior Executives are the responsibility of the Remuneration Committee. An external review of Directors' fees and executive remuneration was undertaken in 2021.

A table listing remuneration for employees paid above $100,000, a report on the Chief Executive's remuneration and a report on Directors' remuneration is on pages 114 to 116 of this Integrated Annual Report and also in the comprehensive Corporate Governance Report held on our website: http://www.port-tauranga.co.nz/about-port-of-tauranga/corporate-governance/

RISK MANAGEMENT AND AUDIT

Management of risk is a high priority to ensure the protection of the Group's employees, the environment, Company assets and reputation. The Company has a comprehensive risk management system in place, overseen by the Board, which is used to identify and manage all risks. A summary of selected key risks is presented in the comprehensive Corporate Governance Report on our website: http://www.port-tauranga.co.nz/about-port-of-tauranga/corporate-governance/

The Auditor-General is the Auditor of the Company and is therefore independent. The Auditor-General has appointed Brent Manning from KPMG to carry out the audit on his behalf.

The Board has received written confirmation from KPMG regarding its independence. There were no other assurance services provided by KPMG in the 2021 financial year.

The Audit Committee oversees an active internal audit programme.

SHAREHOLDER RELATIONS

The Board is committed to engaging with shareholders and market participants in order that timely and accurate information is provided and two-way communication is facilitated. The Company's website has the Integrated Annual Reports, Market Updates and Interim Reports, as well as various announcements to the NZX and the public.

The Annual Shareholder Meeting is held locally, reflecting the head office location for the Company, and to encourage participation in person by many of the Company's shareholders. The 2021 Annual Meeting will also be webcast.

Directors advise shareholders on any major decisions. The Notice of Meeting will be available at least 20 business days prior to a meeting. Where voting on a matter is required, voting is conducted by way of poll.

REMUNERATION REPORT

Port of Tauranga is committed to providing a remuneration framework that promotes a high performance culture and aligns rewards to the creation of sustainable value for shareholders.

Port of Tauranga's remuneration philosophy is aimed at attracting, retaining and motivating employees of the highest quality at all levels of the organisation. It is based on practical, guiding principles and a framework that provides consistency, fairness and transparency.

The philosophy promotes behaviours and values that drive performance, a pervasive "can do" attitude and sustainable growth in shareholder value. All remuneration packages are reviewed annually in the context of individual and Company performance, market movements and expert advice.

The Board through the Remuneration Committee establishes the policies and practices for the remuneration of executives. Port of Tauranga's remuneration for the Chief Executive and nominated executives provides the opportunity to receive, where performance merits, a total remuneration package in the upper quartile for equivalent market-matched positions.

Total remuneration is made up of three components: Fixed Remuneration, a Short Term Incentive (STI) and a Long Term Incentive (LTI). Both short and long-term performance incentives are "at-risk" with the outcome determined by performance against a combination of agreed financial and non-financial objectives.

Fixed Remuneration – fixed remuneration is determined in relation to the market for comparable sized and performing companies. It includes all benefits, allowances and deductions.

Port of Tauranga's policy is to pay fixed remuneration at the median of its peer group. Adjustments are not automatic and are determined based on performance which is reviewed annually by the Remuneration Committee.

Short Term Incentives – STIs are at-risk payments linked to the achievement of annual financial and strategic targets. They are designed to motivate and reward for performance in that financial year.

The target value of the STI is set as a percent of the fixed remuneration. For the 2021 financial year the Chief Executive's STI was set at 60% and for all nominated executives it was set between 40-50%.

For the 2021 financial year there were seven nominated executives included in the STI Scheme, an increase of three from the previous year.

For the Chief Executive, 60% (2020: 60%) of the STI is linked to the Company's financial performance with the actual opportunity in the range of 0-110%. The remaining 40% (2020: 40%) comprised agreed safety, environmental and strategic objectives. Strategic objectives are set each year by the Remuneration Committee (and approved by the Board) and closely align to the Port of Tauranga's strategic aspirations. The financial objective is to meet or exceed the normalised net profit after tax target. A threshold of 90% of target is required before any of the financial component is paid.

The Board retains complete discretion over paying an STI and may determine, despite the actual performance against objectives that a reduced bonus or no bonus will be paid in a given year.

Long Term Incentives – the LTI is an at-risk payment designed to align the reward of executives with the growth in shareholder value over a three year period.

The LTI is a Performance Share Rights Plan (PSR), where payments are made in shares rather than cash. The maximum number of shares an executive may receive as an allocation is determined by dividing the value of the grant less tax by the face value of a Port of Tauranga share at the grant date.

The 2019 LTI (allocated on 1 July 2018), which vested at the end of the 2021 financial year, was set at 50% of fixed remuneration for the Chief Executive and 30% of fixed remuneration for the nominated executives. The value of each allocation is set at the date of the grant. The plan's performance hurdles are based on two metrics, the first 50% is Port of Tauranga's three year Total Shareholder Return (TSR) relative to the performance of the NZX50 less Australian companies listed in New Zealand. The second 50% is measured by achieving target compound earnings per share (EPS) growth.

Corporate Governance Statement (continued)

FOR THE YEAR ENDED 30 JUNE 2021

The LTI targets are:

TSR Percentile Ranking %	Earned %
Below 40	Nil
Above 40 to 50	40-50
Above 50 to below 75	50-99
At 75 or above	100

EPS* Three Year CAGR** %	Earned %
0	0
3.5	50
7.0	100
8.0	110
9.0	120

**Earnings per Share*
***Compound Annual Growth Rate*

As with the STI, the Board retains absolute discretion over the payment of the LTI to participants.

Employee Share Ownership

Permanent employees can choose to join Port of Tauranga's Employee Share Ownership Plan (ESOP). The ESOP gives employees the opportunity to buy shares in the Company via weekly pay deductions. The shares are offered every three years and paid off over the intervening three year period. In 2018 an offer of $5,000 worth of shares was made to employees at a 30% discount to the market price. On the day of allocation, the price was $5.08 per share and participating individuals received 980 shares. Over 95% of our employees are shareholders.

Employee Remuneration

The number of employees and former employees of Port of Tauranga who, during the year, received cash remuneration and benefits (including at-risk performance incentives) exceeding $100,000 are:

Remuneration Range $000	Parent Company Number of Employees 2021	Number of Employees 2020
100-109	**23**	25
110-119	**35***	26
120-129	**19**	23
130-139	**14**	13
140-149	**8**	10
150-159	**13**	11
160-169	**15**	13
170-179	**5**	2
180-189	**2**	2
190-199	**2**	0
200-209	**2**	1
210-219	**3**	1
220-229	**0**	2
230-239	**0**	1
240-249	**5**	7
250-259	**4**	3
260-269	**1**	2
270-279	**1**	1
280-289	**1**	0
330-339	**1***	0
440-449	**1**	0
470-479	**1**	0
530-539	**1***	0
660-669	**0**	1*
800-809	**1***	0
810-819	**0**	1*
840-849	**0**	1*
850-859	**0**	1*
1,500-1,569	**1***	0
2,020-2,029	**0**	1*
Total	**159**	**148**

**Includes vesting of Long Term Incentive Scheme and payment of Short Term Incentive.*

Chief Executive Remuneration

There was no increase in the Chief Executive's fixed remuneration for the 2021 financial year. The Chief Executive's fixed remuneration remained at $884,340.

FY2021

Fixed Remuneration* $	Performance Pay** STI $	LTI $	Subtotal $	Total Remuneration*** $
884,340	212,651	427,887	1,524,878	**1,553,455**

**Fixed remuneration includes the value of any benefits (health care, superannuation or vehicle) taken. The Chief Executive participates in the Company's Health Insurance Scheme.*
***Performance pay was earned over previous periods but paid in the current financial year.*
****Total remuneration includes payments that arise from calculating actual holiday pay per the NZ Legislation.*

FY2020

Fixed Remuneration* $	Performance Pay** STI $	LTI $	Subtotal $	Total Remuneration*** $
884,340	434,107	650,734	1,084,841	**2,022,501**

**Fixed remuneration includes the value of any benefits (health care, superannuation or vehicle) taken. The Chief Executive participates in the Company's Health Insurance Scheme.*
***Performance pay was earned over previous periods but paid in the current financial year.*
****Total remuneration includes payments that arise from calculating actual holiday pay per the NZ Legislation.*

Total remuneration paid includes fixed remuneration and the short and long-term performance payments paid/vested in the year. Performance payments are actually those earned in prior periods.

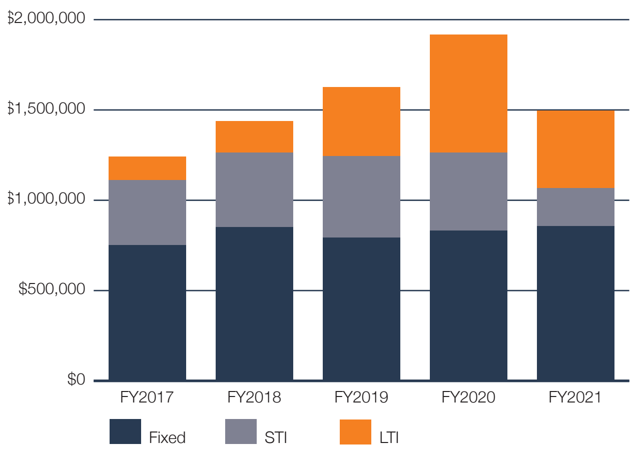
An explanation of the Chief Executive's performance pay paid/vested in 2021 is shown in the following table:

	Description	Performance Measures	Achieved %
STI	Set at 60% of fixed remuneration. Based on a combination of financial and non-financial performance measures.	60% based on achieving normalised NPAT target. The range for the financial performance is 0-110%.	0
		40% based on key strategic measures and safety. The range is 0-100%.	40
LTI	Set at 50% of fixed remuneration.	50% based on TSR performance relative to the NZX50 less Australian companies listed in NZ. The range is 0-100%.	100
		50% based on EPS CAGR. The range is 0-120%.	18

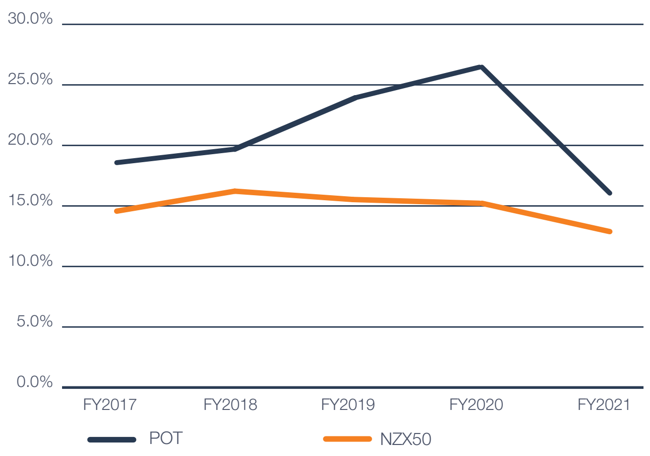
The Five Year Summary – Chief Executive Remuneration

FY	Total Remuneration $	STI Against Maximum %	LTI Against Maximum %	Span of LTI Performance Period
2021	**1,553,455**	**19**	**54**	**FY2018-2020**
2020	2,022,501	78	97	FY2017-2019
2019	1,773,259	82	97	FY2016-2018
2018	1,680,106	86	75	FY2015-2017
2017	1,242,214	76	35	FY2014-2016

The Five Year Summary Graph – Chief Executive Remuneration (exclusive of holiday pay)

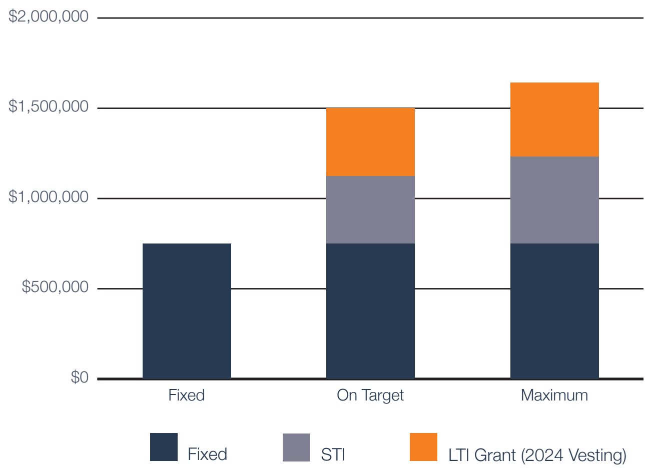


Total Shareholder Return Performance



Chief Executive Remuneration for 2022

The Chief Executive's potential remuneration package for the year ending June 2022 is shown in the following chart.



Fixed remuneration reflects base salary and benefits. For performance that meets expectations, the STI would pay out at 50% of fixed remuneration and the LTI at 50% of fixed remuneration. For performance that exceeds expectations, the STI would pay out a maximum 105% of fixed remuneration and the LTI at 110% of fixed remuneration.

Corporate Governance Statement (continued)

FOR THE YEAR ENDED 30 JUNE 2021

APPROVED DIRECTOR REMUNERATION

The aggregate pool of fees able to be paid to Directors is subject to shareholder approval and currently sits at $780,000.

The Board seeks to increase the pool at the 2021 Annual Meeting by 12.8%.

The Board approved annual fees are:

	Directors' Fees $
Chair	168,480
Directors	88,400
Audit Committee Chair	15,600
Audit Committee Member	7,800
Remuneration Committee Chair	10,400
Remuneration Committee Member	5,200

Directors' fees received during the 2021 year were:

	Board $	Audit $	Remuneration $	Total 2021 $	Total 2020 $
Mr D A Pilkington	168,480		5,200	**173,680**	173,680
Ms A M Andrew	88,400		5,200	**93,600**	93,600
Mr K R Ellis	88,400	7,800	10,400	**106,600**	106,600
Ms J C Hoare	88,400	15,600	3,467	**107,467**	104,000
Mr A R Lawrence	88,400	7,800		**96,200**	96,200
Mr D W Leeder	88,400		5,200	**93,600**	93,600
Sir Robert McLeod KNZM	88,400	7,800		**96,200**	96,200
Total				**$767,347**	**$763,880**

Port of Tauranga meets Directors' reasonable travel and other costs associated with the business.

Remuneration paid to Directors in their capacity as Directors of Subsidiaries during 2021 was:

Director	Subsidiary	Fees $
Mr D A Pilkington	Northport Director	25,000
Mr D A Pilkington	PrimePort Director	35,000
Total		**$60,000**

Any fees paid to Port of Tauranga employees appointed as Directors of Subsidiaries are paid to the Company, not the individual.

INTERESTS REGISTER

The Company is required to maintain an Interests Register in which particulars of certain transactions and matters involving the Directors must be recorded.

The matters set out below were recorded in the Interests Register of the Company during the financial year.

General Notice of Interest by Directors

The Directors of the Company have declared interests in the following identified entities as at 30 June 2021:

Director	Interest	Entity
Alison Moira Andrew	Chief Executive Officer	Transpower New Zealand Limited
Kimmitt Rowland Ellis	Chair	Green Cross Health
	Chair (resigned during the year)	Metlifecare Limited
	Chair	NZ Social Infrastructure Fund Limited
	Director	Ballance Agri-Nutrients Limited
	Director	Fonterra Shareholders Fund (FSF) Management Company
	Director	Freightways Limited
Julia Cecile Hoare	Deputy Chair	The a2 Milk Company Limited
	Deputy Chair (resigned during the year)	Watercare Services Limited
	Director	Auckland International Airport Limited
	Director (resigned during the year)	AWF Madison Group Limited
	Director	Meridian Energy Limited
	Member	External Reporting Advisory Panel
	Vice President	Institute of Directors
Alastair Roderick Lawrence	Chair	Brittain Wynyard Limited
	Director / Shareholder	Antipodes Properties Limited and subsidiaries
	Director / Shareholder	CBS Advisory Limited
	Director / Shareholder	Olrig Limited
	Director / Shareholder	Retail Dimension Limited
	Trustee	JAB Hellaby Trust
Douglas William Leeder	Chair	Bay of Plenty Regional Council
Sir Robert Arnold McLeod KNZM	Chair (appointed Director, then Chair, during the year)	Ngati Porou Holding Company Limited
	Chair	Quayside Holdings Limited (and Quayside Properties Limited and Quayside Securities Limited)
	Chair	Sanford Group
	Director (appointed and resigned during the year)	Archipelago Limited
	Director (appointed during the year)	AZSTA NZ Limited
	Director (appointed during the year)	MSJS NZ Limited
	Director (appointed during the year)	Point 76 Limited
	Director (appointed during the year)	Point Guard Limited
	Director (appointed during the year)	Point Seventy Limited
	Director (appointed during the year)	VCFA NZ Limited
David Alan Pilkington	Chair	Douglas Pharmaceuticals Limited
	Chair	Rangatira Limited
	Director / Shareholder	Excelsa Associates Limited
	Director	Northport Limited
	Director	Port of Tauranga Trustee Company Limited
	Director	PrimePort Timaru Limited
	Alternate Director (appointed during the year)	Coda GP Limited
	Trustee	New Zealand Community Trust

Corporate Governance Statement (continued)

FOR THE YEAR ENDED 30 JUNE 2021

DIRECTORS' LOANS

There were no loans by the Company to Directors.

DIRECTORS' INSURANCE

The Group has arranged policies of Directors' Liability Insurance, which together with a Deed of Indemnity, ensures that generally Directors will incur no monetary loss as a result of actions undertaken by them as Directors. Certain actions are specifically excluded, for example the incurring of penalties and fines, which may be imposed in respect of breaches of the law.

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 30 June 2021.

Twenty Largest Ordinary Equity Holders

Holder	Number of Shares Held	% of Issued Equity
Quayside Securities Limited	368,437,680	54.14
New Zealand Central Securities Depository Limited	60,295,650	8.86
Custodial Services Limited (4 a/c)	18,508,194	2.72
Custodial Services Limited (3 a/c)	16,430,727	2.41
FNZ Custodians Limited	13,885,217	2.04
Custodial Services Limited (2 a/c)	10,839,259	1.59
Kotahi Logistics LP	8,500,000	1.25
JBWere (NZ) Nominees Limited (NZ Resident a/c)	7,908,581	1.16
Custodial Services Limited (18 a/c)	7,116,343	1.05
New Zealand Depository Nominee Limited (1 a/c)	5,392,826	0.79
Forsyth Barr Custodians Limited (1-Custody a/c)	4,820,182	0.71
Custodial Services Limited (1 a/c)	3,076,236	0.45
Masfen Securities Limited	2,708,395	0.40
Custodial Services Limited (16 a/c)	2,585,784	0.38
Investment Custodial Services Limited (C a/c)	1,798,433	0.26
Hobson Wealth Custodian Limited (Resident Cash a/c)	1,797,367	0.26
JBWere (NZ) Nominees Limited (Res Inst a/c)	1,574,127	0.23
PT (Booster Investments) Nominees Limited	1,557,716	0.23
FNZ Custodians Limited (DTA Non-Resident a/c)	1,543,070	0.23
Lloyd James Christie	1,535,000	0.23
Total	**540,310,787**	**79.39**

Distribution of Equity Securities

Range of Equity Holdings	Number of Holders	Number of Shares Held	% of Issued Equity
1-5,000	9,049	18,670,161	2.74
5,001-10,000	2,576	19,756,718	2.90
10,001-50,000	2,643	56,489,041	8.30
50,001-100,000	268	18,589,103	2.73
100,001 and over	146	567,076,207	83.33
Total	**14,682**	**680,581,230**	**100.00**

Substantial Security Holders

According to Company records and notices given under the Financial Markets Conduct Act 2013, the substantial security holders in ordinary shares (being the only class of quoted voting securities) of the Company as at 30 June 2021, were:

Holder	Number of Shares Held	%
Quayside Securities Limited	368,437,680	54.14

The total number of issued voting securities of the Company as at 30 June 2021 was 680,581,230.

Directors' Equity Holdings

As at 30 June 2021 Port of Tauranga Limited Directors' had the following relevant interests in Port of Tauranga Limited equity securities:

	Held Beneficially		Held by Associated Persons	
	30 June 2021	30 June 2020	**30 June 2021**	30 June 2020
Mr D A Pilkington	**0**	0	**15,000**	15,000
Ms A M Andrew	**0**	0	**82,500**	82,500
Mr K R Ellis	**0**	0	**62,750**	62,750
Ms J C Hoare	**2,500**	0	**0**	0
Mr A R Lawrence	**0**	0	**0**	0
Mr D W Leeder	**0**	0	**0**	0
Sir Robert McLeod KNZM	**0**	0	**0**	0

DONATIONS

Donations of $20,938 were made during the year ended 30 June 2021 (2020: $47,059).

STOCK EXCHANGE LISTING

The Company's shares are listed on the New Zealand Stock Exchange.

NEW ZEALAND EXCHANGE (NZX) WAIVERS

The Company currently has no NZX waivers.

CREDIT RATING

The Company during the year ended 30 June 2021 had a Standard & Poor's rating of A-/Stable/A-2.

ANNUAL MEETING

The Annual Meeting will be held on Friday 29 October 2021 at 1.00pm, at Trustpower Baypark, 81 Truman Lane, Mount Maunganui. The ability for the Company to hold a physical meeting may change depending on Covid-19 restrictions at that time.

Ms Julia Cecile Hoare, Ms Alison Moira Andrew and Sir Robert Arnold McLeod KNZM, are retiring by rotation and are seeking re-election at the Annual Meeting.

AUDITORS

Under section 19 of the Port Companies Act 1988, the Audit Office is the Auditor of the Company. The Audit Office has appointed, pursuant to section 32 of the Public Audit Act 2001, the firm of KPMG to undertake the audit on its behalf.

The amount paid as audit fees and for other services provided by the Auditors is set out in the accounts.

FURTHER INFORMATION ON-LINE

Additional information on Port of Tauranga Limited can be found on the Company's website at: http://www.port-tauranga.co.nz

Financial and Operational Five Year Summary

AS AT 30 JUNE 2021

FINANCIAL

	Year 2021 $000	Year 2020 Restated* $000	Year 2019 $000	Year 2018 $000	Year 2017 $000
Operating income	**338,281**	301,985	313,263	283,726	255,882
EBITDA**	**189,917**	165,198	181,270	169,236	152,385
Surplus after taxation – reported	**102,375**	88,679	100,577	94,273	83,441
Dividends paid related to earnings	**84,353**	124,486	122,440	115,017	108,893
Total equity	**1,396,968**	1,195,184	1,165,885	1,121,980	931,943
Net interest bearing debt	**477,114**	479,435	442,097	399,164	374,816
Total assets	**2,081,270**	1,848,790	1,748,861	1,657,031	1,422,600
Interest cover (times)	**9.3**	7.3	8.4	8.0	7.5
Gearing ratio (%)***	**25.5**	28.6	27.5	26.2	28.7
Return on average equity (%)	**7.9**	7.4	8.9	9.2	9.3
Share price ($)	**7.03**	7.70	6.34	5.10	4.45
Market capitalisation ($)	**4,782,274**	5,237,414	4,312,098	3,470,964	3,028,586
Net asset backing per share ($)	**2.04**	1.75	1.71	1.64	1.36

***EBITDA is a non-GAAP financial measure but is commonly used as a measure of performance as it shows the level of earnings before the impact of gearing levels and non-cash charges such as depreciation and amortisation. Market analysts use the measure as an input into company valuation and other valuation metrics.*

	Year 2021 $000	*Year 2020 $000*	*Year 2019 $000*	*Year 2018 $000*	*Year 2017 $000*
Profit before taxation	***137,009***	*117,097*	*135,009*	*126,386*	*111,347*
Net finance costs	***16,572***	*18,530*	*18,177*	*18,027*	*16,771*
Depreciation and amortisation	***33,998***	*29,746*	*27,585*	*25,269*	*24,460*
Asset impairment	***12***	*0*	*499*	*0*	*0*
Asset impairment on revaluation	***2,326***	*0*	*0*	*0*	*0*
Reversal of previous revaluation deficit	***0***	*(175)*	*0*	*(446)*	*(193)*
Total	***52,908***	*48,101*	*46,261*	*42,850*	*41,038*
EBITDA	***189,917***	*165,198*	*181,270*	*169,236*	*152,385*

**Refer to note 15(c).*

****Net interest bearing debt to net interest bearing debt + equity.*

The Board approved a final dividend of 7.5 cents per share ($51.020 million) after year end payable on 1 October 2021.

OPERATIONAL

	Year 2021	Year 2020	Year 2019	Year 2018	Year 2017
Cargo throughput (000 tonnes)	**25,738**	24,808	26,946	24,458	22,194
Containers (TEU)*	**1,200,831**	1,251,741	1,233,177	1,182,147	1,085,987
Net crane rate (container moves per hour)**	**29.7**	35.8	32.9	35.5	36.2
Ship departures	**1,307**	1,515	1,678	1,747	1,651
Berth occupancy (%)	**53**	45	50	48	47
Total cargo ship days in port	**3,072**	2,441	2,769	2,643	2,589
Turn-around time per cargo ship (days)	**2.05**	1.61	1.65	1.5	1.4
Cargo tonnes per ship	**19,693**	16,291	16,058	14,000	13,442
Average cargo ship gross tonnage (GT)	**29,036**	33,408	33,920	30,218	29,654
Average cargo ship length overall (metres)	**201**	207	207	200	199
Number of employees – Port of Tauranga Limited	**243**	238	230	208	206
Lost time injuries (LTI – frequency)***	**0**	2.5	2.5	2.8	2.8
Total injury (frequency rate)	**0**	2.5	2.5	5.5	5.6

**TEU = Twenty Foot Equivalent Unit.*

***As measured by the Australian Productivity Commission.*

****Number of lost time claims per million hours worked.*

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

Company Directory

DIRECTORS

D A Pilkington
Chair

A M Andrew

K R Ellis

J C Hoare

A R Lawrence

D W Leeder

Sir Robert McLeod KNZM

EXECUTIVE

M C Cairns
Chief Executive (retired 30 June 2021)

L E Sampson
Chief Executive (formerly Chief Operating Officer, became Chief Executive 1 July 2021)

M J Dyer
Corporate Services Manager

B J Hamill
Commercial Manager

S R Kebbell
Chief Financial Officer & Company Secretary

P M Kirk
Group Health & Safety Manager

D A Kneebone
Property & Infrastructure Manager

R A Lockley
Communications Manager

REGISTERED OFFICE

Salisbury Avenue
Mount Maunganui

Private Bag 12504
Tauranga Mail Centre
Tauranga 3143
New Zealand

Telephone 07 572 8899

Email marketing@port-tauranga.co.nz
Website www.port-tauranga.co.nz

AUDITORS

KPMG
Tauranga
(On behalf of the Auditor-General)

SOLICITORS

Holland Beckett Law
Tauranga

BANKERS

ANZ National Bank Limited

Bank of New Zealand

Commonwealth Bank of Australia

MUFG Bank, Limited

CREDIT RATING AGENCY

Standard & Poor's (S&P)
Australia

Port of Tauranga Limited's rating: A-/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
New Zealand

Telephone 09 375 5998
Facsimile 09 375 5990

Email enquiries@linkmarketservices.co.nz
Website www.linkmarketservices.co.nz

Copies of the Integrated Annual Report and Market Update (which replaces the Interim Report) are available from our website.

FINANCIAL CALENDAR

1 October 2021	Final dividend payment
29 October 2021	Annual Meeting
25 February 2022	Interim results announcement
March 2022	Interim Accounts and Market Update produced
25 March 2022	Interim dividend payment
30 June 2022	Financial year end
26 August 2022	Annual results announcement

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