Our place, our future

INTEGRATED ANNUAL REPORT 2019

PORT OF TAURANGA

Facilitating the most efficient and sustainable trade to and from New Zealand

Port of Tauranga is New Zealand's largest, fastest-growing and most efficient port.

It is the international freight gateway for the country's imports and exports and the only New Zealand port able to accommodate the largest container vessels to visit. We handle 30% of all New Zealand cargo, 35% of New Zealand exports and 37% of all shipping containers[1].

We provide our customers with highly effective supply chains through our investment in other ports, inland freight hubs, cargo handling expertise and logistics services.

We have the people and expertise required to deliver excellent service to our customers, sustainable benefits to the community and strong financial returns to our shareholders.

Port of Tauranga is the economic anchor of the Bay of Plenty economy, creating jobs and wealth for the Tauranga community, the broader region and beyond.

Our approach is grounded in the principle of kaitiakitanga or guardianship – of our environment, our people, our community and our future.

Port of Tauranga is New Zealand's Port for the Future.

1. Source: Ministry of Transport

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Our highlights and challenges

For the year ended 30 June 2019

Group Net Profit After Tax up

↑ 6.7%

to $100.6 million

Imports up

↑ 8.4%

to 9.8 million tonnes

Port of Tauranga Total Recordable Injury Frequency Rate down

↓ 55%

Revenue up

↑ 10.4%

to $313.3 million

Exports up

↑ 11.2%

to 17.1 million tonnes

Container crane productivity rate of

33.6

moves/hour

Total trade up

↑ 10.2%

to 26.9 million tonnes

Ordinary dividend up

↑ 4.7%

to 13.3 cents per share

Ship visits down

↓ 3.9%

to 1,678

Container volumes up

↑ 4.3%

to 1.2 million TEUs[2]

Subsidiary and Associate Companies' earnings down

↓ 27.5%

116 cruise ship visits, a

↑ 39.8%

increase

Transhipped[3] containers up

↑ 11.2%

Contractors' Total Recordable Injury Frequency Rate down

↓ 22%

People hosted on port tours

2,000+

Provided educational scholarships to 18 tertiary students with ties to the Bay of Plenty

18

tertiary students

A massive fire destroyed our electricians' workshop at the Tauranga Container Terminal in August

Signs of a slowing in the New Zealand economy

Port of Tauranga Chief Executive Mark Cairns honoured with a prestigious leadership award by the Institute of Finance Professionals

The Government commenced a high-level review of the Upper North Island Supply Chain with a view to move much of Auckland's cargo to Whangarei's Northport (50% owned by Port of Tauranga)

Regional transport infrastructure capacity under strain due to population growth and increased economic activity

Secured resource consent for stormwater management at our Mount Maunganui wharves

Evolving industrial frameworks, including legislative changes, caused uncertainty for employers

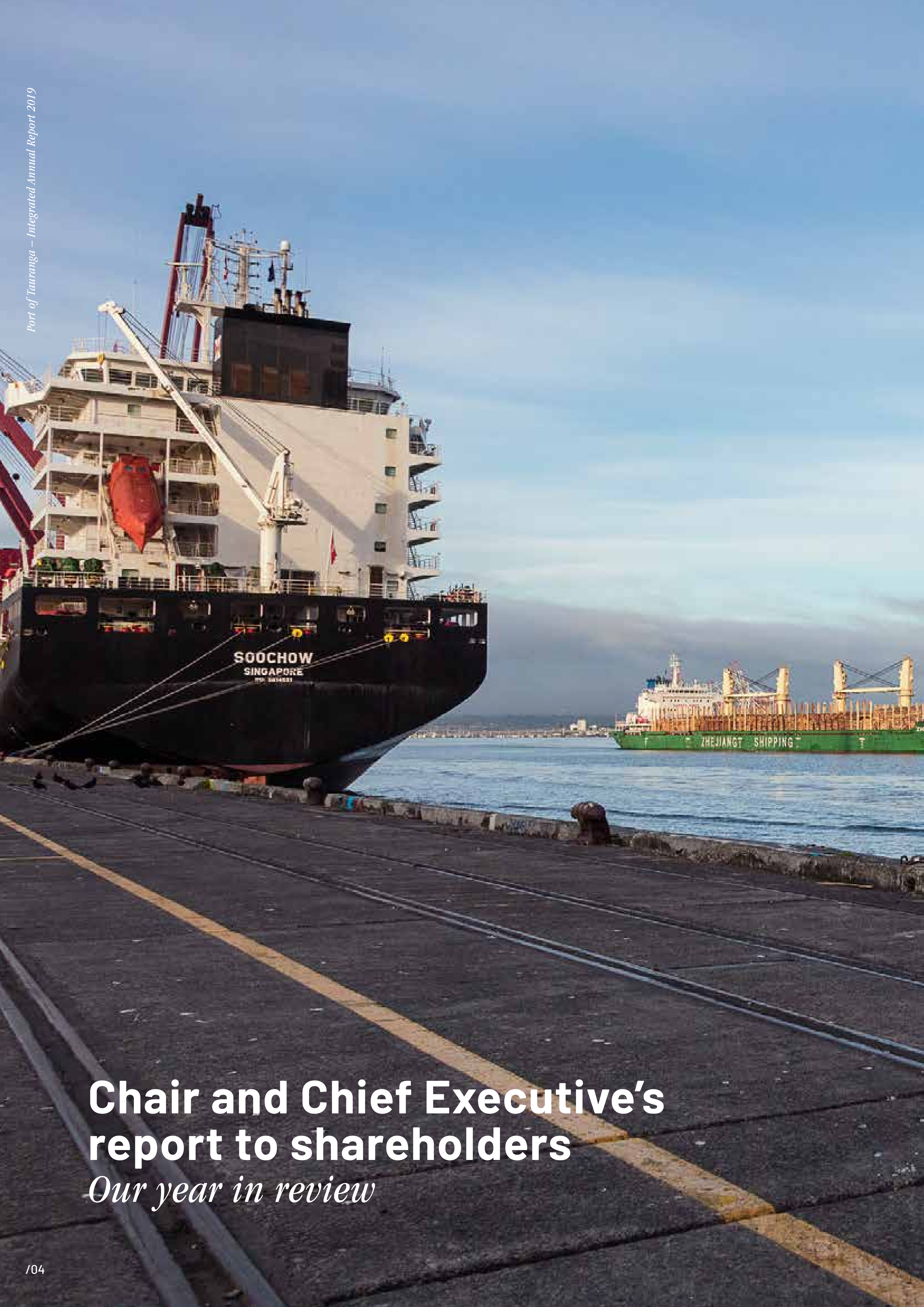
Renewed long-term operating agreement with Oji Fibre Solutions for a further ten years

Ordered a ninth container crane, due for delivery in January 2020, and seven straddle carriers

Compliance costs continue to rise

2. Twenty Foot Equivalent Units – a standard measure of shipping containers

3. Transhipment is when containers are transferred from one ship to another at Port of Tauranga



Chair and Chief Executive's report to shareholders

Our year in review

David Pilkington
Chair

Mark Cairns
Chief Executive

In the year to 30 June 2019, container transhipment grew 11.2%. Transhipment now makes up 32.1% of the containers handled at Tauranga.

We are pleased to present our annual review of performance of Port of Tauranga Limited for the year to 30 June 2019.

Port of Tauranga has had another good year. We handled more than 26.9 million tonnes of cargo, an increase of 10.2% in volume. Containerised cargo grew 4.3% in volume, to more than 1.2 million TEUs.

Group Net Profit After Tax passed the $100 million milestone for the first time, increasing 6.7% on last year's profit of $94.3 million to reach $100.6 million.

Hub port strategy

We continue to see big increases in transhipment as evidence of our success in becoming New Zealand's major international hub port. Transhipment, where containers are transferred from one service to another, has been growing significantly since 2016, with the completion of Port of Tauranga's $350 million investment in building capacity to become big ship capable.

Having the necessary infrastructure is one thing, but it is also vital to have the long-term relationships in place to ensure we have the freight volume to justify the big ship services. Our relationships with key cargo owners such as Oji Fibre Solutions, Kotahi Logistics and Zespri International give us that assurance.

New Zealand shippers can now access fast, big ship services that call only in Tauranga by utilising the sea links between Tauranga and Timaru, Napier, Nelson or Wellington.

In the year to 30 June 2019, container transhipment grew 11.2%. Transhipment now makes up 32.1% of the containers handled at Tauranga.

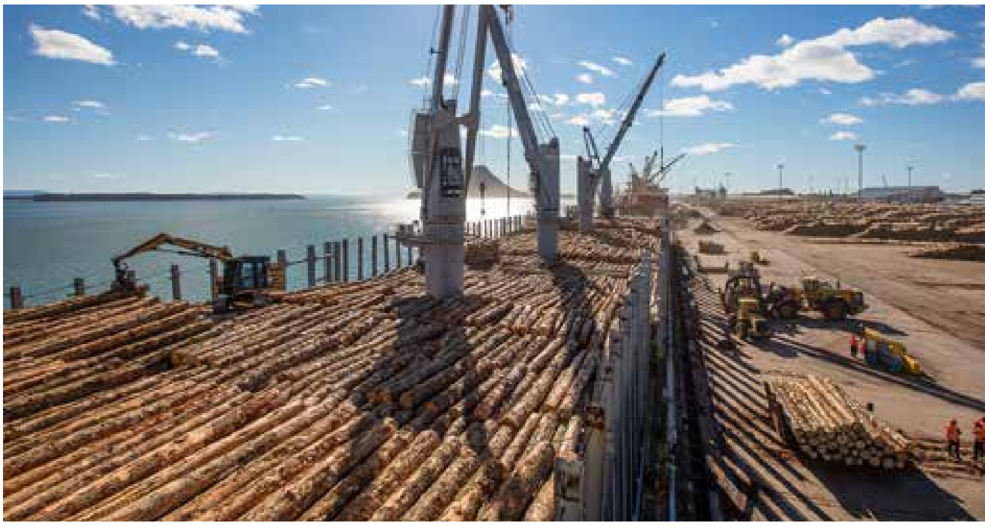
The number of containers transferred by rail to and from our inland freight hub, MetroPort Auckland, increased 4.3%. MetroPort Auckland now stands alone as the country's fourth largest container terminal by volume.

We recently announced a partnership with Tainui Group Holdings to support the development of the Ruakura Inland Port in Hamilton, which is approximately midway between Tauranga and MetroPort Auckland.

Our other inland freight hub, MetroPort Christchurch, is now home to a purpose-built warehouse for our Associate Company Coda Group. The facility allows Coda Group to handle Westland Milk dairy exports.

Meanwhile, in response to customer demand, we are pursuing plans to add another container vessel berth by extending up to 385 metres to the south of the existing Sulphur Point wharves.

Our ninth container crane will be delivered in January 2020.



> *The average size of vessels continues to increase. The average gross tonnage of container ships visiting Tauranga has increased 25.2% between 2016 and 2019.*

Oji Fibre Solutions agreement extended

Port of Tauranga and Oji Fibre Solutions have agreed on a ten year extension to our long-term operating agreement. Oji, New Zealand's major manufacturer of market kraft pulps, container board and packaging products, has committed to consolidating the majority of its import and export cargo through Tauranga.

Trade trends

Exports increased 11.2% to 17.1 million tonnes and imports increased 8.4% to 9.8 million tonnes for the year ended 30 June 2019.

Log exports increased 12.5% to 7.1 million tonnes. This trend is not expected to continue in the short term, with log prices declining in June 2019 following a drop in demand from China, New Zealand's biggest log export market. We expect some impact on volumes in the coming months.

Sawn timber exports increased 5.4% in volume. Overall, forestry-related exports increased 10% in volume.

Dairy product exports remained steady at just over 2.3 million tonnes. Imports of dairy herd food supplements decreased 11.8%, and fertiliser imports decreased 9.2%.

Kiwifruit exports increased 15.2% during the period.

Other primary produce sectors also performed strongly, with frozen meat exports increasing 18.8% in volume and apple exports increasing 54.3%.

Cement imports decreased 17.1% and steel exports decreased 7.7%. Salt imports increased 26.8% in volume.

Oil product imports increased by almost 2% and dry chemical imports increased by almost 9%.

> ***The Board has decided to extend the capital repayment programme from October 2020 through special dividends of 2.5 cents per share for another four years, subject to meeting certain conditions.***

Ship visits decreased 3.9% to 1,678 for the year. The average size of vessels continues to increase. The average gross tonnage of container ships visiting Tauranga has increased 25.2% between 2016 and 2019.

Financial performance

Revenue increased 10.4% to $313.3 million. Parent EBITDA (earnings before interest, tax, depreciation and amortisation) increased 12.4% to $168.6 million.

Associate and Subsidiary Company performance

Earnings from Associate Companies decreased 27.5% after a very disappointing result from Coda Group, our 50/50 joint venture with Kotahi. We are confident Coda Group will return to profitability in the next financial year. Coda Group's new Chief Executive, Gerard Morrison, has embarked on an extensive change programme to ensure its long-term success.

Our 100% subsidiary Quality Marshalling had an outstanding year, with profits increasing 15.1%, and our joint venture in the South Island, PrimePort Timaru, increased its contribution by 36.6%.

Dividend policy extended

The Port of Tauranga Board of Directors declared a final fully imputed dividend of 7.3 cents per share, bringing the full year's dividend to 13.3 cents per share, a 4.7% increase on the previous year.

The last of four special dividends of 5.0 cents per share will be paid on 4 October 2019.

The Board has decided to extend the capital repayment programme from October 2020 through special dividends of 2.5 cents per share for another four years, subject to meeting certain conditions.

Health, safety and people

We continue to make progress towards our health and safety goals, with a 55% reduction in Total Recordable Injury Frequency Rate and a 17% reduction in Injury Severity. We had one lost-time injury during the year, involving blistered feet.

We have a very special bunch of people working at Port of Tauranga. They show enormous compassion for many good causes. They take immense pride in their surroundings, both in their guardianship of the natural environment and their thorough care of the equipment and facilities we own and operate.

Our people continuously demonstrate a can-do attitude towards the challenges presented to them. Their commitment to problem-solving has contributed to our reputation as an innovative organisation that puts customer needs at the heart of everything we do.

Sustainability

We take climate change seriously in our business and are proud to have one of the lowest carbon emissions per tonne of cargo handled of any port in New Zealand. We are committed to the Paris Agreement target to keep global warming below two degrees.

Port of Tauranga has gained certification of its carbon emissions. The CEMARS (Certified Measurement and Reduction Scheme) accreditation will help us measure our progress in reducing our carbon footprint.

We have set an initial short-term goal of a 5% reduction in our Scope 1[4] emissions per cargo tonne and we are targeting net-zero emissions by 2050.

Part of our response is to "inset" carbon offsets by investing the money into sustainability initiatives within our business. This year, this fund sits at just under $1 million.

The largest source of our Scope 1 emissions is from diesel-powered straddle carriers at the container terminal and we are using the insetting fund to purchase more expensive, battery-hybrid straddle carriers. Our next stage of expansion will allow us to utilise fully electric automated stacking cranes, avoiding increased diesel consumption.

We are also replacing light vehicles with electric or hybrid models where available, installing LED lighting, and using biodiesel. We favour electricity suppliers that use renewable energy sources. Our modern fleet of ship-to-shore gantry cranes now all have sophisticated electric motors that re-generate up to 700 kw of electricity when lowering a container. Excess electricity can be made available to adjacent cranes lifting containers, or fed back into the terminal to power refrigerated container connections.

Our emissions from waste to landfill have grown due to increased wharf sweeping to prevent dust and debris entering the harbour. A large proportion of bark from the log wharves is already recycled into compost, and we are looking at ways we can recycle more waste.

> *We have set an initial short-term goal of a 5% reduction in our Scope 1 emissions per cargo tonne and we are targeting net-zero emissions by 2050.*

4. Scope 1 measures the direct emissions of our activities on site. Scope 2 measures carbon consumed but not created (e.g. electricity from the national grid). Scope 3 measures emissions from other parts of our supply chain (e.g. air travel)

We continue to focus on maintaining diversity in our cargo and customer mix, giving us a range of revenue sources and ensuring we can capitalise on any new business opportunities.

We favour rail transport over road because of the lower emissions and are working with our rail partners KiwiRail to reduce train-related emissions through efficiency and technology. We are also working with Pacifica Shipping to promote greater use of coastal shipping where feasible.

The availability of rail and coastal shipping to consolidate cargo at the Port, and the efficiency of the big ship services, means Port of Tauranga is the obvious choice for customers seeking the lowest carbon supply chain. Big ships of 7,500 to 9,500 TEUs have a carbon footprint more than 31% lower than the previous average size vessels calling in New Zealand[5].

In addition to our response to climate change, we are placing increasing focus on the impact of our growing business on our various communities and stakeholder groups.

We are very pleased to have secured resource consent for our stormwater network at Mount Maunganui. We have also made significant progress in dust suppression and spill prevention.

We encourage the moves to require ships to use low sulphur fuel and note the continuing improvements to minimising the amount of the log fumigant methyl bromide that is released to the atmosphere.

Upper North Island Supply Chain Review

In February 2018, the Government announced an Upper North Island Supply Chain Review. A working group is reviewing the current supply chain to advise on priorities for transport investment, with a view to moving significant cargo volumes from Ports of Auckland to Northport in Whangarei. We see a growing role for Northport in helping to alleviate the pressure on Ports of Auckland.

After the release of the working group's interim progress report, we hosted the group in Tauranga and outlined the significant capacity still available for cargo growth. We look forward to the group's future reports, which we hope will address well-known issues such as the need for increased investment in road and rail networks and the historic financial under-performance of some port companies.

External influences

Port of Tauranga's ability to create value for our stakeholders is impacted by external factors. This includes economic conditions, trade trends and technological change. We also operate within the context of the current political environment, both locally and nationally. We share our views with elected representatives across the political spectrum, especially in regard to regulatory and legislative changes impacting the port industry.

5. http://shipperscouncil.co.nz/wp-content/uploads/The_Question_of_Bigger_Ships-1.pdf

Finally, we would like to acknowledge and thank our loyal staff and contractors, whose dedication, innovation and enthusiasm make Port of Tauranga New Zealand's Port for the Future.

Current global influences include increased trade protectionism (including the tension between the United States and China), political uncertainty with the ongoing Brexit process, and geopolitical threats involving the Middle East, Russia and North Korea.

Market outlook

Log export prices dropped sharply mid-year from their historic highs due to multiple international market influences. We expect some impact on volumes in the coming months, in line with the usual fluctuations in demand for this commodity. Port of Tauranga's largest log export customers source logs from the extensive forestry estates in the central North Island, which tend to maintain steady harvesting rates.

We continue to focus on maintaining diversity in our cargo and customer mix, giving us a range of revenue sources and ensuring we can capitalise on any new business opportunities.

We will provide earnings guidance for the 2020 financial year at our Annual Shareholders Meeting on 25 October 2019, once we have a feel for the first quarter's trade.

Finally, we would like to acknowledge and thank our loyal staff and contractors, whose dedication, innovation and enthusiasm make Port of Tauranga New Zealand's Port for the Future.

David Pilkington
Chair

Mark Cairns
Chief Executive

Our integrated report

As promised last year, we have surveyed our internal and external stakeholders to identify what matters most to them.

Port of Tauranga last year began the journey towards integrated reporting – a more comprehensive and transparent method of communicating our strategy, governance, performance and prospects. This report outlines how Port of Tauranga creates value for our stakeholders over the short, medium and long term. We define "stakeholders" as anyone who has something to gain, or something to lose, from Port of Tauranga's activities.

We have made significant progress in the past year in aligning our reporting against the internationally-recognised <IR> Framework of the International Integrated Reporting Council (IIRC: www.integratedreporting.org), consistent with the NZX's updated Corporate Governance Code.

The framework examines the capitals, resources or inputs that we use or affect, and their interdependencies. We explain how we use six capitals – relationships, people, skills and

knowledge, the environment, assets and infrastructure, and finances – to create value.

As promised last year, we have surveyed our internal and external stakeholders to identify what matters most to them. Our strategies to address these material issues are a work in progress and this is described in the following pages.

We acknowledge the risks that could erode the value created by Port of Tauranga and, throughout this report, we outline our approach to managing and mitigating these risks.

We have engaged an independent expert and developed a three-year plan to guide the evolution of our reporting. We have expanded our assurance to include carbon emissions (using the CEMARS certification) and will expand assurance to other non financial content to increase our transparency and credibility.

Please join us as we progress our integrated thinking, actions and reporting in a way that ensures the best possible outcomes for our shareholders, employees, customers, partners and community. This is our future.

David Pilkington
Chair

Our business model

Port of Tauranga works with its long-term partners to deliver highly effective logistics networks that meet the needs of the New Zealand supply chain.

We deliver appropriate risk and sustainable returns for our shareholders and help cultivate a prosperous city, region and nation.

Our success is only possible through the efforts of a proud, safe and motivated workforce. We also rely on the ongoing support of our communities, which in turn look to us to be responsible stewards of our shared environment.

OUR CORE VALUES THAT INFORM EVERYTHING WE DO:

- *Safety*
- *Integrity*
- *Innovation*
- *Communication*
- *Teamwork*

Our national network

PORT OF TAURANGA

1

Parent Company

- New Zealand's largest port and international freight gateway
- Container terminal, bulk cargo wharves and bunkering
- Extensive cargo storage and handling facilities
- Rail connections to Hamilton, Auckland and the central North Island
- Extensive road networks and coastal shipping connections.

METROPORT AUCKLAND

3

Operated by Parent Company and KiwiRail

- **Inland port in the heart of Auckland's commercial and industrial area, connected by rail to Tauranga and Hamilton**
- **New Zealand's fourth largest container terminal.**

CODA

1 2 3 5 6

50% ownership with Kotahi

- **Freight logistics group incorporating Tapper Transport, Dairy Transport Logistics, Priority Logistics and MetroPack**
- **50% shareholding in MetroBox**
- **Operates New Zealand's largest intermodal freight hub at Otahuhu in Auckland**
- **Operates freight hub at Crawford Street, Hamilton.**

Northport

4

50% ownership with Marsden Maritime Holdings

- **Deep water commercial port near Whangarei.**

PORTCONNECT

1 3

50% ownership with Ports of Auckland

- **Online cargo management system.**

METROPORT CHRISTCHURCH

5

Operated by Timaru Container Terminal

- **Intermodal freight hub at Rolleston**
- **Rail connections to Timaru Container Terminal and rest of South Islan**
- **New warehouse built for Coda Group.**

TIMARU CONTAINER TERMINAL

5 6

50.1% ownership with Kotahi

- **Direct links to Tauranga**
- **Operates MetroPort Christchurch at Rolleston.**

QM QUALITY MARSHALLING

1 6

100% ownership

- **Specialist cargo handling services company with operations at Tauranga and Timaru.**

PRIMEPORT TIMARU

6

50% ownership with Timaru District Holdings

- **Commercial port in Timaru**
- **Bulk cargoes including major cement handling facility**
- **Developing new oil terminal.**

How Port of Tauranga creates value

Inputs – our capitals

OUR RELATIONSHIPS

OUR PEOPLE

OUR SKILLS & KNOWLEDGE

OUR ENVIRONMENT

OUR ASSETS & INFRASTRUCTURE

OUR FINANCES

Our capabilities

- Can-do attitude
- Sector-leading safety performance
- Flexibility
- History of strong commercial infrastructure investment
- Deep understanding of supply chain dynamics
- Proven ability to execute on strategy
- Located close to cargo catchments and linked by road, rail and sea
- Cost-effective and competitive labour model
- Strong and transparent governance framework
- Strong financial and risk management

Our outputs

- Growing trade volumes based on long-term freight agreements with key customers
- Constructive partnerships with iwi and our community, focussed on harbour health, education and youth development
- Consistent, reliable and efficient performance through safe and resilient operations within a competitive operating model
- Innovative investments in other ports, inland freight hubs, logistics and cargo handling specialists
- Strategic land holdings on both sides of Tauranga Harbour and other key locations
- Cargo handling equipment and storage capacity that enables cargo growth
- Proactive pollution prevention and focus on energy efficiency and waste minimisation
- Strong balance sheet
- Job creation (direct and indirect)
- Dividends paid to shareholders, including regional ratepayers (through cornerstone shareholder, Quayside)
- Tourism income from visiting cruise ship passengers

Outcomes for our stakeholders

- Enduring, mutually beneficial partnerships
- A proud, safe and motivated workforce
- Highly effective logistics networks that meet the needs of the New Zealand supply chain
- Responsible environmental stewardship
- Appropriate risk and sustainable returns for our shareholders
- Prosperity for local, regional and national communities

What matters to our stakeholders

We asked a sample of people across the Port and our community, iwi representatives, customers, suppliers and partners to identify issues and prioritise those we should focus on as an organisation. We engaged an independent expert to review our business documents, objectively compile a key issues list, validate the list with senior management and then conduct an email and phone survey.

The results give us a clear picture of the issues with the most potential to impact the way we create or erode value for the Company and our stakeholders – our "material issues". They include economic, environmental and social issues.

The top 12 material issues for Port of Tauranga can be summarised as:

- Health, safety and wellbeing
- Stormwater management
- Biosecurity
- Customer satisfaction and trust
- Air quality management
- Port capacity and expansion
- Profitability
- Workforce engagement
- Geographic reach
- Community engagement
- Land transport networks
- Iwi engagement.

The survey respondents believed that Port of Tauranga is doing a good job in many of these areas. In some, we need to be more proactive or better communicate our actions and progress. The feedback from our stakeholders will help us prioritise our resources to improve our performance. You will see these themes reflected throughout this report and in our future reporting.

The following sections outline our strategies, recent progress, and commentary on how we utilise the resources, or "capitals", at our disposal.

Reward does not come without risk and Port of Tauranga has extensive programmes in place to identify, manage and mitigate the risks to our staff, our Company, our community and our environment. You can read more on our approach to risk management throughout this report and in detail in our Corporate Governance Statement on our website www.port-tauranga.co.nz.

The results give us a clear picture of the issues with the most potential to impact the way we create or erode value for the Company and our stakeholders – our "material issues". They include economic, environmental and social issues.

This graph shows the strong alignment between the views of internal stakeholders (our employees and managers) and external stakeholders (the community, iwi, our customers, partners, suppliers, interest groups, government agencies and regulatory authorities). It demonstrates the areas that matter to our stakeholders.

Our strategies for the future

Material issues	*Our strategies*	*Recent progress*
Health, safety and wellbeing	• Create a positive health, safety and wellbeing culture, where incidents are prevented and wellbeing is proactively managed • Prioritise crisis and emergency response preparedness, through thorough planning and regular training exercises.	• Introduced "ShipShape", a comprehensive wellness programme for staff and quickly achieved bronze accreditation from Toi Te Ora Public Health • Implemented policies and training about domestic violence, discrimination, bullying and harassment, diversity and inclusion • Held joint training exercises with Fire and Emergency NZ, NZ Police, Maritime NZ, NZ Defence Force, NZ Customs and other agencies • Reframed our assessment of critical operating risks and mitigations through the "bow tie" methodology.
Stormwater management	• Protect biodiversity and marine habitats through responsible stewardship of the harbour, including stormwater management to prevent harbour pollution.	• Secured a resource consent for stormwater management at our Mount Maunganui wharves, ensuring all our drainage on both sides of the harbour is fully regulated • Increased wharf sweeping and installed additional screening chambers on stormwater drains • Developing a better stormwater monitoring programme to support improvement solutions.
Biosecurity	• Minimise pest incursions to protect native biodiversity and the local economy • Utilise technology as well as the "eyes and ears" of the wider Port community to increase threat detection.	• Continued to work with border agencies and primary producers through our award-winning Biosecurity Excellence Partnership • Supported the Tauranga Moana Biosecurity Capital initiative.

Material issues	*Our strategies*	*Recent progress*
Customer satisfaction and trust	• Create new and build on existing long-term partnerships with a diverse range of customers, such as shipping lines and exporters • Foster a positive can-do customer focus across the workforce.	• Secured the renewal of our long-term operating agreement with one of our biggest customers, Oji Fibre Solutions • Worked with our partners KiwiRail to accommodate vessels diverted from Auckland due to congestion • Continued to work with large customers (e.g. forestry product exporters) to predict and plan for demand.
Air quality management	• Monitor fumigation on Port premises to ensure processes and procedures are strictly complied with and workers and the community are protected • Support forestry industry efforts to reduce methyl bromide fumigant use • Manage dust through sealed wharf and cargo storage areas, increased sweeping, dust reduction/ suppression techniques and technology • Support move to low sulphur fuel to reduce air pollution from ships.	• Supported industry moves to phase out the use of methyl bromide for log fumigation by incentivising bark removal • Ensured fumigation was carried out according to regional and national standards • More closely monitored dusty cargo loading and unloading to prevent pollution • Improved and refined dust recovery procedures for vacuum sweeper trucks • Installed water misters on bulk cargo hoppers to suppress dust • Supported Port Industry CEOs' submission to the Ministry of Transport on low sulphur fuel.

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Our strategies for the future

Material issues	*Our strategies*	*Recent progress*
Port capacity and expansion	• Keep ahead of demand through targeted commercial investment in shipping and channel widening/deepening, new cargo handling equipment such as cranes, and berth extensions • Maximise efficiency within current footprint by utilising technology.	• Progressed plans to extend the container terminal wharves to the south, using existing port land • Ordered our ninth container crane, due for delivery in January 2020 • Ordered new straddle carriers, including three hybrid models • Acquired additional warehousing to relocate tenants, freeing up additional storage space at the container terminal.
Profitability	• Provide sustainable shareholder returns through revenue growth from diverse income streams, increased trade, new customers/cargoes, operational efficiencies and prudent cost management.	• Achieved an increase in revenue and net profit after tax for financial year 2018-2019 • Increased ordinary dividends and paid special dividends to return capital to shareholders.
Workforce engagement	• Deliver world-leading productivity through the team work of a proud, engaged and satisfied workforce where talent is recruited, nurtured, retained and recognised.	• Enhanced employee share ownership scheme, offering discounted purchase utilising interest-free loans • Introduced ShipShape wellbeing programme.
Geographic reach	• Grow Port of Tauranga's hinterland beyond the Bay of Plenty • Provide connectivity for international shipping via road, rail and sea, utilising inland freight hubs in Auckland, Hamilton and Christchurch • Utilise our network's expertise to eliminate waste from the supply chain and influence sustainable practices.	• Developed a large new cargo handling facility for Coda Group at our MetroPort Christchurch freight hub • Increased transhipment of containers from other New Zealand ports.

Material issues	*Our strategies*	*Recent progress*
Community engagement	• Invest in areas such as community infrastructure, the arts, education, sport, economic growth and the environment • Take an active interest in youth development • Be a good neighbour by connecting with and listening to community interests and concerns and actively working together on them.	• Sponsored community events and projects such as Tauranga Arts Festival and Mauao walking track maintenance • Increased numbers of members of the public hosted on port tours • Provided 18 scholarships to tertiary students in two schemes • Increased communication and engagement through social media and other channels.
Land transport networks	• Take a collaborative approach to proactive land transport management with KiwiRail, NZ Transport Agency, Tauranga City Council, Bay of Plenty Regional Council and the Ministry of Transport.	• Introduced vehicle booking system at the container terminal and incentivised traffic outside of peak hours • Continued to lobby for investment in regional infrastructure, including state highway designation for Totara Street, Mount Maunganui • Participated in the multi-agency Urban Form and Transport Initiative • Transported increased cargo volumes via rail and coastal shipping where possible.
Iwi engagement	• Create and maintain relationships with the three iwi with mana whenua status in Tauranga Moana to protect cultural and spiritual values and foster education.	• Supported community projects and eight tertiary students through the Ngā Mātarae Charitable Trust, a partnership with local iwi and other Maori organisations • Awarded ten Turirangi Te Kani Memorial educational scholarships for 2019 • Consulted iwi regarding resource consents for our Mount Maunganui stormwater network and our plans to extend the container terminal wharves.

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Capital #

01

OUR RELATIONSHIPS

Port of Tauranga's relationships with customers, communities, employers and business partners tend to be long-term in nature and mutually beneficial in outcomes.

The Company takes pride in its reputation for a can-do attitude and innovative approach to typical business challenges. We seek bold solutions to tricky problems and look for the same qualities in our partners. We have had relationships with some of our suppliers, such as container crane manufacturers Liebherr, for more than 40 years.

more than
2,000
people hosted on port tours

Renewed long-term operating agreement with Oji Fibre Solutions

18
scholarships

38.2%
increase in Facebook page followers

> *In the past few years, Port of Tauranga has been refocussing its sponsorship portfolio towards the provision and protection of infrastructure and equipment that can benefit the community long-term.*

Oji chooses Tauranga as its port for the future

Our long-term freight agreements with major exporters give us the certainty to make rational investments in future capacity.

In December, we renewed our operating agreement with one of our key customers, Oji Fibre Solutions, New Zealand's biggest producer of pulp, paper and packaging products. Oji has committed to consolidating the majority of its import and export cargo volumes through Port of Tauranga for the next decade.

The agreement reflects the long and productive relationship between the two companies, dating back to the 1950s. Oji has pulp and paper mills in the central North Island and Eastern Bay of Plenty, and leases a purpose-built, 22,000m^2 warehouse at Port of Tauranga's container terminal as well as other facilities nearby. The shed was constructed by Port of Tauranga in 2017 to enable Oji to improve quality and flexibility around product storage, handling and packing.

Customer relationships for the long term

Port of Tauranga has long-term commitments with other key customers.

The Company is mid-way through a ten year freight agreement with freight and logistics management company Kotahi, which in turn has a separate long-term agreement with Maersk Line, the world's largest container shipping company. The commitments were the catalysts for Port of Tauranga's investment in becoming "big ship capable". Kotahi is a joint venture between Fonterra and Silver Fern Farms.

Port of Tauranga and Kotahi co-own the Timaru Container Terminal and Coda Group – a freight logistics group incorporating Tapper Transport, Dairy Transport Logistics, *One of our first Project Tauranga initiatives was the enhancement of walkways on Mauao, the landmark mountain that stands sentinel to the entrance of Tauranga Harbour and the port.*

Priority Logistics and MetroPack. Its aim is to work with KiwiRail, trucking companies, importers and exporters to eliminate waste in the supply chain. Coda operates intermodal freight hubs in Auckland and Hamilton.

The partnership model also applies to Port of Tauranga's agreements with other major exporters. Last year we opened a new purpose-built coolstore at Berth No 1 to handle kiwifruit cargo and better maintain produce quality. Shed 1 is leased to Tauranga Kiwifruit Logistics, which handles exports for Zespri International.

The transitional coolstore is far more efficient than the converted cargo shed it replaced, using less electricity and more environmentally-friendly refrigerant.

We have also worked closely with the major log exporting customers for decades, giving us valuable insight into trends and forecasts.

Port helps build Bay of Plenty communities

In the past few years, Port of Tauranga has been refocusing its sponsorship portfolio towards the provision and protection of infrastructure and equipment that can benefit the community long-term.

Some of the projects funded include the Pilot Bay boardwalk in Mount Maunganui, purchase of the specialist winch on the Bay of Plenty Trustpower TECT rescue helicopter, and the installation of floodlighting at the Bay of Plenty Oval cricket ground adjacent to the port at Blake Park, Mount Maunganui.

Last year, Port of Tauranga also purchased two patrol boats for the Tauranga Yacht and Power Boat Club, to support young sailors learning on the harbour.

In 2018, we formally joined Project Tauranga, a partnership between Tauranga City Council and local businesses to fund community projects. This membership allows us to better identify suitable future investments that are closely aligned with community priorities.

One of our first Project Tauranga initiatives was the enhancement of walkways on Mauao, the landmark mountain that stands sentinel to the entrance of Tauranga Harbour and the port.

Mauao is visited by people nearly two million times a year and is a popular attraction for cruise ship passengers visiting the port.

Dividends benefit regional ratepayers

Port of Tauranga's main shareholder is Quayside Holdings, the investment arm of the Bay of Plenty Regional Council. Quayside received dividends of $66.3 million over the past year. Since the company was listed on the New Zealand Stock Exchange in 1992, Quayside has received a total of more than $800 million in dividends.

> *Port of Tauranga also provides educational scholarships through the Turirangi Te Kani Memorial scheme, established 29 years ago in honour of a much-respected kaumatua.*

In addition, Quayside has used its 54.14% shareholding in Port of Tauranga to establish a $200 million infrastructure fund to help fund regional assets. It was set up in 2008 through a share issue by Quayside and has been used so far to kickstart large-scale projects throughout the region.

Contributing to good causes

Port of Tauranga is a long-term supporter of community organisations making a difference in the Bay of Plenty.

The Port's annual Gibo's Fun Fishing Tournament for staff, customers and suppliers raised a record $5,515 for the Waipuna Hospice this year.

We also increased the amount of our Christmas giving. We have a long-standing tradition of making a sizeable donation to the Tauranga Community Foodbank, in lieu of purchasing Christmas gifts for customers.

In 2018, Port of Tauranga gifted $10,000 to the foodbank, its largest ever donation.

Port of Tauranga staff also nominate another charity to receive a company donation at the end of the year. The 2018 recipient was the Tauranga branch of the Child Cancer Foundation, which received $2,500.

Community events

Port of Tauranga supports events that help create vibrant communities.

The Company is a founding sponsor of the biennial Tauranga Arts Festival. In December, the Port was a sponsor of the Mount Monster, New Zealand's most prestigious surf lifesaving endurance race held at Mount Maunganui's main beach, close to the port.

Iwi engagement

Port of Tauranga works both formally and informally with Maori organisations and the three iwi with mana whenua status in Tauranga Moana – Ngāi Te Rangi, Ngāti Ranginui and Ngāti Pūkenga.

The Ngā Mātarae Charitable Trust brings together the Port, the three iwi, the Mauao Trust and the Tauranga Moana Iwi Customary Fisheries Trust. It was founded five years ago to balance the impact on the cultural and spiritual values of local Maori from our harbour capital dredging project and is funded through an annual grant from the Port.

The Trust offers scholarships to tertiary students studying subjects that could benefit Te Awanui Tauranga Harbour and sponsors projects to improve harbour health, such as a pipi relocation project involving local school children and university researchers.

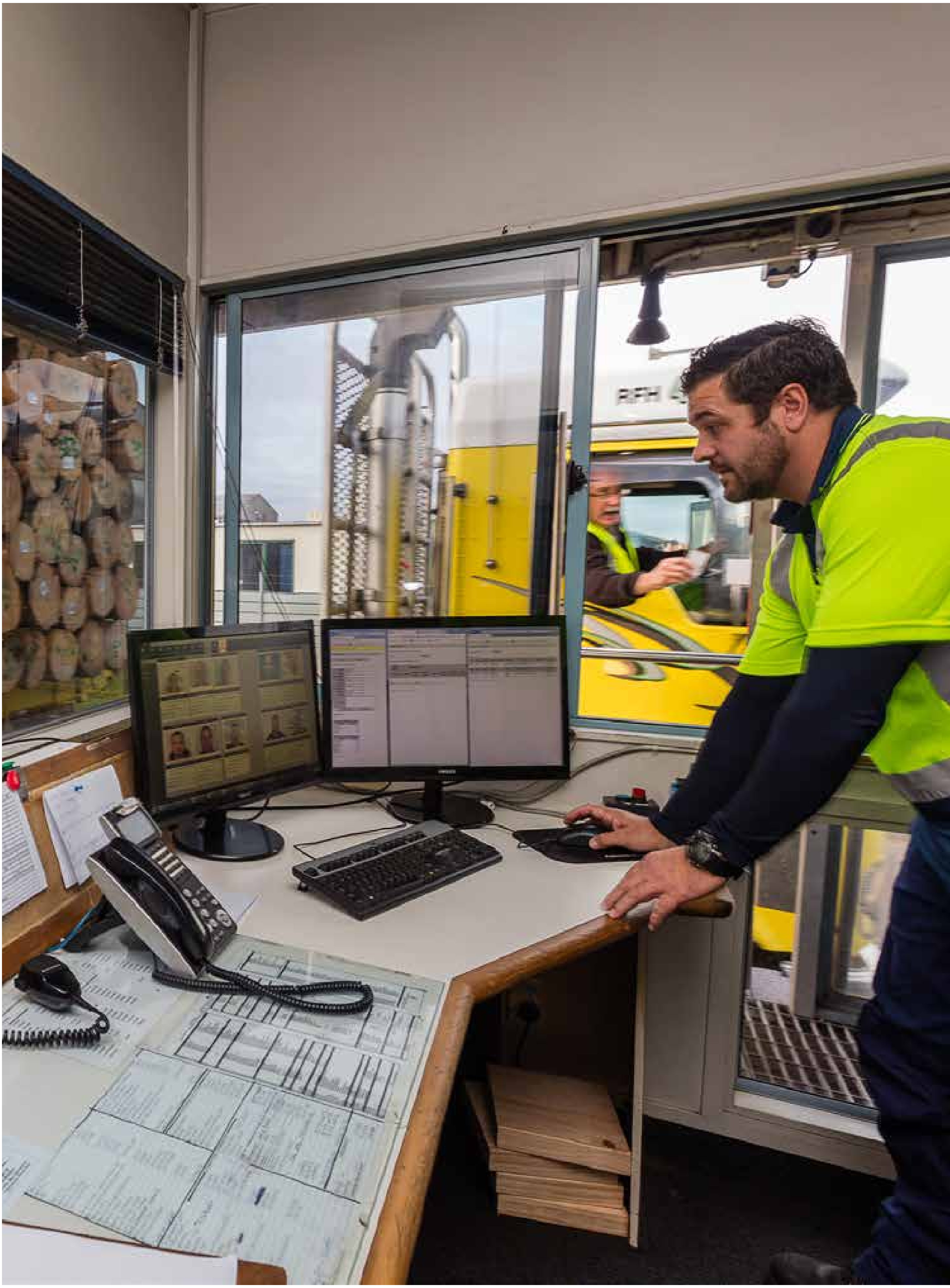
In 2019, scholarships were awarded to three first-year recipients, three second-year recipients and two third-year recipients. The scholars are studying subjects as diverse as commerce, genetics, engineering, biochemistry, political science and Maori studies.

Port of Tauranga also provides educational scholarships through the Turirangi Te Kani Memorial scheme, established 29 years ago in honour of a much-respected kaumatua. In 2019, the Port provided ten scholarships under the scheme.

Other community donations

Port of Tauranga made one-off donations to a wide range of organisations, events and individuals, including: New Zealand waterpolo representative Ella Pollock, Bay of Plenty Science Fair, Mount Maunganui Primary School golf tournament, New Zealand Blue Light Ventures, Mount Maunganui Tennis Club, New Zealand synchronised swimming representative Isobel Pettit, Evolution Aquatics, Tauranga Boys College golf tournament, Merivale Community Inc, Heart Kids Day Out, Te Puke High School volleyball team, Chamber of Commerce golf tournament, One Base fishing tournament, Katikati Arts Festival, Mount Maunganui College golf tournament, Bethlehem School gala, Merchant Navy, Gumboot Friday Appeal, Autism New Zealand, Global Connections fashion show, Gate Pa Tennis Club, Royal Society event participant Amy Bewsher, Tauranga Volunteer Coastguard, Tauranga Sport Fishing Club.

Port of Tauranga has helped fund walking track maintenance on Mauao, the mountain at the entrance to Tauranga Harbour



Port of Tauranga Security Officer, Paul Bullen

Police and Port work together to detect and prevent border crime

Port of Tauranga works closely with New Zealand Police and Customs to detect any criminal activity within the port gates.

New Zealand Police Detective Senior Sergeant Greg Turner leads a team of more than 60 staff investigating and preventing crime across the Western Bay of Plenty.

"We really value the very strong working relationship we have with the Port to reach our common goals," he says.

Local police officers undergo a Port of Tauranga safety induction so they can quickly respond to any emergencies on site and can patrol the premises at any time. Police can access the Port's security camera footage to help solve crimes such as attempted drug smuggling.

Port staff are trained to detect fugitives, explosives and contraband and joint training exercises are regularly held with other frontline organisations.

New Zealand Police is one of several government agencies with a regulatory role in border protection at the Port.

Others include New Zealand Customs and the Ministry for Primary Industries. Worksafe, Maritime New Zealand and the Tauranga Harbourmaster also have safety responsibilities.

"It's important for all of the agencies to work together to prevent harm to the communities of the Western Bay of Plenty and New Zealand," says Greg.

"The Port has taken some great steps to protect people and its business, as well as assisting other agencies to reduce the opportunity for crime or harm."

"We really value the very strong working relationship we have with the Port to reach our common goals."

Detective Senior Sergeant Greg Turner, NZ Police

Pacifica Shipping's coastal vessel Spirit of Canterbury, *soon to be replaced by the* Moana Chief

Pacifica Shipping upgrades coastal vessel

Pacifica Shipping has acquired a larger 1,700 TEU vessel for its New Zealand coastal shipping service as the trend to transhipment continues.

The Moana Chief will commence operations in September 2019 to meet growing domestic and international transhipping demand.

Pacifica was acquired in 2014 by The China Navigation Company, the parent of one of Port of Tauranga's key customers, Swire Shipping. In addition to the New Zealand coastal container service, Swire Shipping's log charter, cement carrier and multipurpose breakbulk vessels call frequently at Port of Tauranga on domestic, trans-Tasman, North Asia and South East Asia services.

Swire New Zealand Country Manager, Brodie Stevens, says there is rising demand to ship domestic cargo as well as international tranship containers through hub ports such as Port of Tauranga.

"We see enormous potential to create efficiencies through coastal shipping, with freight volumes only forecast to increase.

"Coastal shipping is highly complementary to road and rail networks," he says. "It is a lower carbon emissions option for moving large volumes of freight and can take the load off other transport modes, without the need to create additional infrastructure.

"Coastal shipping is flexible and can be scaled up quickly without capital cost."

He says ports must ensure coastal vessels can remain on schedule by offering efficient port calls.

"We need speed, consistency and connections. Port of Tauranga is very good at maintaining schedule integrity, which is vital when you are operating a weekly service. They have a professional, competitive model that integrates seamlessly with the supply chain."

> *"We see enormous potential to create efficiencies through coastal shipping, with freight volumes only forecast to increase."*
>
> ***Brodie Stevens, Swire New Zealand***

Our Future

Port of Tauranga needs to maintain its social licence with the local community to continue day-to-day operations as well as secure consent for future expansion. We will create and maintain strong relationships with our neighbours, interest groups and regulatory bodies, such as Bay of Plenty Regional Council. We will also be connected to key central government agencies, such as Maritime New Zealand and WorkSafe.

We will take an active interest in youth development and work with iwi to foster education and support local rangitahi.

Capital #

02

OUR PEOPLE

Port of Tauranga aspires to be a national employer of choice, with an inclusive and equitable workplace of highly engaged employees.

More than 42% of our people have worked with us for more than 10 years, and more than 22% have been employed for 20 plus years. At the end of the financial year, we had four employees who had been with us for four decades or more and three more will celebrate their 40th anniversary soon.

Port of Tauranga employs 230 permanent team members and more than 30 casuals.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230
permanent employees

55%
reduction in Total Recordable Injury Frequency Rate

75%
of staff departures were retirements

Staff share ownership estimated at
95%

Staff turnover increased to
7%

70%
employee satisfaction

No pay equity disparity

We are pleased that near miss reporting increased 11.5% and safety observations increased 12.5%, reflecting the proactivity we encourage.

Older workers share experience

In May, Port of Tauranga participated in a government-funded Massey University research project on workforce participation by older New Zealanders. Two researchers interviewed 30 employees over four days to help understand successful strategies to support older workers in light of the growing trend for prolonged working lives. Five other organisations across New Zealand also participated and the findings are due at the end of the year.

Fewer injuries across port community

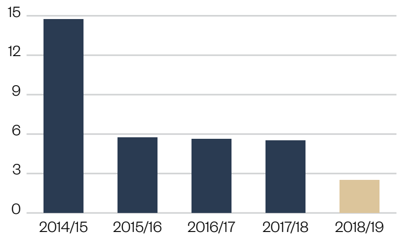
Safety is one of our core values and we expect the same proactive stance from all of the companies that operate on the port. Our approach involves identifying, understanding and minimising hazards, as well as recording, analysing and responding to near misses and incidents.

Our Total Recordable Injury Frequency Rate (TRIFR) reduced to 2.5 per million hours worked, a 55% improvement. We had one lost-time injury (blistered feet) and two first aid incidents (a cut and a strained neck muscle), neither of which required medical attention.

Our contractors also improved their safety performance, reducing their collective TRIFR to 7.7 per million hours worked, a 22% improvement. Port of Tauranga and contractors combined

> *Our Total Recordable Injury Frequency Rate (TRIFR) reduced to 2.5 per million hours worked, a 55% improvement. We had one lost-time injury (blistered feet) and two first aid incidents (a cut and a strained neck muscle), neither of which required medical attention.*

TRIFR per Million Person Hours



achieved a 29% improvement to 6 per million hours worked.

We are also pleased that near miss reporting increased 11.5% and safety observations increased 12.5%, reflecting the proactivity we encourage.

However, we missed our targets for health and safety training, and inspections, and will be addressing this in the comprehensive training and development programme currently being designed.

We have been reframing our assessment of critical operating risks (the activities that could seriously injure or kill a person) through the "bow tie" methodology endorsed by the Business Leaders' Health and Safety Forum. The practice details all the risk controls needed for a particular activity to ensure workers have the highest protection level possible.

Staff satisfaction monitored

Our most recent staff engagement survey found employee satisfaction was 70%. Staff work groups developed action plans to address the issues raised, and the next survey will be undertaken in February 2020.

Training framework to develop staff skills

Port of Tauranga is developing a comprehensive training and development framework to ensure our employees have a personalised plan to improve and expand their skills.

Avoiding fatigue

Port of Tauranga is a 24 hour/seven days a week operation and many of our staff are required to do shift work. We have engaged fatigue management experts to help us make any necessary changes to work patterns and rosters to manage the risk of fatigue. This work has been staff-led and will continue in the coming year.

Promoting inclusivity at the Port

Port of Tauranga provides a workplace that recognises and values different skills, abilities, genders, ages, ethnicities and experiences.

In 2019 we updated and extended our Diversity and Inclusion Policy to better reflect our commitment to building a culture that promotes diversity and inclusiveness within a meritocracy. The Board of Directors, management and all employees have more clearly defined roles and objectives.

The Board has set a gender balance target of at least 40% women and 40% men to hold director, executive and manager level positions by 2025.

Director, executive and manager positions currently sit at 22% female.

Overall, 16.5% of our employees are female. We do not believe that we have any pay disparity between male and female employees in comparable roles and with similar experience.

In 2019, we updated and extended our Diversity and Inclusion Policy to better reflect our commitment to building a culture that promotes diversity and inclusiveness within a meritocracy.

Protecting our people from discrimination

In addition to our Diversity and inclusion Policy, we have developed a Discrimination, Bullying and Harassment Policy to guide the identification and management of any unlawful or unacceptable behaviours.

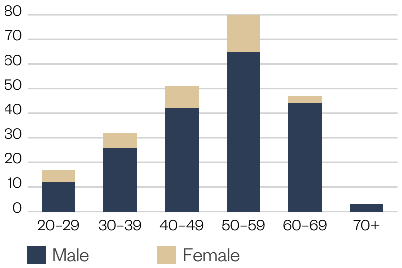
The policy outlines the standards expected of our employees, forms of discrimination and harassment, and the complaints process.

We have also implemented a Domestic Violence Leave Policy to allow affected employees to take leave or use flexible working arrangements to deal with a situation. Port of Tauranga has appointed and trained First Responders to support staff and provide appropriate services.

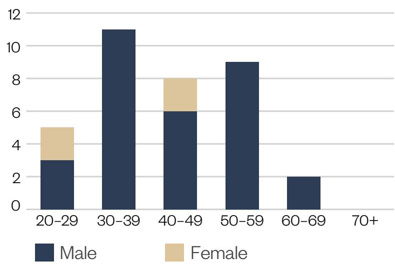
We hope that these two new policies will contribute to Port of Tauranga employees feeling safe and supported in their workplace.

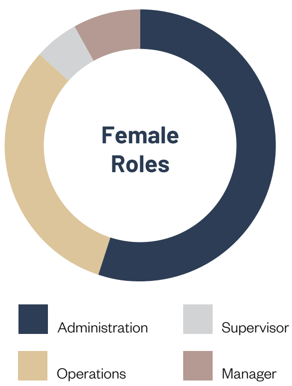
Port of Tauranga offers an independent, confidential counselling service to all employees.

Age and Gender Profile

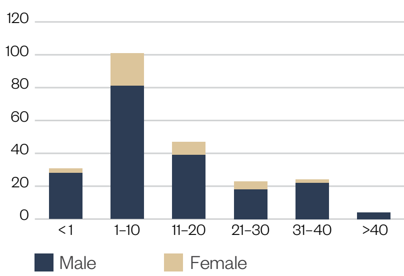


Age Profile of permanent employees recruited in the last 12 months





Diversity vs Length of Service (Years)



	Male	Female
Permanent Employees	192.0	38.0
Average Age	52.9	46.9
Average Length of Service	12.3	10.1
Executive Team	80%	20%
Directors	72%	28%





Port of Tauranga Cargo Services Manager, Mark Whitworth, at the Mount Maunganui wharves

Keeping our people shipshape for life

The first year of Port of Tauranga's employee wellbeing programme has tackled a wide range of common challenges to health and happiness.

"ShipShape" brings together existing and new wellbeing initiatives and, 12 months after launch, has received bronze accreditation under the WorkWell framework of Toi Te Ora Public Health.

The programme was launched in June 2018 with lunch bags and drink bottles for all team members.

They were invited to take part in the Tough Guy and Gal extreme off-road running event in Rotorua in August, with the 22-strong team winning the corporate team category.

Since then, staff have jumped into the harbour for Prostate Cancer Awareness Month and signed up for free blood pressure checks. New Zealander of the Year Mike King delivered a series of seminars on mental health to Port of Tauranga staff, their families and friends, as part of his Key to Life tour in aid of suicide awareness and prevention.

Employees have also been transported to blood donation locations, received information about smoking cessation, and been offered a free *Healthy Food Guide* magazine subscription.

ShipShape has been an umbrella for staff fundraising drives for health causes including Mental Health Awareness Week, Breast Cancer Awareness Week, Movember for men's health, and Gumboot Friday for suicide awareness.

ShipShape initiatives are selected by a committee of representatives from across the business.

Port of Tauranga staff can access free annual health assessments (including skin checks), subsidised health insurance and free flu vaccinations.

> “
> *ShipShape has been an umbrella for staff fundraising drives for health causes including Mental Health Awareness Week, Breast Cancer Awareness Week, Movember for men's health, and Gumboot Friday for suicide awareness.*

Port of Tauranga Personnel Advisor, Rachael Nunn

Attracting younger workers into port careers

Port of Tauranga, our service providers and other organisations in the supply chain are facing the challenge of trying to attract younger workers into port-related careers.

Port of Tauranga has cadetship, apprenticeship, internship, scholarship and casual job opportunities to help attract younger workers. Some participants are lucky enough to secure permanent roles, such as recent Victoria University Bachelor of Commerce graduate, 21-year-old Rachael Nunn.

Rachael spent the summer of 2018 working on a project to scope Port of Tauranga's training needs and is now the Port's Personnel Advisor.

"The work experience at Port of Tauranga completely changed my perspective and gave me real world experience as I went into my final year of study," says Rachael, who went on to win top student awards in human resources and industrial relations, and marketing.

"There are so many different roles in this industry and it is a constantly changing environment. I have spent time with each business unit and I've learned a huge amount in a short time," she says. "There are some great opportunities for young people in this industry and it's such an exciting time to join it.

"I've been given the opportunity to take the lead in some big initiatives and have great role models and mentors to support me."

"The work experience at Port of Tauranga completely changed my perspective and gave me real world experience as I went into my final year of study."

Port of Tauranga Personnel Advisor, Rachael Nunn

Our Future

Port of Tauranga will continue to create a positive health, safety and wellbeing culture, where risks are proactively managed. Our thorough planning, preparation and practice will help us deal with any emergencies or crises.

One of our core values is teamwork, through which we deliver world-leading productivity. We will recruit, nurture, retain and recognise our team members to foster a proud, engaged and satisfied workforce.


MSA 127

Capital #

03

OUR SKILLS & KNOWLEDGE

We nurture a culture of innovation and foresight to deliver our customers creative business solutions and world-leading productivity.

Our integrated view of the supply chain has seen us invest in other ports, inland freight hubs, cargo handling specialists, transport operations and logistics services.

We are currently examining areas as diverse as the future of work, maximising productivity through technology and harbour health.

We share our particular expertise with the wider industry and government agencies, taking a leadership role in national forums where appropriate.

Rail share of land movements[6]

42.2%

of imports

48.4%

of exports

Ship rate

84.3

moves per hour (NZ average 72.3)

4.3%

increase in containers transferred by rail to and from MetroPort

33.6

moves per hour average crane rate (NZ average 31.7)

Removing inefficiencies from the supply chain

Our partner KiwiRail works with us to simplify the supply chain.

Dedicated trains run 12 times a day between Tauranga and our inland freight hub, MetroPort Auckland. Imported containers are transferred to Auckland.

Trains are then filled with emptied containers to be shifted to Hamilton, where Fonterra can refill them with exports. The train is reloaded with cargo bound for export from Tauranga.

This avoids the need to constantly relocate empty containers via road and sea, reducing lead times and costs for shippers, optimising train capacity and avoiding carbon emissions.

Extending our cargo hinterland

We replicated the model of our successful MetroPort Auckland inland freight hub by establishing MetroPort Christchurch at Rolleston. MetroPort Christchurch is linked to our Timaru Container Terminal and the rest of the South Island by rail, giving importers access to a major metropolitan area and exporters access to our fast international services.

We have recently built a new 19,000m^2 warehouse at MetroPort Christchurch for Coda Group. It will use the facility to handle Westland Milk's dairy product exports.

Coda Group, a 50/50 joint venture with Kotahi Logistics, gives us the platform to integrate port operations with other parts of the supply chain and remove cost, empty capacity and delays from the cargo network.

Subsequent to the end of the financial year, we announced a new partnership with Tainui Group Holdings to support the development of the Ruakura Inland Port in Hamilton.

Sharing our experience and expertise

Port of Tauranga participates in multiple local and national forums to address the issues faced by our industry, our communities and the country as a whole.

We take an active role in business organisations such as the Employers and Manufacturers' Association, Business New Zealand, Export NZ (Bay of Plenty), the Tauranga Chamber of Commerce and Priority One, the Bay of Plenty economic development agency.

We are members of the Port Industry Association, Port Chief Executives' Forum and the Business Leaders' Health and Safety Forum. We also have strong relationships with industry regulators Maritime New Zealand and WorkSafe, and support their efforts to improve safety in under-performing areas of the port sector.

Understanding harbour health

Port of Tauranga supports the University of Waikato Coastal Marine Field Station based in Tauranga. The station's work contributes to Tauranga Harbour's reputation as one of the most researched and best understood harbours in Australasia.

Researchers have recently examined the impacts of dredging, the health of kaimoana/seafood and the potential effects of future development.

> *Tauranga remained the country's most efficient port measured by ship rate, with an average of 84.3 moves per hour in 2018. This compared with the national average of 72.3 moves per hour.*

New Zealand's most efficient container port

The Ministry of Transport monitors the productivity of New Zealand's six container ports[7]. In 2018, Port of Tauranga handled 44.3% more containers than the next largest port.

Our container handling productivity decreased slightly, primarily because of accommodating unexpected cargo volumes diverted to Tauranga due to congestion in Auckland.

Port of Tauranga's average crane rate (containers per hour per crane) in calendar year 2018 was 33.6 moves per hour, down from 36.2 moves per hour in 2017 but still well ahead of the national average of 31.7 moves per hour.

Tauranga remained the country's most efficient port measured by ship rate, with an average of 84.3 moves per hour in 2018. This compared with the national average of 72.3 moves per hour.

In Australia, the top five container ports had an average crane rate of 28.1 moves per hour in the six months from July to December 2017[8] (the most recent figures available), and an average ship rate of 54.9 moves per hour.

6. Source Ministry of Transport
7. https://www.transport.govt.nz/mot-resources/freight-resources/figs/port-container-handling/
8. https://www.bitre.gov.au/publications/2018/water_062.aspx

Fire and Emergency NZ rescuers in training at Port of Tauranga

Preparing for emergencies

The Port of Tauranga team and local emergency services prepare for potential crises by undertaking joint training programmes.

Fire and Emergency NZ crews recently practiced rescuing a driver from a container crane cab, a confined space high above Tauranga Harbour.

Crews also practiced emergency evacuations with staff from Port of Tauranga and some of the other companies that have operations on the port, including cold store operators.

Our mechanical and electrical team's emergency preparedness was put to the test when a devastating fire broke out at its workshop in August.

Fire investigators found the cause to be a rechargeable battery.

Manager Mechanical and Electrical Services, Laurie Johnson, says it was a relief that no one was injured after the fire quickly took hold.

"The fire was a huge blow for all the fitters and sparkies who lost personal tools and belongings. It was also difficult for everyone to see years of work disappear so quickly," says Laurie.

The team has relocated to Port-owned premises just outside the container terminal gate in Mirrielees Road. The Company has received full compensation from its insurers and discussions are under way about future plans for the workshop.

> *Fire and Emergency NZ crews recently practiced rescuing a driver from a container crane cab, a confined space high above Tauranga Harbour.*

Caldwell Partners Managing Partner, Simon Monks, and Port of Tauranga Chief Executive, Mark Cairns

Port chief wins prestigious award

Port of Tauranga's outstanding returns to shareholders were highlighted when Chief Executive Mark Cairns received a prestigious award.

Mark received the Caldwell Partners Leadership Award at the 2019 INFINZ (Institute of Finance Professionals) Awards. They recognise innovation and excellence in the financial and capital markets sector.

The expert judging panel noted Port of Tauranga's excellent productivity rates, industry-leading safety record, increasing cargo volumes and shareholder returns that have compounded by an average 20.4% since Mark took the helm in 2005.

Mark says he was humbled by the accolade, which was to be shared by the entire Port of Tauranga team.

"This award recognises the extraordinary efforts of a fantastic bunch of people working here. I am proud and privileged to lead a company that has achieved so much."

Meanwhile, Port of Tauranga staff won plaudits at the annual awards of the Chartered Institute of Logistics and Transport.

Mike Lambert and Les Fleming graduated from the Leaders for the Future programme, while Elizabeth Anderson won the prestigious Ministry of Transport Award for outstanding achievement at Masters level – the Institute's premier award for research.

"This award recognises the extraordinary efforts of a fantastic bunch of people working here. I am proud and privileged to lead a company that has achieved so much."

Port of Tauranga Chief Executive, Mark Cairns

Our Future

Port of Tauranga will continue to work with partners, including KiwiRail and coastal shippers, to extend our network to better serve New Zealand importers and exporters. This will include developing inland freight hubs with complementary services, and utilising our expertise to eliminate waste from the supply chain.

We will work with local, regional and national agencies to ensure land transport networks meet the needs of the Port, other businesses and the residents of our communities.

Capital #
04

OUR ENVIRONMENT

Port of Tauranga sets, monitors and continuously improves operational standards to ensure our actions are environmentally sustainable.

All port users are required to meet these standards to improve environmental protection and prevent pollution.

We manage adverse effects and risks, share best practice with all port users and audit their performance.

We also recognise the aspirations of local hapu and iwi for the moana and its surrounds.

532,089

truck trips avoided by rail use[9]

31%

fewer carbon emissions from big ship services (per TEU)

Replacing vehicles with electric/hybrid models

5%

target reduction in Scope 1 carbon emissions

85,123

tonnes of carbon emission avoided via rail use[9]

Investing in energy-efficient equipment such as LED lighting

> *We favour rail transport over road because of the lower emissions and are working with our rail partners KiwiRail to reduce emissions through efficiency and technology.*

Keeping the water clean

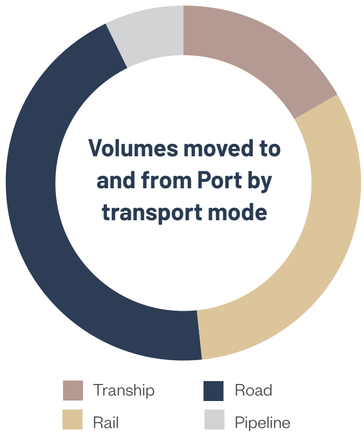
Port of Tauranga has obtained resource consent for stormwater discharges from our Mount Maunganui wharves area after lengthy negotiations with iwi, Tauranga City Council and Bay of Plenty Regional Council.

The consent means that all of our stormwater system and discharges on both sides of the harbour are now covered by management plans to avoid harbour pollution.

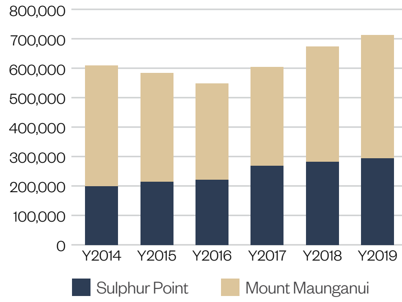
In recent years, the Port has focussed on improved housekeeping to prevent dust and debris from entering the harbour. A third sweeper truck has recently been introduced to further tidy the log wharves and surrounding areas, and log and dusty cargo stevedoring contractors are also required to continuously clean their work sites.

9. Source KiwiRail

Port of Tauranga spent $120,000 to automate stormwater pipe valves so they can be shut with the touch of a button, allowing a rapid response to any emergency.



Truck movements to and from the Port



All cargo storage, handling areas and rail sidings within the Port boundaries are sealed to avoid dust from vehicle operations.

Seventeen screening chambers have been installed on stormwater drains at the Mount Maunganui wharves to capture contaminants. Steel fenders and rope bunds at the wharf face catch incidental product losses so they cannot enter the harbour.

At Tauranga's container terminal, isolation valves have been automated to allow faster safety responses in the case of an accidental fuel or chemical spill.

The three valves attached to the stormwater pipe network can be quickly sealed to avoid any contaminants entering the harbour in the event of an oil, diesel or chemical spill. Until recently, the valves were manually controlled and had to be shut by hand.

Port of Tauranga spent $120,000 to automate the valves so they can be shut with the touch of a button, allowing a rapid response to any emergency.

Reducing shipping pollution

We support New Zealand's accession to Annex VI of the International Convention for the Prevention of Pollution from Ships (MARPOL), being considered by the Ministry of Transport. Annex VI aims to reduce carbon emissions and improve air quality around ports by requiring ships to either switch to low sulphur fuel or be fitted with compliant exhaust gas cleaning systems.

Many of the cruise lines visiting New Zealand have already pledged to comply with the convention.

The Port Company CEOs' forum, of which Port of Tauranga is a member, has made a submission in support of accession to Annex VI.

Ensuring high environmental standards across the port

Port of Tauranga monitors port users to ensure compliance with our environmental standards.

The monthly Port Users' Health, Safety and Environment Forum, which brings together key operators working on the port, has expanded its focus to include environmental issues. It is proving a useful platform for delivering training and education on environmental threats and mitigations.

The forum is helping Port of Tauranga address the risks outlined in its comprehensive environmental improvement plan, which incorporates air quality, stormwater management, fumigation of imports and exports, noise, spill prevention, energy consumption, waste and asbestos.

Fumigation controls tightened

Many imported and exported cargoes are fumigated to kill any bugs trying to enter or leave New Zealand.

A common fumigant is methyl bromide, an odourless gas that is toxic to humans and damaging to the environment. The biggest users of methyl bromide in New Zealand are log exporters, whose major markets demand its use.

At Port of Tauranga, fumigation is carried out by highly experienced operators Genera, according to codes of practice outlined by the Environmental Protection Agency

Port of Tauranga Environmental Manager, Joey McKenzie, samples stormwater

and the Bay of Plenty Regional Council, as well as our own protocols. They require Genera to recapture methyl bromide used in fumigation and adhere to rules regarding exclusion zones and notifications.

Genera currently undertakes methyl bromide recapture on around 80% of log fumigations and 100% of container fumigations.

Forestry exporters are working to reduce the amount of methyl bromide required. In May, Timberlands Limited opened a multi-million dollar facility at its Murupara rail exchange to remove bark from logs.

De-barked logs destined for China, New Zealand's biggest log market, are not required to be fumigated because insects are removed along with the bark.

Stopping pests from hitchhiking on cargo

A multi-disciplinary approach has proved valuable in keeping the brown marmorated stink bug and other pests out of New Zealand.

Importers, Port of Tauranga, the Ministry for Primary Industries and fumigation contractors Genera work together to screen, fumigate and process cargo.

Increased vigilance during the stink bug high-risk season caused delays in processing some cargo at the container terminal. The Port provided additional wharf space for fumigation and encouraged off-site fumigation to minimise delays.

Raising biosecurity awareness across the port

Port of Tauranga is part of an award-winning biosecurity excellence partnership with the Ministry for Primary Industries (MPI), Kiwifruit Vine Health, primary produce organisations, scientists and local government. It aims to build a port community prepared to prevent any pest incursions through the port.

The partnership runs an annual Biosecurity Week to raise awareness among the port community. Other promotional tools include calendars and playing cards starring the pests to look out for.

We are conducting regular surveys of port users to ensure awareness is increasing.

Port of Tauranga supports the Tauranga Moana Biosecurity Capital initiative, which seeks to raise biosecurity awareness throughout the western Bay of Plenty. The collaboration involves iwi, interest groups, industry, government agencies, educators and scientists.

The need for heightened awareness was illustrated in December 2018 when a lone male brown marmorated stink bug was found in a Mount Maunganui home. MPI laid special traps throughout the area and a detector dog did regular patrols but no other stink bugs were found.

Protecting habitats and biodiversity in Tauranga Harbour

Tauranga Harbour is home to an abundance of wildlife and is an important kaimoana or seafood gathering place for local residents.

Port of Tauranga, with local iwi, has sponsored pipi bed monitoring and seeding work in the sand banks of the inner harbour.

Port of Tauranga is part of an award-winning biosecurity excellence partnership with the Ministry for Primary Industries (MPI), Kiwifruit Vine Health, primary produce organisations, scientists and local government. It aims to build a port community prepared to prevent any pest incursions through the port.

The port's sand pile, where material from maintenance dredging is dumped before being recycled for roading works and beach replenishment, is often used as a temporary home by shore birds and migratory sea birds. The Port has also offered sand to establish bird roosting sites in other parts of the region. We have engaged a bird expert to help us better understand the avian population in and around the port.

Dealing with waste

The Port has identified waste as an area needing more attention. Although a large volume of excess bark from log operations is recycled into compost, there is still a significant amount of sweepings and other waste being sent to landfill. Our improved housekeeping efforts in the past two years have resulted in a larger amount of waste, which has in turn increased our carbon emissions and disposal costs.

We believe there is the opportunity to recycle more waste. We are undertaking work to identify waste sources and composition that will allow us to determine recycling and reuse options.

Spill prevention measures

Port of Tauranga takes spills very seriously and all companies operating on the port must have environmental management plans that outline how they will manage risks. They must have their own protective equipment, and additional equipment including booms is held on site by Port of Tauranga, the Bay of Plenty Regional Council and Maritime New Zealand. Our tanker berth is a specially-designed sealed and bunded area to ensure spills in that area can be contained.

Port of Tauranga does extensive education and training with other port users around spill minimisation and response. All environmental incidents reported to the Port are investigated, and any subsequent improvements are implemented and shared through our monthly Port Users' Health, Safety and Environment Forum.

Refrigerated containers awaiting export at the Tauranga Container Terminal

Measuring and reducing our carbon emissions

Port of Tauranga is now certified under CEMARS (the Certified Emissions Measurement and Reduction Scheme). Our carbon emission sources are mainly diesel and electricity use, rail freight and waste to landfill.

Our emissions for the 2018-2019 financial year are currently being audited by our accreditors, Enviro-Mark Solutions.

We have developed a carbon reduction and management plan and have set an initial short-term target of a 5% reduction in emissions per cargo tonne. We are targeting net-zero emissions by 2050.

Part of our response is to "inset" carbon offsets by investing the money into sustainability initiatives within our business. To date, this fund sits at just under $1 million, which we are using to purchase hybrid straddle carriers for our container terminal.

We are replacing other vehicles with electric or hybrid models where available, installing LED lighting, and using biodiesel. We favour power suppliers that use renewable energy sources.

Our emissions from waste to landfill have grown due to increased sweeping of our wharves to prevent dust and debris entering the harbour. A large proportion of bark from the log wharves is already recycled into compost, and we are looking at ways we can recycle more waste.

We favour rail transport over road because of the lower emissions and are working with our rail partners KiwiRail to reduce train-related emissions through efficiency and technology.

> *We have developed a carbon reduction and management plan and have set an initial short-term target of a 5% reduction in emissions per cargo tonne.*

Port of Tauranga Bulk Cargo Coordinator, James Oldehaver, at the Mount Maunganui wharves

Housekeeping for better harbour health

Stricter housekeeping rules and monitoring are helping to ensure dust and debris does not end up in Tauranga Harbour.

Updated bulk cargo handling guidelines have been developed in consultation with importers and exporters.

Port of Tauranga's James Oldehaver was appointed in October 2018 as the Port's first Bulk Cargo Coordinator.

He monitors log export operations and other bulk cargo imports and exports to ensure all dust and debris is contained and collected. There are three sweepers, a plough and a bucket loader operating under his direction, and he can often be found on the end of a broom.

"By following the rules, we can avoid any impact on the environment from dust pollution or debris being washed into the harbour," says James.

Much of the bark collected from log storage areas is recycled into landscape supplies such as compost and mulch by long-time operator Daltons.

Port of Tauranga's Mount Maunganui wharves are also used by cruise ships and bulk vessels carrying fertiliser, stock feed supplements, cars and other cargoes.

Bulk cargo handlers are expected to comply with wind limits for discharging dusty cargoes and must continuously clean work areas.

"By following the rules, we can avoid any impact on the environment from dust pollution or debris being washed into the harbour."

Port of Tauranga's James Oldehaver

Our Future

Port of Tauranga will protect the biodiversity of Tauranga Moana through responsible stewardship of the environment. We will prevent air and water pollution through dust suppression, stormwater management and reducing carbon emissions, including supporting the switch to low sulphur fuel for ships.

We will support industry efforts to reduce fumigation, whilst ensuring the port community is well equipped to detect and destroy pests, pathogens and other biosecurity threats.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GAOU 605568 5
TCNU 833000 4

Capital #

05

OUR ASSETS AND INFRASTRUCTURE

Port of Tauranga's investment in capacity to accommodate bigger ships has proven a successful strategy for growth. We spent more than $350 million over six years to prepare for larger vessels, which started calling in late 2016.

The investment included dredging to widen and deepen shipping lanes, extending the container terminal wharves by a third, and purchasing new ship-to-shore cranes and cargo handling equipment.

We are now planning for future cargo growth.

1,233,177
TEUs container throughput

26.9 million
tonnes overall cargo volumes

11.2%
increase in transhipped containers

1,678
ship visits

3.9%
decrease

19,000m²
warehouse built at MetroPort Christchurch

Building capacity for the future

Port of Tauranga owns 190 hectares of land on both sides of Tauranga Harbour, with about 40 hectares still available for development. We believe container throughput could reach 2.8 to 3.0 million TEUs in future through land reconfiguration, stacking cranes and other technology.

We have engaged port capacity planning expertise to help us shape the port for future cargo growth. The next significant capital expenditure will be extending the container terminal quay length to the south.

Port-owned land adjacent to the existing berths will be converted from cargo storage to a fourth container vessel berth, adding up to 385 metres to the overall quay length.

We are consulting with iwi, undertaking ecological assessments and hope to lodge a resource consent application by the end of the year.

We are also looking at how we can maximise the tidal windows for large vessels.

A new vehicle booking system is improving traffic flows into the container terminal. The system incentivises truck visits outside peak hours, to ease cargo delivery and pick up within the port gates and avoid congestion on roads surrounding the port.

Our ninth container crane will be delivered in January for assembly on site. We have also ordered seven new straddle carriers, including three hybrid models. We already have diesel electric straddles, but the new models will be even more fuel efficient and help reduce our carbon footprint.

Later this year, we will remove a warehouse on site to free up space for assembling our new crane. Following its commissioning, the land will become available for container storage.

At the Mount Maunganui wharves, we have storage space available to accommodate growing cargoes, including a secure area for marshalling imported cars.

Protecting information and systems

International shipping has not been immune to cyber attack and we have robust protections in place to secure our administrative and specialist computer systems, as well as manual backup plans where necessary.

We have contingency plans in place to deal with infrastructure damage or failure, such as a blockage of shipping channels, problems with the rail or road networks connecting the port to our customers, or wharf structural problems.

Smoothing traffic flows at the port and beyond

A new vehicle booking system is improving traffic flows into the container terminal. The system incentivises truck visits outside peak hours, to ease cargo delivery and pick up within the port gates and avoid congestion on roads surrounding the port.

Much of the increase in cargo volume in recent years has been able to be absorbed without adding significantly to truck movements on local highways. The increase in transhipment, where containers are transferred between ships at Tauranga, and the utilisation of rail, has prevented a big increase in truck traffic. Over the past five years, the compound annual growth rate in truck volumes to and from the Port was 3.2%.

However, traffic congestion remains a big problem for residents and industry alike.

We have renewed our support of state highway designation for Totara Street, which serves our Mount Maunganui wharves. It is a busy thoroughfare through the industrial area adjacent to the port and is a vital route for commuters.

The road meets the criteria for truck movements, city population and port freight. A state highway designation would help fast-track safety improvements, additional capacity and intersection upgrades.

> *Another strategic asset with potential as a freight hub is the 126 hectares owned by our major shareholder, Quayside, at the Rangiuru Business Park near Te Puke, approximately 35 kilometres southeast of the port.*

Utilising land transport networks

Just under half of cargo volumes arrive at or leave the port via road, with the majority being transhipped, transported by rail or delivered by pipeline. Nearly 45% of all forestry exports arrive by rail.

Up to 86 trains run between Tauranga and Auckland, carrying up to 9,200 TEUs per week. The line has capacity for up to 24 trains each day, or 17,800 TEUs per week.

Rail costs are a significant component of our costs, with capital and operational spending exceeding $300 million since MetroPort Auckland opened nearly 20 years ago.

Recycling byproducts into community assets

Port of Tauranga recycles two major byproducts of its operations.

Sand that is collected from the harbour and shipping channels during annual maintenance dredging is used to replenish beaches and construct roading projects.

In the past year, more than 4,000 cubic metres of sand was provided to create a new beach at Kulim Park. Another 24,000 cubic metres was deposited at Maxwells Road Reserve, Memorial Park, the Matua Peninsula and Fergusson Park.

Pilot Bay at Mount Maunganui also gets an annual top up from the stockpile. Last year, the beach adjacent to Whareroa Marae near the airport was renourished.

Another by-product that is recycled is bark debris gathered from the Port's log storage and handling areas. Landscape supplies manufacturer Daltons clears the Mount Maunganui wharves of bark waste in an arrangement dating back around 40 years.

Daltons turns the raw material into high-quality horticultural mixes, some of which pass back over the wharf in bags for export to Asia and beyond.

Inland freight hubs

In addition to 190 hectares of strategic land holdings around Tauranga Harbour, Port of Tauranga owns and operates inland freight hubs in Auckland and Christchurch.

The MetroPort Auckland complex comprises nearly 33 hectares and is home to the inland freight hub operated by Port of Tauranga and KiwiRail, as well as Coda Group and other logistics industry tenants.

Port of Tauranga also owns 15 hectares at Rolleston for the MetroPort Christchurch facility, which is linked by rail to our container terminal at Timaru. We have recently constructed a large warehouse at Rolleston for Coda Group to handle Westland Milk's exports.

Coda Group also operates inland freight hubs in Hamilton and at Savill Drive in Otahuhu, New Zealand's largest intermodal hub.

Another strategic asset with potential as a freight hub is the 126 hectares owned by our major shareholder, Quayside, at the Rangiuru Business Park near Te Puke, approximately 35 kilometres southeast of the port.

After the financial year end, we announced a partnership with Tainui Group Holdings to support the development of the Ruakura Inland Port. The 480 hectare Ruakura estate has 192 hectares earmarked for logistics and industrial uses, including 30 hectares for the inland port.

14.5m
shipping channel depth

2.8km
total key length with 14 berths

190ha
of land in owned in Tauranga

8
cranes

6,343
TEU total ground slots

45ha
of land in Auckland

46
straddle carriers

2,634
dedicated reefer connection

15ha
of land owned in Rolleston near Christchurch

KiwiRail's new locomotives depart Port of Tauranga

Partnership with KiwiRail has benefits for customers and communities

Rail is an integral component of Port of Tauranga's land transport networks.

It is the most efficient method for moving large volumes of freight to and from key cargo catchment areas, keeps trucks off busy local roads and state highways, and creates fewer carbon emissions.

Rail use avoided the equivalent of 532,000 truck journeys in the 2018-2019 financial year, according to KiwiRail's figures.

KiwiRail says rail transport emits approximately 66% less greenhouse gas than heavy trucks. By utilising rail over road where possible, around 31.3 million litres of fuel use and 85,123 tonnes of carbon emission have been avoided in the past year.

Port of Tauranga has partnered with KiwiRail to ensure maximum utilisation of train capacity, including balancing import (northbound) and export (southbound) containerised cargo transferred by rail between Tauranga and MetroPort Auckland inland port.

KiwiRail CEO Greg Miller says the collaboration between Port of Tauranga and KiwiRail allows the supply chain to custom design and deliver the most efficient infrastructure.

"We connect New Zealand businesses to the world through our strong and strategic partnerships with customers in the Upper North Island," he says.

The "golden triangle" of cargo and population, encompassing Auckland, Hamilton and Tauranga, already accounts for around half of all freight volumes in New Zealand.

In October, Port of Tauranga was the delivery port for 15 new locomotives for KiwiRail. Some of them are now back at the Port hauling cargo.

"We connect New Zealand businesses to the world through our strong and strategic partnerships with customers in the Upper North Island."

KiwiRail CEO, Greg Miller

Our Future

Port of Tauranga will continue to grow its hinterland beyond the Bay of Plenty to ensure New Zealand importers and exporters have easy and cost-efficient access to international shipping networks. We will utilise road, rail and sea connections, as well as inland freight hubs as cargo consolidation points.

We will prepare for the future by maximising our current footprint through technology and supply chain expertise, as well as expanding our facilities in a way that is sustainable.

Capital #

06

OUR FINANCES

Port of Tauranga issued shares to the public in 1992 at $1.05 each, with a total market capitalisation of $79 million. Today's market capitalisation is well above $4 billion.

Bay of Plenty Regional Council owns 54.14% of the Company and has received dividends and capital repayments in excess of $800 million since listing. Port of Tauranga is also the city's largest ratepayer.

Soon after listing, Port of Tauranga's container terminal at Sulphur Point was opened and has since made increasingly significant contributions to our income, alongside New Zealand's largest bulk cargo operation at our Mount Maunganui wharves.

$100.6 million
Group NPAT

$168.6 million
Parent EBITDA

15.0 cents
earnings per share, a 7.1% increase

Earnings from Associates and Subsidiaries down
27.5%

$313.3 million
revenue

13.3 cents
per share ordinary dividends

$122.4 million
total dividends, a 6.5% increase

Strong results from increased cargo volumes

Despite international economic worries caused by political uncertainty and trade protectionism, Port of Tauranga has seen increased trade volumes and revenue. The results have been bolstered by buoyant domestic GDP, population growth, strong prices for key commodities such as dairy exports, international demand for forestry products and recovery in kiwifruit volumes.

Healthy balance sheet

Net debt to net debt+equity remains strong at 29.5%. Net debt now totals $460 million.

New dividend policy announced

Ordinary and special dividends for 2019 total $122.4 million, a 6.5% increase on the previous year.

In 2016, Port of Tauranga reviewed its capital structure and resolved to return up to $140 million to shareholders over four years.

The last of those special dividends, at 5.0 cents per share, is due to be paid this September.

The aim was to return excess capital to shareholders in a tax efficient manner, optimising shareholder returns while retaining a conservative debt level and strong balance sheet.

We have reviewed our dividend policy and plans for capital expenditure over the next few years and have decided to continue paying a special dividend of 2.5 cents per share per annum, subject to certain conditions.

> *Capital expenditure for the 2018-2019 financial year was $45 million, less than forecast. Port of Tauranga has capital expenditure of $310 million in the pipeline, in five stages aligned with cargo volume growth.*

Investing in future capacity

Capital expenditure for the 2018-2019 financial year was $45 million, less than forecast. Port of Tauranga has capital expenditure of $310 million in the pipeline, in five stages aligned with cargo volume growth.

The programme includes extending the container terminal quay length to create a fourth berth. Container cranes and straddle carriers to service the new berth will be purchased, and additional container storage space developed.

Stage one of the programme is the delivery of the ninth gantry crane in early 2020 and removal of buildings to create more container storage, estimated to cost around $20 million.

Keeping costs down and maximising returns

Currency fluctuations and oil price volatility can affect costs for Port of Tauranga, our service providers and our customers.

There is considerable variation in other port companies' approach to valuations, making it difficult to see if capital expenditure is a good use of shareholders' funds. Port of Tauranga uses fair value, based on the expected cash flows to be generated. We seek a minimum return of 8.5% after tax.

Bay of Plenty a popular cruise destination

It was a bumper cruise ship season for the Bay of Plenty, with 116 cruise ships calling at Port of Tauranga in the 2018-2019 season, up from 83 the previous year. An estimated 227,000 passengers and 89,000 crew members were on board.

So far, 112 cruise ships are booked to visit Tauranga in the 2019-2020 season, which begins on 6 October with a call that day by regular visitor *Maasdam*.

Cruise ship passengers are an important source of revenue for the Bay of Plenty and Waikato tourism industries.

Cruise ship expenditure was an estimated $90.3 million in the Bay of Plenty in the 2019 season[10] , an increase of 34.8% on the previous year. This total, which includes both vessel and visitor spending, was close to 16% of the expenditure nationally and second only to Auckland. Tauranga recorded the country's largest increase in passenger numbers, up 49% on the previous year.

Regional economy grows

Economic growth in the Bay of Plenty in 2018 was 4.9%, compared with the New Zealand average of 3.2%. In the last ten years, the Bay of Plenty economy has grown 3.1%, 1% ahead of New Zealand as a whole[11].

Employment in 2018 grew 5% in the Bay of Plenty, compared to national employment growth of 3%.

10. Statistics New Zealand: https://www.stats.govt.nz/news/cruise-ship-numbers-and-spend-swell
11. Priority One economic development agency: https://www.priorityone.co.nz/our-economy

View of the Tauranga Harbour from Mauao

Regional ratepayers benefit from Port's success

Bay of Plenty Regional Council highlighted the substantial benefits of Port of Tauranga's current operating and governance arrangements to the local, regional and national economy at a meeting in June 2019.

The Council told the Government-appointed working group studying the Upper North Island Supply Chain that there was significant growth expected in the region due to new developments in aquaculture, horticulture and other industries.

"The outcomes of any (supply chain) review must ensure the continuation of the successful business model operated by Port of Tauranga, New Zealand's best-performing port," said Deputy Chair, Jane Nees. "Port of Tauranga is a key connection between the upper North Island and international markets."

Ratepayers across the region benefit from the Port's dividends, as well as the $200 million worth of regional projects and assets funded by the Council through its 54.14% ownership of the Port.

She said the money had been spent on regionally-important infrastructure, such as $20 million towards the Opotiki Harbour Transformation, $15 million to the Tauranga Tertiary Campus, $5 million towards the Tauranga Marine Precinct and $2.5 million for the Scion Innovation Hub.

Port of Tauranga is also the city's largest ratepayer, having paid more than $1.6 million in rates to the Tauranga City Council in the past year.

"Ratepayers across the region benefit from the Port's dividends, as well as the $200 million worth of regional projects and assets funded by the Council through its 54.14% ownership of the Port."

Bay of Plenty Regional Council's Jane Nees

Timaru Container Terminal

PrimePort partnership supports "hub and spoke" network

Port of Tauranga's investment in the South Island has transformed the potential future of PrimePort Timaru.

And there's none happier than Mayor of Timaru, Damon Odey, who also sits on the PrimePort Timaru Board of Directors.

"Partnering with New Zealand's biggest and most progressive port has put us on a different level. We can draw on their expertise and forge relationships more quickly than we could have by ourselves," he says.

The strategic alliance allows Timaru to be used as a marshalling point for South Island cargo going to or from the international hub port at Tauranga. The Timaru operations are complemented by Port of Tauranga's inland freight hub, MetroPort Christchurch, which is connected to PrimePort by rail.

"The hub and spoke model uses our under-utilised rail and coastal shipping networks. It's a strategic approach that has multiple benefits, including taking trucks off roads and creating efficiencies for importers and exporters," says Damon.

Port of Tauranga formed its partnership with PrimePort in early 2015. It acquired a 50% shareholding in PrimePort and a 35 year lease on its container terminal. Port of Tauranga operates Timaru Container Terminal Limited in a joint venture with major exporter Kotahi Logistics.

PrimePort is undertaking an infrastructure renewal programme and has plans for a new multipurpose berth.

"We're not trying to create another mega port here but we are a vital part of the national network. Port of Tauranga has the vision and the strategy and it's really going to be exciting as we embark on our expansion," says Damon.

> *"Partnering with New Zealand's biggest and most progressive port has put us on a different level."*
>
> ***Mayor of Timaru, Damon Odey***

Our Future

Port of Tauranga provides sustainable shareholder returns through revenue growth from diverse income streams and increased trade. We also actively seek new customers and cargoes.

We will continue to seek operational efficiencies in all areas of our business and ensure prudent cost management in all areas of activity. Through our cornerstone shareholder, Quayside Holdings, the residents and ratepayers of the wider Bay of Plenty will receive the financial benefits of their investment today and well into the future.

Senior Management Team

From left:

Leonard Sampson – *Commercial Manager*
Dan Kneebone – *Property & Infrastructure Manager*
Sara Lunam – *Corporate Services Manager*
Steven Gray – *Chief Financial Officer*
Mark Cairns – *Chief Executive*

Port of Tauranga's senior management team at Pilot Bay in Mount Maunganui, where the Company sponsored the construction of a beach boardwalk

Board of Directors

D A PILKINGTON

BSc, BE, GradDip Dairy Science & Technology, CFInstD, Chair

Independent Director

David Pilkington was a member of Fonterra's senior executive team. He holds directorships in Port of Tauranga Trustee Company Limited and PrimePort Timaru Limited and chairs Douglas Pharmaceuticals Limited, Northport Limited and Rangatira Limited. He has a strong background in marketing, international business and supply chain logistics. David joined the Board in July 2005.

A M ANDREW

BE Chemical & Materials (1st Class Honours), MBA (Distinction), FEngNZ, CMInstD

Independent Director

Alison Andrew is currently Chief Executive of Transpower New Zealand Limited having joined in 2014. She has held a number of senior executive roles across various industry sectors, most recently as Global Head of Chemicals for Orica PLC. She has also been a Director for Genesis Energy. Prior to those roles, she held a number of senior roles at Fonterra Cooperative Group and across the Fletcher Challenge Group in Energy, Forests and Paper. Alison has a MBA from Warwick University, and studied Engineering (Chemicals and Materials) at Auckland University. Alison joined the Board in April 2018.

K R ELLIS

BCA Economics (1st Class Honours), BE Chemical (1st Class Honours)

Independent Director

Kim Ellis is Chair of Metlifecare Limited, NZ Social Infrastructure Fund Limited and Sleepyhead Group Limited, and a Director of Ballance Agri-Nutrients Limited, Fonterra Shareholders Fund (FSF) Management Company Limited and Freightways Limited. Kim chairs the Remuneration Committee and joined the Board in May 2013.

A R LAWRENCE

BCA (Business Admin)

Independent Director

Alastair Lawrence is a very experienced corporate advisor, specialising in commercial evaluation and strategy development. He was a Director of private investment bank, Antipodes, from 1998-2014.

Governance roles have included Takeovers Panel, Landcare Research Limited, Coda GP and a number of mid market private companies. Alastair joined the Board in February 2014.

J C HOARE

BCom, FCA, CMInstD

Independent Director

Julia Hoare has a comprehensive range of commercial, financial, tax, regulatory and sustainability expertise which she developed over the course of 20 years as a partner with PwC.

Julia is Deputy Chair of The a2 Milk Company Limited and Watercare Services Limited and her other directorships include: Director, Auckland International Airport Limited, AWF Madison Group Limited, New Zealand Post Limited, and The a2 Milk Company (New Zealand) Limited (subsidiary of The a2 Milk Company Limited), and Member of Auckland Committee, Institute of Directors, Advisory Panel to External Reporting Board and the Institute of Directors Council. Julia chairs the Audit Committee and joined the Board in August 2015.

D W LEEDER

Doug Leeder is Chair of Bay of Plenty Regional Council. He is a dairy farmer, and has considerable experience in governance and management. Doug has held positions of governance in Federated Farmers, was a Director and Chair of Bay Milk Products, Director of the East Bay Health Board, Chair of Subsidiary East Bay Energy Trust, Chair of NZ Dairy Group and Dairy Insight, and Director of DEXCEL. Doug joined the Board in October 2015.

Sir R A MCLEOD

Sir Rob McLeod joined the Board of Quayside Holdings Limited in November 2016 and is Chair. Rob is currently on the Board of NZX listed Sanford Group and has been past Board Member at ANZ National Bank, Tainui Group Holdings, Sky City Entertainment Group and Telecom. Sir Rob was Oceania (Australia, New Zealand and Pacific Islands) CEO / Managing Partner for the international accounting practice of Ernst & Young and more latterly as Ernst & Young New Zealand Chair, a position from which he retired on 31 December 2015. Sir Rob joined the Board in October 2017.

CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 30 June 2019
Port of Tauranga Limited and Subsidiaries

Contents

Directors' Responsibility Statement

FOR THE YEAR ENDED 30 JUNE 2019

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 2019.

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 2019.

The financial statements were authorised for issue for and on behalf of the Directors on 27 August 2019.

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Chair

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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, Glenn Keaney, 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 87 to 120, that comprise the consolidated statement of financial position as at 30 June 2019, 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 2019, 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 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 (Revised) 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.

In addition to the audit we have carried out a treasury function review, a data insights risk review of GST and the tax fixed asset register, and a review of the hedge accounting policy, each of which are compatible with those independence requirements. Other than the audit and these assignments, 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 of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter	How the matter was addressed in our audit
Property, plant and equipment recorded at fair value (refer note 10 of the financial statements)	

The Group has property, plant and equipment of $1,531 million.
 	
The Group has a policy of valuing land, buildings, wharves, hardstanding and harbour improvements (Revalued PP&E) at fair value. Independent valuations are obtained at least every 3 years (by an independent valuer), or more frequently if there is an indicator that the fair value has changed significantly. Prior to this financial year the last independent valuation was carried out on these assets at 30 June 2018. In the current year, land has been revalued.
 	
The Revalued PP&E is considered a key audit matter due to the judgement involved in the assessment of the fair value. The judgement in the current financial year also relates to the assessment of whether the carrying values of assets not revalued materially represent their fair values.
	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.
	
	Our procedures by major category included:
	– For land:
	  – Where valuation expert(s) are engaged, considering the competence, objectivity and independence of the valuer;
	  – In conjunction with our valuation specialists, assessing whether the valuation methodology used to fair value land were appropriate;
	  – Assessing whether the evidence used by the valuer is based on appropriate comparable properties and benchmarks; and
	  – Where increases in value were recognised, we assessed whether the uplift was appropriately reflected in the reported carrying values of respective assets.
	– For buildings:
	  – Assessing the appropriateness of the key assumptions used by management with respect to applicable internal, industry or market data; and
	  – Challenging management's assessment of the estimated fair value movements.
	– For wharves and hardstanding and harbour improvements (assets previously valued using the 'depreciated replacement cost' method):
	  – Assessing whether the capital goods price indices or relevant data used by the Group are appropriate and agreeing to observable data points;
	  – Testing the accuracy of the Group's calculation of the impact of these changes; and
	  – Challenging management's assessment of the estimated fair value movements in each asset class.

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 83 and 121 to 128, 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.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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.

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.

Independent Auditor's Report (continued)

To the Shareholders of Port of Tauranga Limited

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.

Glenn Keaney
KPMG

On behalf of the Auditor-General
Tauranga, New Zealand
27 August 2019

Consolidated Income Statement

FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 NZ$000	2018 NZ$000
Total operating revenue	4	**313,263**	283,726
Contracted services for port operations		**(63,775)**	(58,797)
Employee benefit expenses	5	**(38,275)**	(37,780)
Direct fuel and power expenses		**(10,752)**	(9,230)
Maintenance of property, plant and equipment		**(11,979)**	(9,346)
Other expenses		**(15,312)**	(14,478)
Operating expenses		**(140,093)**	(129,631)
Results from operating activities		**173,170**	154,095
Depreciation and amortisation	10, 12	**(27,585)**	(25,269)
Impairment of property, plant and equipment		**(499)**	0
Reversal of previous revaluation deficit		**0**	446
		(28,084)	(24,823)
Operating profit before finance costs, share of profit from Equity Accounted Investees and taxation		**145,086**	129,272
Finance income	7	**417**	391
Finance expenses	7	**(18,594)**	(18,418)
Net finance costs	7	**(18,177)**	(18,027)
Share of profit from Equity Accounted Investees	14	**8,100**	15,141
Profit before income tax		**135,009**	126,386
Income tax expense	8	**(34,432)**	(32,113)
Profit for the period		**100,577**	94,273
Basic earnings per share (cents)	17	**15.0**	14.0
Diluted earnings per share (cents)	17	**14.8**	13.9

These statements are to be read in conjunction with the notes on pages 93 to 120.

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2019

	2019 NZ$000	2018 NZ$000
Profit for the period	100,577	94,273
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Cash flow hedge – changes in fair value*	(8,942)	(3,520)
Cash flow hedge – reclassified to profit or loss*	1,629	2,226
Share of net change in cash flow hedge reserves of Equity Accounted Investees	(308)	(71)
Items that will never be reclassified to profit or loss:		
Asset revaluation, net of tax*	72,129	209,778
Share of net change in revaluation reserve of Equity Accounted Investees	448	1,711
Total other comprehensive income	64,956	210,124
Total comprehensive income	165,533	304,397

**Net of tax effect as disclosed in notes 8 and 9.*

These statements are to be read in conjunction with the notes on pages 93 to 120.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2019

	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 2017	**68,276**	**3,868**	**(7,989)**	**729,065**	**138,723**	**931,943**
Profit for the period	0	0	0	0	94,273	94,273
Other comprehensive income	0	0	(1,365)	211,489	0	210,124
Total comprehensive income	**0**	**0**	**(1,365)**	**211,489**	**94,273**	**304,397**
Decrease in share capital	(1,460)	0	0	0	0	(1,460)
Shares, previously subject to a call option, issued	3,938	(3,938)	0	0	0	0
Dividends paid during the period (refer to note 16)	0	0	0	0	(115,017)	(115,017)
Equity settled share based payment accrual (refer to note 16)	0	2,117	0	0	0	2,117
Total transactions with owners in their capacity as owners	**2,478**	**(1,821)**	**0**	**0**	**(115,017)**	**(114,360)**
Balance at 30 June 2018	**70,754**	**2,047**	**(9,354)**	**940,554**	**117,979**	**1,121,980**
Adjustment on adoption of NZ IFRS 9 (refer to note 20(a))	**0**	**0**	**0**	**0**	**(274)**	**(274)**
Profit for the period	0	0	0	0	100,577	100,577
Other comprehensive income	0	0	(7,621)	72,577	0	64,956
Total comprehensive income	**0**	**0**	**(7,621)**	**72,577**	**100,577**	**165,533**
Decrease in share capital	(997)	0	0	0	0	(997)
Dividends paid during the period (refer to note 16)	0	0	0	0	(122,440)	(122,440)
Equity settled share based payment accrual (refer to note 16)	0	2,038	0	0	0	2,038
Revaluation surplus transferred to retained earnings on asset disposal	0	0	0	0	45	45
Total transactions with owners in their capacity as owners	**(997)**	**2,038**	**0**	**0**	**(122,395)**	**(121,354)**
Balance at 30 June 2019	**69,757**	**4,085**	**(16,975)**	**1,013,131**	**95,887**	**1,165,885**

These statements are to be read in conjunction with the notes on pages 93 to 120.

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

Consolidated Statement of Financial Position

AS AT 30 JUNE 2019

	Note	2019 NZ$000	2018 NZ$000
Assets			
Property, plant and equipment	10	**1,531,211**	1,446,270
Intangible assets	12	**19,028**	18,521
Investments in Equity Accounted Investees	14	**132,731**	134,331
Receivables		**12**	25
Total non current assets		**1,682,982**	1,599,147
Cash and cash equivalents		**3,903**	5,836
Receivables and prepayments	15	**60,610**	51,646
Inventories		**1,366**	402
Total current assets		**65,879**	57,884
Total assets		**1,748,861**	1,657,031
Equity	16		
Share capital		**69,757**	70,754
Share based payment reserve		**4,085**	2,047
Hedging reserve		**(16,975)**	(9,354)
Revaluation reserve		**1,013,131**	940,554
Retained earnings		**95,887**	117,979
Total equity		**1,165,885**	1,121,980
Liabilities			
Loans and borrowings	18	**124,213**	130,021
Derivative financial instruments	19	**20,895**	11,787
Provisions	22	**1,783**	1,746
Deferred tax liabilities	9	**66,389**	70,484
Total non current liabilities		**213,280**	214,038
Loans and borrowings	18	**322,000**	275,335
Derivative financial instruments	19	**1,138**	0
Trade and other payables	21	**33,688**	32,656
Revenue received in advance		**260**	279
Provisions	22	**2,178**	3,080
Income tax payable		**10,432**	9,663
Total current liabilities		**369,696**	321,013
Total liabilities		**582,976**	535,051
Total equity and liabilities		**1,748,861**	1,657,031
Net tangible assets per share (dollars per share)		**1.71**	1.64

For and on behalf of the Board of Directors who authorised these financial statements for issue on 27 August 2019.

Chair

Director

These statements are to be read in conjunction with the notes on pages 93 to 120.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 NZ$000	2018 NZ$000
Cash flows from operating activities			
Receipts from customers		**316,172**	284,379
Interest received		**415**	388
Payments to suppliers and employees		**(151,448)**	(135,078)
Taxes paid		**(34,680)**	(32,030)
Interest paid		**(18,270)**	(18,228)
Net cash inflow from operating activities		**112,189**	99,431
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**58**	7
Finance lease payments received, including interest		**13**	13
Repayment of advances from Equity Accounted Investees		**1,000**	350
Dividends from Equity Accounted Investees	14	**9,840**	10,033
Purchase of property, plant and equipment		**(41,125)**	(17,399)
Purchase of intangible assets		**(1,058)**	(137)
Interest capitalised on property, plant and equipment		**(274)**	(175)
Total net cash used in investing activities		**(31,546)**	(7,308)
Cash flows from financing activities			
Proceeds from borrowings		**44,250**	30,167
Dividends paid	16	**(122,440)**	(115,017)
Repurchase of shares		**(1,386)**	(1,614)
Repayment of borrowings		**(3,000)**	(5,007)
Net cash used in financing activities		**(82,576)**	(91,471)
Net increase/(decrease) in cash held		**(1,933)**	652
Add opening cash brought forward		**5,836**	5,184
Ending cash and cash equivalents		**3,903**	5,836

These statements are to be read in conjunction with the notes on pages 93 to 120.

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

Reconciliation of Profit After Taxation to Cash Flows From Operating Activities

FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 NZ$000	2018 NZ$000
Profit after taxation		**100,577**	94,273
Items classified as investing/financing activities:			
Finance lease interest revenue	7	**(2)**	(3)
Loss/(gain) on sale of property, plant and equipment		**40**	(463)
		38	(466)
Add/(less) non cash items and non operating items:			
Depreciation	10	**27,039**	24,784
Amortisation expense	12	**546**	485
Impairment of property, plant and equipment	10	**499**	0
Decrease in deferred taxation expense	9	**(1,017)**	(1,175)
Ineffective portion of change in fair value of cash flow hedge		**1**	26
Amortisation of interest rate collar premium		**86**	64
Reversal of previous revaluation deficit		**0**	(446)
Share of net profit after tax retained by Equity Accounted Investees	14	**(8,100)**	(15,141)
Increase in equity settled share based payment accrual		**2,038**	2,117
		21,092	10,714
Add/(less) movements in working capital:			
Change in trade receivables and prepayments		**(10,606)**	(7,483)
Change in inventories		**(964)**	(360)
Change in income tax payable		**769**	1,260
Change in trade, other payables and revenue received in advance		**1,283**	1,493
		(9,518)	(5,090)
Net cash flows from operating activities		**112,189**	99,431

These statements are to be read in conjunction with the notes on pages 93 to 120.

Notes to the Consolidated Financial Statements

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 2019 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.

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 10);
- valuation of derivative financial instruments (refer to note 19);
- impairment assessment of intangible assets (refer to note 12); 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).

New and Amended Accounting Standards Adopted

The following new standard has been adopted and applied in preparing these financial statements:

- **NZ IFRS 9 Financial Instruments**

  The standard was adopted with effect from 1 July 2018. The main changes under NZ IFRS 9 are:

  - new financial assets classification requirements for determining whether an asset is measured at fair value or amortised cost (refer to note 20);
  - a new impairment model for financial assets based on expected losses, which may result in the earlier recognition of impairment losses (refer to note 20(a)); and
  - revised hedge accounting requirements to better reflect the management of risks.

  To give effect to the adoption of NZ IFRS 9, at 1 July 2018 an amount of $0.274 million has been transferred from retained earnings to provision for doubtful debts. This amount represents the impact of the new impairment model for financial assets. A full restatement of financial statements is not required as the impact of doing so is not considered to be material. Hedging relationships continue to be effective.

New Accounting Standards and Interpretations Not Yet Adopted

The following standards and interpretations which are considered relevant to the Group but not yet effective for the year ended 30 June 2019 have not been applied in preparing these financial statements:

- **NZ IFRS 16 Leases**

  This standard becomes mandatory for the Group's 2020 consolidated financial statements. NZ IFRS 16 requires a lessee to recognise a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts. Included is an optional exemption for certain short-term leases and leases of low value assets, however this exemption can only be applied by lessees. The estimated impact of the adoption of NZ IFRS 16, based on the current leases and terms, in the Group's 2020 consolidated financial statements is forecast to increase total assets and total liabilities by $24.238 million and is forecast to decrease net profit after tax by $0.264 million. The Group is required to adopt this standard from 1 July 2019.

Notes to the Consolidated Financial Statements (continued)

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 and MetroPort. 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.

The Group segment results are as follows:

2019	Port Operations Group NZ$000	Property Services Group NZ$000	Marshalling Services Group NZ$000	Unallocated (1) Group NZ$000	Inter Segment Group NZ$000	Group NZ$000
Revenue (external)	276,819	28,769	4,855	0	0	310,443
Inter segment revenue	0	58	12,823	0	(12,881)	0
Total segment revenue	**276,819**	**28,827**	**17,678**	**0**	**(12,881)**	**310,443**
Other income and expenditure:						
Share of profit from Equity Accounted Investees	0	0	0	8,100	0	8,100
Interest income	0	0	0	417	0	417
Other income	0	0	10	2,810	0	2,820
Interest expense	0	0	0	(18,463)	0	(18,463)
Depreciation and amortisation expense	0	0	(895)	(26,690)	0	(27,585)
Other unallocated expenditure	0	0	(13,097)	(140,507)	12,881	(140,723)
Income tax expense	0	0	(1,035)	(33,397)	0	(34,432)
Total other income and expenditure	0	0	(15,017)	(207,730)	12,881	(209,866)
Total segment result	**276,819**	**28,827**	**2,661**	**(207,730)**	**0**	**100,577**

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

2018	Port Operations Group NZ$000	Property Services Group NZ$000	Marshalling Services Group NZ$000	Unallocated (1) Group NZ$000	Inter Segment Group NZ$000	Group NZ$000
Revenue (external)	251,388	26,946	4,929	0	0	283,263
Inter segment revenue	7	54	9,869	0	(9,930)	0
Total segment revenue	**251,395**	**27,000**	**14,798**	**0**	**(9,930)**	**283,263**
Other income and expenditure:						
Share of profit from Equity Accounted Investees	0	0	0	15,141	0	15,141
Interest income	0	0	0	391	0	391
Other income	0	0	456	7	0	463
Interest expense	0	0	0	(18,328)	0	(18,328)
Depreciation and amortisation expense	0	0	(867)	(24,402)	0	(25,269)
Other unallocated expenditure	0	0	(11,179)	(128,026)	9,930	(129,275)
Income tax expense	0	0	(896)	(31,217)	0	(32,113)
Total other income and expenditure	0	0	(12,486)	(186,434)	9,930	(188,990)
Total segment result	**251,395**	**27,000**	**2,312**	**(186,434)**	**0**	**94,273**

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

4 OPERATING REVENUE

	2019 NZ$000	2018 NZ$000
Revenue		
Port services revenue	**276,819**	251,388
Rental revenue	**28,769**	26,946
Marshalling services revenue	**4,855**	4,929
Total revenue	**310,443**	283,263
Other income	**2,820**	463
Total operating revenue	**313,263**	283,726

Policies

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Standard credit terms are a month following invoice with any rebate variable component calculated at the client's 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, and will be paid out in cash. 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:

- *Port services and marshalling services revenues*: are recognised when the related service is performed. If at reporting date, the service is in progress, then the portion performed, determined using the percentage completion method, is recognised in the current year.
- *Rail revenue*: this includes providing rail transport services, for which revenue is recognised at a point in time on when the delivery service is completed and goods have been delivered to destination.
- *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.

5 EMPLOYEE BENEFIT EXPENSES

	2019 NZ$000	2018 NZ$000
Wages and salaries	**36,334**	35,961
ACC levy	**261**	273
KiwiSaver contribution	**1,421**	1,342
Medical subsidy	**259**	204
Total employee benefit expenses	**38,275**	37,780

6 OTHER EXPENSES

The following items of expenditure are included in other expenses:

	2019 NZ$000	2018 NZ$000
Operating lease payments	**1,712**	1,531
Auditors fees:		
Audit fees paid to principal auditor	**153**	163
Review of half year financial statements	**12**	12
Fees paid for other services provided by the principal auditor:		
Payments data analysis review	**0**	22
Treasury function review	**33**	**0**
Data insights risk review of GST and tax fixed asset register	**12**	**0**
Hedge accounting policy review	**7**	**0**

Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2019

7 FINANCIAL INCOME AND EXPENSE

	2019 NZ$000	2018 NZ$000
Interest on finance lease	**2**	3
Interest income on bank deposits	**123**	127
Interest on advances to Equity Accounted Investees	**292**	261
Finance income	**417**	391
Interest expense on borrowings	**(18,737)**	(18,503)
Less:		
Interest capitalised to property, plant and equipment	**274**	175
	(18,463)	(18,328)
Ineffective portion of changes in fair value of cash flow hedges	**(1)**	(26)
Amortisation of interest rate collar premium	**(86)**	(64)
Currency option expense	**(44)**	0
Finance expenses	**(18,594)**	(18,418)
Total net finance costs	**(18,177)**	(18,027)

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 is recognised as it accrues, using the effective interest method. Finance lease interest is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return. Finance expenses comprise interest expense on borrowings, finance lease interest expense, unwinding of the discount of provisions 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 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 3.83% for the current period (2018: 4.12%). Total interest capitalised to property, plant and equipment, was $0.274 million for the current period (2018: $0.175 million).

8 INCOME TAX

Components of Tax Expense

	2019 NZ$000	2018 NZ$000
Profit before income tax for the period	**135,009**	126,386
Income tax on the surplus for the period at 28.0 cents	**37,803**	35,388
Tax effect of amounts which are non deductible/(taxable) in calculating taxable income:		
Share of Equity Accounted Investees after tax income, excluding Coda Group	**(3,258)**	(3,179)
Other	**(113)**	(96)
Total income tax expense	**34,432**	32,113
The income tax expense is represented by:		
Current tax expense		
Tax payable in respect of the current period	**35,736**	33,290
Adjustment for prior period	**(287)**	(2)
Total current tax expense	**35,449**	33,288
Deferred tax expense		
Adjustment for prior period	**(82)**	1
Origination/reversal of temporary differences	**(935)**	(1,176)
Total deferred tax expense (refer to note 9)	**(1,017)**	(1,175)
Total income tax expense	**34,432**	32,113

Income tax recognised in other comprehensive income:

	2019 NZ$000	2018 NZ$000
Revaluation of property, plant and equipment	**(234)**	15,737
Cash flow hedges	**(2,844)**	(504)
Total income tax recognised in other comprehensive income (refer to note 9)	**(3,078)**	15,233

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 $39.750 million at 30 June 2019 (2018: $45.088 million).

Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2019

9 DEFERRED TAXATION

	Assets		Liabilities		Net	
	2019 NZ$000	2018 NZ$000	**2019 NZ$000**	2018 NZ$000	**2019 NZ$000**	2018 NZ$000
Deferred tax (asset)/liability						
Property, plant and equipment	**0**	0	**74,066**	75,331	**74,066**	75,331
Intangible assets	**0**	0	**555**	416	**555**	416
Finance lease receivables	**0**	0	**7**	10	**7**	10
Derivatives	**(6,246)**	(3,402)	**0**	0	**(6,246)**	(3,402)
Provisions and accruals	**(1,993)**	(1,871)	**0**	0	**(1,993)**	(1,871)
Total	**(8,239)**	(5,273)	**74,628**	75,757	**66,389**	70,484

	Recognised in the Income Statement		Recognised in Other Comprehensive Income	
	2019 NZ$000	2018 NZ$000	**2019 NZ$000**	2018 NZ$000
Property, plant and equipment	**(1,031)**	(1,154)	**(234)**	15,737
Intangible assets	**139**	(8)	**0**	0
Finance lease receivables	**(3)**	(3)	**0**	0
Derivatives	**0**	0	**(2,844)**	(504)
Provisions and accruals	**(122)**	(10)	**0**	0
Total	**(1,017)**	(1,175)	**(3,078)**	15,233

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.
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.

10 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 2017	580,318	96,874	272,936	157,838	214,004	10,133	**1,332,103**
Additions	0	9,965	8,310	619	4,667	(4,560)	**19,001**
Disposals	0	0	0	0	(1,548)	0	**(1,548)**
Transfers between asset classes	0	(939)	548	391	0	0	**0**
Revaluation	150,088	91	19,785	14,436	0	0	**184,400**
Balance at 30 June 2018	**730,406**	**105,991**	**301,579**	**173,284**	**217,123**	**5,573**	**1,533,956**
Balance at 1 July 2018	730,406	105,991	301,579	173,284	217,123	5,573	**1,533,956**
Additions	22	10,237	17,233	1,183	2,877	9,083	**40,635**
Disposals	0	(1,300)	0	0	(1,036)	0	**(2,336)**
Revaluation	72,776	0	0	0	0	0	**72,776**
Balance at 30 June 2019	**803,204**	**114,928**	**318,812**	**174,467**	**218,964**	**14,656**	**1,645,031**
Accumulated depreciation and impairment:							
Balance at 1 July 2017	0	(6,291)	(18,213)	(2,679)	(77,697)	0	**(104,880)**
Depreciation expense	0	(3,478)	(9,806)	(1,132)	(10,368)	0	**(24,784)**
Disposals	0	0	0	0	417	0	**417**
Transfers between asset classes	0	84	(84)	0	0	0	**0**
Revaluation	0	9,647	28,103	3,811	0	0	**41,561**
Balance at 30 June 2018	**0**	**(38)**	**0**	**0**	**(87,648)**	**0**	**(87,686)**
Balance at 1 July 2018	0	(38)	0	0	(87,648)	0	**(87,686)**
Depreciation expense	0	(4,170)	(11,147)	(1,291)	(10,431)	0	**(27,039)**
Impairment	0	(463)	0	0	(36)	0	**(499)**
Disposals	0	466	0	0	938	0	**1,404**
Balance at 30 June 2019	**0**	**(4,205)**	**(11,147)**	**(1,291)**	**(97,177)**	**0**	**(113,820)**
Carrying amounts:							
Total net book value as at 30 June 2018	**730,406**	**105,953**	**301,579**	**173,284**	**129,475**	**5,573**	**1,446,270**
Total net book value as at 30 June 2019	**803,204**	**110,723**	**307,665**	**173,176**	**121,787**	**14,656**	**1,531,211**

For each revalued class of property, plant and equipment, the notional carrying amount that would have been recognised, had the assets been carried under the cost model, would be:

	2019 Notional Carrying Amount NZ$000	2018 Notional Carrying Amount NZ$000
Freehold land	**117,601**	117,579
Freehold buildings	**81,329**	75,125
Wharves and hardstanding	**116,739**	105,174
Harbour improvements	**61,118**	62,393
Total notional carrying amount	**376,787**	360,271

Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2019

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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. 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.

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.

Restriction on Title

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

Security

Certain items of property, plant and equipment have been pledged as security against certain loans and borrowings of the Group (refer to note 18).

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 $19.603 million.

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.

The Group revalued land assets at 30 June 2019, due to indicators of potential material movement in the fair value of the asset class. At 30 June 2019, the assessment is that there is no material change compared with carrying value in the fair value of buildings, wharves and hardstanding, and harbour improvements.

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Judgements (continued)

Land Valuation

The valuation of land assets was carried out by Colliers International New Zealand Limited. The valuation increased the carrying amount of land by $72.776 million.

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 interim valuation was performed on a desk top basis with no physical inspection of the sites or review of land titles for each property. Therefore the work performed is less than that which would be undertaken at the full revaluation cycle.

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

			2019		2018	
Asset Valuation Method	*Key Valuation Assumptions*	*Hectares*	***Range of Significant Assumptions $***	***Weighted Average $***	*Range of Significant Assumptions $*	*Weighted Average $*
Direct sales comparison	Tauranga (Sulphur Point) / Mount Maunganui – wharf and industrial land per square metre	181.7	**330-770**	**411**	300-700	374
	Auckland land – land adjacent to MetroPort Auckland per square metre	6.8	**568-596**	**592**	500-525	522
	Rolleston land – MetroPort Christchurch per square metre	15.0	**100**	**100**	100	100

- *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 was carried out at 30 June 2018 by Colliers International New Zealand Limited. 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.

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

		2019		2018	
Asset Valuation Method	*Key Valuation Assumptions*	***Range of Significant Assumptions %***	***Weighted Average %***	*Range of Significant Assumptions %*	*Weighted Average %*
Capitalised income model	Market capitalisation rate	**5.00-8.00**	**5.47**	5.00-8.00	5.47

Wharves and Hardstanding, and Harbour Improvements

The last valuation of wharves and hardstanding, and harbour improvements assets were carried out at 30 June 2018 by WSP Opus. Wharves and hardstanding, and harbour improvements assets are classified as specialised assets and have accordingly been valued on a Depreciated Replacement Cost basis.

Notes to the Consolidated Financial Statements (continued)

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Judgements (continued)

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 Opus 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.
  - Opus 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:

		2019		2018	
Asset Valuation Method	*Key Valuation Assumptions*	*Range of Significant Assumptions $*	*Weighted Average $*	*Range of Significant Assumptions $*	*Weighted Average $*
Depreciated replacement cost basis	Wharf construction replacement unit cost rates per square metre – high performance wharves	**5,000-7,000**	**6,446**	5,000-7,000	6,446
	Earthworks construction replacement unit cost rates per square metre	**9**	**9**	9	9
	Basecourse construction replacement unit cost rates per square metre	**20-40**	**31**	20-40	31
	Asphalt construction replacement unit cost rates per square metre	**23-50**	**44**	23-50	44
	Capital dredging replacement unit cost rates per square metre	**4-75**	*****	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	**2-32 years**	**14 years**	2-32 years	14 years
	Wharves remaining useful lives	**0-65 years**	**24 years**	0-65 years	24 years

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

10 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	**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

11 OPERATING LEASES

Operating Leases Where the Group is the Lessor

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

	2019 Valuation NZ$000	**2019 Accumulated Depreciation NZ$000**	2018 Valuation NZ$000	2018 Accumulated Depreciation NZ$000
Land	**378,642**	**0**	378,626	0
Buildings	**84,273**	**2,495**	74,467	0
Total	**462,915**	**2,495**	453,093	0

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

	2019 NZ$000	2018 NZ$000
Within one year	**18,295**	14,746
One year to two years	**14,730**	7,450
Two years to five years	**26,248**	13,321
Greater than five years	**39,721**	33,007
Total	**98,994**	68,524

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.

Notes to the Consolidated Financial Statements (continued)

12 INTANGIBLE ASSETS

	Goodwill NZ$000	Computer Software NZ$000	Consents and Contracts NZ$000	**Total NZ$000**
Cost:				
Balance at 1 July 2017	15,490	3,167	10,000	**28,657**
Additions	0	987	0	**987**
Disposals	0	0	0	**0**
Balance at 30 June 2018	**15,490**	**4,154**	**10,000**	**29,644**
Balance at 1 July 2018	15,490	4,154	10,000	**29,644**
Additions	0	486	567	**1,053**
Balance at 30 June 2019	**15,490**	**4,640**	**10,567**	**30,697**
Accumulated amortisation:				
Balance at 1 July 2017	0	(1,374)	(9,264)	**(10,638)**
Amortisation expense	0	(362)	(123)	**(485)**
Balance at 30 June 2018	**0**	**(1,736)**	**(9,387)**	**(11,123)**
Balance at 1 July 2018	0	(1,736)	(9,387)	**(11,123)**
Amortisation expense	0	(422)	(124)	**(546)**
Balance at 30 June 2019	**0**	**(2,158)**	**(9,511)**	**(11,669)**
Carrying amounts:				
Total net book value 30 June 2018	**15,490**	**2,418**	**613**	**18,521**
Total net book value 30 June 2019	**15,490**	**2,482**	**1,056**	**19,028**

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 as follows:

Consents and contracts	10 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.

Goodwill was tested for impairment at 30 June 2019 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.

13 INVESTMENTS IN SUBSIDIARIES

Investments in Subsidiaries Comprises:

Name of Entity	Place of Business	Principal Activity	2019 %	2018 %	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

Policies	Subsidiaries are entities controlled by the Group. Control exists when the Group 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.

14 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES

(a) Investments in Equity Accounted Investees Comprises:

Name of Entity	Principal Activity	2019 %	2018 %	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	**50.10**	50.10	30 June

(b) Carrying value of investments in Equity Accounted Investees

	2019 NZ$000	2018 NZ$000
Balance as at 1 July	**134,331**	127,583
Group's share of net profit after tax	**8,100**	15,141
Group's share of hedging reserve	**(308)**	(71)
Group's share of revaluation reserve	**448**	1,711
Group's share of total comprehensive income	**8,240**	16,781
Dividends received	**(9,840)**	(10,033)
Balance as at 30 June	**132,731**	134,331

Notes to the Consolidated Financial Statements (continued)

14 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 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.

2019	Northport Limited NZ$000	Coda Group Limited Partnership NZ$000	Individually Immaterial Equity Accounted Investees NZ$000	Total NZ$000
Cash and cash equivalents	386	3,748	2,464	**6,598**
Total current assets	**4,766**	**26,091**	**7,698**	**38,555**
Total non current assets	**131,515**	**40,053**	**94,194**	**265,762**
Total assets	**136,281**	**66,144**	**101,892**	**304,317**
Current financial liabilities excluding trade and other payables and provisions	0	(2,749)	(6,738)	**(9,487)**
Total current liabilities	**(4,812)**	**(20,101)**	**(11,366)**	**(36,279)**
Non current financial liabilities excluding trade and other payables and provisions	(35,341)	(7,417)	(28,384)	**(71,142)**
Total non current liabilities	**(35,341)**	**(7,417)**	**(28,384)**	**(71,142)**
Total liabilities	**(40,153)**	**(27,518)**	**(39,750)**	**(107,421)**
Net assets	**96,128**	**38,626**	**62,142**	**196,896**
Group's share of net assets	**48,064**	**19,313**	**31,078**	**98,455**
Goodwill acquired on acquisition of Equity Accounted Investees	**0**	**29,414**	**4,862**	**34,276**
Carrying amount of Equity Accounted Investees	**48,064**	**48,727**	**35,939**	**132,731**
Revenues	42,622	215,884	36,797	**295,303**
Depreciation and amortisation	(3,818)	(1,799)	(2,272)	**(7,889)**
Interest expense	(1,813)	(18)	(1,246)	**(3,077)**
Net profit before tax	**24,028**	**(7,072)**	**7,289**	**24,245**
Tax expense	(6,038)	0	(2,012)	**(8,050)**
Net profit after tax	**17,990**	**(7,072)**	**5,277**	**16,195**
Other comprehensive income	(296)	0	576	**280**
Total comprehensive income	**17,694**	**(7,072)**	**5,853**	**16,475**
Group's share of net profit after tax	**8,995**	**(3,536)**	**2,641**	**8,100**
Group's share of total comprehensive income	**8,847**	**(3,536)**	**2,929**	**8,240**
Group's share of dividends/distributions	**9,190**	**0**	**650**	**9,840**

14 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES (CONTINUED)

2018	Northport Limited NZ$000	Coda Group Limited Partnership NZ$000	Individually Immaterial Equity Accounted Investees NZ$000	**Total NZ$000**
Cash and cash equivalents	196	4,841	3,111	**8,148**
Total current assets	**4,644**	**29,831**	**9,773**	**44,248**
Total non current assets	**132,243**	**37,972**	**82,930**	**253,145**
Total assets	**136,887**	**67,803**	**92,703**	**297,393**
Current financial liabilities excluding trade and other payables and provisions	0	(1,145)	(7,842)	**(8,987)**
Total current liabilities	**(4,537)**	**(15,692)**	**(11,913)**	**(32,142)**
Non current financial liabilities excluding trade and other payables and provisions	(33,850)	(6,413)	(23,000)	**(63,263)**
Total non current liabilities	**(35,536)**	**(6,413)**	**(23,204)**	**(65,153)**
Total liabilities	**(40,073)**	**(22,105)**	**(35,117)**	**(97,295)**
Net assets	**96,814**	**45,698**	**57,586**	**200,098**
Group's share of net assets	**48,407**	**22,849**	**28,799**	**100,055**
Goodwill acquired on acquisition of Equity Accounted Investees	**0**	**29,414**	**4,862**	**34,276**
Carrying amount of Equity Accounted Investees	**48,407**	**52,263**	**33,661**	**134,331**
Revenues	42,172	201,702	36,555	**280,429**
Depreciation and amortisation	(4,148)	(2,021)	(2,242)	**(8,411)**
Interest expense	(1,809)	(70)	(1,238)	**(3,117)**
Net profit before tax	**24,589**	**7,660**	**5,818**	**38,067**
Tax expense	(6,208)	0	(1,581)	**(7,789)**
Net profit after tax	**18,381**	**7,660**	**4,237**	**30,278**
Other comprehensive income	1,928	0	1,352	**3,280**
Total comprehensive income	**20,309**	**7,660**	**5,589**	**33,558**
Group's share of net profit after tax	**9,191**	**3,830**	**2,120**	**15,141**
Group's share of total comprehensive income	**10,155**	**3,830**	**2,796**	**16,781**
Group's share of dividends/distributions	**9,333**	**0**	**700**	**10,033**

Policies	The Group's interests in Equity Accounted Investees comprise interests in Joint Ventures. A Joint Venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. 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	Coda Group 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.
Judgements	It has been determined that the Group 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. The investment in Coda Group was tested for impairment at 30 June 2019 and confirmed that no adjustment was required.

Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2019

15 RECEIVABLES AND PREPAYMENTS

	2019 NZ$000	2018 NZ$000
Trade receivables	**51,702**	42,108
Trade receivables from Equity Accounted Investees and related parties	**584**	740
	52,286	42,848
Advances to Equity Accounted Investees (refer to note 23)	**5,319**	6,319
Prepayments and sundry receivables	**3,005**	2,479
Total receivables and prepayments	**60,610**	51,646

The ageing of trade receivables at reporting date was:

	2019 NZ$000	2018 NZ$000
Not past due	**35,358**	24,971
Past due 0-30 days	**14,400**	16,031
Past due 30-60 days	**1,339**	891
Past due 60-90 days	**601**	21
More than 90 days	**4**	194
Total of ageing of trade receivables	**51,702**	42,108

Polices	Receivables and prepayments are initially recognised at fair value. 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 doubtful receivables is established when the assessment under NZ IFRS 9 deems a provision is required (refer to note 20 (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.

16 EQUITY

Share Capital

	2019	2018
Number of ordinary shares issued		
Balance as at 1 July	**680,119,179**	680,390,580
Shares issued during year	**128,820**	53,400
Shares repurchased by the Group during the year	**(327,474)**	(324,801)
Balance as at 30 June	**679,920,525**	680,119,179

Dividends

The following dividends were declared and paid during the period:

	2019 NZ$000	2018 NZ$000
Final 2018 dividend paid 7.0 cents per share (2017: 6.2 cps)	**47,619**	42,195
Final 2018 special dividend paid 5.0 cents per share (2017: 5.0 cps)	**34,014**	34,029
Interim 2019 dividend paid 6.0 cents per share (2018: 5.7 cps)	**40,807**	38,793
Total dividends	**122,440**	115,017

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. During the year 128,820 shares at $3.02 per share were issued to employees from the Port of Tauranga Trustee Company Limited as part of the Employee Share Ownership Plan (2018: 53,400 shares at $2.88 per share). During the year 194,200 shares were repurchased on market and transferred to the Port of Tauranga Trustee Company Limited as part of the Employee Share Ownership Plan (2018: 18,450 shares). 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 133,274 shares were repurchased on market and are held as treasury stock (2018: 306,351 shares).
Dividends	The dividends are fully imputed. Supplementary dividends of $630,929 (2018: $529,761) 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 specified in the 10 year Container Volume Commitment Agreement. The increase in the reserve of $1.258 million (2018: $1.214 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.

Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2019

17 EARNINGS PER SHARE

	2019	2018
Earnings per share		
Net profit attributable to ordinary shareholders (NZ$000)	**100,577**	94,273
Weighted average number of ordinary shares (net of treasury stock) for basic earnings per share	**671,641,605**	671,479,113
Basic earnings per share (cents)	**15.0**	14.0
Weighted average number of ordinary shares (net of treasury stock) for diluted earnings per share	**680,797,763**	680,631,527
Diluted earnings per share (cents)	**14.8**	13.9

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 note 24) and Container Volume Commitment Agreement share rights (refer note 16). Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of the share rights.

18 LOANS AND BORROWINGS

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

2019	Maturity	Coupon	Committed Facilities NZ$000	Undrawn Facilities NZ$000	Carrying Value NZ$000
Non current					
Standby revolving cash advance	2023	Floating	200,000	151,000	49,000
Standby revolving cash advance facility	2022	Floating	180,000	180,000	0
Fixed rate bond – 2nd issue	2021	4.792%	75,000	0	75,000
Advances from employees	Various	0%	0	0	213
Total non current			**455,000**	**331,000**	**124,213**
Current					
Fixed rate bond – 1st issue	2019	5.865%	50,000	0	50,000
Standby revolving cash advance facility	2019	Floating	50,000	0	50,000
Multi option facility	2019	Floating	5,000	3,000	2,000
Commercial papers	<3 months	Floating	0	0	220,000
Total current			**105,000**	**3,000**	**322,000**
Total			**560,000**	**334,000**	**446,213**

18 LOANS AND BORROWINGS (CONTINUED)

2018	Maturity	Coupon	Committed Facilities NZ$000	Undrawn Facilities NZ$000	Carrying Value NZ$000
Non current					
Standby revolving cash advance	2022	Floating	100,000	100,000	0
Fixed rate bond – 2nd issue	2021	4.792%	75,000	0	75,000
Standby revolving cash advance facility	2021	Floating	100,000	100,000	0
Standby revolving cash advance facility	2020	Floating	80,000	75,000	5,000
Fixed rate bond – 1st issue	2019	5.865%	50,000	0	50,000
Advances from employees	Various	0%	0	0	21
Total non current			**405,000**	**275,000**	**130,021**
Current					
Standby revolving cash advance	2019	Floating	100,000	50,000	50,000
Multi option facility	2018	Floating	5,000	0	5,000
Commercial papers	<3 months	Floating	0	0	220,000
Advances from employees	Various	0%	0	0	335
Total current			**105,000**	**50,000**	**275,335**
Total			**510,000**	**325,000**	**405,356**

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 two six-year fixed rate bonds, a $50 million fixed rate bond with a final maturity on 29 October 2019 and a $75 million fixed rate bond with final maturity on 29 January 2021. The Parent Company incurred costs of $0.244 million in connection with the issuance of bonds which is being amortised over the term of the bonds.
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 2019 the Group had $220.000 million of commercial paper debt that is classified within current liabilities (2018: $220.000 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 $430.000 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 (2018: $380.000 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). The facility, which is secured, provides for both direct borrowings and support for issuance of commercial papers. This facility was refinanced on 29 July 2019 (refer to note 26).
Multi Option Facility	The Parent Company has a $5.000 million multi option facility with Bank of New Zealand Limited, used for short term working capital requirements (2018: $5.000 million).
Security	Bank facilities and fixed rate bonds are secured by way of a security interest over certain floating plant assets ($17.285 million, 2018: $17.951 million), mortgages over the land and building assets ($913.791 million, 2018: $836.216 million), and by a general security agreement over the assets of the Parent Company ($1,631.564 million, 2018: $1,611.927 million).
Covenants	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 3.85% at 30 June 2019 (2018: 3.28%).

Notes to the Consolidated Financial Statements (continued)

19 DERIVATIVE FINANCIAL INSTRUMENTS

	2019 NZ$000	2018 NZ$000
Current liabilities		
Foreign exchange derivatives – cash flow hedges	**(266)**	0
Interest rate derivatives – cash flow hedges	**(872)**	0
Total current liabilities	**(1,138)**	0
Non current liabilities		
Interest rate derivatives – cash flow hedges	**(20,895)**	(11,787)
Total non current liabilities	**(20,895)**	(11,787)
Total liabilities	**(22,033)**	(11,787)

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 %*
0-1 year	45	100
1-3 years	30	85
3-5 years	15	65
5-10 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 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.

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.

19 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 as follows:

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 designated fair value are classified as level 2 under the fair value measurement hierarchy (refer to note 2).

20 FINANCIAL INSTRUMENTS

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

2019	Designated at Fair Value Through Other Comprehensive Income NZ$000	Other Amortised Cost NZ$000	Total Carrying Amount NZ$000	Fair Value NZ$000
Assets				
Receivables	0	12	12	12
Total non current assets	**0**	**12**	**12**	**12**
Cash and cash equivalents	0	3,903	3,903	3,903
Receivables	0	57,605	57,605	57,605
Total current assets	**0**	**61,508**	**61,508**	**61,508**
Total assets	**0**	**61,520**	**61,520**	**61,520**
Liabilities				
Loans and borrowings	0	124,213	124,213	127,077
Derivative financial instruments	20,895	0	20,895	20,895
Total non current liabilities	**20,895**	**124,213**	**145,108**	**147,972**
Loans and borrowings	**0**	**322,000**	**322,000**	**322,609**
Derivative financial instruments	1,138	0	1,138	1,138
Trade and other payables	0	12,144	12,144	12,144
Total current liabilities	**1,138**	**334,144**	**335,282**	**335,891**
Total liabilities	**22,033**	**458,357**	**480,390**	**483,863**

Notes to the Consolidated Financial Statements (continued)

20 FINANCIAL INSTRUMENTS (CONTINUED)

2018	Designated at Fair Value NZ$000	Loans and Receivables NZ$000	Other Amortised Cost NZ$000	Total Carrying Amount NZ$000	Fair Value NZ$000
Assets					
Receivables	0	25	0	25	25
Total non current assets	**0**	**25**	**0**	**25**	**25**
Cash and cash equivalents	0	5,836	0	5,836	5,836
Receivables	0	49,167	0	49,167	49,167
Total current assets	**0**	**55,003**	**0**	**55,003**	**55,003**
Total assets	**0**	**55,028**	**0**	**55,028**	**55,028**
Liabilities					
Loans and borrowings	0	0	130,021	130,021	134,714
Derivative financial instruments	11,787	0	0	11,787	11,787
Total non current liabilities	**11,787**	**0**	**130,021**	**141,808**	**146,501**
Loans and borrowings	0	0	275,335	275,335	275,335
Trade and other payables	0	0	11,345	11,345	11,345
Total current liabilities	**0**	**0**	**286,680**	**286,680**	**286,680**
Total liabilities	**11,787**	**0**	**416,701**	**428,488**	**433,181**

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 has been obtained 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.

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

2019	Not Past Due	Past Due 0-30 Days	Past Due 30-60 Days	More Than 60 Days	**Total**
Expected loss rate (%)	0.014	0.031	0.283	1.488	**0**
Gross carrying amount – trade receivables (NZ$000)	35,358	14,400	1,339	605	**51,702**
Loss allowance on trade receivables (NZ$000)	5	4	4	9	**22**

20 FINANCIAL INSTRUMENTS (CONTINUED)

Movements in the provision for impairment of financial assets are as follows:

	2019 NZ$000	2018 NZ$000
Adjustment to opening balance on adoption of NZ IFRS 9	**274**	0
Provision for trade receivables	**10**	0
Provision for advances to Equity Accounted Investees	**10**	0
Bad debts written off	**(3)**	0
Closing balance	**291**	0

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 credit worthiness before the Group's standard payment terms and conditions are offered. Customer payment performance is constantly monitored with customers not meeting creditworthiness being required to transact with the Group on cash terms. The Group generally does not require collateral.
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 62.7% of total Group revenue (2018: 65.9%). The Group is satisfied with the credit quality of these debtors and does not anticipate any non performance.

(b) Liquidity Risk

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

2019	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	(446,213)	(461,630)	(376,051)	(2,678)	(80,087)	(2,814)	0
Trade and other payables	(12,144)	(12,144)	(12,144)	0	0	0	0
Total non derivative financial liabilities	**(458,357)**	**(473,774)**	**(388,195)**	**(2,678)**	**(80,087)**	**(2,814)**	**0**
Derivatives							
Interest rate derivatives							
Cash flow hedges – outflow	(21,767)	(23,656)	(1,643)	(2,159)	(9,804)	(7,053)	(2,997)
Foreign currency derivatives							
Cash flow hedges – outflow	(294)	(295)	(295)	0	0	0	0
Cash flow hedges – inflow	28	28	28	0	0	0	0
Total derivatives	**(22,033)**	**(23,923)**	**(1,910)**	**(2,159)**	**(9,804)**	**(7,053)**	**(2,997)**
Total	**(480,390)**	**(497,697)**	**(390,105)**	**(4,837)**	**(89,891)**	**(9,867)**	**(2,997)**

Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2019

20 FINANCIAL INSTRUMENTS (CONTINUED)

2018	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	(405,356)	(424,765)	(284,862)	(3,966)	(56,064)	(79,873)	0
Trade and other payables	(11,345)	(11,345)	(11,345)	0	0	0	0
Total non derivative financial liabilities	**(416,701)**	**(436,110)**	**(296,207)**	**(3,966)**	**(56,064)**	**(79,873)**	**0**
Derivatives							
Interest rate derivatives							
Cash flow hedges – outflow	(11,787)	(13,139)	(1,365)	(1,329)	(2,839)	(6,481)	(1,125)
Total derivatives	**(11,787)**	**(13,139)**	**(1,365)**	**(1,329)**	**(2,839)**	**(6,481)**	**(1,125)**
Total	**(428,488)**	**(449,249)**	**(297,572)**	**(5,295)**	**(58,903)**	**(86,354)**	**(1,125)**

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.

(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	
	2019 NZ$000	2018 NZ$000
Fixed rate instruments		
Fixed rate bonds	**(125,000)**	(125,000)
Total	**(125,000)**	(125,000)
Variable rate instruments		
Commercial papers	**(220,000)**	(220,000)
Standby revolving cash advance facility	**(99,000)**	(55,000)
Interest rate derivatives	**(21,767)**	(11,787)
Multi option facility	**(2,000)**	(5,000)
Cash balances	**3,903**	5,836
Total	**(338,864)**	(280,951)

20 FINANCIAL INSTRUMENTS (CONTINUED)

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 2018.

	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	(2,239)	2,269	0	0
Interest rate derivatives	1,135	(1,135)	7,337	(7,774)
Total as at 30 June 2019	**(1,104)**	**1,134**	**7,337**	**(7,774)**
Variable rate instruments	(1,930)	1,960	0	0
Interest rate derivatives	832	(832)	6,271	(7,080)
Total as at 30 June 2018	**(1,098)**	**1,128**	**6,271**	**(7,080)**

Market Risk Management Policies	Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and commodity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The Group uses derivative financial instruments such as interest rate swaps and foreign currency options to hedge certain risk exposures. All derivative transactions are carried out within the guidelines set out in the Group's Treasury Policy which 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 total nominal value of interest rate derivatives outstanding is $125.000 million. The average interest rate on interest rate derivatives is 3.9%.

21 TRADE AND OTHER PAYABLES

	2019 NZ$000	2018 NZ$000
Accounts payable	**12,016**	11,300
Accrued employee benefit liabilities	**4,597**	4,281
Accruals	**16,947**	17,030
Payables due to Equity Accounted Investees and related parties	**128**	45
Total trade and other payables	**33,688**	32,656

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.

Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2019

22 PROVISIONS

	Long Service Leave NZ$000	Management Long Term Incentive Plan NZ$000	Profit Sharing and Bonuses NZ$000	**Total NZ$000**
Balance at 30 June 2018	1,746	818	2,262	**4,826**
Additional provision	194	140	2,698	**3,032**
Unused amounts reversed	(75)	0	0	**(75)**
Utilised during the period	(82)	(958)	(2,782)	**(3,822)**
Balance at 30 June 2019	**1,783**	**0**	**2,178**	**3,961**
Total current provisions	**0**	**0**	**2,178**	**2,178**
Total non current provisions	**1,783**	**0**	**0**	**1,783**

Policies	A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.
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 – Management Long Term Incentive Plan	Members of the Parent Company's Executive Management Team are eligible to receive payment under the Management Long Term Incentive plan. The plan is classified as a cash settled share based payment plan and is based upon a combination of total shareholder return versus an index and earnings per share growth, both over a three year period. The amount recognised in the income statement during the period is $0.140 million, (2018: $0.386 million). The current cash settled share based payment plan has been replaced and vested for the last time in the 2018 financial year with payment made in August 2018 (refer to note 24).
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.

23 RELATED PARTY TRANSACTIONS

Related party transactions with related parties:

	2019 NZ$000	2018 NZ$000
Transactions with Equity Accounted Investees		
Services provided to Port of Tauranga Limited	**556**	441
Services provided by Port of Tauranga Limited	**3,824**	2,743
Accounts receivable by Port of Tauranga Limited	**239**	285
Accounts payable by Port of Tauranga Limited	**125**	45
Advances by Port of Tauranga Limited	**5,319**	6,319
Services provided to Quality Marshalling (Mount Maunganui) Limited	**3**	0
Services provided by Quality Marshalling (Mount Maunganui) Limited	**3,913**	3,973
Accounts receivable by Quality Marshalling (Mount Maunganui) Limited	**345**	455
Accounts payable by Quality Marshalling (Mount Maunganui) Limited	**3**	0
Transactions with key management personnel		
Directors' fees recognised during the period	**735**	697
Executive officers' salaries and short term employee benefits recognised during the period	**3,593**	4,091
Executive officers' share based payments (cash and equity settled) recognised during the period	**920**	1,289

23 RELATED PARTY TRANSACTIONS (CONTINUED)

Related Parties	Related parties of the Group include the Joint Ventures disclosed in note 14 and the Controlling Entity (Quayside Securities Limited) or Ultimate Controlling Party (Bay of Plenty Regional Council). Quayside Securities Limited owns 54.14% (2018: 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, $0.076 million (2018: $0.029 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 the Group 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 note 24).

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. *Cash Settled Transactions* The fair value of cash settled transactions is determined at each reporting date, and the change in fair value is recognised in the income statement with a corresponding change recognised in the provisions' liability.
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 2019 is $0.780 million (2018: $0.903 million) with a corresponding increase in the share based payments reserve (refer note 16).

Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2019

24 MANAGEMENT LONG TERM INCENTIVE PLAN (CONTINUED)

Management Long Term Incentive Plan – Equity Settled (continued)

Number of Share Rights Issued to Executives:

Grant Date	*Scheme End Date*	*Right Type*	*Balance at 30 June 2018*	*Granted During the Year*	*Balance at 30 June 2019*
1 March 2018	30 June 2019	EPS	127,470	0	127,470
1 March 2018	30 June 2019	TSR	106,225	0	106,225
1 March 2018	30 June 2020	EPS	121,934	0	121,934
1 March 2018	30 June 2020	TSR	101,612	0	101,612
1 July 2018	30 June 2021	EPS	0	108,500	108,500
1 July 2018	30 June 2021	TSR	0	90,417	90,417
Total LTI Plan			**457,241**	**198,917**	**656,158**

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 March 2018	30 June 2019	EPS	5.09	1.79	15.10	4.92
1 March 2018	30 June 2019	TSR	5.09	1.79	15.10	4.48
1 March 2018	30 June 2020	EPS	5.09	1.96	15.10	4.81
1 March 2018	30 June 2020	TSR	5.09	1.96	15.10	2.26
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

Management Long Term Incentive Plan – Cash Settled

Prior to the introduction of the equity settled LTI plan, members of the Parent Company's executive team were eligible to receive payment under a cash settled LTI plan. This plan vested for the last time in the 2018 financial year with payment made in August 2018 (refer note 22).

25 CONTINGENT LIABILITIES

Disclosures

No material contingent liabilities or assets have been identified.

26 SUBSEQUENT EVENTS

Approval of Financial Statements

The financial statements were approved by the Board of Directors on 27 August 2019.

Final and Special Dividend

A final dividend of 7.3 cents per share to a total of $49,650,337 and a special dividend of 5.0 cents per share to a total of $34,007,080 has been approved subsequent to reporting date. The final and special dividends were not approved until after year end, therefore they have not been accrued in the current year financial statements.

Refinancing of Standby Revolving Cash Advance Facility

On 29 July 2019, the Parent Company refinanced a tranche of its $430.000 million Standby Revolving Cash Advance Facility, increasing the facility size by $50.000 million to $480.000 million.

The Tranche 1 $50.000 million facility was increased by $50.000 million to $100.000 million and the maturity date of this tranche was extended from 1 October 2019 to 29 January 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 27 August 2019. 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 27 August 2019, the Board considers that the Company's corporate governance practices materially reflect 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. The Code of Ethics and the Employee Code of Conduct and Behaviour are included in the employee induction. 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 125 of this Integrated 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 80 to 81 of this Integrated Report and on the website. Director independence is assessed annually by the Board. A normal term of service for a Director is nine years. 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:

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

Director attendance at meetings together with remuneration, are set out on pages 2 to 3 of 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 (CE), Chief Financial Officer (CFO) and other Management regularly attend Board and 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 CE, are all held by different people. The Chair has been assessed as being independent.

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 staff feel included and valued, and to providing equal employment opportunities with all appointments being merit based.

During the year, the Company revised its Diversity and Inclusion Policy and set itself the objective of achieving a minimum of 40% women and 40% men holding director, executive and manager level positions by 2025. In 2019, the Company had 22% women and 78% men holding these positions.

	As at 30 June 2019				As at 30 June 2018			
	Female		Male		Female		Male	
	No.	%	No.	%	No.	%	No.	%
Directors	2	29	5	71	2	29	5	71
Executives	1	20	4	80	1	20	4	80
Permanent employees	38	17	192	83	35	17	173	83
Total	**41**	**17**	**201**	**83**	**38**	**17**	**182**	**83**

FINANCIAL AND NON FINANCIAL INFORMATION

The Board is committed to ensuring timely and accurate information is provided to shareholders and market participants. The Integrated Report for 2019 is based on the Integrated Reporting Framework so that stakeholders can better understand the non financial aspects of the Company. It is Port of Tauranga Limited's first 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 will be undertaken in 2020.

Corporate Governance Statement (continued)

FOR THE YEAR ENDED 30 JUNE 2019

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 123 to 125 of this Integrated 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 Port of Tauranga Limited and is therefore independent. The Auditor-General has appointed Glenn Keaney from KPMG to carry out the audit on his behalf. The Board has received written confirmation from KPMG regarding its independence. Other assurance services considered and approved by the Audit Committee were provided by KPMG and are included in Note 6 of the financial statements in the 2019 Integrated Report.

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 Annual 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 2019 meeting will 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

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 2019 financial year, the Chief Executive's STI was set at 60% and for all nominated executives it was 40%. For the 2019 financial year, there were four nominated executives included in the STI Scheme, the same number as the previous year.

For the Chief Executive, 70% of the STI is linked to the Company's financial performance with the actual opportunity in the range 0-110%. The remaining 30% comprised agreed safety 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. These are adjusted annually and cascaded throughout the Company. 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 Long Term Incentive 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 2017 LTI (allocated on 1 July 2016), which vested at the end of the 2019 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.

The LTI targets are as follows:

TSR Percentile Ranking %	**Earned %**
Below 40	Nil
At 50	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 in the case of 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 staff 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 shown below:

	Parent Company	
Remuneration Range $000	**Number of Employees 2019**	Number of Employees 2018***
100-109	**21**	22
110-119	**21**	21
120-129	**18**	23
130-139	**14**	23
140-149	**13**	11
150-159	**8**	7
160-169	**6**	4
170-179	**8**	6
180-189	**3**	0
190-199	**2**	4
200-209	**1**	3
210-219	**3**	2
220-229	**0**	1
230-239	**0**	8
240-249	**8**	2
250-259	**4**	3
260-269	**3**	1
530-539	**0**	1**
580-589	**0**	1**
630-639	**1***	0
650-659	**0**	1**
660-669	**1***	0
670-679	**0**	1**
740-749	**1***	0
780-789	**1***	0
1,680-1,689	**0**	1**
1,770-1,779	**1***	0
Total	**138**	**146**

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

***Includes vesting of Long Term Incentive Scheme and payment of Short Term Incentive and Holidays Act remediation payments.*

****For all non executive employees 2018 includes Holidays Act remediation payments.*

Chief Executive Remuneration

For the 2019 financial year, the Chief Executive's fixed remuneration was lifted by 2% to $867,000.

FY2019

Fixed Remuneration* $	Performance Pay**			Total Remuneration*** $
	STI $	LTI $	Subtotal $	
867,000	449,055	384,684	833,739	**1,773,259**

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 the previous periods but paid in the current financial year.*

****Total remuneration includes payments that arise from calculating actual holiday pay per the NZ Legislation.*

FY2018

Fixed Remuneration* $	Performance Pay*			Total Remuneration** $
	STI $	LTI $	Subtotal $	
850,000	414,604	172,880	587,484	**1,680,106**

Performance pay was earned over the previous periods but paid in the current financial year.

***Total remuneration includes the Holidays Act holiday pay arrears reparation.*

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

An explanation of the Chief Executive's performance pay paid in 2019 is shown in the following table:

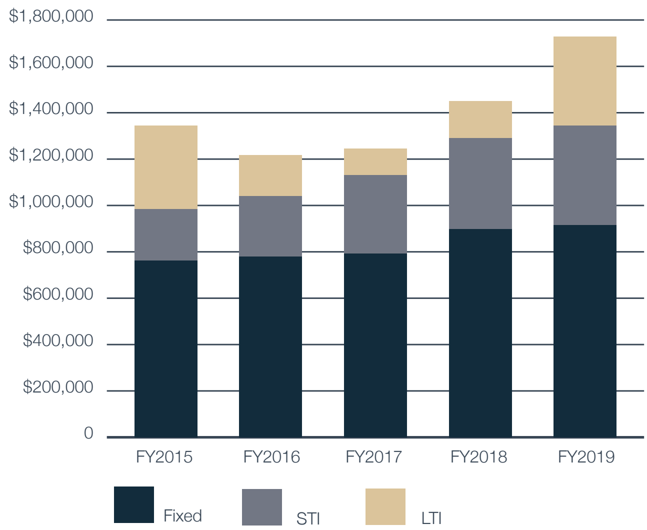
	Description	Performance Measures	Percent Achieved
STI	Set at 60% of fixed remuneration. Based on a combination of financial and non financial performance measures.	70% based on achieving normalised NPAT target. The range for the financial performance is 0-110%.	107.5
		30% based on key strategic measures and safety. The range is 0-100%.	43.0
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%.	80.0
		50% based on EPS CAGR. The range is 0-120%.	85.7

Corporate Governance Statement (continued)

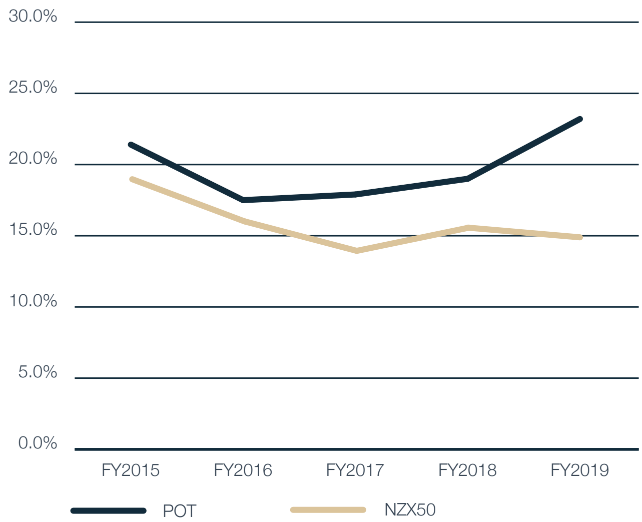
FOR THE YEAR ENDED 30 JUNE 2019

The Five Year Summary – Chief Executive Remuneration

FY	Total Remuneration $	Percent STI Against Maximum %	Percent LTI Against Maximum %	Span of LTI Performance Period
2019	1,773,259	82	97	2016-2018
2018	1,680,106	86	75	2015-2017
2017	1,242,214	76	35	2014-2016
2016	1,205,231	62	28	2013-2015
2015	1,325,672	54	53	2012-2014

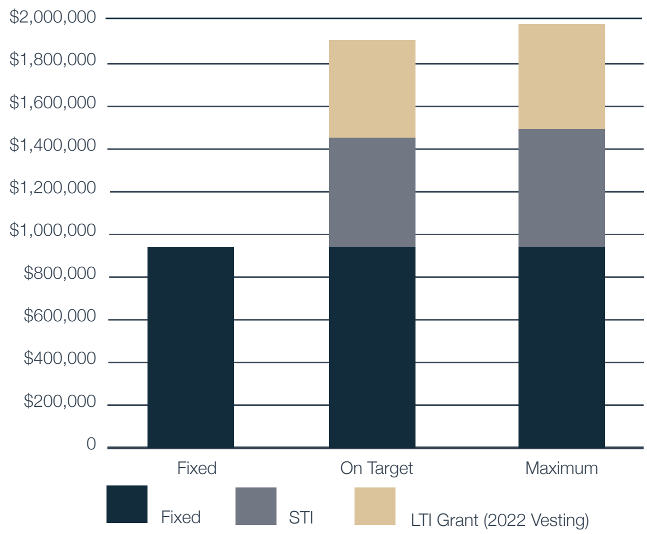


Total Shareholder Return Performance



Chief Executive Remuneration for 2020

Potential Chief Executive remuneration for the year ending June 2020 is shown in the following chart.



Fixed remuneration reflects base salary and benefits. For performance that meets expectations, the STI would pay out at 60% of fixed remuneration and the LTI at 50% of fixed remuneration. For performance that exceeds expectations, the STI would pay out at 107% of fixed remuneration and the LTI at 110% of fixed remuneration.

APPROVED DIRECTOR REMUNERATION

The aggregate pool of fees able to be paid to Directors is subject to shareholder approval and currently sits at $750,000.

In 2018, Port of Tauranga Directors did not seek a fee increase for 2019. Directors will seek an inflationary increase of 4% for the 2020 financial year. This is consistent with Executives' pay increase of 2% a year for the past two years.

The Board approved annual fees are:

	Directors' Fees $
Chair	162,000
Directors	85,000
Audit Committee Chair	15,000
Audit Committee Member	7,500
Remuneration Committee Chair	10,000
Remuneration Committee Member	5,000

Directors' fees received during the 2019 year are:

	Board $	Audit $	Remuneration $	Total 2019 $	Total 2018 $
D A Pilkington	162,000		5,000	**167,000**	167,000
J C Hoare	85,000	15,000		**100,000**	100,000
A R Lawrence	85,000	7,500		**92,500**	92,500
D W Leeder	85,000		5,000	**90,000**	90,000
K R Ellis	85,000	7,500	10,000	**102,500**	102,500
R A McLeod	85,000	7,500		**92,500**	60,416
A M Andrew	85,000		5,000	**90,000**	21,250
A W Baylis*					30,833
M J Smith*					32,500
Total				**$734,500**	**$696,999**

**Michael Smith retired from the Board on 31 October 2017 and Sir Robert McLeod was appointed to the Board on 31 October 2017. Bill Baylis retired from the Board on 19 December 2017 and Alison Andrew was appointed on 1 April 2018.*

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 2019 was:

Director	Subsidiary	Fees $
D A Pilkington	Northport Chair	50,000
D A Pilkington	PrimePort Director	34,232
Total		**$84,232**

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 2019:

Director	Interest	Entity
Alison Moira Andrew	Chief Executive Officer	Transpower New Zealand Limited
Kimmitt Rowland Ellis	Chair	Metlifecare Limited
	Chair	NZ Social Infrastructure Fund Limited
	Chair	Sleepyhead Group Limited
	Director	Ballance Agri-Nutrients Limited
	Director	Fonterra Shareholders Fund (FSF) Management Company
	Director	Freightways Limited
Julia Cecile Hoare	Chair	Auckland Committee, Institute of Directors
	Deputy Chair	The a2 Milk Company Limited
	Deputy Chair	Watercare Services Limited
	Director	Auckland International Airport Limited
	Director	AWF Madison Group Limited
	Director	New Zealand Post Limited
	Director	The a2 Milk Company (New Zealand) Limited (subsidiary of The a2 Milk Company Limited)
	Member	External Reporting Advisory Panel
	Vice President	Institute of Directors Council
Alastair Roderick Lawrence	Chair	Brittain Wynyard Limited
	Chair	Glenorchy Pastoral Management 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

PORT OF TAURANGA LIMITED

Corporate Governance Statement (continued)

FOR THE YEAR ENDED 30 JUNE 2019

General Notice of Interest by Directors (continued)

Director	Interest	Entity
Sir Robert Arnold McLeod	Chair	E Tipu e Rea Limited
	Chair	E Tipu e Rea Trustee Limited
	Chair	Quayside Holdings Limited
	Director	Sanford Group
	Director (resigned during the year)	Tax Management NZ Limited
David Alan Pilkington	Chair	Douglas Pharmaceuticals Limited
	Chair (resigned during the year)	Hellers Limited
	Chair	Northport Limited
	Chair	Rangatira Limited
	Director / Shareholder	Excelsa Associates Limited
	Director	Port of Tauranga Trustee Company Limited
	Director	PrimePort Timaru Limited
	Trustee	New Zealand Community Trust

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 2019.

TWENTY LARGEST ORDINARY EQUITY HOLDERS

Holder	Number of Shares Held	% of Issued Equity
Quayside Securities Limited	368,437,680	54.16
New Zealand Central Securities Depository Limited	60,405,029	8.88
Custodial Services Limited (3 a/c)	20,260,179	2.98
Custodial Services Limited (4 a/c)	15,084,035	2.22
FNZ Custodians Limited	12,329,129	1.81
Custodial Services Limited (2 a/c)	10,752,369	1.58
Kotahi Logistics LP	8,500,000	1.25
Custodial Services Limited (18 a/c)	7,009,127	1.03
JBWere (NZ) Nominees Limited	5,232,271	0.77
Forsyth Barr Custodians Limited	4,567,638	0.67
New Zealand Depository Nominee Limited	3,314,969	0.49
Custodial Services Limited (1 a/c)	2,910,459	0.43
Masfen Securities Limited	2,708,395	0.40
Custodial Services Limited (16 a/c)	2,507,898	0.37
Investment Custodial Services Limited	2,351,962	0.35
Lloyd James Christie	1,535,000	0.23
Pt (Booster Investments) Nominees Limited	1,344,266	0.20
FNZ Custodians Limited (DTA Non Resident a/c)	1,155,492	0.17
ASB Nominees Limited	1,106,425	0.16
Leveraged Equities Finance Limited	1,104,050	0.16
Total	**532,616,373**	**78.31**

DISTRIBUTION OF EQUITY SECURITIES

Range of Equity Holdings	Number of Holders	Number of Shares Held	% of Issued Equity
1-5,000	7,621	17,466,494	2.56
5,001-10,000	2,620	20,311,594	2.99
10,001-50,000	2,882	61,880,098	9.10
50,001-100,000	287	20,425,431	3.00
100,001 and over	158	560,191,262	82.35
Total	**13,568**	**680,274,879**	**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 2019, were as follows:

Holder	Number of Shares Held	%
Quayside Securities Limited	368,437,680	54.16

The total number of issued voting securities of the Company as at 30 June 2019 was 680,274,879.

DIRECTORS' EQUITY HOLDINGS

As at 30 June 2019, Port of Tauranga Limited Directors' had the following relevant interests in Port of Tauranga Limited equity securities:

	Beneficially Held		Held by Associated Persons	
	30 June 2019	30 June 2018	**30 June 2019**	30 June 2018
A M Andrew	**0**	0	**82,500**	82,500
K R Ellis	**0**	0	**62,750**	62,750
J C Hoare	**0**	0	**0**	0
A R Lawrence	**0**	0	**0**	0
D W Leeder	**0**	0	**0**	0
R A McLeod	**0**	0	**0**	0
D A Pilkington	**0**	0	**0**	0

DONATIONS

Donations of $24,806 were made during the year ended 30 June 2019 (2018: $46,477).

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 2019, had a Standard and Poor's rating of BBB+/Stable/A-2.

ANNUAL MEETING

The Annual Meeting will be held on Friday 25 October 2019 at 1.00pm, at Trustpower Baypark, 81 Truman Lane, Mount Maunganui.

Messrs Kimmitt Rowland Ellis and Alastair Roderick Lawrence 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

PORT OF TAURANGA LIMITED

Financial and Operational Five Year Summary

AS AT 30 JUNE 2019

FINANCIAL

	Year 2019 $000	Year 2018 $000	Year 2017 $000	Year 2016 $000	Year 2015 $000
Operating income	**313,263**	283,726	255,882	245,521	268,460
EBITDA	**181,270**	169,236	152,385	143,180	143,161
Surplus after taxation – reported	**100,577**	94,273	83,441	77,314	79,148
Surplus after taxation – underlying	**100,577**	94,273	83,441	77,314	79,007
Dividends paid related to earnings	**122,440**	115,017	108,893	72,142	69,419
Total equity	**1,165,885**	1,121,980	931,943	885,684	887,550
Net interest bearing debt	**442,097**	399,164	374,816	308,420	287,379
Total assets	**1,748,861**	1,657,031	1,422,600	1,322,367	1,297,018
Interest cover (times)	**8.4**	8.0	7.5	7.0	7.2
Gearing ratio (%)*	**27.5**	26.2	28.7	25.8	24.5
Return on average equity (%)	**8.9**	9.2	9.3	8.7	9.3
Share price ($)**	**6.34**	5.10	4.45	19.50	17.30
Market capitalisation ($)	**4,312,098**	3,470,964	3,028,586	2,654,267	2,354,811
Net asset backing per share ($)**	**1.71**	1.64	1.36	6.51	6.52
Underlying earnings per share (cents per share)	**15.0**	14.0	12.4	57.0	58.0

**Net interest bearing debt to net interest bearing debt + equity.*
***On 17 October 2016, the Parent Company completed a 5:1 share split.*

The Board approved a final dividend of 7.3 cents per share ($49.7 million) and a special dividend of 5.0 cents per share ($34.0 million) after year end payable on 4 October 2019.

OPERATIONAL

	Year 2019	Year 2018	Year 2017	Year 2016	Year 2015
Cargo throughput (000 tonnes)	**26,946**	24,458	22,194	20,120	20,179
Containers (TEU)*	**1,233,177**	1,182,147	1,085,987	954,006	851,106
Net crane rate (container moves per hour)**	**33.6**	35.5	36.2	35.6	35.5
Ship departures	**1,678**	1,747	1,651	1,482	1,555
Berth occupancy (%)	**50**	48	47	46	46
Total cargo ship days in port	**2,769**	2,643	2,589	2,504	2,528
Turn-around time per cargo ship (days)	**1.6**	1.5	1.4	1.6	1.6
Cargo tonnes per ship	**16,058**	14,000	13,442	13,549	12,510
Average cargo ship gross tonnage (GT)	**33,920**	30,218	29,654	26,665	25,018
Average cargo ship length overall (metres)	**207**	200	199	190	185
Number of employees – Port of Tauranga Limited	**230**	208	206	194	193
Lost time injuries (LTI – frequency)***	**2.5**	2.8	2.8	5.6	2.9
Total injury (frequency rate)	**2.5**	5.5	5.6	5.6	14.7

**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

EXECUTIVE

M C Cairns
Chief Executive

S G Gray
Chief Financial Officer

D A Kneebone
Property & Infrastructure Manager

S M Lunam
Corporate Services Manager

L E Sampson
Commercial Manager

REGISTERED OFFICE

Salisbury Avenue
Mount Maunganui

Private Bag 12504
Tauranga Mail Centre
Tauranga 3143
New Zealand

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

AUDITORS

Glenn Keaney
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 (formerly known as The Bank of Tokyo-Mitsubishi UFJ Limited)

CREDIT RATING AGENCY

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

SHARE REGISTRY

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

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

Telephone	09 375 5998
Facsimile	09 375 5990
Email	enquiries@linkmarketservices.co.nz
Website	www.linkmarketservices.co.nz

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

FINANCIAL CALENDAR

4 October 2019	Final dividend payment
25 October 2019	Annual Meeting
28 February 2020	Half year results announcement
March 2020	Interim Report published
13 March 2020	Interim dividend payment
30 June 2020	Financial year end
28 August 2020	Annual results announcement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Port for the Future
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