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in New Zealand's future

Port of Tauranga Limited – Market Update and
Interim Consolidated Financial Statements February 2023

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Connecting New Zealand and the world.

Port of Tauranga is New Zealand's largest and most efficient port.

It is the international gateway for the country's imports and exports. It is the only New Zealand port able to accommodate larger container vessels, unlocking economic and environmental benefits for shippers.

Port of Tauranga continues to invest in nationally significant infrastructure for the benefit of our customers, shareholders and communities. We are creating jobs, wealth and wellbeing for the Tauranga community, the wider Bay of Plenty region, and beyond.

Port of Tauranga is connecting New Zealand and the world.



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Highlights and Challenges

Six Months Ended 31 December 2022

GROUP NET PROFIT AFTER TAX

^ \$62.7

million (an increase of 11.3% from the previous corresponding period)

TOTAL TRADE

∨ 12.7

million tonnes (a decrease of 2.5% from the previous corresponding period)

SUBSIDIARY AND ASSOCIATE COMPANY EARNINGS

^ 0.6%

increase compared with the previous corresponding period

CONTAINER VOLUMES

^ 637,728

TEUs¹ (an increase of 2.5% from the previous corresponding period)

TRANSHIPPED CONTAINERS

^ 21.7%

increase to 174,444 TEUs¹

INTERIM DIVIDEND

^ 6.8

cents per share (a 4.6% increase from the previous corresponding period)

IMPORTS

∨ 5.0

million tonnes (a decrease of 0.9% from the previous corresponding period)

EXPORTS

∨ 7.7

million tonnes (a decrease of 3.5% from the previous corresponding period)

SHIP VISITS

^ 701

(an increase of 2.5% from the previous corresponding period)

LOG IMPORTS

∨ 3.0

million tonnes (a decrease of 2.6% from the previous corresponding period)

DIRECT DAIRY EXPORTS

∨ 0.9

million tonnes (a decrease of 3.2% from the previous corresponding period)

¹ TEUs = twenty foot equivalent units, a standard measure of shipping containers.

REVIEW

Chair and Chief Executive's Review

Port of Tauranga has produced a strong first half trading result with increases in containers handled and transshipment volumes.

Total trade decreased slightly by 2.5% to 12.7 million tonnes for the six months ended 2021. However, container volumes increased 2.5% to 637,728 TEUs. Transshipment (when a container is transferred from one ship to another at Tauranga) increased 21.7%.

Once again, Port of Tauranga's diverse cargoes and income streams have helped the company to weather the significant challenges wrought by supply chain congestion and increased operating costs.

Covid-19 remains prevalent in the community. However there were few operational impacts from illness during the most recent wave. More troubling has been the weather, particularly during the summer months, causing delays in cargo operations and slowing down projects such as our Ruakura Inland Port development in Hamilton. The full impact of Cyclone Gabrielle is as yet unknown.

On a positive note, from October 2022 we welcomed the return of cruise ships to Bay of Plenty waters. Just under 100 cruise ships are expected over the summer (weather permitting), compared with the record 116 visits in the 2018/2019 summer.

Financial results

Operating revenue increased 13.9% to \$211.9 million for the six months to December 2022, due to increases in container volumes and transshipment and the return of cruise ships after a two and a half year hiatus.

Lingering congestion and associated costs have been mitigated through charges implemented to incentivise smooth cargo flows and avoid excess dwell time for containers in the terminal.

Operating expenses increased 17.6% due to increased labour, equipment and property maintenance and fuel costs.

Subsidiary and Associate Company earnings were flat compared with the same period last year, increasing 0.6%.

The country's largest exporter, Kotahi, has reinforced its commitment to Timaru Container Terminal by renewing its export cargo volume agreement



Leonard Sampson
Chief Executive

REVIEW

Chair and Chief Executive’s Review

through to 2030. The 30,000-TEU a year agreement will enable further investment in maintenance and upgrades, giving exporters confidence in the capability of Timaru Container Terminal for the next eight years.

The Port of Tauranga Board of Directors has declared a fully imputed

interim dividend of 6.8 cents per share, a 4.6% increase on the previous corresponding period.

Cargo trends

Log exports decreased by 2.6% to just over 3.0 million tonnes for the six month period as a result of soft international pricing and strong domestic demand.

Direct dairy exports decreased 3.2%, dipping to 0.9 million tonnes. However, transhipped dairy exports increased significantly.

Direct kiwifruit export volumes were down significantly, by 30.7%, due to issues with fruit quality.

Ship visits increased 2.5% to 701 over the six month period.

Berth extension urgently needed

The Environment Court hearing to consider the resource consent application for our planned berth extension is due to begin on 27 February.

The container berth extension has been included in the Regional Coastal Environment Plan since 2003 and detailed planning began in 2019. It involves converting cargo storage land to the south of the existing wharves to create an additional berth.

The project is becoming increasingly urgent, especially given the two-year construction timeframe.

Port of Tauranga and major shippers believe the development is critical for New Zealand’s supply chain. Current supply chain bottlenecks and the ongoing trend towards larger container vessels mean that the existing container terminal is likely to reach capacity in the next few years.

The lengthy regulatory process is frustrating and costly. It is essential that we can proceed with this development as soon as possible to provide resilient port capacity for New Zealand’s importers and exporters.

Inland port to increase capacity

Civil works are expected to be completed next month for Port of Tauranga’s joint venture with Tainui Group Holdings, Ruakura Inland Port.

The inland port, at the Ruakura Superhub logistics and industrial complex a few kilometres from central Hamilton, will increase capacity, relieve congestion, and give Waikato-based shippers easy rail access to the “big ship” container

The inland port, being developed at the Ruakura Superhub industrial complex near central Hamilton, will increase capacity, relieve congestion, and give Waikato-based shippers rail access to the “big ship” container services calling at Tauranga.

services calling at Tauranga. Bigger ships are more efficient and produce fewer carbon emissions per container, especially when combined with rail.

The inland port will help us manage cargo flows and reduce storage times at the Tauranga Container Terminal.

Following delays due to poor weather, equipment is now being installed at the nine-hectare first stage of the inland port and it will open to container traffic in the next few months. Future development will see it grow to around 30 hectares.



Pictured left: Ruakura Superhub, with the inland port visible on the right

REVIEW

Chair and Chief Executive’s Review

Container terminal congestion continues

Intermittent delays and congestion continue to plague the Tauranga Container Terminal as container vessels continue to arrive off schedule. Vessel bunching has resulted in ships waiting at anchor and surges of container volumes, putting pressure on rail capacity and terminal efficiency.

With the cooperation of other New Zealand ports, we will reinstate proforma berthing windows in March 2023. This will allow us to improve terminal productivity and efficiency and avoid cargo delays.

New equipment arriving soon

Weather permitting, we expect to take possession of our new pilot launch in March.

The *Troy Evans*, named after the late pilot and tugmaster, is being built by Hart Marine in Australia.

Port of Tauranga has ordered four new hybrid straddle carriers, and eight second-hand straddle carriers in its ongoing quest to improve the fuel efficiency of its fleet and reduce carbon emissions.

Port of Tauranga also plans to purchase a new gantry crane to replace its oldest model. The replacement crane is due

We will reinstate proforma berthing windows in March 2023. This will allow us to improve terminal productivity and efficiency and avoid cargo delays.

to be delivered in 2024. Additional cranes will be ordered for the container berth extension once approved.

Outlook for 2023

The outlook for the second half of the 2023 financial year remains uncertain, with predictions of a looming recession and the ongoing conflict in Ukraine causing widespread disruption.

A derailment on the train line between Kawerau and Port of Tauranga (during the storm of late January) may have an impact on annual log export volumes, depending on the timeframe for repairs. Cyclone Gabrielle has also caused widespread infrastructure damage in Auckland, Coromandel, the Bay of Plenty, Tairāwhiti and Hawke’s Bay, placing pressure on the construction industry during the repair phase and again demonstrating the need for greater resilience.

While the full extent of cyclone damage is not yet understood, it is likely that it will have an impact on horticultural and primary produce volumes, with local kiwifruit already impacted by a heavy frost in October that damaged vines.

We expect a return to shipping schedule reliability in New Zealand waters over the next few months to achieve improved productivity within the container terminal by the end of the financial year.



The new Port of Tauranga Rescue Centre is a regional surf life saving hub.



Julia Hoare
Chair

Compliance costs continue to rise, particularly those attached to climate change and environmental protection, and labour shortages still affect most sectors. Following the renegotiation of contracts with KiwiRail, Port of Tauranga is facing a significant increase in rail costs.

Based on the first half performance, we expect full year earnings to be between \$117 million and \$124 million (compared with \$111.3 million in the 2022 financial year).

Ngā mihi nui

Julia Hoare
Chair

Leonard Sampson
Chief Executive

NEWS

Berth extension application goes to Environment Court

Port of Tauranga's long-planned container berth extension will be considered by the Environment Court in a rescheduled resource consent hearing from 27 February.

The project is critical to ensuring New Zealand has the export capacity it needs in coming years.

The resource consent application was lodged in May 2021 and the hearing was postponed from July last year after some parties contracted Covid. While the application is for a total of 380 metres of additional berth, the first and most urgent stage is a 220 metre extension to the 770 metres of existing container wharves at Sulphur Point. The new berth will be created by converting existing container storage space.



The extension will be complemented by the planned investment in automated stacking cranes (ASCs).

A Request for Tender has been released to five vendors with a mid-2023 deadline. We have also commenced recruitment for key project positions in management, operations, technology and safety.

Automated stacking cranes will enable Port of Tauranga to intensify storage capacity within the existing footprint, improve throughput, improve safety and reduce fuel consumption. As they are fully electric, it will also help us reduce carbon emissions per container. The Port has already undertaken an \$11 million electricity infrastructure upgrade in anticipation of the development.

The ASCs will be served by hybrid straddle carriers running between the container stack and the gantry cranes loading and unloading from ships at the new berth.

Port of Tauranga handles around 42% of all containers coming in and out of New Zealand, so an efficient terminal at Tauranga is vital for the export-driven New Zealand economy.



Tauranga Container Terminal, showing berth extension area bottom right.

NEWS

Avoiding nuisance dust at bulk cargo wharves



Stormwater sampling at the Mount Maunganui wharves.

New wind fences, more sweeping and improved cargo handling has had a big impact on fine dust at the Mount Maunganui wharves.

■ Hundreds of metres of additional wind barriers have been installed to slow wind speeds and allow dust to settle, where it is swept up by one of the sweeper trucks operating on the wharves seven days a week.

Sweeping has increased five-fold since 2017. Bark collected from the wharves is recycled into gardening products at a giant composting facility near Matamata.

We also have wind limits on certain dust-generating activities and water suppression is used on bark collection equipment. Concrete barriers keep unnecessary traffic out of dusty areas.

Dust performance indicators have shown a 16% reduction since 2020*.

There are currently 10 air quality monitors in the Mount Maunganui industrial area, with plans to extend monitoring into nearby residential areas in 2023.

While dust levels from port activities are currently complying with the National Environmental Standard for Air Quality, we continue to find ways to decrease dust generation and avoid nuisance for our close neighbours.

**As measured at the PM¹⁰ monitoring station 'Mount Maunganui at Railyard South' during dry conditions at times when the Mount Maunganui wharves are upwind of the monitor. Pictured right: wind fences.*



Interim Consolidated Financial Statements

For the six months ended 31 December 2022
Port of Tauranga Limited and Subsidiaries

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PORT OF TAURANGA LIMITED AND SUBSIDIARIES

Consolidated Income Statement

for the six months ended 31 December 2022

	(Unaudited) Six Months Ended 31 December 2022 Group NZ\$000	(Unaudited) Six Months Ended 31 December 2021 Group NZ\$000	(Audited) Year Ended 30 June 2022 Group NZ\$000
Total operating revenue (refer note 6)	211,924	186,030	375,288
Contracted services for port operations	(48,121)	(41,628)	(84,796)
Employee benefit expenses	(26,587)	(23,121)	(46,790)
Direct fuel and power expenses	(9,883)	(6,150)	(14,494)
Maintenance of property, plant and equipment	(7,177)	(6,521)	(12,895)
Other expenses	(12,441)	(11,207)	(23,236)
Operating expenses	(104,209)	(88,627)	(182,211)
Results from operating activities	107,715	97,403	193,077
Depreciation and amortisation	(19,676)	(19,039)	(36,657)
Impairment of property, plant and equipment on revaluation	0	0	(1,445)
	(19,676)	(19,039)	(38,102)
Operating profit before finance costs, share of profit from Equity Accounted Investees and taxation	88,039	78,364	154,975
Finance income	263	37	287
Finance expenses (refer note 7)	(9,240)	(8,164)	(16,452)
Net finance costs	(8,977)	(8,127)	(16,165)
Share of profit from Equity Accounted Investees	6,000	5,954	11,586
	6,000	5,954	11,586
Profit before income tax	85,062	76,191	150,396
Income tax expense	(22,337)	(19,850)	(39,079)
Profit for the period	62,725	56,341	111,317
Basic earnings per share (cents)	9.3	8.4	16.5
Diluted earnings per share (cents)	9.2	8.3	16.4

These statements are to be read in conjunction with the notes on pages 14 to 18.

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

Consolidated Statement of Comprehensive Income

for the six months ended 31 December 2022

	(Unaudited) Six Months Ended 31 December 2022 Group NZ\$000	(Unaudited) Six Months Ended 31 December 2021 Group NZ\$000	(Audited) Year Ended 30 June 2022 Group NZ\$000
Profit for the period	62,725	56,341	111,317
Other comprehensive income			
Items that are or may be reclassified to profit or loss:			
Cash flow hedge – changes in fair value	3,693	8,005	15,165
Cash flow hedge – reclassified to profit or loss	186	1,826	4,382
Share of net change in cash flow hedge reserves of Equity Accounted Investees	272	432	862
Items that will never be reclassified to profit or loss:			
Asset revaluation, net of tax	0	0	625,137
Share of net change in revaluation reserves of Equity Accounted Investees	3,653	22	13,865
Total other comprehensive income	7,804	10,285	659,411
Total comprehensive income	70,529	66,626	770,728

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

Consolidated Statement of Changes in Equity

for the six months ended 31 December 2022

	Share Capital Group NZ\$000	Share Based Payment Reserve Group NZ\$000	Hedging Reserve Group NZ\$000	Revaluation Reserve Group NZ\$000	Retained Earnings Group NZ\$000	Total Equity Group NZ\$000
Balance at 30 June 2021	74,920	2,412	(11,358)	1,253,107	77,887	1,396,968
Profit for the period	0	0	0	0	56,341	56,341
Total other comprehensive income	0	0	10,263	22	0	10,285
Total comprehensive income	0	0	10,263	22	56,341	66,626
Decrease in share capital	(16)	0	0	0	0	(16)
Dividends paid during the period	0	0	0	0	(51,023)	(51,023)
Equity settled share based payment accrual	0	833	0	0	0	833
Shares issued upon vesting of management long term incentive plan	271	(229)	0	0	(42)	0
Total transactions with owners in their capacity as owners	255	604	0	0	(51,065)	(50,206)
Balance at 31 December 2021	75,175	3,016	(1,095)	1,253,129	83,163	1,413,388
Profit for the period	0	0	0	0	54,976	54,976
Total other comprehensive income	0	0	10,146	638,980	0	649,126
Total comprehensive income	0	0	10,146	638,980	54,976	704,102
Decrease in share capital	(21)	0	0	0	0	(21)
Dividends paid during the period	0	0	0	0	(44,219)	(44,219)
Equity settled share based payment accrual	0	1,188	0	0	0	1,188
Total transactions with owners in their capacity as owners	(21)	1,188	10,146	638,980	10,757	661,050
Balance at 30 June 2022	75,154	4,204	9,051	1,892,109	93,920	2,074,438
Profit for the period	0	0	0	0	62,725	62,725
Total other comprehensive income	0	0	4,151	3,653	0	7,804
Total comprehensive income	0	0	4,151	3,653	62,725	70,529
Increase in share capital	(12)	0	0	0	0	(12)
Dividends paid during the period	0	0	0	0	(55,790)	(55,790)
Equity settled share based payment accrual	0	755	0	0	0	755
Shares issued upon vesting of management long term incentive plan	278	(280)	0	0	2	0
Total transactions with owners in their capacity as owners	266	475	4,151	3,653	6,937	15,482
Balance at 31 December 2022	75,420	4,679	13,202	1,895,762	100,857	2,089,920

These statements are to be read in conjunction with the notes on pages 14 to 18.

PORT OF TAURANGA LIMITED AND SUBSIDIARIES
Consolidated Statement of Financial Position
as at 31 December 2022

	(Unaudited) 31 December 2022 Group NZ\$000	(Unaudited) 31 December 2021 Group NZ\$000	(Audited) 30 June 2022 Group NZ\$000
Assets			
Property, plant and equipment	2,391,970	1,747,630	2,392,996
Right-of-use assets	38,709	39,788	39,367
Intangible assets	22,222	23,590	23,008
Investments in Equity Accounted Investees	204,405	168,658	186,050
Receivables and prepayments	19,683	17,350	18,612
Derivative financial instruments	17,407	0	11,957
Total non current assets	2,694,396	1,997,016	2,671,990
Cash and cash equivalents	30,744	15,163	7,272
Receivables and prepayments	71,799	59,341	61,901
Inventories	2,088	1,337	2,013
Derivative financial instruments	255	123	350
Total current assets	104,886	75,964	71,536
Total assets	2,799,282	2,072,980	2,743,526
Equity			
Share capital	75,420	75,175	75,154
Share based payment reserve	4,679	3,016	4,204
Hedging reserve	13,202	(1,095)	9,051
Revaluation reserve	1,895,762	1,253,129	1,892,109
Retained earnings	100,857	83,163	93,920
Total equity	2,089,920	1,413,388	2,074,438

	(Unaudited) 31 December 2022 Group NZ\$000	(Unaudited) 31 December 2021 Group NZ\$000	(Audited) 30 June 2022 Group NZ\$000
Liabilities			
Loans and borrowings (refer note 10)	309,221	320,000	317,472
Derivative financial instruments	10,646	671	7,403
Employee benefits	1,585	2,374	1,627
Deferred tax liabilities	116,182	89,320	115,948
Lease liabilities	40,260	40,676	40,611
Contingent consideration	161	2,710	2,688
Total non current liabilities	478,055	455,751	485,749
Loans and borrowings (refer note 10)	180,000	155,000	125,000
Derivative financial instruments	0	671	67
Trade and other payables	37,863	37,424	38,979
Revenue received in advance	1,116	209	1,039
Employee benefits	2,475	2,042	3,350
Income tax payable	8,714	7,296	13,760
Lease liabilities	812	773	776
Contingent consideration	327	426	368
Total current liabilities	231,307	203,841	183,339
Total liabilities	709,362	659,592	669,088
Total equity and liabilities	2,799,282	2,072,980	2,743,526
Net tangible assets per share (dollars per share)	3.07	2.06	3.05

These statements are to be read in conjunction with the notes on pages 14 to 18.

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

Consolidated Statement of Cash Flows

for the six months ended 31 December 2022

	(Unaudited) Six Months Ended 31 December 2022 Group NZ\$000	(Unaudited) Six Months Ended 31 December 2021 Group NZ\$000	(Audited) Year Ended 30 June 2022 Group NZ\$000
Cash flows from operating activities			
Receipts from customers	208,931	198,765	389,632
Interest received	199	31	156
Payments to suppliers and employees	(111,718)	(96,611)	(191,893)
Taxes paid	(28,815)	(22,697)	(35,526)
Interest paid	(9,630)	(8,378)	(17,120)
Net cash inflow from operating activities	58,967	71,110	145,249
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	39	18	33
Dividends from Equity Accounted Investees	6,020	7,263	10,763
Purchase of property, plant and equipment	(18,386)	(8,130)	(21,345)
Purchase of intangible assets	0	(106)	(135)
Interest capitalised on property, plant and equipment	(94)	(37)	(102)
Capital contribution to Equity Accounted Investees (refer note 13)	(14,450)	(1,500)	(2,850)
Payment of contingent consideration	(2,700)	0	(488)
Total net cash used in investing activities	(29,571)	(2,492)	(14,124)
Cash flows from financing activities			
Proceeds from borrowings	55,180	100,111	100,308
Repayment of borrowings	(5,000)	(110,000)	(135,000)
Repurchase of shares	0	0	(931)
Repayment of lease liability	(314)	(429)	(874)
Dividends paid	(55,790)	(51,023)	(95,242)
Net cash used in financing activities	(5,924)	(61,341)	(131,739)
Net increase/(decrease) in cash held	23,472	7,277	(614)
Add opening cash brought forward	7,272	7,886	7,886
Ending cash and cash equivalents	30,744	15,163	7,272

These statements are to be read in conjunction with the notes on pages 14 to 18.

	(Unaudited) Six Months Ended 31 December 2022 Group NZ\$000	(Unaudited) Six Months Ended 31 December 2021 Group NZ\$000	(Audited) Year Ended 30 June 2022 Group NZ\$000
RECONCILIATION OF PROFIT FOR THE PERIOD TO CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period	62,725	56,341	111,317
Adjustments for non cash and non operating items			
Depreciation and amortisation expense	19,676	19,039	36,657
Decrease in deferred taxation expense	(1,431)	(173)	(193)
Share of surpluses retained by Equity Accounted Investees	(6,000)	(5,954)	(11,586)
Other	1,201	883	3,570
	13,446	13,795	28,448
Add/(less) movements in working capital	(17,204)	974	5,484
Net cash flows from operating activities	58,967	71,110	145,249

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

Notes to the Interim Consolidated Financial Statements

for the six months ended 31 December 2022

1 REPORTING ENTITY

Port of Tauranga Limited (the Parent Company) is a company incorporated and domiciled in New Zealand, registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange (NZX). It is an FMC reporting entity for the purposes of the Financial Markets Conduct Act 2013. The Parent Company, which is designated as profit-oriented for financial reporting purposes, is an issuer in terms of the Financial Reporting Act 2013.

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

2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and New Zealand International Accounting Standard (NZ IAS) 34 Interim Financial Reporting. They do not include all information required for full annual financial statements and should be read in conjunction with the annual financial statements and related notes included in Port of Tauranga Limited's Integrated Annual Report for the year ended 30 June 2022.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2022.

4 ACCOUNTING ESTIMATES AND JUDGEMENTS

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

In preparing these financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty, were the same as those applied to the Group's consolidated financial statements for the year ended 30 June 2022.

5 SEGMENT INFORMATION

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

The Group operates in three main reportable segments, being:

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

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

The remaining activities of the Group are not allocated to individual business segments.

The Group operates in one geographical area, that being New Zealand.

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

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

Notes to the Interim Consolidated Financial Statements

for the six months ended 31 December 2022

5 SEGMENT INFORMATION (CONTINUED)

	Port Operations Group NZ\$000	Property Services Group NZ\$000	Terminal Services Group NZ\$000	Unallocated ⁽¹⁾ Group NZ\$000	Inter Segment Group NZ\$000	Group NZ\$000
Six Months Ended 31 December 2022						
Revenue (external)	192,745	18,099	568	0	0	211,412
Inter segment revenue	3	83	10,194	0	(10,280)	0
Total segment revenue	192,748	18,182	10,762	0	(10,280)	211,412
Other income and expenditure:						
Share of profit from Equity Accounted Investees	0	0	0	6,000	0	6,000
Interest income	0	0	0	263	0	263
Other income	0	0	0	704	(225)	479
Interest expense	0	0	0	(9,240)	0	(9,240)
Depreciation and amortisation expense	0	0	(491)	(19,185)	0	(19,676)
Other unallocated expenditure	0	0	(8,090)	(106,591)	10,505	(104,176)
Income tax expense	0	0	(611)	(21,726)	0	(22,337)
Total other income and expenditure	0	0	(9,192)	(149,775)	10,280	(148,687)
Total segment result	192,748	18,182	1,570	(149,775)	0	62,725
Six Months Ended 31 December 2021						
Revenue (external)	168,252	16,248	1,294	0	0	185,794
Inter segment revenue	0	79	9,573	0	(9,652)	0
Total segment revenue	168,252	16,327	10,867	0	(9,652)	185,794
Other income and expenditure:						
Share of profit from Equity Accounted Investees	0	0	0	5,954	0	5,954
Interest income	0	0	0	37	0	37
Other income	0	0	0	461	(225)	236
Interest expense	0	0	0	(8,164)	0	(8,164)
Depreciation and amortisation expense	0	0	(516)	(18,523)	0	(19,039)
Other unallocated expenditure	0	0	(8,030)	(90,474)	9,877	(88,627)
Income tax expense	0	0	(629)	(19,221)	0	(19,850)
Total other income and expenditure	0	0	(9,175)	(129,930)	9,652	(129,453)
Total segment result	168,252	16,327	1,692	(129,930)	0	56,341

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

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

Notes to the Interim Consolidated Financial Statements

for the six months ended 31 December 2022

6 OPERATING REVENUE

	Six Months Ended 31 December 2022 Group NZ\$000	Six Months Ended 31 December 2021 Group NZ\$000
Revenue from contracts with customers		
Container terminal revenue	137,583	117,666
Multi cargo revenue	32,559	31,943
Marine services revenue	23,204	19,937
	193,346	169,546
Other revenue		
Rental revenue	18,099	16,248
Other income	479	236
Total operating revenue	211,924	186,030

7 FINANCE EXPENSES

	Six Months Ended 31 December 2022 Group NZ\$000	Six Months Ended 31 December 2021 Group NZ\$000
Interest expense on borrowings	8,287	7,116
Less:		
Interest capitalised to property, plant and equipment	(94)	(37)
	8,193	7,079
Interest expense on lease liabilities	1,027	1,042
Amortisation of interest rate collar premium	20	43
Total finance expenses	9,240	8,164

8 DIVIDENDS

The following dividends were paid by the Group:

	Six Months Ended 31 December 2022 Group NZ\$000	Six Months Ended 31 December 2021 Group NZ\$000
Final dividend of 8.2 cents per share (2021: 7.5 cents per share)	55,790	51,023
Total dividends paid	55,790	51,023

9 PROPERTY, PLANT AND EQUIPMENT

Acquisitions and Disposals

During the six months ended 31 December 2022, the Group acquired assets with a cost of \$17.185 million and disposed of assets with a carrying value of \$0.008 million.

10 LOANS AND BORROWINGS

	31 December 2022 Carrying Value Group NZ\$000	31 December 2021 Carrying Value Group NZ\$000
Commercial papers	180,000	155,000
Standby revolving cash advance facility	120,000	120,000
Fixed rate bonds	189,221	200,000
Total loans and borrowings	489,221	475,000
Current	180,000	155,000
Non current	309,221	320,000
Total loans and borrowings	489,221	475,000

As at 31 December 2022 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 \$260 million (2021: \$260 million) of term standby revolving cash advance facility remains undrawn.

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

Notes to the Interim Consolidated Financial Statements

for the six months ended 31 December 2022

11 LEASES

During the six months ended 31 December 2022, the Group had \$0.075 million right-of-use assets additions (2021: nil) and a \$0.075 million increase to lease liabilities (2021: nil). There have been no disposals or reductions in the right-of-use assets (2021: nil).

12 RELATED PARTY TRANSACTIONS AND BALANCES

Related party transactions and balances with related parties:

	Six Months Ended 31 December 2022 NZ\$000	Six Months Ended 31 December 2021 NZ\$000
Transactions with Equity Accounted Investees		
Services provided to Port of Tauranga Limited	270	250
Services provided by Port of Tauranga Limited	2,148	2,488
Accounts receivable by Port of Tauranga Limited	42	143
Accounts payable by Port of Tauranga Limited	53	46
Advances by Port of Tauranga Limited	1,400	1,400
Services provided to Quality Marshalling (Mount Maunganui) Limited	0	1
Services provided by Quality Marshalling (Mount Maunganui) Limited	160	553
Accounts receivable by Quality Marshalling (Mount Maunganui) Limited	42	33
Services provided to Timaru Container Terminal Limited	1,414	1,545
Services provided by Timaru Container Terminal Limited	74	103
Accounts receivable by Timaru Container Terminal Limited	0	12
Accounts payable by Timaru Container Terminal Limited	184	104

During the six months ended 31 December 2022, the Group entered into transactions with companies in which Group Directors hold directorships. These directorships have not resulted in the Group having significant influence or control over the operations, policies, or key decisions of these companies.

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

Controlling Entity

Quayside Securities Limited owns 54.14% (as at 31 December 2021: 54.14%) of the issued ordinary shares in Port of Tauranga Limited.

Quayside Securities Limited is beneficially owned by Bay of Plenty Regional Council, the Ultimate Controlling Party. Transactions with the Ultimate Controlling Party during the period include services provided to Port of Tauranga Limited \$0.211 million (six months ended 31 December 2021: \$0.041 million).

12 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)**Transactions with Key Management Personnel**

The Group does not provide any non cash benefits to Directors in addition to their Directors' fees.

	Six Months Ended 31 December 2022 Group NZ\$000	Six Months Ended 31 December 2021 Group NZ\$000
Directors		
Directors' fees recognised during the period	447	385
Executive Officers		
Salaries and short term employee benefits recognised during the period	2,023	1,924
Share based payments recognised during the period	343	100

13 COMMITMENTS

	Six Months Ended 31 December 2022 Group NZ\$000	Six Months Ended 31 December 2021 Group NZ\$000
Capital commitments		
Estimated capital commitments for the Group contracted for at the reporting date but not provided for	18,325	31,593

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

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

The Parent Company has committed capital of \$25.000 million to fund the development of the inland port and as at 31 December 2022 \$17.300 million (31 December 2021: \$1.500 million) has been paid.

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

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

Notes to the Interim Consolidated Financial Statements

for the six months ended 31 December 2022

14 FINANCIAL INSTRUMENTS

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

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

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

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

15 SUBSEQUENT EVENTS

An interim dividend of 6.8 cents per share has been declared subsequent to reporting date.

Independent Review Report



To the shareholders of Port of Tauranga Limited

The Auditor-General is the auditor of Port of Tauranga Limited, its subsidiaries and the Group's interest in equity accounted investees (together the "Group"). The Auditor-General has appointed me, Brent Manning, using the staff and resources of KPMG to carry out the review of the interim consolidated financial statements of the Group on his behalf.

Report on the interim consolidated financial statements

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim consolidated financial statements on pages 10 to 18 do not:

- i. present fairly in all material respects the Group's financial position as at 31 December 2022 and its financial performance and cash flows for the 6 month period ended on that date; and
- ii. comply with NZ IAS 34 Interim Financial Reporting.

We have completed a review of the accompanying interim consolidated financial statements which comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated income statement, statements of other comprehensive income, changes in equity and cash flows for the six month period then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for conclusion

A review of interim consolidated financial statements in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* ("NZ SRE 2410") is a limited assurance engagement. The auditor performs procedures, consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

As the auditor of Port of Tauranga Limited, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

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



Use of this Independent Review Report

This report is made solely to the Shareholders as a body. Our review work has been undertaken so that we might state to the Shareholders those matters we are required to state to them in the Independent Review Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Shareholders as a body for our review work, this report, or any of the opinions we have formed.



Responsibilities of the Directors for the interim consolidated financial statements

The Directors, on behalf of the group, are responsible for:

- the preparation and fair presentation of the interim consolidated financial statements in accordance with NZ IAS 34 Interim Financial Reporting;
- implementing necessary internal control to enable the preparation of interim consolidated financial statements that are fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's Responsibilities for the review of the interim consolidated financial statements

Our responsibility is to express a conclusion on the interim financial statements based on our review. We conducted our review in accordance with NZ SRE 2410. NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with NZ IAS 34 Interim Financial Reporting.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly, we do not express an audit opinion on these interim consolidated financial statements.

This description forms part of our Independent Review Report.

Brent Manning
KPMG

On behalf of the Auditor-General
Tauranga, New Zealand
23 February 2023

Company Directory

DIRECTORS

D A Pilkington*
 J C Hoare, Chair**
 A M Andrew
 D J Bracewell
 K R Ellis***
 A R Lawrence
 D W Leeder
 Sir Robert McLeod KNZM
 J B Stevens****

*Resigned from Board (was Chair) effective 31 July 2022

**Appointed Chair 1 August 2022

***Resigned from the Board 28 October 2022

****Appointed to the Board 1 August 2022

EXECUTIVE

L E Sampson
Chief Executive
 M J Dyer
GM Corporate Services
 B J Hamill
GM Commercial
 S R Kebbell
Chief Financial Officer
 P M Kirk
GM Group Health & Safety
 D A Kneebone
GM Property & Infrastructure
 R A Lockley
GM Communications

REGISTERED OFFICE

Salisbury Avenue
 Mount Maunganui
 Private Bag 12504
 Tauranga Mail Centre
 Tauranga 3143
 New Zealand
 Telephone 07 572 8899
 Email marketing@port-tauranga.co.nz
 Website www.port-tauranga.co.nz

AUDITORS

KPMG
 Tauranga
 (On behalf of the Auditor-General)

SOLICITORS

Holland Beckett Law
 Tauranga

BANKERS

ANZ Bank New Zealand Limited
 Bank of New Zealand
 Commonwealth Bank of Australia
 MUFG Bank, Limited

CREDIT RATING AGENCY

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

SHARE REGISTRY

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

Link Market Services Limited
 PO Box 91976
 Victoria Street West
 Auckland 1142
 New Zealand
 Telephone 09 375 5998
 Facsimile 09 375 5990
 Email enquiries@linkmarketservices.co.nz
 Website www.linkmarketservices.co.nz

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

FINANCIAL CALENDAR

24 March 2023	Interim dividend payment
30 June 2023	Financial year end
25 August 2023	Annual results announcement
6 October 2023	Final dividend payment
27 October 2023	Annual Meeting
29 February 2024	Half year results announcement