

*TESTING TIMES
REVEAL THE STRENGTH
AND RESILIENCE OF OUR
RELATIONSHIPS, OUR
PEOPLE AND OUR PORT.*

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*PORT OF
TAURANGA LIMITED –
MARKET UPDATE
FEBRUARY 2021*





FACILITATING THE MOST EFFICIENT AND SUSTAINABLE TRADE TO AND FROM NEW ZEALAND

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

It is the international freight 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.

In the first half of the 2021 financial year, Port of Tauranga's people and relationships continued to be tested

by the ongoing impacts of the Covid-19 pandemic and the supply chain congestion stemming from problems at Ports of Auckland.

Our systems, processes and practices have again proven to be strong and resilient, ensuring customers, shareholders and the community continue to receive wide-reaching benefits.

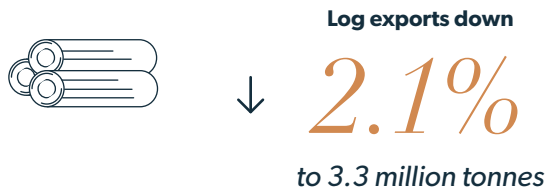
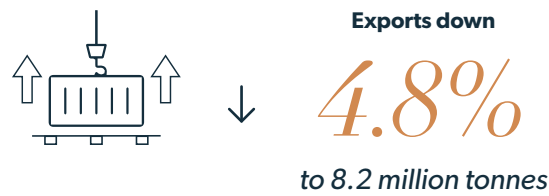
Port of Tauranga remains New Zealand's Port for the Future.

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OUR HIGHLIGHTS AND CHALLENGES

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020



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

Report from the Chair
and Chief Executive

RESILIENCE



Port of Tauranga improved profits despite widespread disruption to cargo volumes and port operations in the six months to December 2020.

The first half of the 2021 financial year saw trade volumes decrease 1.3% to 13.1 million tonnes and Group Net Profit After Tax increase 2.3% to \$49.4 million.

Container numbers decreased 4.6% to 612,988 TEUs and transhipped container numbers also decreased by 5.1% in TEUs. This was despite Port of Tauranga handling near record volumes of containers in the months of October and December.

Severe congestion at Ports of Auckland from September has had significant flow-on effects to Port of Tauranga and other parts of the supply chain.

Vessels and cargo have been diverted to Tauranga from Auckland, shipping has been subject to delays and cancellations, and the resulting container yard congestion slowed cargo throughput at the Tauranga Container Terminal and MetroPort Auckland.

The Port of Tauranga team, including service providers, have pulled out all the stops to accommodate diverted import and export cargoes, including urgent medical supplies. However, some cargo had to be refused because of the unavailability of additional trains and train drivers for the rail link between Tauranga and Auckland.

The average cargo exchange per container vessel was 21% higher in December 2020 compared with December 2019, due to the cargo bypassing Auckland.

Late arriving vessels have been slow to pick up exports, exacerbating container yard congestion. To keep cargo moving, Port of Tauranga has introduced penalties for shippers rolling cargo or leaving their containers on the wharf for excess time.

Subsidiary and Associate Company earnings increased 22.3% over the period, with strong performances from Northport and PrimePort Timaru.



Easing congestion in the supply chain

Covid-19 has had an impact on the global supply chain and economy and caused disruption across many cargo categories.

New Zealand’s ability to respond to this volatility has been hampered by the operational problems in other parts of the port network.

Port of Tauranga has plans to help ease congestion in the Upper North Island supply chain by increasing its container terminal capacity.

It has applied for the Covid-19 recovery fast-track consenting process for its proposed berth extension at the Tauranga Container Terminal. The fourth berth will be created by converting 220 metres of cargo storage land to the south of the existing wharves.

The \$68.5 million construction will create an estimated 368 jobs through the construction phase and more than 81 permanent jobs after completion. No Government funding is sought for the project.

The extension will be complemented by future investment in electric stacking cranes to increase the number of containers that can be handled on site.

Capacity will also be extended with the opening of the Ruakura Superhub inland port at Hamilton in 2022. The rail-connected hub is being developed in a partnership between Port of Tauranga and Tainui Group Holdings.

Financial results

Revenue increased 3.0% to \$159.5 million due to greater income from the container terminal and strong performances from Subsidiaries and Associates, which saw a 22.3% increase in earnings.

Overall operating costs increased 5.2%, which includes increased costs due to the ongoing impacts of the Covid-19 pandemic.

During the period, Port of Tauranga completed the acquisition of Kotahi Logistics’ 50% shareholding in Timaru Container Terminal. The terminal is now being operated by Port of Tauranga’s subsidiary, Quality Marshalling.

The Port of Tauranga Board has declared a fully imputed interim dividend of 6.0 cents per share, in line with the previous corresponding period.

Cargo trends

Log exports in the six months to December 2020 decreased 2.1% in volume. Sawn timber and wood panel exports decreased 16.8% in volume, while pulp and paper exports decreased 9.3% in volume.

Dairy exports decreased 10.8% in volume. Kiwifruit volumes were up 5.4%, while meat product exports increased 1.6%.

Oil product imports increased 12.1% in volume.

Fertiliser imports were down 17.1% in volume. Protein and feed imports increased 7.4% in volume. Grain imports remained steady.

Ship visits declined by 15.3% to 661 for the six month period. Although there were vessel diversions from Auckland, there were also delays, cancellations, and no cruise ship visits (down from 34 the previous corresponding period).



Testing our resilience

The skills and attitude of the team have once again provided Port of Tauranga with the strength and resilience to cope with the challenges thrown its way. Team members have done an amazing job in responding to very stressful and frustrating situations over the past year.

The Port's employees, contractors and service partners have focused on customer needs throughout the

disruption and uncertainty of the past 12 months. Since August, frontline workers have also had to endure the discomfort of regular Covid-19 testing in order to keep their families and community safe. We sincerely thank them for their commitment and cooperation.

Port of Tauranga has taken a lead role in the maritime border response to Covid-19, giving support to both Maritime NZ and the Ministry of Health in developing and implementing safety measures.



Outlook

The outlook for the second half of the 2021 financial year remains uncertain.

The Port of Tauranga team is confident that it is on top of the congestion issues at all locations. However, the challenges in other parts of the supply chain remain unresolved and it is unclear when they will be addressed.

Covid-19 precautions continue to impact costs as the safety of team members and the community are the top priority. The focus for the remainder of calendar year 2021 is the successful rollout of the Government's Covid-19 vaccination programme to port workers and their families.

The Board and management are confident that Port of Tauranga remains well positioned to tackle the challenges to come.

Port of Tauranga expects full year earnings to be between \$94 million and \$100 million (compared with \$90.0 million in the 2020 financial year).

David Pilkington
CHAIR



Covid-19 precautions continue to impact costs as the safety of team members and the community are the top priority.

Mark Cairns
CHIEF EXECUTIVE

NEW SYSTEMS AVOID TRUCK GRIDLOCK

Port of Tauranga's new truck exchange opened in January at the container terminal to speed up cargo deliveries and collections.

The new exchange, on the site of a demolished cargo shed at the north end of the terminal, has 10 lanes – double the previous exchange's lanes.

It works in tandem with a Vehicle Booking System implemented in April 2019 to speed up truck turnaround times and incentivise cargo movements outside of peak traffic periods.

Since the system was introduced, average turnaround times have been well under 20 minutes – although yard congestion in November stretched out average waiting times to around 30 minutes.



PORT TOURS BENEFIT HOSPICE

Port of Tauranga's popular summer port tours provided a much-needed boost to the coffers of Waipuna Hospice, one of our favourite local charities.

The Port donated the \$5 ticket price from the tours, conducted over two weeks in the second half of January by the popular in-house tour guide, Mike Bulloch.

There are plans to run a second tour season in the July school holidays to give the community another glimpse behind the scenes at the country's busiest port.



News

DUST SUPPRESSION MEASURES MEET SUCCESS

Port of Tauranga has identified the key sources of dust and the port activities and behaviours that can cause fine dust to become airborne.

Incentives for customers to reduce the risk of dust generation are proving effective. They include price differentials for de-barked logs and penalties for poor cargo handling.

The Port is also exploring and utilising technologies such as fine water misting on hoppers and storage shed entry points. All wharf and cargo storage areas are sealed to allow for increased pavement sweeping,

and recovered dust and debris is recycled wherever possible.

Some yard areas have been reconfigured to allow for better windbreak protection of higher-risk dusty activities, and windbreak fencing has been installed on port boundaries.

A current focus is traffic management, such as ensuring vehicles don't drive through dusty areas and reducing speed.



INTERIM ACCOUNTS

For the six months ended 31 December 2020
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 2020

	(Unaudited) Six Months Ended 31 December 2020 Group NZ\$000	(Unaudited) Six Months Ended 31 December 2019 Group NZ\$000	(Audited) Year Ended 30 June 2020 Group NZ\$000
Total operating revenue	159,456	154,774	301,985
Contracted services for port operations	(32,498)	(31,814)	(61,363)
Employee benefit expenses	(21,676)	(20,170)	(40,110)
Direct fuel and power expenses	(5,384)	(5,203)	(10,195)
Maintenance of property, plant and equipment	(7,241)	(6,834)	(11,543)
Other expenses	(8,609)	(7,678)	(16,547)
Operating expenses	(75,408)	(71,699)	(139,758)
Results from operating activities	84,048	83,075	162,227
Depreciation and amortisation	(16,512)	(14,669)	(29,746)
Reversal of previous revaluation deficit	0	0	175
	(16,512)	(14,669)	(29,571)
Operating profit before finance costs, share of profit from Equity Accounted Investees and taxation	67,536	68,406	132,656
Finance income	64	132	310
Finance expenses (refer note 7)	(8,527)	(9,763)	(18,840)
Net finance costs	(8,463)	(9,631)	(18,530)
Share of profit from Equity Accounted Investees	7,004	5,895	11,305
Impairment of investment in Equity Accounted Investees	0	0	(6,986)
	7,004	5,895	4,319
Profit before income tax	66,077	64,670	118,445
Income tax expense	(16,657)	(16,354)	(28,418)
Profit for the period	49,420	48,316	90,027
Basic earnings per share (cents)	7.4	7.2	13.4
Diluted earnings per share (cents)	7.3	7.1	13.2

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 2020

	(Unaudited) Six Months Ended 31 December 2020 Group NZ\$000	(Unaudited) Six Months Ended 31 December 2019 Group NZ\$000	(Audited) Year Ended 30 June 2020 Group NZ\$000
Profit for the period	49,420	48,316	90,027
Other comprehensive income			
Items that are or may be reclassified to profit or loss:			
Cash flow hedge – changes in fair value	1,424	210	(7,555)
Cash flow hedge – reclassified to profit or loss	1,551	851	2,341
Share of net change in cash flow hedge reserves of Equity Accounted Investees	195	96	(186)
	3,170	1,157	(5,400)
Items that will never be reclassified to profit or loss:			
Asset revaluation, net of tax	0	0	36,876
Share of net change in revaluation reserves of Equity Accounted Investees	(266)	543	216
	(266)	543	37,092
Total other comprehensive income	2,904	1,700	31,692
Total comprehensive income	52,324	50,016	121,719

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

	Share Capital Group NZ\$000	Share Based Payment Reserve Group NZ\$000	Hedging Reserve Group NZ\$000	Revaluation Reserve Group NZ\$000	Retained Earnings Group NZ\$000	Total Group NZ\$000
Balance at 30 June 2019	69,757	4,085	(16,975)	1,013,131	95,887	1,165,885
Profit for the period	0	0	0	0	48,316	48,316
Total other comprehensive income	0	0	1,157	543	0	1,700
Total comprehensive income	0	0	1,157	543	48,316	50,016
Increase in share capital	55	0	0	0	0	55
Dividends paid during the period (refer note 8)	0	0	0	0	(83,676)	(83,676)
Equity settled share based payment accrual	0	832	0	0	0	832
Shares issued upon vesting of management long term incentive plan	0	(1,103)	0	0	(141)	(1,244)
Total transactions with owners in their capacity as owners	55	(271)	0	0	(83,817)	(84,033)
Balance at 31 December 2019	69,812	3,814	(15,818)	1,013,674	60,386	1,131,868
Profit for the period	0	0	0	0	41,711	41,711
Total other comprehensive income	0	0	(6,557)	36,549	0	29,992
Total comprehensive income	0	0	(6,557)	36,549	41,711	71,703
Decrease in share capital	(760)	0	0	0	0	(760)
Dividends paid during the period (refer note 8)	0	0	0	0	(40,810)	(40,810)
Equity settled share based payment accrual	0	335	0	0	0	335
Shares issued upon vesting of management long term incentive plan	764	364	0	0	116	1,244
Total transactions with owners in their capacity as owners	4	699	0	0	(40,694)	(39,991)
Balance at 30 June 2020	69,816	4,513	(22,375)	1,050,223	61,403	1,163,580
Profit for the period	0	0	0	0	49,420	49,420
Total other comprehensive income	0	0	3,170	(266)	0	2,904
Total comprehensive income	0	0	3,170	(266)	49,420	52,324
Increase in share capital	733	0	0	0	0	733
Dividends paid during the period (refer note 8)	0	0	0	0	(43,537)	(43,537)
Equity settled share based payment accrual	0	1,465	0	0	0	1,465
Shares issued upon vesting of management long term incentive plan	415	(225)	0	0	(190)	0
Total transactions with owners in their capacity as owners	1,148	1,240	0	0	(43,727)	(41,339)
Balance at 31 December 2020	70,964	5,753	(19,205)	1,049,957	67,096	1,174,565

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 2020

	(Unaudited) 31 December 2020 Group NZ\$000	(Unaudited) 31 December 2019 Group NZ\$000	(Audited) 30 June 2020 Group NZ\$000
Assets			
Property, plant and equipment (refer note 10)	1,593,775	1,543,277	1,584,865
Right-of-use assets (refer note 12)	40,095	23,895	25,011
Intangible assets	24,173	18,737	18,979
Investments in Equity Accounted Investees	120,369	133,169	126,984
Receivables and prepayments	15,262	12	0
Total non current assets	1,793,674	1,719,090	1,755,839
Cash and cash equivalents	9,932	5,683	8,565
Receivables and prepayments	55,933	61,076	51,399
Inventories	1,365	855	1,383
Provision for tax	615	0	0
Total current assets	67,845	67,614	61,347
Total assets	1,861,519	1,786,704	1,817,186
Equity			
Share capital	70,964	69,812	69,816
Share based payment reserve	5,753	3,814	4,513
Hedging reserve	(19,205)	(15,818)	(22,375)
Revaluation reserve	1,049,957	1,013,674	1,050,223
Retained earnings	67,096	60,386	61,403
Total equity	1,174,565	1,131,868	1,163,580
Liabilities			
Loans and borrowings (refer note 11)	160,000	327,336	229,458
Derivative financial instruments	25,045	20,183	29,359
Employee benefits	2,707	1,828	3,157
Deferred tax liabilities	66,199	65,466	65,349
Lease liabilities (refer note 12)	40,265	23,702	24,810
Contingent consideration	2,796	0	0
Total non current liabilities	297,012	438,515	352,133

	(Unaudited) 31 December 2020 Group NZ\$000	(Unaudited) 31 December 2019 Group NZ\$000	(Audited) 30 June 2020 Group NZ\$000
Loans and borrowings (refer note 11)	355,000	175,000	259,000
Derivative financial instruments	223	431	0
Trade and other payables	31,302	33,891	32,066
Revenue received in advance	251	347	93
Employee benefits	1,881	1,386	724
Provision for tax	0	4,869	8,998
Lease liabilities (refer note 12)	938	397	592
Contingent consideration	347	0	0
Total current liabilities	389,942	216,321	301,473
Total liabilities	686,954	654,836	653,606
Total equity and liabilities	1,861,519	1,786,704	1,817,186
Net tangible assets per share (dollars per share)	1.71	1.66	1.70

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 2020

	(Unaudited) Six Months Ended 31 December 2020 Group NZ\$000	(Unaudited) Six Months Ended 31 December 2019 Group NZ\$000	(Audited) Year Ended 30 June 2020 Group NZ\$000
Cash flows from operating activities			
Receipts from customers	160,556	161,411	321,275
Interest received	62	132	273
Payments to suppliers and employees	(98,110)	(79,593)	(151,007)
Taxes paid	(26,817)	(23,252)	(35,293)
Interest paid	(8,387)	(8,888)	(18,111)
Net cash inflow from operating activities	27,304	49,810	117,137
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	8	31	68
Finance lease payments received, including interest	7	7	13
Repayment of advances from Equity Accounted Investees	680	0	0
Dividends from Equity Accounted Investees	6,136	6,096	10,096
Purchase of property, plant and equipment	(16,679)	(25,172)	(38,239)
Purchase of intangible assets	(4)	(347)	(587)
Interest capitalised on property, plant and equipment	(81)	(199)	(451)
Cash acquired as a part of business combinations	794	0	0
Total net cash used in investing activities	(9,139)	(19,584)	(29,100)
Cash flows from financing activities			
Proceeds from borrowings	121,085	156,128	130,265
Repurchase of shares	0	(716)	(716)
Repayment of borrowings	(94,000)	(100,000)	(88,004)
Repayment of lease liability	(346)	(182)	(434)
Dividends paid	(43,537)	(83,676)	(124,486)
Net cash used in financing activities	(16,798)	(28,446)	(83,375)
Net increase/(decrease) in cash held	1,367	1,780	4,662
Add opening cash brought forward	8,565	3,903	3,903
Ending cash and cash equivalents	9,932	5,683	8,565

	(Unaudited) Six Months Ended 31 December 2020 Group NZ\$000	(Unaudited) Six Months Ended 31 December 2019 Group NZ\$000	(Audited) Year Ended 30 June 2020 Group NZ\$000
RECONCILIATION OF PROFIT FOR THE PERIOD TO CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period	49,420	48,316	90,027
Adjustments for non cash and non operating items			
Depreciation and amortisation expense	16,512	14,669	29,746
Decrease in deferred taxation expense	(701)	(1,335)	(5,441)
Share of surpluses retained by Equity Accounted Investees	(7,004)	(5,895)	(11,305)
Impairment of investment in Equity Accounted Investees	0	0	6,986
Other	1,479	408	1,143
	10,286	7,847	21,129
Less movements in working capital	(32,402)	(6,353)	5,981
Net cash flows from operating activities	27,304	49,810	117,137

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

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

Notes to the Consolidated Interim Financial Statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

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 2020.

Covid-19

As an essential service provider, the Group continued operations during the 2020 Covid-19 response. During the six months ended 31 December 2020, Group revenues have not been adversely impacted by the resultant shut-downs and other social and economic disruptions. Certain group costs have increased due to inefficiencies resulting from global supply chain issues, although these are immaterial to the results of the Group.

Since 30 June 2020, Covid-19 has had no material impact on key assumptions used in valuing our property, plant and equipment, right-of-use assets and investment in Equity Accounted Investees.

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 2020.

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 2020.

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".

Notes to the Consolidated Interim Financial Statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

5 SEGMENT INFORMATION (CONTINUED)

	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
Six months ended 31 December 2020						
Revenue (external)	140,442	15,460	2,847	0	0	158,749
Inter segment revenue	907	34	6,606	0	(7,547)	0
Total segment revenue	141,349	15,494	9,453	0	(7,547)	158,749
Other income and expenditure:						
Share of profit from Equity Accounted Investees	0	0	0	7,004	0	7,004
Interest income	0	0	0	82	(18)	64
Other income	0	0	0	804	(97)	707
Interest expense	0	0	0	(8,545)	18	(8,527)
Depreciation and amortisation expense	(199)	0	(512)	(15,801)	0	(16,512)
Other unallocated expenditure	(1,707)	0	(6,769)	(74,576)	7,644	(75,408)
Income tax expense	(154)	0	(609)	(15,894)	0	(16,657)
Total other income and expenditure	(2,060)	0	(7,890)	(106,926)	7,547	(109,329)
Total segment result	139,289	15,494	1,563	(106,926)	0	49,420

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

	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
Six months ended 31 December 2019						
Revenue (external)	137,402	15,030	2,342	0	0	154,774
Inter segment revenue	0	48	6,374	0	(6,422)	0
Total segment revenue	137,402	15,078	8,716	0	(6,422)	154,774
Other income and expenditure:						
Share of profit from Equity Accounted Investees	0	0	0	5,895	0	5,895
Interest income	0	0	0	132	0	132
Interest expense	0	0	0	(9,699)	0	(9,699)
Depreciation and amortisation expense	0	0	(453)	(14,216)	0	(14,669)
Other unallocated expenditure	0	0	(6,416)	(71,769)	6,422	(71,763)
Income tax expense	0	0	(517)	(15,837)	0	(16,354)
Total other income and expenditure	0	0	(7,386)	(105,494)	6,422	(106,458)
Total segment result	137,402	15,078	1,330	(105,494)	0	48,316

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

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

Notes to the Consolidated Interim Financial Statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

6 OPERATING REVENUE

	Six Months Ended 31 December 2020 Group NZ\$000	Six Months Ended 31 December 2019 Group NZ\$000
Revenue from contracts with customers		
Container terminal revenue	95,454	90,631
Multi cargo revenue	29,839	28,109
Marine services revenue	17,996	20,380
	143,289	139,120
Other revenue		
Rental revenue	15,460	15,030
Other income	707	624
Total operating revenue	159,456	154,774

7 FINANCE EXPENSES

	Six Months Ended 31 December 2020 Group NZ\$000	Six Months Ended 31 December 2019 Group NZ\$000
Interest expense on borrowings	8,565	9,898
Less:		
Interest capitalised to property, plant and equipment	(81)	(199)
	8,484	9,699
Ineffective portion of changes in fair value of cash flow hedges	0	13
Amortisation of interest rate collar premium	43	43
Fair value movement on currency derivative	0	8
Total finance expenses	8,527	9,763

8 DIVIDENDS

The following dividends were paid by the Group:

	Six Months Ended 31 December 2020 Group NZ\$000	Six Months Ended 31 December 2019 Group NZ\$000
Final dividend of 6.4 cents per share (2019: 7.3 cents per share)	43,537	49,661
Special dividend of 0 cents per share (2019: 5.0 cents per share)	0	34,015
Total dividends paid	43,537	83,676

9 ACQUISITION OF REMAINING SHAREHOLDING IN TIMARU CONTAINER TERMINAL LIMITED

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

The following tables summarise the provisional acquisition accounting for this transaction. Due to this transaction occurring late in the period, the fair value work is yet to be finalised. The accounting treatment will be finalised in the 30 June 2021 financial statements.

	NZ\$000
Fair value of contingent consideration	3,143
Fair value of previously held 50.1% interest in Timaru Container Terminal Limited	7,431
Less fair value of identifiable net assets acquired	(5,089)
Total goodwill	5,485

	NZ\$000
Fair value of previously held 50.1% interest in Timaru Container Terminal Limited	7,431
Carrying amount of previously held equity accounted investment in Timaru Container Terminal Limited	(7,412)
Gain on disposal of previously held equity accounted investment in Timaru Container Terminal Limited	19

Notes to the Consolidated Interim Financial Statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

10 PROPERTY, PLANT AND EQUIPMENT**Acquisitions and Disposals**

During the six months ended 31 December 2020, the Group acquired assets with a cost of \$24.359 million (six months ended 31 December 2019: \$25.606 million). Included in the current year are \$7.579 million of assets acquired as part of business combinations.

11 LOANS AND BORROWINGS

	31 December 2020 Carrying Value Group NZ\$000	31 December 2019 Carrying Value Group NZ\$000
Commercial papers	200,000	170,000
Standby revolving cash advance facility	135,000	252,000
Fixed rate bonds	175,000	75,000
Multi option facility	5,000	5,000
Advances from employees	0	336
Total loans and borrowings	515,000	502,336
Current	355,000	175,000
Non current	160,000	327,336
Total loans and borrowings	515,000	502,336

As at 31 December 2020 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 \$345 million (2019: \$228 million) of term standby revolving cash advance facility remains undrawn.

12 LEASES

During the six months ended 31 December 2020, the Group had right-of-use assets additions of \$15.717 million (2019: nil) and increases to lease liabilities of \$16.204 million (2019: nil) which were all acquired as part of business combinations. There have been no disposals or reductions in the right-of-use assets (2019: nil).

13 RELATED PARTY TRANSACTIONS AND BALANCES

Related party transactions and balances with related parties:

	Six Months Ended 31 December 2020 Group NZ\$000	Six Months Ended 31 December 2019 Group NZ\$000
Transactions with Equity Accounted Investees		
Services provided to Port of Tauranga Limited	258	265
Services provided by Port of Tauranga Limited	2,229	2,904
Accounts receivable by Port of Tauranga Limited	96	373
Accounts payable by Port of Tauranga Limited	42	65
Advances by Port of Tauranga Limited	1,400	5,319
Services provided to Quality Marshalling (Mount Maunganui) Limited	21	14
Services provided by Quality Marshalling (Mount Maunganui) Limited	1,291	1,919
Accounts receivable by Quality Marshalling (Mount Maunganui) Limited	40	419
Accounts payable by Quality Marshalling (Mount Maunganui) Limited	0	2
Services provided to Timaru Container Terminal Limited	651	0
Accounts payable by Timaru Container Terminal Limited	235	0

During the six months ended 31 December 2020, 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 2019: 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 \$0.239 million (six months ended 31 December 2019: \$0.018 million).

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

Notes to the Consolidated Interim Financial Statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

13 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 2020 Group NZ\$000	Six Months Ended 31 December 2019 Group NZ\$000
Directors		
Directors' fees recognised during the period	429	382
Executive Officers		
Salaries and short term employee benefits recognised during the period	2,638	1,708
Share based payments recognised during the period	(21)	257

14 COMMITMENTS

	Six Months Ended 31 December 2020 Group NZ\$000	Six Months Ended 31 December 2019 Group NZ\$000
Capital commitments		
Estimated capital commitments for the Group contracted for at the reporting date but not provided for	25,000	3,270

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 2020 nothing has been provided for.

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

15 FINANCIAL INSTRUMENTS

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

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

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

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

16 SUBSEQUENT EVENTS

An interim dividend of 6.0 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 and its subsidiaries (the Group). The Auditor-General has appointed me, Brent Manning, using the staff and resources of KPMG to carry out the audit of the consolidated financial statements of the Group on his behalf.

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, in all material respects the Group's financial position as at 31 December 2020 and its financial performance and cash flows for the 6-month period ended on that date in compliance with NZ ISA 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 2020;
- the consolidated income statement, statements of other comprehensive income, changes in equity and cash flows for the 6-month period then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.

Basis for conclusion

A review of 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 is 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

The Auditor-General is the auditor of the Group pursuant to section 5(1)(f) and section 14 of the Public Audit Act 2001. Pursuant to section 32 of the Public Audit Act 2001, the Auditor-General has appointed me, Brent Manning, using the staff and resources of KPMG, to carry out the annual audit of the Group on his behalf.

Our responsibility is to express a conclusion on the 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 consolidated financial statements.

This description forms part of our Independent Review Report.

Brent Manning
KPMG

On behalf of the Auditor-General
Tauranga, New Zealand
25 February 2021

PORT OF TAURANGA LIMITED
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
 L E Sampson
Chief Operating Officer
 M J Dyer
Corporate Services Manager
 B J Hamill
Commercial Manager
 S R Kebbell
Chief Financial Officer
 P M Kirk
Group Health & Safety Manager
 D A Kneebone
Property & Infrastructure Manager
 R A Lockley
Communications Manager

REGISTERED OFFICE

Salisbury Avenue
 Mount Maunganui

Private Bag 12504
 Tauranga Mail Centre
 Tauranga 3143
 New Zealand

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

AUDITORS

KPMG
 Tauranga
 (On behalf of the Auditor-General)

SOLICITORS

Holland Beckett Law
 Tauranga

BANKERS

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

CREDIT RATING AGENCY

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

SHARE REGISTRY

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

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

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

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

FINANCIAL CALENDAR

26 March 2021	Interim dividend payment
30 June 2021	Financial year end
27 August 2021	Annual results announcement
1 October 2021	Final dividend payment
29 October 2021	Annual Meeting
25 February 2022	Half year results announcement