PORT OF TAURANGA

# Invested

## in New Zealand's future

Port of Tauranga Limited – Integrated Annual Report 2022


MAERSK LINE

# 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.

Throughout the Covid-19 pandemic, Port of Tauranga's people and processes have proven strong and resilient. We continue to invest in nationally significant infrastructure for the benefit of our customers, shareholders and communities. We are creating jobs and wealth for the Tauranga community, the wider Bay of Plenty region and beyond.

Port of Tauranga is connecting New Zealand and the world.

## TABLE OF CONTENTS

# Tauranga Moana

Port of Tauranga is invested in the wellbeing of the city, the harbour and its people. With an eye to the future, we invest in community assets, iconic events and education programmes. We strive to improve our own performance every day while keeping our people safe and protecting the environment in which we operate.

# Te Moana-a-Toi

## Bay of Plenty

The Bay of Plenty's fortunes are invested in the success of Port of Tauranga. The Port's presence attracts jobs, wealth and business opportunities for the Tauranga community, the broader region and beyond. Dividends from Port of Tauranga give the region a stable income and platform for growth.

# Aotearoa

## New Zealand

A highly efficient supply chain is vital to facilitate New Zealand's access to markets.

Port of Tauranga is invested in its role as the international hub port for the country. We are building assets, infrastructure and networks to provide the most efficient access to export customers globally and ensure vital cargoes reach their New Zealand destinations.

Port of Tauranga connects New Zealand and the world.

# Highlights and Challenges

**Year Ended 30 June 2022**

**GROUP NET PROFIT AFTER TAX**

$111.3

million (up 8.7% from $102.4million)

**TOTAL TRADE**

25.6

million tonnes (down 0.5% from 25.7 million tonnes)

**CONTAINER VOLUMES**

1.24

millionTEUs[1]
(a 3.4% increase)

**REVENUE**

$375.3

million (increased 10.9% from $338.3 million)

**IMPORTS**

9.7

million tonnes (increased 3.0% from 9.4 million tonnes)

**EXPORTS**

15.9

million tonnes (decreased 2.5% from 16.3 million tonnes)

**SHIP VISITS**

1,369

(increased 4.7% from 1,307)

**PORT TOURS**

1,500+

people hosted on port tours

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

**SUBSIDIARY AND ASSOCIATE COMPANY EARNINGS OF**

$15.0

million, down 16.2%

**FINAL DIVIDEND**

8.2 cents per share

(compared with 7.5 cents per share in 2021)

**TOTAL ORDINARY DIVIDEND**

14.7 cents per share

(compared with 13.5 cents per share)

**CONTAINER CRANE RATE**

32.1 moves per hour

(up from 29.7 moves per hour in 2021)

**CARBON EMISSIONS**

0.6%

reduction in intensity (cargo emissions per tonne)

**TOTAL RECORDABLE INJURY FREQUENCY RATE**

0 per million hours

worked (Port of Tauranga) and 26.6 per million hours worked (Port of Tauranga and contractors combined)

**SCHOLARSHIPS**

18

tertiary education scholarships awarded

**RUAKURA INLAND PORT**

2022

due to open late 2022

THE YEAR IN REVIEW:

## Chair and Chief Executive's Report to Shareholders

# Port of Tauranga has once again proven to be strong and resilient as we navigate the third year of the Covid-19 pandemic.

Widespread disruption still affects the international supply chain, and delays continue at other ports, resulting in ongoing congestion for our container terminal due to erratic cargo volumes.

While this led to increased revenue through storage charges, it put enormous pressure on our team and our service providers.

Vessels are still arriving "off window" and we are processing container vessels as they arrive. It will be challenging for us to return to peak efficiency until issues in other parts of the supply chain and the port network are resolved.

Labour shortages across all industries are exacerbating the situation. We are working with other port employers to ensure jobs are as attractive as possible and have updated our service contracts to ensure their sustainability.

We continue to pursue developments to increase our capacity and improve the resilience of the Upper North Island supply chain. Since 2020, we have been trying to obtain a resource consent to extend our Sulphur Point container wharves to create another berth. We are also engaged with potential vendors for an automation solution that would increase container storage capacity and efficiency in the terminal.

### Financial results for the year ended 30 June 2022

Group Net Profit After Tax increased to $111.3 million, up 8.7% on last year.

Parent Net Profit After Tax was $96.4 million, a 14.0% increase on the previous year.

Revenue was $375.3 million. EBITDA was $204.7 million.

The results were driven by strong bulk trade and container volumes, and increased storage revenue relating to congestion charges aimed at incentivising efficient cargo flow through the container terminal.

Costs grew significantly, as to be expected in a high inflation environment. Operating expenses increased 13.1% to $182.2 million, mostly due to higher rail, fuel and labour costs.

**Leonard Sampson**
*Chief Executive*

THE YEAR IN REVIEW:

## Chair and Chief Executive's Report to Shareholders

*Farewell to Chair David Pilkington*

At the end of July, we bid farewell to our retiring Chair, David Pilkington, after 17 years on the Board.

Port of Tauranga's Board of Directors has declared a fully imputed interim final dividend of 8.2 cents per share to bring the total dividend to 14.7 cents per share. This compares with a total dividend of 13.5 cents in the 2021 financial year.

### Farewell to Chair David Pilkington

At the end of July, we bid farewell to our retiring Chair, David Pilkington. David joined the Board in July 2005, when Port of Tauranga was a regional export port handling around 12.6 million tonnes of cargo a year. Container throughput was less than 440,000 TEUs.

By the time David became Chair in 2013, the Port was about to commission a seventh container crane and total trade had grown to nearly 19.8 million tonnes.

In July 2022, David retired after 17 years of service, with the Port handling more than 25 million tonnes a year – double the throughput from when he started. Container numbers and profits have roughly tripled in his time on the Board. The Port now has nine cranes, a team of 279, and a port community of thousands more. Port of Tauranga has grown into New Zealand's largest port during David's tenure, and is the only port in New Zealand that is big ship-capable.

David leaves with our thanks and best wishes.

We have also welcomed two new Directors to the Board, both with significant industry experience.

Dean Bracewell joined the Board in December 2021. He is the former Managing Director of Freightways, one of New Zealand's largest transport and logistics companies.

Brodie Stevens joined the Board in August 2022. He has extensive shipping sector experience and is the former Swire Shipping/ China Navigation Company Country Manager. Directors' biographies can be found on pages 62 and 63.

### Health and safety in the spotlight

Following tragic fatalities at the ports in Auckland and Lyttelton, Maritime NZ and WorkSafe undertook a joint audit of all ports in May. The agencies are expected to make a number of recommendations following the sector audit, including the adoption of a standardised approach for managing critical risk. Port of Tauranga is supportive of industry-wide collaboration to improve safety practices, with flexibility for the unique operating environments of each port.

At the end of May, we held a port-wide "Stop for Safety" where operations ceased for half an hour to allow teams to talk about critical risk management and how we work together to keep each other safe each and every day.

We have strong worker engagement in safety and involvement in proactive risk management. We have reinforced our expectation of all port users that they raise any concerns and call out any unsafe practices. Port workers can, and do, halt operations if they feel conditions are unsafe for any reason. Productivity will never be put ahead of safe practice.

We have taken a multi-disciplinary approach to pavement problems at the container terminal caused by high traffic volumes, congestion and wet weather. The issue contributed to a number of minor soft tissue injuries among straddle drivers and led to an increase in the annual Total Recordable Injury Frequency Rate for combined Port of Tauranga employees and contractors (read more on page 36).

### Covid-19 response evolves

In the space of a year, our team has dealt with the challenges of Covid on board visiting vessels, a Delta variant outbreak and national lockdown, the introduction and then revocation of Government-mandated vaccination of port workers, as well as an evolving mandatory testing regime for frontline workers. They have all had a major impact on our day-to-day operations. Since the Omicron outbreak began earlier this year, colliding with a severe winter flu season, we have also battled absenteeism due to illness and isolation requirements. This has exacerbated labour shortages in some work groups, such as straddle drivers and stevedores.

Our workforce's extremely high vaccination rates, face mask use, testing and work group separation have helped avoid serious illness and allowed cargo to keep moving.

### Subsidiary and Associate Company performance

Subsidiary and Associate Company earnings decreased 16.2% to $15.0 million. Northport saw a drop in log export volumes but an increase in container volumes. Coda Group reported good operating profits but several one-off transactions had a major influence on the previous year's results.

### Cargo trends in 2022

Total trade remained stable at 25.6 million tonnes, compared with 25.7 million tonnes the previous year.

Imports increased 3.0% to 9.7 million tonnes, and exports decreased 2.5% to 15.9 million tonnes.

Log export volumes dropped by 4.4% to 6.1 million tonnes.

Dairy product exports (including transhipped cargo) decreased 5.5%. Meat exports decreased 9.2%.

Kiwifruit exports continued to grow in volume, with direct exports up 8.8%. Total kiwifruit volumes, including transhipment, increased 7.9%.

Oil product imports decreased 4.9% in volume, while cement imports dropped by 10.5%.

Fertiliser imports increased by 5.5% in volume, while grain, protein and stock feed imports increased by 20.8%.

MetroPort container volumes increased 10.2%, reflecting the import cargo diverted to Tauranga to avoid delays in Auckland.

For the first time since 2018, total ship visits increased, by 62 or 4.7% to 1,369. However, 26 fewer vessels called at the Tauranga Container Terminal. The volume exchanged per container vessel increased by 10.7% compared with the previous year.

Cruise ships are scheduled to return to Tauranga in the middle of October after a two year hiatus due to the pandemic.

THE YEAR IN REVIEW:

## Chair and Chief Executive's Report to Shareholders

# We continue to pursue developments to increase our capacity and improve the resilience of the Upper North Island supply chain.

### Resource consent hearing delayed

Port of Tauranga is seeking resource consent to extend wharves by converting existing cargo storage land.

Detailed planning and consultation began in early 2019. In May 2020, the Port applied unsuccessfully for consideration under the Government's Shovel Ready scheme to expedite the resource consent process. No Government funding was sought for the project. The Port was also unsuccessful in an application for Fast Track consenting in 2021. Government Ministers instead recommended direct referral to the Environment Court.

The Environment Court hearing to consider the resource consent application was scheduled for mid-July but was postponed after some parties contracted Covid-19. It is now likely to be heard in the first few weeks of March 2023.

Meanwhile, the cost of construction continues to rise, with an estimated $20 million already added to the $68.5 million project to extend the Sulphur Point container wharves.

It is incredibly frustrating after years of consultation and planning to be put on hold once again. Had we been successful with our application to the shovel ready scheme, we would be finishing construction now.

Without the development, the Port will face capacity constraints within a few years. Leaders of some of the country's biggest-earning export industries say they are concerned, including Zespri, Kotahi, Oji Fibre Solutions and the New Zealand Cargo Owners Council.

The development is critical to New Zealand Inc and Tauranga has the best potential to quickly relieve supply chain constraints.

You can read more about the development on page 49.

### Automation project

We are also pursuing our plans to automate container storage at the terminal to increase our capacity within the current land footprint. Automated stacking cranes, a well-proven technology already in use in many of the world's most efficient ports, will be introduced in phases over the next few years.

The operation will be similar, albeit on a smaller scale, to that of the Port of Singapore Authority, and many other ports worldwide.

### Ruakura Inland Port nears completion

Cargo capacity will be further enhanced with the opening of the Ruakura Inland Port in Hamilton in late 2022.

The rail-connected hub is being developed in a 50/50 partnership between Port of Tauranga and Tainui Group Holdings (TGH) and is part of TGH's Ruakura Superhub development.

An update on this nationally significant development can be found on page 44.

### Coastal shipping

Pacifica Shipping has been successful in securing funding from the Ministry of Transport to deploy a second vessel on its New Zealand coastal service. The 1,300-TEU ship will join the *Moana Chief* from mid-September and will offer shippers additional capacity ex-Timaru and Northport. In addition, Maersk has modified its former Trans-Tasman/Fiji service to create a dedicated New Zealand coastal service utilising two 1,750-TEU vessels.

THE YEAR IN REVIEW:

## Chair and Chief Executive's Report to Shareholders

# Port of Tauranga has an extensive water quality monitoring programme.

In addition, increased coastal shipping supports New Zealand's decarbonisation goals and allows shippers to easily access more efficient, larger vessels calling only at Tauranga. However, we will be constrained in our ability to accommodate new services until we are successful in constructing the additional container berth.

### New pilot launch dedicated to Troy Evans

Port of Tauranga pilot and tug master Troy Evans passed away at the end of December after a long battle with Parkinson's. Troy was a much-loved husband to Marilyn, father to two daughters, workmate and friend.

He was a part of the team at Port of Tauranga for 10 years and worked on many special projects, including the purchase of our two tugs, *Tai Pari* and *Tai Timu*. He gained international attention and accolades in his quest for safer piloting, including widespread adoption of his industry-first drawings of compliant trapdoor arrangements.

One of the last projects that Troy worked on was scoping the purchase of a new pilot launch for Port of Tauranga. The vessel will be named the *Troy Evans* in his honour and is expected to be delivered in December.

Port of Tauranga also made a donation to Parkinson's New Zealand in Troy's memory.

### Air and water quality improvements

Port of Tauranga takes its social licence and environmental performance very seriously and air and water quality is a constant focus.

A priority in the past few years has been dust reduction, including the installation of an additional 640 metres of wind fences, increased wharf sweeping and improved cargo handling procedures.

Dust performance indicators have shown a 5.6% reduction the past year, and a 16.1% reduction since 2020.[2] Dust levels from port activities are currently complying with the National Environmental Standard for Air Quality but we continue to seek ways to decrease dust generation and avoid nuisance for our neighbours.

Port of Tauranga has an extensive water quality monitoring programme, with regular testing for suspended solids, heavy metal toxicants and other contaminants.

Although the testing is compliant with the conditions of the Port's stormwater resource consents on both sides of the harbour, we consider there's an opportunity to further improve water quality. We are pursuing additional stormwater treatment technology at the Mount Maunganui wharves.

### Fumigation reduced

Port of Tauranga introduced a 100% recapture requirement for all methyl bromide fumigations of export log stacks from 1 January 2022. The Environmental Protection Authority has subsequently also introduced stricter rules around methyl bromide use. A second de-barker is being commissioned by forestry exporters.

[2] *As measured at the $PM_{10}$ monitoring station 'Mount Maunganui at Railyard South' during dry conditions at times when the Mount Maunganui Wharves are upwind of the monitor.*

De-barking logs off site greatly reduces the amount of pre-shipment fumigation required, and avoids log debris being deposited on the wharves.

### Carbon emissions affected by congestion

Total greenhouse gas emissions (Scope 1, 2 and 3) for the year dropped slightly to 42,534 tonnes, a 2.1% decrease. However, this is still 5.2% greater than the FY2020 low.

Carbon emission intensity (emissions per cargo tonne) also decreased slightly, by 0.6%.

Ongoing congestion in the container terminal, causing increased straddle movements and diesel use, impacted our decarbonisation performance for the second year in a row.

Our opportunity to significantly reduce emissions in future lies in automation. Automated stacking cranes are electric and have around 75% fewer emissions than a comparable traditional diesel straddle carrier operation.

The trend to larger, more efficient vessels also has significant benefits for New Zealand's marine emissions profile, as they produce fewer emissions per container. Increased coastal shipping could also improve emissions profiles due to fewer emissions compared with land transport alternatives.

### An efficient Upper North Island supply chain

After numerous reports and reviews on aspects of the Upper North Island freight network, including ports, the Ministry of Transport is currently drafting a national supply chain strategy.

Our preference has always been pragmatic, fact-based analysis and solutions, rather than politically-motivated, interest-driven proposals.

Our vision for the Upper North Island supply chain involves enhancing existing assets while investing in supporting infrastructure such as rail connections.

An integrated, efficient and cost-effective supply chain can be achieved with Government assistance by removing regulatory and legislative barriers, and investment in transport networks.

It is our belief that current legislation and policy does not encourage nor facilitate investment, even when it is environmentally sound and/or nationally significant. The consenting process is complex, time-consuming and costly. It prevents the adoption of new technology (with its economic and environmental benefits), ensures we are always "playing catch up" with capacity and stops existing assets from being used to their full potential.

THE YEAR IN REVIEW:
## Chair and Chief Executive's Report to Shareholders

# Port of Tauranga is well-positioned to face the upcoming challenges in 2023.

### Outlook

Land-side congestion has somewhat eased compared with the 2021 financial year. Port of Tauranga is hopeful vessel schedule reliability will regain some consistency in the second half of the 2023 financial year.

We expect Covid-19 to have less of an impact on day-to-day operations. The economic fallout from the pandemic is likely to persist for some time yet, with ongoing high inflation, increasing prices and rising interest rates . These are weakening demand, which may have a temporary negative impact on cargo volumes at the same time as our costs are further inflated.

Geopolitical pressures, including Russia's invasion of Ukraine and China's elimination strategy for Covid-19, will also continue to impact the global supply chain.

The Board and management team are confident that Port of Tauranga is well-positioned to face these challenges.

We will provide guidance for the 2023 financial year at our Annual Shareholders' Meeting on 28 October 2022.

### Thank you

Throughout the turbulent times of the past few years, our customers have been extraordinarily patient and we thank them for their support. Our service providers and business partners have stepped up to overcome the many challenges. Most of all, we are very grateful to the dedicated individuals who have kept cargo moving. Thank you to our team members and the many others who work inside and outside the port gates to keep New Zealand connected with the world.

Ngā mihi nui

**Leonard Sampson**
*Chief Executive*

**Julia Hoare**
*Chair (from 1 August 2022)*

**Julia Hoare**
*Chair*

# Integrated Reporting

This integrated report for the 2022 financial year outlines how Port of Tauranga creates value for our shareholders over the short, medium and long-term. It describes our strategy, governance, performance and outlook.

Since 2018, Port of Tauranga has utilised the international Integrated Reporting Framework in its annual reporting. More recently, we have added to our reporting in anticipation of the implementation of new, mandatory climate-related disclosures for listed New Zealand companies and public entities. This work is being led by the External Reporting Board.

The Board's draft requirements, released at the end of July 2022, are strongly influenced by the work of the Taskforce on Climate-related Financial Disclosures (TCFD). We will continue to adapt our reporting approach as New Zealand and international standards are further developed.

Our carbon emissions are audited annually by Toitū Envirocare using the CEMARS certification and we are confident we can meet any future assurance requirements.

Last year we reassessed our material issues by surveying our team members and our external stakeholders. We will do this regularly to ensure our strategies focus on those issues that are the highest priority for our stakeholders, and that we have the greatest ability to influence.

Last year we also refreshed our purpose, vision and values to ensure they best describe our aspirations. We continue to realign our internal processes to reflect these updated intentions, including a review of performance management, recognition and remuneration.

We have expanded our assessment of climate-related risks and defined some of the mitigations and controls utilised now and in the future.

In the coming year, we will review our brand assets to better communicate what our refreshed purpose, vision and values mean to our team and our external stakeholders.

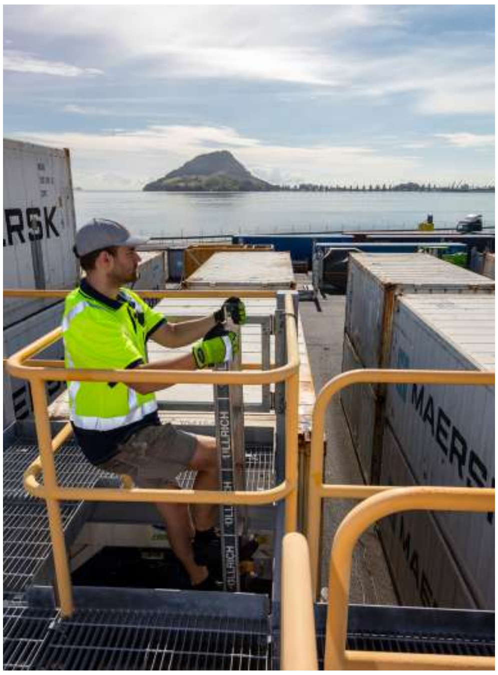
In the following pages, we describe the capitals, resources or inputs that we use or affect: our relationships, our people, our skills and knowledge, our environment, our assets and infrastructure, and our finances. We outline the capabilities, strengths and expertise we add, describe our activities and outputs, and the resulting outcomes for our stakeholders. We define "stakeholders" as anyone who has something to gain, or something to lose, from Port of Tauranga's activities. They include neighbours, customers, iwi and hapū, regulators, service providers and employees.

The Board of Directors is committed to engaged, quality governance. Our conversations are characterised by open debate, respectful challenge and constructive criticism.

We have effective relationships with management and frequently engage directly with employees, customers and other stakeholders.

Integrated reporting is a journey and we will continue to assess and adapt our approach as we seek to increase our transparency, build credibility and preserve trust. Integrated thinking, actions and reporting will ensure the best possible outcomes for our shareholders, employees, customers, partners and community.

**Julia Hoare**
*Chair*



COMPANY OVERVIEW:

# Our Purpose and Vision

*Port of Tauranga's purpose, vision and values were reviewed in 2021. We have realigned our strategic framework to ensure we will be able to reach our goals for the next decade and beyond.*

*Our purpose and vision guides us to focus our attention, effort and resources in the right places, reflecting the priorities of our stakeholders.*

## OUR PURPOSE

**Connecting New Zealand and the world.**

## OUR VISION

**Our purpose goes beyond profit and is the key to Port of Tauranga's ongoing success. Our aspirations for 2030 are:**

- **Drive National Prosperity**

  New Zealanders will value the port as an asset that drives our nation's prosperity by providing the most efficient access to global trade.

- **Improve Community Wellbeing**

  We will improve our community's wellbeing by providing jobs and economic growth, as well as forming effective partnerships to pursue a shared vision of success.

- **Protect our Natural Environment**

  We will protect and enhance our natural environment. We will invest in technology and embed sustainable practices throughout our business.

- **Respect Mana Whenua**

  We will recognise and respect the mana whenua of the rohe and acknowledge the kaitiakitanga of iwi and hapū.

- **Nurture Our People**

  We will be an attractive and accessible workplace where talent is nurtured. Our people will be proud to work here and know their contribution is valued. We will foster a culture of empowerment, where health and safety is at the forefront of everything we do.

- **Provide Superior Customer Service**

  We will be driven by our customers' needs and create innovative supply chain solutions. We will deliver on our promises, provide superior service and grow together.

- **Deliver Long-Term Value**

  We will deliver long-term value for investors through leading environmental and ethical performance, business resilience and sound financial management.

# Our Values

Our values define our fundamental beliefs and dictate our behaviour as individuals and as an organisation. We will achieve our vision by:

**Taking pride and doing the right thing**

**Listening and working together**

**Creating better ways**

**Having a "safety always" mindset**

COMPANY OVERVIEW:

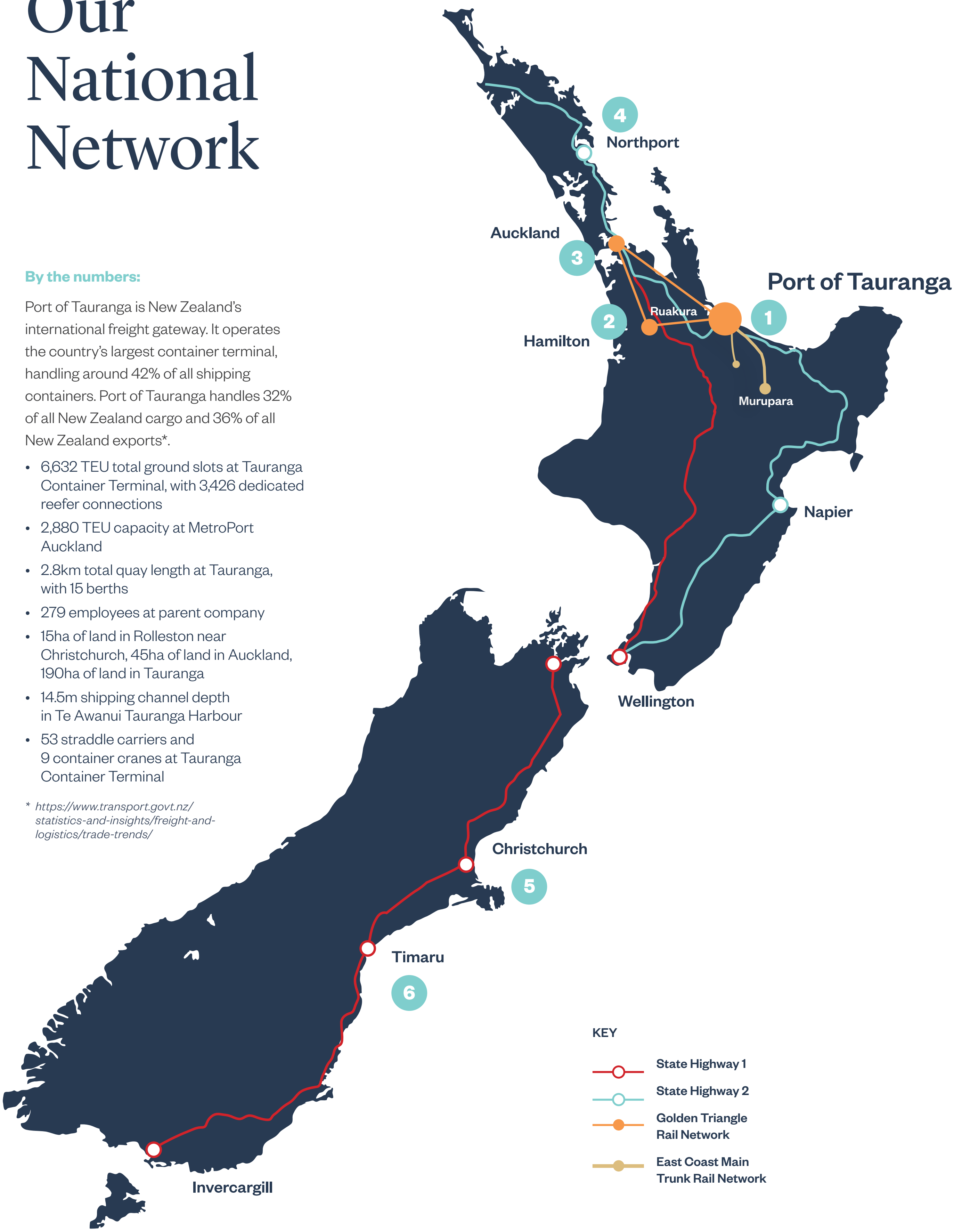
# Our National Network

**By the numbers:**

Port of Tauranga is New Zealand's international freight gateway. It operates the country's largest container terminal, handling around 42% of all shipping containers. Port of Tauranga handles 32% of all New Zealand cargo and 36% of all New Zealand exports*.

- 6,632 TEU total ground slots at Tauranga Container Terminal, with 3,426 dedicated reefer connections
- 2,880 TEU capacity at MetroPort Auckland
- 2.8km total quay length at Tauranga, with 15 berths
- 279 employees at parent company
- 15ha of land in Rolleston near Christchurch, 45ha of land in Auckland, 190ha of land in Tauranga
- 14.5m shipping channel depth in Te Awanui Tauranga Harbour
- 53 straddle carriers and 9 container cranes at Tauranga Container Terminal

* *https://www.transport.govt.nz/statistics-and-insights/freight-and-logistics/trade-trends/*



PORT OF TAURANGA

1

**PARENT COMPANY**

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

CODA

1 2 3 5

**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.

Northport

4

**50% OWNERSHIP WITH MARSDEN MARITIME HOLDINGS**

- Deep water commercial port near Whangarei.

PORTCONNECT

1 3 4 6

**50% OWNERSHIP WITH PORTS OF AUCKLAND**

- Online cargo management system.

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.

Ruakura INLAND PORT

2

**50:50 JOINT VENTURE WITH TAINUI GROUP HOLDINGS**

- Inland port connected by rail to Tauranga and Auckland
- Part of the Ruakura Superhub
- Due to open in late 2022.

METROPORT CHRISTCHURCH

5

**OPERATED BY TIMARU CONTAINER TERMINAL**

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

TIMARU CONTAINER TERMINAL

5 6

**100% OWNERSHIP**

- 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
- New oil terminal.

COMPANY OVERVIEW:

# How Port of Tauranga Creates Value

## INPUTS

- Our people
- Our relationships
- Our skills & knowledge
- Our finances
- Our assets & infrastructure
- Our environment

## OUR CAPABILITIES

A can-do attitude

Sector-leading safety performance

Flexibility

History of sound commercial infrastructure investment

Deep understanding of supply chain dynamics

Proven ability to execute strategy

Located close to cargo catchments and linked by road, rail and sea

Cost-effective and competitive labour model

Strong and transparent governance framework

Astute financial and risk management

Responsive and creative customer service

## OUR OUTPUTS

Growing trade volumes based on long-term freight agreements with key customers

Constructive partnerships with iwi and community organisations, focused on harbour health, education and youth development

Principal sponsorship of national events held locally and community infrastructure

Consistent, reliable and efficient operational performance without compromising safety

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 volume growth

Proactive pollution prevention and incident response

Investments in energy efficiency and waste minimisation

Strong balance sheet with favourable debt facilities

Job creation – direct and indirect

Dividends paid to shareholders, including regional ratepayers (through cornerstone shareholder, Quayside Holdings)

## OUTCOMES FOR OUR STAKEHOLDERS

Enduring, mutually beneficial partnerships

A proud, safe and motivated workforce

Highly effective and resilient logistics networks that meet the needs of the New Zealand supply chain

Responsive environmental stewardship and improved air and water quality

Appropriate risk and return for our shareholders

Secure employment and prosperity for local, regional and national communities

OUR STAKEHOLDERS:

# What Matters Most?

Port of Tauranga's business strategies focus on the issues that matter most to our stakeholders, including the community, iwi and hapū, customers, suppliers, partners, investors and employees.

Last year we engaged an independent expert to consult our team members and external parties about the "material issues" most likely to impact the way Port of Tauranga creates (or erodes) value. The issues include economic, environmental and social concerns.

More than 50 stakeholders were asked to rank the issues based on their importance, as well as the areas where Port of Tauranga can make the biggest impact.

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

**Health, safety and wellbeing**
– Encouraging a positive health, safety and wellbeing culture, where incidents are prevented and wellbeing is proactively managed.

**Resilient port capacity and expansion**
– Growth in cargo volumes, keeping ahead of demand through resilient operations, innovation and automation, shipping lane widening/ deepening, extending wharves and adding capacity.

**Customer experience and trust**
– Foster enduring partnerships with a diverse range of customers by supporting a strong customer-centric workplace culture.

**Governance, leadership and ethics**
– Strong governance supporting strategy delivery, sound operations and transparent business practices. Senior management engagement with workforce, building teamwork and recognising performance.

**Biodiversity protection**
– Protecting water quality, marine biodiversity, and habitats through responsible stewardship, including stormwater management.

This is the second such survey undertaken by Port of Tauranga and we will continue to check in regularly with our stakeholders to ensure we are focusing on the things that matter most to them. The feedback informs our business strategies and helps us focus resources on the areas where we can have the most impact or realise the greatest opportunity.

We also used the feedback to guide a refresh of our purpose, vision and value statements. You will see reference to material issues and their link to our strategies in each of the Capitals sections in this report.

# Managing Risks and Opportunities

Port of Tauranga's risk management framework gives us the tools to assess, monitor and manage risks, including those related to climate change.

**Risks are continuously evolving. Port of Tauranga's top strategic risks are:**

- Maintaining the health, safety and wellbeing of our people
- Protecting our social licence to operate
- Legal and regulatory risk
- A natural disaster event
- Commercial and business risk due to global economic or geopolitical situations
- Malicious cyber attack
- A vessel foundering in the shipping channel.

All identified risks are assessed on their likelihood and impact, and are rated pre- and post-mitigation. The top strategic risks are reported to the Board for evaluation of the mitigations and controls currently in place or planned.

We regularly test our emergency preparedness and, in the past year, have reviewed our crisis management policy, procedures and processes with independent experts.

## Governance

Port of Tauranga's Board of Directors regularly reviews and assesses the Company's governance structures and processes to ensure they are consistent with best practice. The Board is responsible for setting the Company's strategic direction and providing oversight of its management. Directors' independence is assessed annually, and the Board's skills, perspectives, knowledge and competencies are reviewed regularly.

At Port of Tauranga, our response to climate change is the responsibility of the entire organisation – the Board of Directors, senior management team, extended leadership team and employees. Our corporate governance structure ensures accountability and strategic oversight of our response.

The Board receives regular updates on the company's performance in sustainability, and its Audit Committee reviews our strategies, policies and compliance.

The senior management team's key performance indicators include climate change and environmental objectives. The team is supported by the extended leadership team in delivering the projects and workstreams to achieve these objectives. The Port's environmental team is charged with monitoring and compliance reporting as well as identifying and supporting business improvement initiatives.

The Port's emissions data is provided to Toitū Envirocare, which audits and reports on performance.

In 2023, we will review our policies and processes to ensure we can meet the climate-related financial disclosures required under new legislation. We are confident we can meet the expectations of legislators and our investors.

## Climate change strategy

Climate change adaptation is key to our aspiration of delivering long-term value for our investors through leading environmental and ethical performance, business resilience and sound financial management. Our response to climate change is also part of our vision to protect and enhance our natural environment, and to invest in technology and embed sustainable practices throughout our business.

We continue to adapt our policies, processes and practices for a low-carbon, climate-resilient future. We assess our risks, take steps to reduce our vulnerability and identify opportunities for our business as the environment changes.

## CLIMATE-RELATED IMPACTS

| | EXAMPLES | POTENTIAL IMPACTS | CURRENT AND FUTURE MITIGATIONS AND CONTROLS |
|---|---|---|---|
| **Risks from the transition to a lower-carbon economy** | • Increased reporting requirements<br>• Costs and implementation of new technology<br>• Changing shareholder expectations<br>• Changes to Government and regulator policies. | • Increased compliance costs<br>• Increased capital expenditure and operating costs<br>• Reduced demand from customers and/or investors<br>• Difficulty accessing capital or other resources, including people<br>• Reputation damage or loss of community support. | • Report on Port of Tauranga's carbon emissions and articulate our management and reduction plan<br>• Prioritise lower emission transport options such as rail, coastal shipping and larger vessels<br>• Infrastructure investment in clean electricity, biodiesel, hydrogen and other fuel alternatives<br>• Maintain excellent relationships with stakeholders, including government agencies. |
| **Transition opportunities** | • Greater efficiencies<br>• Increased recycling and repurposing of resources<br>• Reduced energy use<br>• Changing stakeholder expectations<br>• Technological improvements and innovations. | • Lower operating costs<br>• Improved safety<br>• New revenue sources<br>• Increased demand from customers and/or investors<br>• Easier access to capital or other resources, including people<br>• Improved reputation and increased community support. | • Invest in infrastructure and technology projects with the most impact (e.g. electric stacking cranes)<br>• Build a network of freight hubs to consolidate cargo, connecting to larger vessels<br>• Waste minimisation programme to avoid waste going to landfill. |
| **Physical risks from the impacts of climate change** | • Increased severity and occurrence of extreme weather events<br>• Rising sea levels<br>• Biosecurity incursions from invasive pests and pathogens due to colder, warmer, wetter, drier or other conditions (including heightened international risk). | • Increased costs and operational impact of damaged or inaccessible equipment and infrastructure, including land<br>• Increased energy costs<br>• Increased water demand and/or restricted access to water<br>• Increased insurance premiums or inability to insure<br>• Loss of useable land due to erosion or inundation<br>• Impact on cargo volumes from decreased primary production or lower international demand (short or long-term), and/or changes in seasonality<br>• Reduction in health and lifestyle quality. | • Build a network of inland ports, logistics hubs and support facilities to improve resilience and capacity<br>• Preparedness for emergencies, including crisis management and business continuity policies, procedures and processes (tested regularly)<br>• Partnership with biosecurity agencies to increase vigilance around pest incursions<br>• Annual insurance reviews to ensure coverage is fit-for-purpose<br>• Diversity of cargo mix to mitigate impact of decreased production or demand<br>• Maintain relationships with Civil Defence and other lifeline utilities. |
| **Physical opportunities** | • Investment in more resilient equipment, infrastructure and technologies. | • Lower operating costs<br>• New or increased revenue streams as a result of increased productivity or new cargoes. | • Asset replacement strategy that favours more fuel efficient vehicles and equipment (e.g. hybrid straddle carriers). |


HAMBURG SÜD

Capital
## OUR RELATIONSHIPS

# Improving community wellbeing

Port of Tauranga has built long-term, mutually beneficial relationships with a diverse range of customers, communities and business partners. We share information in order to help us plan for the future in a way that best meets all stakeholders' needs.

In the following pages we describe our progress in pursuing our relationship strategies. We have lent our support to a new regional surf life saving hub, backed a longstanding national festival, and worked with iwi to improve the health of Te Awanui Tauranga Harbour.

### MATERIAL ISSUES

**Iwi engagement**

**Community engagement**

**Community investment**

**Responsible supply chain**

**Economic contribution**

### VISION

**We will improve our community's wellbeing by providing jobs and economic growth, as well as forming effective partnerships to pursue a shared vision of success. We will recognise and respect the mana whenua of the rohe and acknowledge the kaitiakitanga of iwi and hapū.**

Capital

# OUR RELATIONSHIPS

long-term freight agreements in place with major shippers Kotahi, Oji Fibre Solutions and Zespri International

Ruakura INLAND PORT

joint venture with Tainui Group Holdings developing the Ruakura Inland Port near Hamilton, due to open late 2022

18

tertiary scholarships awarded to Māori students

28% average increase in social media followers

1,500+

people hosted on port tours

## Working with Tauranga Moana iwi and hapū

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


The Ngā Mātarae Charitable Trust was founded seven years ago to balance the impact on the cultural and spiritual values of local iwi and hapū from the harbour capital dredging project completed in 2016. The Trust brings together the three iwi, the Port, the Mauao Trust and the Tauranga Moana Iwi Customary Fisheries Trust.

The Trust is funded through an annual grant from the Port. The funds are used to sponsor organisations and projects that improve harbour health.

**Projects funded by the Trust so far include:**

- A pipi research project undertaken by Manaaki Te Awanui Charitable Trust, to restore and enhance coastal ecosystems
- Purchase of a research and monitoring vessel for Manaaki Te Awanui (pictured at left)
- A wetland restoration and establishing an inanga spawning habitat in the Kopurererua stream, a tributary to Tauranga Harbour. The project aims to improve water quality and support larger populations of important native species.[3]

Port of Tauranga also provides tertiary scholarships for Maori students in two schemes – through Ngā Mātarae Trust, and through the Turirangi Te Kani Memorial Scheme. The latter was established more than 30 years ago in honour of a much-respected kaumatua.

In 2022, Port of Tauranga provided 18 scholarships under the two schemes, to students in their first, second or third year of study.

Port of Tauranga is also providing scholarship funding to Kia Maia Ellis for her PhD research on pēpi kōura (baby red rock lobster) and their resilience to climate change. The project involves creating monitored settlement sites around the port for the red rock lobsters in their puerulus or post-larval stage.

[3] https://www.tauranga.govt.nz/exploring/parks-and-reserves/parks-projects/kopurererua-valley-reserve-restoration.

# Panepane Point returned to hapū

**The eastern-most point of Matakana Island, known as Panepane Point, has been returned to local hapū.**

The land, which lies on the opposite side of the harbour entrance to Mauao, was compulsorily acquired in 1923 for the former Tauranga Harbour Board under the Public Works Act. The majority of the land was later transferred to the Western Bay of Plenty District Council, with the Port maintaining a small portion for shipping navigational aids.

Following public consultation, and with the support of Port of Tauranga, the council has transferred its interest to the five hapū of Matakana and Rangiwaea Islands. The Port has retained an easement to access the navigation equipment for maintenance and relocation if necessary.

# Port tours a sell-out

**Port of Tauranga's second annual winter port tours season were a sell-out, despite the rainy weather.**

The Port has hosted summer tours for many years and the new July programme has proved just as popular.

It is the only way members of the public can see beyond the security gate, as the whole port is a Customs-controlled, secure area.

The ticket proceeds go to one of our favourite local charities, Waipuna Hospice.

Unfortunately the move to the red light setting of the Covid-19 protection framework forced an early end to the 2022 summer season. We still managed to host more than 1,500 people on tours over the course of the year.

# Port of Tauranga jazzes up events scene

**In 2022, Port of Tauranga took over the naming rights sponsorship of the National Jazz Festival, held in Tauranga every Easter.**

Covid-19 forced postponement of the event from April to June, and the 59th festival took place at multiple venues across the city in the week leading up to the inaugural Matariki long weekend.

The Port of Tauranga National Jazz Festival is an iconic event for the region and is the longest-running jazz festival in the southern hemisphere. It entertains locals, attracts visitors and brings economic benefit to the region.

Port of Tauranga is a founding gold sponsor of the biennial Tauranga Arts Festival, featuring local and guest performances in music, theatre and comedy, as well as a range of public talks and workshops.

As well as events, Port of Tauranga's sponsorship has also helped provide community infrastructure and equipment. Past projects include the Pilot Bay boardwalk, the Bay of Plenty TECT rescue helicopter's specialist winch, floodlighting at the Bay Oval cricket ground, patrol boats for the Tauranga Yacht and Power Boat Club, and enhancement of walking tracks on Mauao.

# Supporting our community's most vulnerable

**Port of Tauranga is a long-term supporter of dozens of community organisations and charities working in our community.**

We make a significant donation every Christmas to the Tauranga Community Foodbank in lieu of gifts to our customers and suppliers. We recently increased our annual donation to $15,000 in recognition of the increased hardship many are facing due to the pandemic.

Capital

## OUR RELATIONSHIPS

FEATURE

# Port of Tauranga sponsors new rescue centre

Port of Tauranga is the naming rights sponsor of a new rescue centre that will serve as a hub for surf life saving operations in the eastern region of the North Island.

The Port of Tauranga Rescue Centre at Golf Road, Mount Maunganui, has the capability to act as a rescue coordination point for any major beach and surf rescues made under the watch of Surf Life Saving Eastern Region, which comprises 19 surf clubs from Hot Water Beach in Coromandel to Tairawhiti/Gisborne.

The 1,300 sqm building also accommodates clubrooms, offices and storage for Mount Maunganui Bridge Club, Surf Life Saving New Zealand and Omanu Beach Surf Life Saving Club. The Bridge Club has had clubrooms on the site since the 1970s.

Port of Tauranga Chief Executive, Leonard Sampson, is delighted with the new partnership.

"The Port of Tauranga Rescue Centre will provide a purpose-built, well-equipped base for the many volunteers and staff that do an extraordinary job in keeping people safe on the beach and in the water," he says.

"The Port of Tauranga Rescue Centre will be there to support these first responders whenever they need to act in an emergency or coordinate a large-scale search and rescue."

He says the rescue centre is a tangible way to deepen the Port's connections to the communities living along the east coast.

"We look forward to a long and enduring relationship with the community organisations that will call the Port of Tauranga Rescue Centre home."

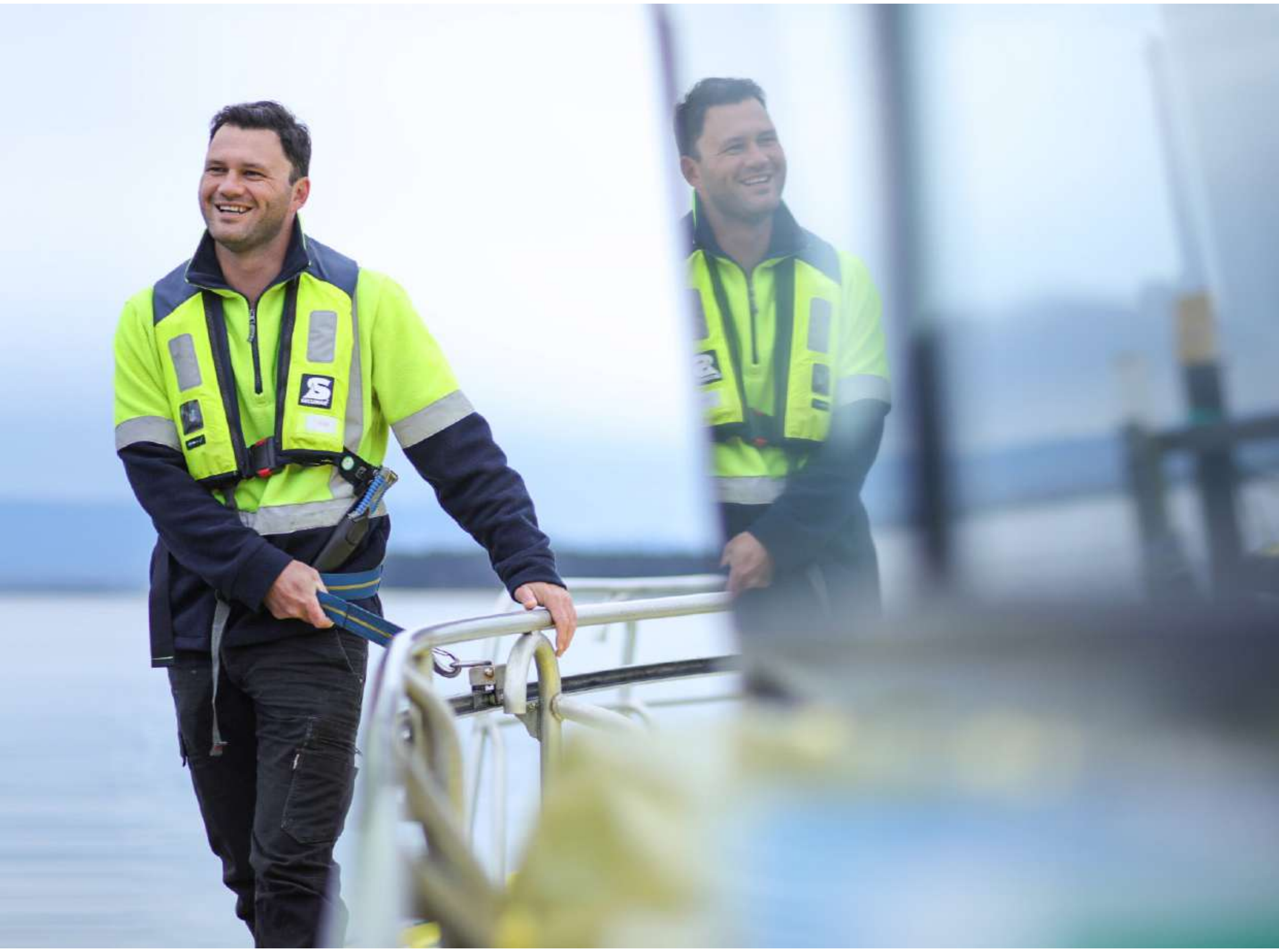
Donal Boyle, Trustee of the Omanu Beach Charitable Trust that developed the centre, says the Port's support is a game-changer for surf live saving in the region.

"It means we can get on with saving lives and supporting our many volunteers, without worrying about the ongoing cost of running the centre. The backing of Port of Tauranga, such an iconic company in this region and nationally, is very much appreciated by our community," he says.

The centre will act as headquarters for up to 50 surf life saving staff and volunteers, provide storage for critical rescue equipment and coordinate communications in the case of a major ocean or beach rescue.

Construction of the Port of Tauranga Rescue Centre was funded by the Kanoa Regional Economic Development and Investment Fund administered by the Ministry of Business, Innovation and Employment with additional funding from TECT, along with the generosity of local suppliers and supporters.


The Port of Tauranga Rescue Centre will provide a purpose-built, well-equipped base for the many volunteers and staff that do an extraordinary job in keeping people safe on the beach and in the water.



Capital

## OUR PEOPLE

# Nurturing our people

Port of Tauranga aims to recruit talented people, nurture them, retain them and recognise them. Our wellbeing programme promotes the physical, mental and emotional health of our team members and their whanau. Our positive health and safety culture proactively manages and mitigates risks. We deal with any challenges, emergencies or crises with thorough planning, preparation and practice.

In the following pages we describe our progress in pursuing our strategies around people, wellbeing and safety. We have established an Intranet to improve internal communications and build connections across the business, and used our employee wellbeing programme ShipShape to support our people's health during the pandemic.

### MATERIAL ISSUES

**Health, safety and wellbeing**

**Employee engagement and capacity**

**Governance, leadership and ethics**

**Diversity and inclusion**

**Border stewardship**

### VISION

**We will be an attractive and accessible workplace where talent is nurtured. Our people will be proud to work here and know their contribution is valued. We will foster a culture of empowerment, where health and safety is at the forefront of everything we do.**

Capital
# OUR PEOPLE

**11.5%**
staff turnover
(up from 9.6%)

**44%**
of job vacancies
filled internally

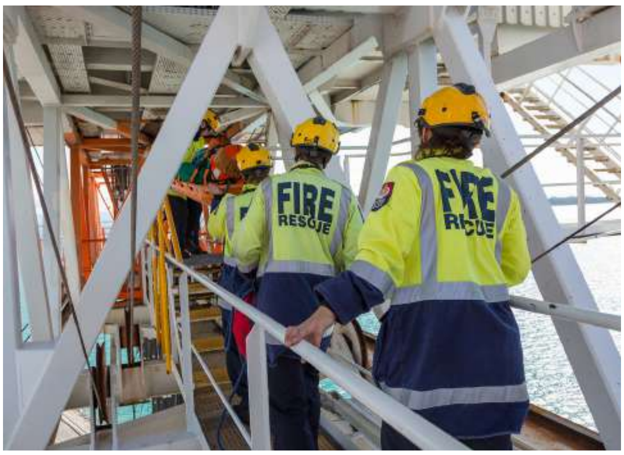
**22%**
of workforce is female
(up from 19% last year)

**0**
Total Recordable Injury
Frequency Rate
(Port of Tauranga employees)

**26.6**
Total Recordable Injury Frequency Rate
per million hours worked (Port of Tauranga
employees and contractors combined)

## Focus on avoiding minor injuries

**Safety is one of our core values and we work constantly to identify, understand and minimise hazards. All near misses and incidents – no matter how minor – are recorded, analysed and acted on.**



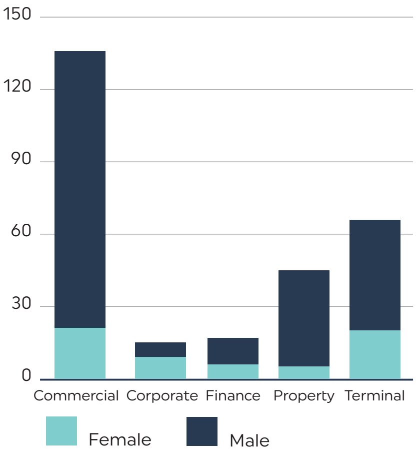

Unfortunately, our combined Total Recordable Injury Frequency Rate (TRIFR) increased in the past year, primarily due to a number of soft tissue injuries among terminal workers. One of the reported issues has been potholes in the pavement caused by high traffic volumes, congestion and wet weather.

We've taken a multi-disciplinary approach to the issue. Where an incident's location can be identified, our civil works team moves in to quickly fix the problem or block off the area until repairs can be made.

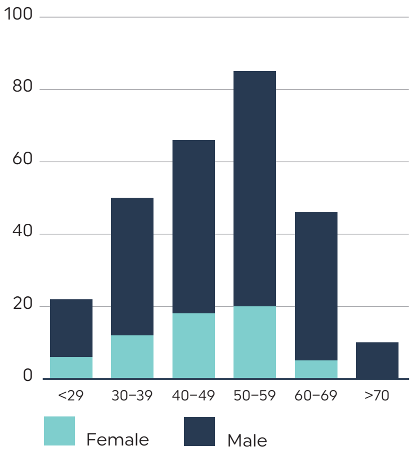
In addition, a cross-functional team has been examining short- and long-term fixes for pavement issues, including using different materials. As weather and operational requirements allow, sections of the terminal pavement are being excavated and re-laid.

### Gender Diversity Statistics

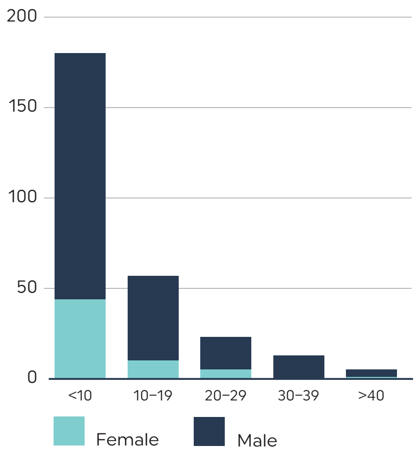
**BY DIVISION**




**BY AGE**




**BY YEARS OF SERVICE**




# Vigilance over vessel standards

**Port of Tauranga is working with Maritime NZ to ensure visiting international vessels meet our safety standards.**

One area of focus is the safety compliance of pilot ladders. Each ladder is inspected on arrival and departure, and our pilots and launch crews are empowered to prevent boarding or disembarking if they feel the ladder, or any other equipment, is unsafe.

We will continue to lobby to ensure this issue is a top priority for the shipping industry.

We have also stepped up surveillance of vessels in port to ensure noise and air pollution are kept to a minimum.

Port of Tauranga is collaborating with the Tauranga Harbourmaster to make the harbour safer for all water users. A publicity campaign targeting recreational boaters is in development to raise awareness of rules around commercial shipping and the precautions required around large cargo vessels.

# Sharing in success

**Port of Tauranga has been operating an employee share ownership plan since listing on the NZX in 1992. It gives our team members the ability to build wealth over the long-term while sharing in the success of the business.**

Employees can buy discounted shares in the company through regular pay deductions over three years.

The latest round of the scheme was launched in February, offering 245 employees up to $5,000 worth of shares at a 10% discount. Around 87% of the eligible team members took up the offer.

In recognition of the extra efforts of our team members during the Covid-19 pandemic, last year all team members who had been with the company more than six months received a one-off bonus of 200 shares.

Capital
## OUR PEOPLE

FEATURE

# Feeling ShipShape

The combined impact of Covid-19 and congestion have put an enormous amount of pressure on our team members for the past two years.

Port of Tauranga provides a free, confidential employee assistance programme through Vitae. Team members can also access health insurance, free health assessments, flu vaccinations, free period products, financial advice and an exercise membership subsidy.

Our employee wellbeing programme ShipShape was established in 2018 to bring together existing and new wellbeing initiatives under the direction of a committee of team members from across the business. The programme has silver accreditation under the WorkWell framework of Toi Te Ora Public Health, and is working towards gold accreditation.

Although getting together in groups has been avoided during the Delta and Omicron outbreaks, team-building and educative events have now begun again with the appropriate Covid-19 precautions.

Recent ShipShape initiatives have included a vegetable-growing competition with free seedlings, healthy cooking demonstrations and recycling promotions. ShipShape sponsors social sports teams in volleyball, touch rugby, bowls, tennis, running and golf.

Regular newsletters promote coping strategies and online resources. To provide a sense of teamwork (and healthy competition), ShipShape-related content is now featuring prominently on the Port of Tauranga Intranet, which was launched in early August.

The Intranet will provide the ideal platform to strengthen connections across the business, keep our people better informed, and promote collaboration.

Our employee programme ShipShape was established in 2018 to bring together existing and new wellbeing initiatives.


KALMAR
ECOefficient
MAERSK
MRKU 739 926 2
22G1
M7
QM
QUALITY MARSHALLING

Capital

## OUR SKILLS AND KNOWLEDGE

# Providing superior customer service

Port of Tauranga's integrated view of the supply chain leads us to invest in other ports, inland freight hubs, cargo handling expertise, transport operations and logistics services. The aim is to reduce waste in the supply chain and offer our customers the most efficient and environmentally-sound option for their freight.

In the following pages we describe how we use our skills and knowledge to set and pursue our strategies. We will soon open the Ruakura Inland Port at Hamilton, in partnership with Tainui Group Holdings, and are investing in better data access for the industry through our joint venture PortConnect.

### MATERIAL ISSUES

**Customer experience and trust**

**Resilient port capacity and expansion**

**Geographic reach**

**Supply chain efficiency**

### VISION

**We will be driven by our customers' needs and create innovative supply chain solutions. We will deliver on our promises, provide superior service and grow together.**

Capital

# OUR SKILLS AND KNOWLEDGE

| Container crane rate of | Number of Inland Ports |
|---|---|
| 32.1 | 3 |
| moves per hour (compared with New Zealand average of 27.6 in 2021)[4] | MetroPort Auckland (opened 1999), MetroPort Christchurch (opened 2015) and Ruakura (due to open late 2022) |

## PortConnect improves supply chain efficiency

**A Port of Tauranga joint venture is helping shippers gain visibility over their logistics data.**

A lack of consistent data across multiple platforms has been replaced by PortConnect – a comprehensive online cargo management system that provides a single port-of-call for shipping lines, transporters, importers, exporters, forwarders and regulatory authorities.

PortConnect Limited is 50% owned by Port of Tauranga and Ports of Auckland and was launched by the two ports in 2012. Now it is utilised by Northport, Timaru Container Terminal, Port of Lyttelton, Ports of Auckland and Port of Tauranga (as well as their inland ports), covering approximately three quarters of the container trade in New Zealand.

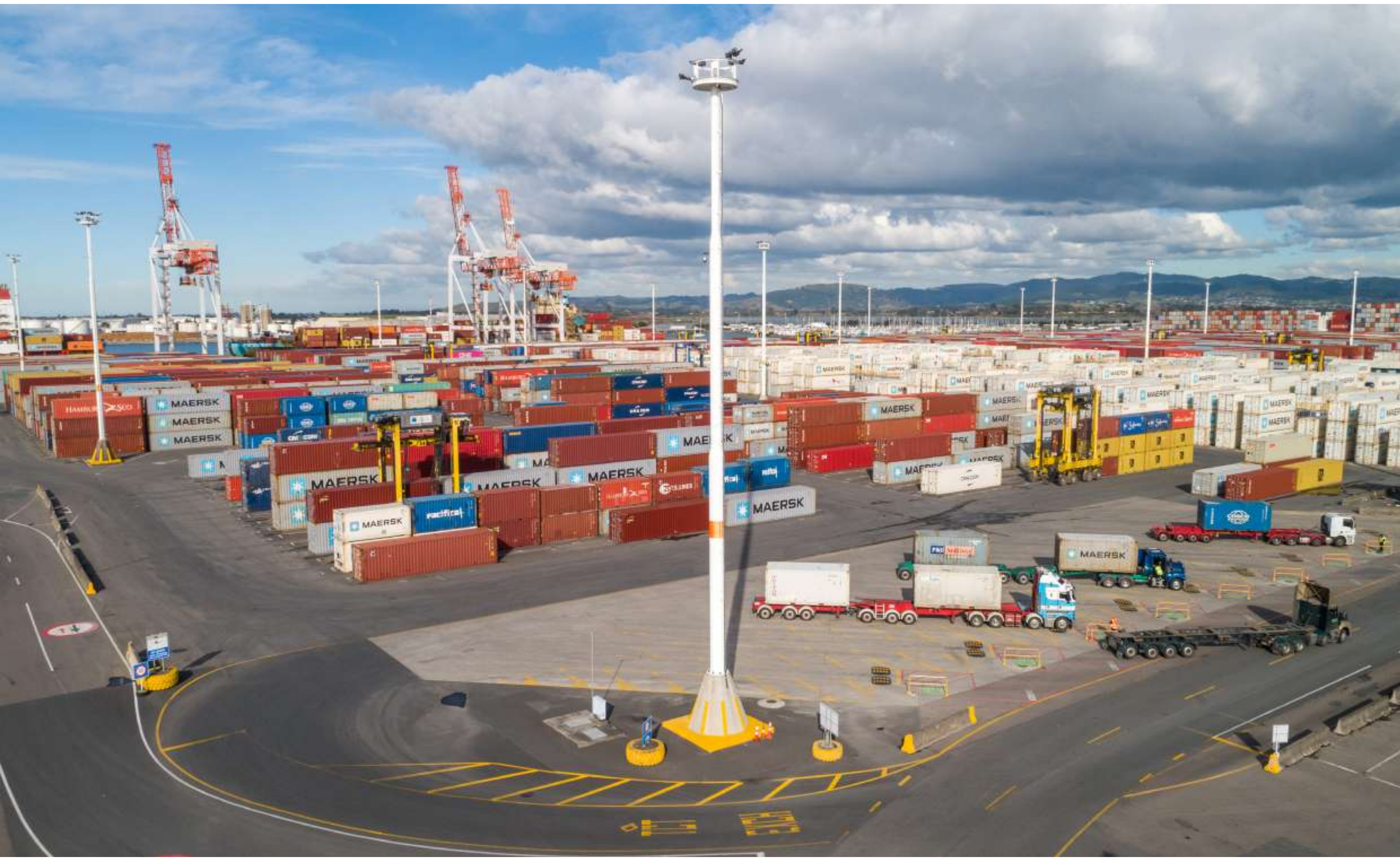
PortConnect provides a searchable, real-time vessel schedule for all member ports. Users can track and trace containers, manage Customs and MPI clearances, submit documentation and prioritise shipments travelling by rail.

The secure system has helped shippers manage the congestion and delays caused by international supply chain disruption of the past two years. Customers can manage containers predictively instead of reactively, and avoid endless manual website searches.

Integration with customers' systems is via email or API.

Port of Tauranga believes that competition across the port sector is vital to control prices and promote higher quality services. However, in areas such as data provision, the supply chain can benefit from greater cooperation amongst ports.

[4] https://www.transport.govt.nz/statistics-and-insights/freight-and-logistics/sheet/figs-port-container-handling




# Working with regulatory agencies

**Port of Tauranga works closely with government agencies and regulators to ensure the port is a safe and secure workplace.**


The Port works with New Zealand Police and Customs to stop threats entering New Zealand and detect potential criminal activity within the port gates.

Other agencies with a regulatory role in border protection and safety include the Ministry for Primary Industries, WorkSafe, Maritime NZ, the Tauranga Harbourmaster (employed by the Bay of Plenty Regional Council), the regional Public Health Unit and the Ministry of Health.

Port of Tauranga participates in multiple local and national forums to address the issues facing our industry, our communities and the national economy.

During the Covid-19 pandemic, we have lent our expertise to a range of government-related forums and working groups.

Our team is also heavily involved in port sector safety strategy and holds leadership positions in the Port Industry Association and Maritime NZ/WorkSafe joint port sector groups.

We also take an active role in regional and national business organisations such as Priority One (the Bay of Plenty region's economic development agency), the Employers and Manufacturers Association and Business NZ.

Capital

## OUR SKILLS AND KNOWLEDGE

FEATURE

# Ruakura Inland Port

Port of Tauranga's inland port development with Tainui Group Holdings at the Ruakura Superhub is due to open in late 2022.

The Superhub, a few kilometres from downtown Hamilton, comprises the inland port, a logistics and industrial hub, and associated services.

Port of Tauranga Chief Executive, Leonard Sampson, says the new hub will better connect the Auckland, Waikato and Bay of Plenty regions.

"Through the inland port, Waikato-based shippers will get rail-connected access to the big ship services calling only at Tauranga," he says.

"Bigger ships are more efficient and produce fewer carbon emissions per container when combined with rail, which also takes trucks off regional roads."

The first stage of the inland port is nine hectares and future development will see it grow to around 30 hectares. It will have two 800 metre rail sidings off the East Coast Main Trunk rail line.

The inland port will allow Port of Tauranga to grow cargo capacity as cargo volumes increase. It will be used as a cargo consolidation and staging area.

The Port is investing in the development for economic, social and environmental reasons.

"In Tainui Group Holdings we have found a partner with strongly aligned values and interests," says Leonard.

"We see this as a long-term, strategic partnership that combines the Port's experience and expertise in developing and operating ports, with Waikato-Tainui's deep regional connections and commercial acumen," he says.

The Ruakura Superhub has already attracted a collection of large-scale tenants, including Kmart, PBT, Big Chill, Maersk and Waitomo Energy.

Leonard says the migration of industry from South Auckland, where there is limited space and high land prices, to the Waikato is expected to continue and is recognised in the Waikato and Bay of Plenty Freight Action Plan published earlier this year (see more on page 55).

*Above, progress of the Ruakura Superhub under development in Hamilton, with the inland port at the far right of the earthworks and the Waikato Expressway in the foreground. Below, the pavement of the inland port, and the East Coast Main Trunk rail line, can be seen on the left of the picture.*

The Port is investing in the Ruakura Inland Port for economic, social and environmental reasons.


ROCK OUTFALL EXTENDS 20m

Capital

## OUR ENVIRONMENT

# Protecting our natural environment

Port of Tauranga prevents air and water pollution through dust suppression, stormwater management and spill prevention. We support industry efforts to reduce fumigation, while ensuring the port community is vigilant in detecting pest incursions that threaten our way of life. We choose energy efficient equipment where possible, minimise waste and seek to reduce our carbon emissions across all areas of our business.

In the following pages, we describe our progress in pursuing our environmental and climate change strategies. We have installed new wind shelters to reduce dust migration, minimised waste going to landfill and will soon add another seven hybrid straddle carriers to our fleet.

### MATERIAL ISSUES

**Biodiversity protection**

**Biosecurity**

**Air and water quality management**

**Local impacts**

**Managing carbon emissions**

**Climate action**

### VISION

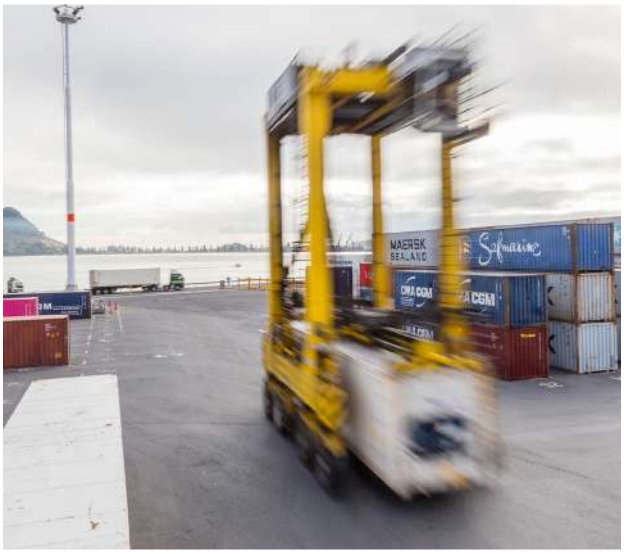
**We will protect and enhance our natural environment. We will invest in technology and embed sustainable practices throughout our business.**

Capital
# OUR ENVIRONMENT

| | |
|---|---|
| 16.1% reduction in dust since 2020 (see page 50) | 10% reduction in carbon emission intensity (emissions per cargo tonne) since 2018 |
| 2.1% reduction in overall emissions in FY2022 | compliance with all stormwater quality standards |

## Carbon emissions affected by congestion

**Port of Tauranga has successfully reduced its carbon emission intensity (emissions per cargo tonne) by 10% since 2018.**




Emissions have been reduced through a waste minimisation project, diverting waste such as wharf sweepings from landfill and recycling. Other initiatives include installing reticulated power for refrigerated containers (avoiding the need for diesel generator use at peak times), and the transition to lower emission vehicles and equipment. Our three hybrid straddle carriers are about 25% more fuel efficient, and we have just ordered another seven to add to the fleet.

However, efforts to reduce emissions have been frustrated by the ongoing congestion at the container terminal, which has caused additional straddle movements and diesel consumption.

Year on year, emission intensity has decreased by 0.6% and total emissions (Scope 1, 2 and 3) have decreased by 2.1%.

Port of Tauranga's main sources of carbon emissions are rail freight, diesel use (primarily straddle carriers and marine fuel), electricity and waste to landfill.

We continue to pursue reductions and our opportunity to make a major dent in emissions in future lies in automation. Electric stacking cranes produce around 75% fewer emissions than a comparable traditional diesel straddle carrier operation.

# Preventing pests from entering New Zealand

**Port of Tauranga works with other members of the port community to keep all eyes on preventing pest incursions through the port.**

The Port of Tauranga Biosecurity Excellence Partnership educates port users on what to look for and how to respond if they see evidence of bugs.

The partnership publishes an annual calendar and other educational material featuring the top 12 unwanted pests, and runs an annual Biosecurity Week to raise biosecurity awareness.

The partnership involves Port of Tauranga, the Ministry for Primary Industries, Kiwifruit Vine Health, primary produce organisations, scientists and local government.

Port of Tauranga also supports the Tauranga Moana Biosecurity Capital initiative, which seeks to raise biosecurity awareness throughout the wider western Bay of Plenty.

The Port is a signatory to the Biosecurity Business Pledge, which has more than 150 New Zealand businesses in its network. Members share knowledge and collaborate on proactive biosecurity management.

# Phasing out fumigation

**Fumigation is an important part of New Zealand's biosecurity defence.**

However, the use of methyl bromide, an ozone depleting gas, to fumigate export logs, is a cause of great concern to Tauranga residents.

Port of Tauranga has moved to address those concerns by insisting on recapture technology being utilised on 100% of log stack fumigations. Recapture is already in use on 100% of import container fumigations using methyl bromide.

In August 2021, the Environmental Protection Authority introduced stricter rules around the concentration levels, exclusion zones and recapture requirements. This resulted in a hiatus of methyl bromide use for several months while operations were adapted for the new protocols.

In recent years, methyl bromide use has also been drastically reduced by the use of de-barking. De-barking logs off site greatly reduces the amount of pre-shipment fumigation required, and avoids log debris being deposited on the wharves and causing a dust nuisance.

A second de-barker is being commissioned by forestry exporters to meet the demand for this treatment.

# Environmental protection built in to berth extension proposal

**Port of Tauranga has applied for resource consent to extend its wharves using existing cargo storage land.**

The proposal includes measures to monitor and mitigate any impacts on the flora and fauna of Te Awanui Tauranga Harbour, including native birds, marine mammals and kaimoana stocks.

The project involves dredging 1.5 million cubic metres of sand and silt from the harbour floor to allow vessels to berth at the new wharves.

This compares with our previous dredging project in 2015, which involved 6 million cubic metres dredged to deepen the entire shipping channel to prepare for larger ships. Numerous ecological and hydrodynamic marine studies have confirmed that the long-term environmental impacts from the 2015 dredging were as predicted.

Water quality near the port is monitored regularly as a condition of our stormwater management resource consent. During the construction phase, water turbidity will be continuously monitored and kept within strict limits.

The earlier dredging work led to the establishment of the Ngā Mātarae Charitable Trust (see page 30). The Trust has so far funded a pipi research project to restore and enhance coastal ecosystems, the purchase of a research vessel for the Manaaki Te Awanui Charitable Trust, and a wetland restoration and inanga spawning habitat in the Kopurererua stream (a tributary to Tauranga Harbour).

Capital

## OUR ENVIRONMENT

FEATURE

# Improving the air

Port of Tauranga's dust reduction programme has had a significant impact on air quality at the port.

The Port has installed 640 additional metres of wind break fences, increased wharf sweeping and improved cargo handling procedures to minimise fine dust becoming airborne from on-wharf activities, including bulk cargo handling and log yard activities. Since 2017, wharf sweeping has increased five-fold and other port users have also increased their cleaning. Concrete barriers have been introduced to keep unnecessary traffic out of dusty areas.

Wind limits for certain dust-generating activities are enforced and water suppression is used on bark collection equipment and bulk cargo hoppers.

Dust performance indicators have shown a 5.6% reduction in the past year, and a 16.1% reduction since 2020.[5] Dust levels from port activities are currently complying with the National Environmental Standard for Air Quality but we continue to find ways to decrease dust generation and avoid nuisance for our neighbours.

The Mount Maunganui Airshed declaration, in place since late 2019, remains due to recent $PM_{10}$ exceedances at several locations. Windblown sea salt spray is believed to have had an influence on some occasions.

Bay of Plenty Regional Council[6] has 10 air quality monitors in the area, testing a range of parameters. One of the locations is at Whareroa Marae, located next to Tauranga Airport not far from the port.

Marae representatives have been campaigning against the presence of heavy industry in the area. Port of Tauranga is part of an air quality working group alongside representatives from the marae, the regional and city councils, environmental and community groups, and industry.

[5] *As measured at the $PM_{10}$ monitoring station 'Mount Maunganui at Railyard South' during dry conditions at times when the Mount Maunganui Wharves are upwind of the monitor.*

[6] *https://www.boprc.govt.nz/our-projects/mount-maunganui-industrial-air-quality*

The Port has installed 640 additional metres of wind break fences, increased wharf sweeping and improved cargo handling procedures.


M S C

Capital

## OUR ASSETS AND INFRASTRUCTURE

# Driving national prosperity

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 2016. The investment included dredging, wharf extensions and new ship-to-shore cranes.

In the following pages, we describe our progress in pursuing our infrastructure development strategies. We have almost completed our new joint venture Ruakura Inland Port near Hamilton, a new pilot boat is under construction, and we have ordered an additional seven new hybrid straddle carriers.

### MATERIAL ISSUES

**Resilient port capacity and expansion**

**Geographic reach**

**Cyber and data security**

### VISION

**New Zealanders will value the port as an asset that drives our nation's prosperity by providing the most efficient access to global trade.**

Capital

# OUR ASSETS AND INFRASTRUCTURE

**1,369**
ship visits (up 4.7% from 1,307)

**26**
fewer container ships compared with the previous year

**10.7%**
increase in cargo volume exchanged per container vessel

**3.4%**
increase in total TEUs to 1,241,061

new pilot boat under construction

## New pilot launch under construction

**Port of Tauranga's new pilot launch is under construction by Hart Marine and due for delivery by the end of the year.**

The new vessel will be named *Troy Evans* in memory of the late Port of Tauranga pilot and tugmaster, who passed away in December 2021.

The 17.3 metre vessel boasts a raft of safety features and is more fuel efficient.

The Port currently has two pilot launches – 10-year-old *Arataki* and the 23-year-old back up, *Te Awanui*. *Arataki* will remain in service.

# Investing in terminal efficiency

**Continuous investment in the Tauranga Container Terminal aims to improve cargo flows and efficiency, even when the infrastructure is under pressure from congestion.**

A new, 10-lane container truck exchange opened in early 2021 to speed up cargo deliveries and collections.

The exchange works in tandem with our Vehicle Booking System, installed in 2019, to minimise truck turnaround times and incentivise cargo movements outside peak traffic periods.

Port of Tauranga also continues to invest in more fuel efficient technology. Following the successful purchase of three hybrid container straddle carriers in 2020, we have ordered another seven.

The first hybrids have proven to be reliable, quiet, comfortable and around 25% more fuel efficient.

Our modern fleet of ship-to-shore gantry cranes 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 (reefer) connections.

We have installed new reefer connections along the northern end of the container terminal, known as Hume Highway. This area has traditionally been a peak season storage area for kiwifruit reefers, served by diesel generators.

High demand led to more permanent infrastructure being installed, which will reduce our diesel use for temperature control. A truck queuing lane has also been added for safety.

Meanwhile, work continues on pavement improvements throughout the terminal.

In the past two years, we have laid more than 26,000 tonnes of asphalt in resurfacing and maintenance.

# Transport networks need additional capacity

**A major freight study focusing on the Waikato and Bay of Plenty has highlighted the need for increased transport network capacity and resilience.**

Port of Tauranga was a partner in the Waikato and Bay of Plenty Freight Action Plan prepared by Ernst & Young (EY) and released in June 2022.

Other partners in the report were the economic development agencies for the Waikato and Bay of Plenty (Te Waka and Priority One), KiwiRail, Tainui Group Holdings, Netlogix, Mondiale and Fonterra. EY also interviewed Swire Shipping, Coda Group, Foodstuffs, the Government transport agency Waka Kotahi, the Ministry of Transport and Carr & Haslam Transport.

The report recommends increasing the capacity of the freight network, including links to Auckland, with bottlenecks and constraints identified and prioritised. It also recommends a separate study to assess the resilience of existing critical networks, including the Kaimai Tunnel. The 8.9 km tunnel is the longest rail tunnel in the country and was opened in 1978.

The report predicted freight growth of between 45 and 65% between 2020 and 2030 across the two regions.

Port efficiency relies heavily on the current and future efficiency of the region's road and rail networks. Port of Tauranga aims to minimise its impact on local roading by promoting rail as an efficient alternative.

Around 40% of cargo travels in and out of the port via rail, and transhipment – where container cargo is transferred from one ship to another without leaving the terminal – accounts for nearly a third of containers handled. Transhipped volumes have grown 237% over the last ten years as Tauranga has grown into the nation's hub port.

Freight throughput has increased by 38% over the past ten years, while port-related truck movements in the same period have increased by 14%. Regional population has increased by 31%.

Capital

## OUR ASSETS AND INFRASTRUCTURE

FEATURE

# Automation project advances

Detailed design work is under way in preparation for the introduction of greater electrification and automation of Port of Tauranga's container terminal.

The automation project will enable Port of Tauranga to intensify storage capacity within the existing footprint, improve throughput, improve safety, reduce fuel consumption and reduce carbon emissions.

In 2018, Port of Tauranga engaged terminal development experts TBA Group to model capacity at the Tauranga Container Terminal and produce a conceptual design for container handling automation equipment.

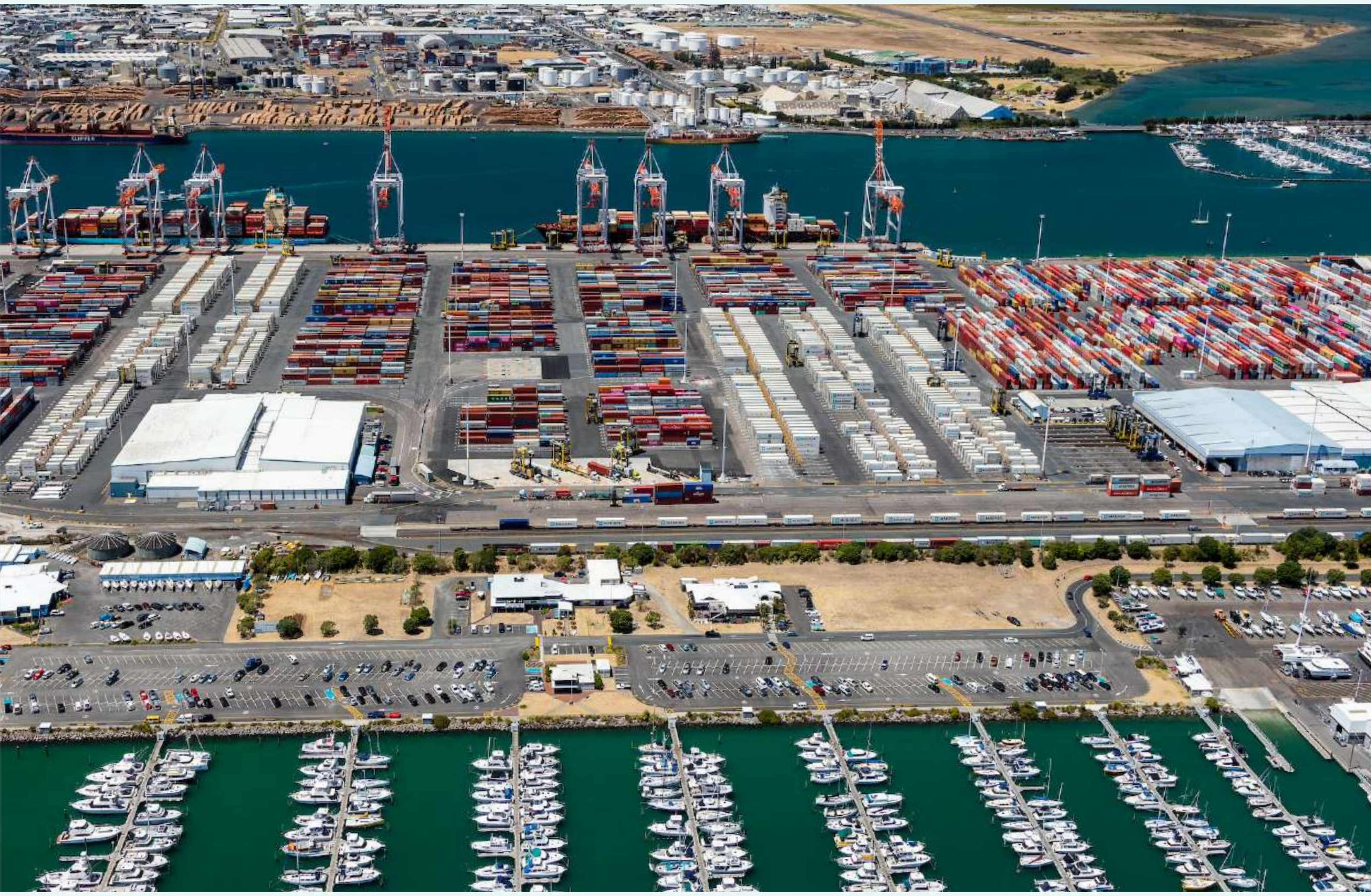
The model identified that the berth extension was critical to cater for future growth. The report also recommended automated stacking cranes (ASCs) be introduced in stages to enable land-side capacity to match berth capacity. The existing facilities are calculated to be able to accommodate up to 1.4 million TEUs.

Port of Tauranga has already completed an $11 million electricity infrastructure upgrade in anticipation of the automation development.

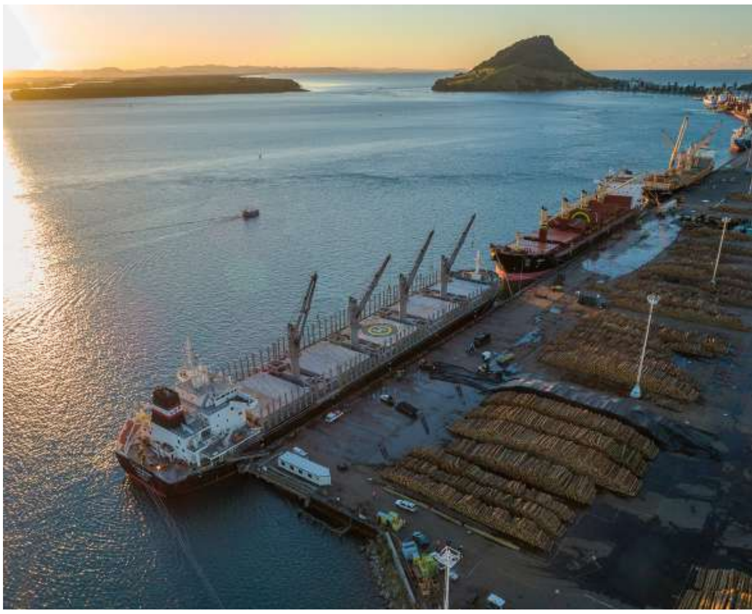
The automation project was briefly paused at the start of the Covid-19 pandemic. It is now clear that, even without the additional berth capacity, some level of automation will be required to expand storage capacity and improve throughput.

The concept involves combining the ASCs with diesel or hybrid straddle carriers to run between the ASC blocks and ship-side. This model is already in use at container terminals in Brisbane, Melbourne, London, Antwerp, Rotterdam, Khalifa, Busan, New York and Singapore.

We have engaged specialists Royal Haskoning DHV to work with Port of Tauranga's team through the process.



The automation project will intensify storage capacity within the existing footprint, improve throughput, and safety, and reduce fuel consumption and carbon emissions.



Capital

## OUR FINANCES

# Delivering long-term value

Port of Tauranga provides sustainable shareholder returns through revenue growth from diverse income streams and we are always seeking new customers and cargoes. Through our cornerstone shareholder, Quayside Holdings, we share the financial benefits of the Port's success with the residents and ratepayers of the Bay of Plenty.

In the following pages, we outline our progress in pursuing our economic strategies, as well as sharing our financial statements of performance. We have used financial incentives to address congestion, supported ratepayers with steady dividends, and increased debt facilities in anticipation of capital investment to grow capacity.

### MATERIAL ISSUES

**Financial performance**

**Capital base**

**Shareholder returns**

**Supply chain efficiency**

### VISION

**We will deliver long-term value for investors through leading environmental and ethical performance, business resilience and sound financial management.**

Capital

# OUR FINANCES

| | | |
|---|---|---|
| Group Net Profit After Tax<br>**$111.3M**<br>(increased 8.7% from $102.4 million ) | Subsidiary and Associate Company earnings of<br>**$15.0M**<br>a 16.2% decrease | Group revenue of<br>**$375.3M**<br>a 10.9% increase |
| Earnings per share<br>**16.4**<br>cents | Dividends of<br>**14.7**<br>cents per share (an 8.9% increase) | |

## Regional ratepayers reap rewards

**More than half of Port of Tauranga's shares are owned by local ratepayers.**

Port of Tauranga's cornerstone shareholder is Quayside Holdings, the investment arm of the Bay of Plenty Regional Council.

The Port has returned more than $691 million to Quayside Holdings in dividends over the past 10 years. In addition, Quayside used its shareholding in Port of Tauranga to establish a $200 million infrastructure fund to help pay for regional assets and infrastructure.

The Bay of Plenty Regional Council gets around 25% of its annual revenues from its Quayside investment. This subsidises rates bills, saving $347 per household last year.

As well as the dividends paid to ratepayers through Quayside, the Port is one of the city's largest ratepayers and has paid $337 million in corporate tax in the past 10 years.

## Port's presence boosts regional economy

**Port of Tauranga is a key driver of the economies of Tauranga, the wider Bay of Plenty and New Zealand as a whole, providing hundreds of thousands of jobs and business opportunities.**

The port's presence and impact has helped boost regional GDP growth above the national average in recent years.

For example, the Western Bay of Plenty has capitalised on the port's location, the sub-region's proximity to major population centres and attractive lifestyle to deliver sustained economic growth over the last decade.

The sub-region's GDP increased by 42% between 2015 and 2020 – 21 percentage points more than the national increase for the same period.

## Post-pandemic prospects

**Covid-19 continues to have a significant effect on Port of Tauranga operations and costs.**

We have imposed temporary surcharges to incentivise cargo throughput and avoid cargo being stored in the container terminal for excessive time. The penalties have resulted in increased short-term revenue for the terminal. More importantly, they have helped relieve pressure caused by container volume spikes.

The container terminal is unlikely to return to former productivity levels until operational problems at other ports are resolved and vessels can return to their scheduled arrival windows. We are hopeful of more certainty of shipping traffic in the second half of the financial year.

## $100 million of bonds issued

**Port of Tauranga allocated $100 million of bonds following an institutional bookbuild of seven year fixed rate notes in November.**

The transaction, arranged by BNZ, attracted strong support. The interest rate was set at 3.552% per annum, a margin of 0.85% over the underlying swap rate. The notes mature in November 2028.

The notes were allocated in anticipation of major capital investment over the next few years to increase capacity. Port of Tauranga intends to commence construction on its container berth extension project as soon as resource consent is obtained, and also intends to implement automation at the Tauranga Container Terminal to increase capacity within the current land footprint.

# Board of Directors

**J C HOARE**
BCom, FCA, CMInstD
Chair, Independent Director

Julia Hoare joined the Board in August 2015 and took over the Chair in August 2022. She has a wide range of commercial, financial, tax, regulatory and sustainability expertise developed from both her extensive governance roles and over the course of two decades as a partner with PwC. Julia is Deputy Chair of The a2 Milk Company Limited, and a Director of Auckland International Airport Limited and Meridian Energy Limited. She is President of the Institute of Directors and a Member of the Chapter Zero New Zealand Steering Committee.

**J B STEVENS**
LLB, FCILT (Fellow Chartered Institute of Logistics and Transport)
Independent Director

Brodie Stevens is the former Swire Shipping/China Navigation Company Country Manager. A trained lawyer, he joined Freightways Group as a management trainee in 1982 and was National Marketing Manager for Post Haste before joining Owens Group. He was Divisional General Manager of Seatrans New Zealand and Owens Shipping Services before joining China Navigation Company (trading as Swire Shipping) in 2004. During his tenure, the company expanded into freight forwarding, shipping agency and stevedoring. Brodie joined the Board in August 2022.

**D J BRACEWELL**
Independent Director

Dean Bracewell has deep transport and logistics industry experience. He was a former Managing Director for Freightways, one of New Zealand's largest transport and logistics companies, for more than 18 years before embarking on a governance career in 2018. Currently Dean is a Director of Air New Zealand Limited, Property for Industry Limited, the Halberg Trust and Tainui Group Holdings Limited. He joined the Board in December 2021.

**K R ELLIS**
BCA Economics (1st Class Honours),
BE Chemical (1st Class Honours)
Independent Director

Kim Ellis is Chair of Green Cross Health and NZ Social Infrastructure Fund Limited, and a Director of Fonterra Shareholders Fund (FSF) Management Company Limited. Kim joined the Board in May 2013.

**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, 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.

**SIR R A MCLEOD KNZM**
LLB, BCom, FCA, CFInstD

Sir Robert McLeod joined the Board of Quayside Holdings Limited in November 2016 and of which he is Chair. Sir Robert is also Chair of Quayside Securities Limited, Quayside Properties Limited, NZX listed Sanford Group and Ngāti Porou Holding Company Limited. He is a Director of AZSTA NZ Limited, China Construction Bank (New Zealand) Limited, MSJS NZ Limited, Point 76 Limited, Point Guard Limited, Point Seventy Limited and VCFA NZ Limited. Sir Robert has been a past Board Member of ANZ National Bank, Tainui Group Holdings, SkyCity Entertainment Group and Telecom and he 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. In 2019, Sir Robert was appointed Knight Companion of the NZ Order of Merit. Sir Robert joined the Board in October 2017.

**A R LAWRENCE**
BCA (Business Admin)
Independent Director

Alastair Lawrence joined the Board in February 2014 and took over the Chair of the Audit Committee in August 2022. Alastair 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 the Takeovers Panel, Landcare Research Limited, Coda GP and a number of mid-market private companies.

**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.

# Senior Management Team

**LEONARD SAMPSON**
Chief Executive

Leonard became Chief Executive of Port of Tauranga in July 2021 following the retirement of Mark Cairns. Leonard was appointed as the Port's Chief Operating Officer in September 2019, and before that was Commercial Manager. He joined the Company in 2013 from the role of General Manager – Sales at KiwiRail. He also held senior roles at Carter Holt Harvey and Mainfreight.

**SIMON KEBBELL**
Chief Financial Officer & Company Secretary

Simon was appointed Chief Financial Officer of Port of Tauranga Limited in 2020. He has been with the Company since 2003 and was previously IT/Finance Manager. He is a chartered accountant and has a First Class Honours Degree in a Bachelor of Management Studies. Prior to joining Port of Tauranga, Simon was Manager – Internal Audit for PricewaterhouseCoopers in Singapore. He also held positions at Ernst & Young in Singapore and Auckland.

**MELANIE DYER**
GM Corporate Services

Melanie joined Port of Tauranga Limited in August 2020 from Trustpower Limited, where she was General Manager, People and Culture. Prior to joining Trustpower in 2014, Melanie spent 11 years at Hydro Tasmania. Melanie has a Master's Degree in organisational development and leadership studies.

**BLAIR HAMILL**
GM Commercial

Blair oversees port operations, marketing and new business opportunities. He joined the Company in July 2020 after 20 years at Zespri International, the world's largest kiwifruit marketer. Blair held a variety of senior roles at Zespri, including Global Commercial Manager and, most recently, Chief Global Supply Officer. Blair is a former chartered accountant.

**PAT KIRK**
GM Health & Safety

Pat joined the Company in 2013. He was previously General Manager Health and Safety at Carter Holt Harvey and has three decades of strategic and applied industry health and safety experience across a wide range of sectors. Pat is Chair of the Port Industry Health & Safety Committee and a member of various national health and safety organisations, including the WorkSafe/Maritime NZ Port Sector Health and Safety Strategy Working Group, and the Business Leaders' Health & Safety Forum. Pat has a Master of Business Studies (1st Class Honours).

**DAN KNEEBONE**
GM Property & Infrastructure

Dan has overall responsibility for both the property portfolio and engineering interests of the Port. Dan joined the Port of Tauranga Senior Management Team in January 2013. He was previously National Property and Development Manager for Bunnings Limited and held senior roles at Trans Tasman Properties Limited, Fletcher Property Limited and Simes Limited.

**ROCHELLE LOCKLEY**
GM Communications

Rochelle joined the Company's Senior Management Team in September 2020. Rochelle, a former journalist, held senior communications roles in tourism and telecommunications in New Zealand, the United Kingdom and United States. She then established a communications consultancy in 2005.

# Consolidated Financial Statements

## For the year ended 30 June 2022
## Port of Tauranga Limited and Subsidiaries

### CONTENTS

# Directors' Responsibility Statement

*FOR THE YEAR ENDED 30 JUNE 2022*

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 2022.

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 2022.

The financial statements were authorised for issue for and on behalf of the Directors on 26 August 2022.

Chair

Director

# Independent Auditor's Report

**To the Shareholders of Port of Tauranga Limited**

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

## OPINION

We have audited the consolidated financial statements of the Group on pages 71 to 109, that comprise the consolidated statement of financial position as at 30 June 2022, 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 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

## BASIS FOR OUR OPINION

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

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

Other than in our capacity as auditor we have no relationship with, or interests in, Port of Tauranga Limited or any of its subsidiaries.

## KEY AUDIT MATTERS

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

| The Key Audit Matter | How The Matter Was Addressed in Our Audit |
|---|---|
| ***Value of property, plant and equipment*** | |
| Refer note 10 of the financial statements.<br><br>The Group has property, plant and equipment ("PP&E") of $2,392 million.<br><br>The Group has a policy of valuing land, buildings, wharves, hardstanding and harbour improvements ("Revalued PP&E") at fair value. Full independent valuations are obtained at least every three years (by an independent valuer) over these asset classes.<br><br>In the current year, the fair value of land and buildings was revalued by an independent valuer.<br><br>Wharves and hardstandings and harbour improvements fair values were adjusted with reference to cost inflation indices.<br><br>The Revalued PP&E is considered a key audit matter due to the judgement involved in the assessment of the fair value and the material value of PP&E on the balance sheet. | Our procedures focused 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.<br><br>For land and buildings we have:<br><br>– Assessed the competence, objectivity and independence of the valuer used;<br>– Assessed the methodology applied by valuers and assessed whether the valuation approach was in accordance with professional valuation standards and suitable for determining the fair value of identified assets;<br>– Compared the asset holdings in the fixed asset register to those valued to ensure all relevant property was captured;<br>– Compared the key assumptions within each assessment to market evidence and applicable industry data;<br>– Assessed the reasonableness of valuation movements between financial years with consideration to broader sector/local market evidence (where available); and<br>– Assessed whether the increase in valuation was correctly accounted for within the Revaluation Reserve and Statement of Comprehensive Income. |

| The Key Audit Matter | How The Matter Was Addressed in Our Audit |
|---|---|
| ***Value of property, plant and equipment (continued)*** | |
| | For wharves, hardstandings and harbour improvements we have:<br>– Assessed the competence, objectivity and independence of the valuer used;<br>– Compared and recalculated the valuers fair value assessment against publicly available data (including construction indices); and<br>– Assessed whether the increase in valuation was correctly accounted for within in the Revaluation Reserve and Statement of Comprehensive Income.<br>As a result of the above procedures, we are satisfied the carrying value of property, plant and equipment is reasonable and supportable. We are also satisfied with the adequacy of disclosures. |

## OTHER INFORMATION

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

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

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

## DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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.

## Independent Auditor's Report (continued)

- Conclude on the appropriateness of the use of the going concern basis of accounting by the Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Our responsibilities arise from the Public Audit Act 2001.

**Brent Manning**
KPMG

On behalf of the Auditor-General
Wellington, New Zealand

26 August 2022

# Consolidated Income Statement

*FOR THE YEAR ENDED 30 JUNE 2022*

| | Note | **2022 NZ$000** | 2021 NZ$000 |
|---|---|---|---|
| **Total operating revenue** | 4 | **375,288** | 338,281 |
| Contracted services for port operations | | **(84,796)** | (69,143) |
| Employee benefit expenses | 5 | **(46,790)** | (43,520) |
| Direct fuel and power expenses | | **(14,494)** | (11,545) |
| Maintenance of property, plant and equipment | | **(12,895)** | (15,633) |
| Other expenses | | **(23,236)** | (21,306) |
| **Operating expenses** | | **(182,211)** | (161,147) |
| **Results from operating activities** | | **193,077** | 177,134 |
| Depreciation and amortisation | 10, 11, 12 | **(36,657)** | (33,998) |
| Impairment of property, plant and equipment | 10 | **0** | (12) |
| Impairment of property, plant and equipment on revaluation | | **(1,445)** | (2,326) |
| | | **(38,102)** | (36,336) |
| **Operating profit before finance costs, share of profit from Equity Accounted Investees and taxation** | | **154,975** | 140,798 |
| Finance income | 7 | **287** | 164 |
| Finance expenses | 7 | **(16,452)** | (16,736) |
| **Net finance costs** | 7 | **(16,165)** | (16,572) |
| Share of profit from Equity Accounted Investees | 14(c) | **11,586** | 13,524 |
| Loss on disposal of Equity Accounted Investees | | **0** | (741) |
| | | **11,586** | 12,783 |
| **Profit before income tax** | | **150,396** | 137,009 |
| Income tax expense | 8 | **(39,079)** | (34,634) |
| **Profit for the period** | | **111,317** | 102,375 |
| Basic earnings per share (cents) | 17 | **16.5** | 15.2 |
| Diluted earnings per share (cents) | 17 | **16.4** | 15.0 |

These statements are to be read in conjunction with the notes on pages 77 to 109.

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

# Consolidated Statement of Comprehensive Income

*FOR THE YEAR ENDED 30 JUNE 2022*

| | 2022 NZ$000 | 2021 NZ$000 |
|---|---|---|
| Profit for the period | **111,317** | 102,375 |
| **Other comprehensive income** | | |
| Items that may be reclassified to profit or loss: | | |
| Cash flow hedge – changes in fair value* | **15,165** | 6,618 |
| Cash flow hedge – reclassified to profit or loss* | **4,382** | 3,903 |
| Share of net change in cash flow hedge reserves of Equity Accounted Investees | **862** | 496 |
| Items that will never be reclassified to profit or loss: | | |
| Asset revaluation, net of tax* | **625,137** | 157,842 |
| Share of net change in revaluation reserve of Equity Accounted Investees | **13,865** | 12,090 |
| Total other comprehensive income | **659,411** | 180,949 |
| **Total comprehensive income** | **770,728** | 283,324 |

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

These statements are to be read in conjunction with the notes on pages 77 to 109.

# Consolidated Statement of Changes in Equity

*FOR THE YEAR ENDED 30 JUNE 2022*

| | Note | Share Capital NZ$000 | Share Based Payment Reserve NZ$000 | Hedging Reserve NZ$000 | Revaluation Reserve NZ$000 | Retained Earnings NZ$000 | Total Equity NZ$000 |
|---|---|---|---|---|---|---|---|
| **Restated balance at 30 June 2020** | | **69,816** | **4,513** | **(22,375)** | **1,083,175** | **60,055** | **1,195,184** |
| Profit for the period | | 0 | 0 | 0 | 0 | 102,375 | 102,375 |
| Other comprehensive income | | 0 | 0 | 11,017 | 169,932 | 0 | 180,949 |
| **Total comprehensive income** | | **0** | **0** | **11,017** | **169,932** | **102,375** | **283,324** |
| Increase in share capital | | 735 | 0 | 0 | 0 | 0 | 735 |
| Dividends paid during the period | 16 | 0 | 0 | 0 | 0 | (84,353) | (84,353) |
| Equity settled share based payment accrual | 16 | 0 | 2,078 | 0 | 0 | 0 | 2,078 |
| Shares, previously subject to call option, issued | | 3,954 | (3,954) | 0 | 0 | 0 | 0 |
| Shares issued upon vesting of Management Long Term Incentive Plan | | 415 | (225) | 0 | 0 | (190) | 0 |
| **Total transactions with owners in their capacity as owners** | | **5,104** | **(2,101)** | **0** | **0** | **(84,543)** | **(81,540)** |
| **Balance at 30 June 2021** | | **74,920** | **2,412** | **(11,358)** | **1,253,107** | **77,887** | **1,396,968** |
| Profit for the period | | 0 | 0 | 0 | 0 | 111,317 | 111,317 |
| Other comprehensive income | | 0 | 0 | 20,409 | 639,002 | 0 | 659,411 |
| **Total comprehensive income** | | **0** | **0** | **20,409** | **639,002** | **111,317** | **770,728** |
| Decrease in share capital | | (37) | 0 | 0 | 0 | 0 | (37) |
| Dividends paid during the period | 16 | 0 | 0 | 0 | 0 | (95,242) | (95,242) |
| Equity settled share based payment accrual | 16 | 0 | 2,021 | 0 | 0 | 0 | 2,021 |
| 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** | | **234** | **1,792** | **0** | **0** | **(95,284)** | **(93,258)** |
| **Balance at 30 June 2022** | | **75,154** | **4,204** | **9,051** | **1,892,109** | **93,920** | **2,074,438** |

These statements are to be read in conjunction with the notes on pages 77 to 109.

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

# Consolidated Statement of Financial Position

*AS AT 30 JUNE 2022*

| | Note | **2022 NZ$000** | 2021 NZ$000 |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | 10 | **2,392,996** | 1,758,109 |
| Right-of-use assets | 11 | **39,367** | 40,577 |
| Intangible assets | 12 | **23,008** | 24,200 |
| Investments in Equity Accounted Investees | 14 | **186,050** | 167,650 |
| Receivables and prepayments | 15 | **18,612** | 16,502 |
| Derivative financial instruments | 20 | **11,957** | 77 |
| **Total non-current assets** | | **2,671,990** | 2,007,115 |
| Cash and cash equivalents | | **7,272** | 7,886 |
| Receivables and prepayments | 15 | **61,901** | 65,260 |
| Inventories | | **2,013** | 1,009 |
| Derivative financial instruments | 20 | **350** | 0 |
| **Total current assets** | | **71,536** | 74,155 |
| **Total assets** | | **2,743,526** | 2,081,270 |
| **Equity** | 16 | | |
| Share capital | | **75,154** | 74,920 |
| Share based payment reserve | | **4,204** | 2,412 |
| Hedging reserve | | **9,051** | (11,358) |
| Revaluation reserve | | **1,892,109** | 1,253,107 |
| Retained earnings | | **93,920** | 77,887 |
| **Total equity** | | **2,074,438** | 1,396,968 |
| **Liabilities** | | | |
| Loans and borrowings | 18 | **317,472** | 215,000 |
| Lease liabilities | 11 | **40,611** | 41,041 |
| Derivative financial instruments | 20 | **7,403** | 13,763 |
| Employee benefits | 5 | **1,627** | 2,244 |
| Deferred tax liabilities | 9 | **115,948** | 85,627 |
| Contingent consideration | | **2,688** | 2,920 |
| **Total non-current liabilities** | | **485,749** | 360,595 |
| Loans and borrowings | 18 | **125,000** | 270,000 |
| Lease liabilities | 11 | **776** | 837 |
| Derivative financial instruments | 20 | **67** | 1,151 |
| Trade and other payables | 21 | **38,979** | 37,722 |
| Revenue received in advance | | **1,039** | 162 |
| Employee benefits | 5 | **3,350** | 3,389 |
| Income tax payable | | **13,760** | 10,012 |
| Contingent consideration | | **368** | 434 |
| **Total current liabilities** | | **183,339** | 323,707 |
| **Total liabilities** | | **669,088** | 684,302 |
| **Total equity and liabilities** | | **2,743,526** | 2,081,270 |
| **Net tangible assets per share (dollars per share)** | | **3.05** | 2.04 |

For and on behalf of the Board of Directors who authorised these financial statements for issue on 26 August 2022.

Chair

Director

These statements are to be read in conjunction with the notes on pages 77 to 109.

# Consolidated Statement of Cash Flows

*FOR THE YEAR ENDED 30 JUNE 2022*

| | Note | 2022 NZ$000 | 2021 NZ$000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | **389,632** | 333,135 |
| Interest received | | **156** | 165 |
| Payments to suppliers and employees | | **(191,893)** | (179,521) |
| Taxes paid | | **(35,526)** | (36,576) |
| Interest paid | | **(17,120)** | (17,521) |
| **Net cash inflow from operating activities** | | **145,249** | 99,682 |
| **Cash flows from investing activities** | | | |
| Proceeds from sale of property, plant and equipment | | **33** | 10 |
| Finance lease payments received, including interest | | **0** | 13 |
| Repayment of advances from Equity Accounted Investees | | **0** | 680 |
| Dividends from Equity Accounted Investees | 14 | **10,763** | 9,636 |
| Purchase of property, plant and equipment | | **(21,345)** | (22,267) |
| Purchase of intangible assets | | **(135)** | (937) |
| Interest capitalised on property, plant and equipment | | **(102)** | (89) |
| Cash acquired as part of business combinations | | **0** | 794 |
| Investment in Equity Accounted Investees | | **(2,850)** | 0 |
| Payment of contingent consideration | | **(488)** | 0 |
| **Total net cash used in investing activities** | | **(14,124)** | (12,160) |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | | **100,308** | 61,020 |
| Dividends paid | 16 | **(95,242)** | (84,353) |
| Repurchase of shares | | **(931)** | 0 |
| Repayment of borrowings | | **(135,000)** | (64,000) |
| Repayment of lease liabilities | | **(874)** | (868) |
| **Net cash used in financing activities** | | **(131,739)** | (88,201) |
| **Net decrease in cash held** | | **(614)** | (679) |
| Add opening cash brought forward | | **7,886** | 8,565 |
| **Ending cash and cash equivalents** | | **7,272** | 7,886 |

These statements are to be read in conjunction with the notes on pages 77 to 109.

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

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

*FOR THE YEAR ENDED 30 JUNE 2022*

| | Note | **2022 NZ$000** | 2021 NZ$000 |
|---|---|---|---|
| **Profit for the period** | | **111,317** | 102,375 |
| Items classified as investing/financing activities: | | | |
| Finance lease interest revenue | 7 | **0** | (1) |
| Loss/(gain) on sale of property, plant and equipment | | **38** | (10) |
| | | **38** | (11) |
| Add/(less) non-cash items and non-operating items: | | | |
| Depreciation | 10, 11 | **35,330** | 32,576 |
| Amortisation expense | 12 | **1,327** | 1,422 |
| Impairment of property, plant and equipment | 10 | **0** | 12 |
| Impairment of property, plant and equipment on revaluation | | **1,445** | 2,326 |
| Decrease in deferred taxation expense | 9 | **(193)** | (2,973) |
| Movement in derivative financial instruments taken to the income statement | | **(51)** | 89 |
| Share of net profit after tax retained by Equity Accounted Investees | 14(c) | **(11,586)** | (13,524) |
| Loss on disposal of Equity Accounted Investees | | **0** | 741 |
| Change in the fair value of contingent consideration | | **117** | 103 |
| Increase in equity settled share based payment accrual | | **2,021** | 2,078 |
| | | **28,410** | 22,850 |
| Add/(less) movements in working capital: | | | |
| Change in trade receivables and prepayments | | **1,483** | (31,584) |
| Change in inventories | | **(1,004)** | 374 |
| Change in income tax payable | | **3,748** | 1,170 |
| Change in trade, other payables and revenue received in advance | | **1,257** | 4,508 |
| | | **5,484** | (25,532) |
| **Net cash flows from operating activities** | | **145,249** | 99,682 |

These statements are to be read in conjunction with the notes on pages 77 to 109.

## 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 2022 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);
- impairment assessment of investments in Equity Accounted Investees (refer to note 14); and
- valuation of share rights granted (refer to note 23).

**Fair Value Hierarchy**

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

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

**Financial Instruments**

*Financial Assets – Classification and Subsequent Measurement*

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

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

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

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

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

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

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

# Notes to the Consolidated Financial Statements

*FOR THE YEAR ENDED 30 JUNE 2022*

## 2 BASIS OF PREPARATION (CONTINUED)

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

*Financial Liabilities – Classification, Subsequent Measurement and Gains and Losses*

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

**New and Amended Accounting Standards Adopted**

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

**Covid-19**

As an essential service provider, the Group continued operations during the Covid-19 response. During the year to 30 June 2022, the Group's results from operating activities were not adversely impacted by the resultant shut-downs and other social and economic disruptions. In addition, there has not been a material impact on key assumptions used in valuing the Group's assets and therefore no Covid-19 related impairments have been recorded.

## 3 SEGMENTAL REPORTING

**Operating Segments**

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

The Group operates in three primary reportable segments, being:

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

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

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

The Group operates in one geographical area, that being New Zealand. During the year the Group received revenue from two external customers which individually comprised more than 10% of total revenue. Revenue from these two customers is included in Port Operations and accounts for 29% and 13% (2021: 30% and 12%) of total revenue.

The Group segment results are as follows:

| 2022 | Port Operations Group NZ$000 | Property Services Group NZ$000 | Terminal Services Group NZ$000 | Unallocated* Group NZ$000 | Inter Segment Group NZ$000 | Group NZ$000 |
|---|---|---|---|---|---|---|
| Revenue (external) | 339,383 | 32,959 | 2,543 | 0 | 0 | 374,885 |
| Inter segment revenue | 1 | 310 | 18,786 | 0 | (19,097) | 0 |
| **Total segment revenue** | **339,384** | **33,269** | **21,329** | **0** | **(19,097)** | **374,885** |
| **Other income and expenditure:** | | | | | | |
| Share of profit from Equity Accounted Investees | 0 | 0 | 0 | 11,586 | 0 | 11,586 |
| Interest income | 0 | 0 | 0 | 287 | 0 | 287 |
| Other income | 0 | 0 | 0 | 853 | (450) | 403 |
| Interest expense | 0 | 0 | 0 | (16,452) | 0 | (16,452) |
| Depreciation and amortisation expense | 0 | 0 | (929) | (36,657) | 0 | (37,586) |
| Other unallocated expenditure | 0 | 0 | (15,909) | (186,365) | 19,547 | (182,727) |
| Income tax expense | 0 | 0 | (1,259) | (37,820) | 0 | (39,079) |
| Total other income and expenditure | 0 | 0 | (18,097) | (264,568) | 19,097 | (263,568) |
| **Total segment result** | **339,384** | **33,269** | **3,232** | **(264,568)** | **0** | **111,317** |

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

## 3 SEGMENTAL REPORTING (CONTINUED)

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

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

## 4 OPERATING REVENUE

| | 2022 NZ$000 | 2021 NZ$000 |
|---|---|---|
| **Revenue from contracts with customers** | | |
| Container terminal revenue | **239,333** | 209,212 |
| Multi cargo revenue | **63,445** | 61,348 |
| Marine services revenue | **39,148** | 35,830 |
| | **341,926** | 306,390 |
| **Other revenue** | | |
| Rental revenue | **32,959** | 30,912 |
| Other income | **403** | 979 |
| **Total operating revenue** | **375,288** | 338,281 |

**Policies**

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

- *Container terminal revenue:* relates to the handling, processing, storage and rail of containers. Contracts are entered into with shipping lines and cargo owners. The primary performance obligations identified include the load and discharge of containers (which include the services provided to support the handling of containers). Container terminal revenue is recognised over time based on the number of containers exchanged (an output method). This method is considered appropriate as it allows revenue to be recognised based on the Group's effort to satisfy the performance obligation. The transaction price is determined by the contract and adjusted by variable consideration (rebates). Rebates are based on container volume and the Group accounts for the variable consideration using the expected value method. The expected value is the sum of probability weighted amounts in a range of possible consideration amounts. The Group estimates container volumes based on market knowledge and historical data.

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

# Notes to the Consolidated Financial Statements

*FOR THE YEAR ENDED 30 JUNE 2022*

## 4 OPERATING REVENUE (CONTINUED)

| | |
|---|---|
| **Policies (continued)** | • *Multi cargo revenue:* relates to the wharfage and storage of bulk goods. Contracts are entered into with cargo owners. The stevedoring services are provided by a third party. Multi cargo revenue is recognised over time, from the point that cargo transferred from vessel to land (or vice versa), being an output method. The transaction price for multi cargo services is determined by the contract.<br>• *Marine services revenue:* relates directly to the visit of a vessel to the port and includes fees for pilotage, towage and mooring. Contracts are entered into with vessel operators. The performance obligations identified include vessel arrival, departure and berthage. Revenue is recognised over time, based on time elapsed (berthage), being an input method. The transaction price for marine services is determined by the contract.<br>• *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.<br>• *Other income:* is recognised when the right to receive payment is established. |

## 5 EMPLOYEE BENEFITS

### Employee Benefit Expenses

| | **2022 NZ$000** | 2021 NZ$000 |
|---|---|---|
| Wages and salaries | **44,551** | 41,422 |
| ACC levy | **269** | 271 |
| KiwiSaver contribution | **1,663** | 1,523 |
| Medical subsidy | **307** | 304 |
| **Total employee benefit expenses** | **46,790** | 43,520 |

### Employee Benefit Provisions

| | Long Service Leave NZ$000 | Profit Sharing and Bonuses NZ$000 | **Total NZ$000** |
|---|---|---|---|
| Balance at 30 June 2021 | 2,106 | 3,527 | **5,633** |
| Additional provision | (188) | 3,426 | **3,238** |
| Unused amounts reversed | (295) | 0 | **(295)** |
| Utilised during the period | (134) | (3,465) | **(3,599)** |
| **Balance at 30 June 2022** | **1,489** | **3,488** | **4,977** |
| **Total current provisions** | **141** | **3,209** | **3,350** |
| **Total non-current provisions** | **1,348** | **279** | **1,627** |

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

## 6 AUDIT FEES

Included in other expenses are fees paid to the auditors:

| | **2022 NZ$000** | 2021 NZ$000 |
|---|---|---|
| Audit and review of financial statements | **239** | 294 |
| **Total audit and other services fees** | **239** | 294 |

## 7 FINANCIAL INCOME AND EXPENSE

| | 2022 NZ$000 | 2021 NZ$000 |
|---|---|---|
| Interest on lease | **0** | 1 |
| Interest income on bank deposits | **100** | 96 |
| Interest on advances to Equity Accounted Investees | **56** | 67 |
| Change in value of fair value hedges | **125** | 0 |
| Ineffective portion of changes in fair value of cash flow hedges | **6** | 0 |
| **Finance income** | **287** | 164 |
| Interest expense on borrowings | **(14,392)** | (14,979) |
| Less: | | |
| Interest capitalised to property, plant and equipment | **102** | 89 |
| | **(14,290)** | (14,890) |
| Interest expense on lease liabilities (refer to note 11) | **(2,082)** | (1,757) |
| Ineffective portion of changes in fair value of cash flow hedges | **0** | (3) |
| Amortisation of interest rate collar premium | **(80)** | (86) |
| **Finance expenses** | **(16,452)** | (16,736) |
| **Total net finance costs** | **(16,165)** | (16,572) |

| | |
|---|---|
| **Policies** | Finance income comprises interest income on bank deposits, finance lease interest and gains on hedging instruments that are recognised in the income statement. Interest income on financial assets carried at amortised cost is calculated using the effective interest method. Finance lease interest is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.<br><br>Finance expenses comprise interest expense on borrowings, finance lease interest expense, unwinding of the discount of provisions and losses on hedging instruments that are recognised in the income statement. Except for interest capitalised directly attributable to the purchase or construction of qualifying assets, all borrowing costs are measured at amortised cost and recognised in the income statement, using the effective interest method. |
| **Capitalised Interest** | The average weighted interest rate for interest capitalised to property, plant and equipment, was 2.60% for the current period (2021: 2.45%).<br><br>Total interest capitalised to property, plant and equipment, was $0.102 million for the current period (2021: $0.089 million). |

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

# Notes to the Consolidated Financial Statements

*FOR THE YEAR ENDED 30 JUNE 2022*

## 8 INCOME TAX

**Components of Tax Expense**

| | **2022 NZ$000** | 2021 NZ$000 |
|---|---|---|
| **Profit before income tax for the period** | **150,396** | 137,009 |
| Income tax on the surplus for the period at 28.0 cents | **42,111** | 38,363 |
| Tax effect of amounts which are non-deductible/(taxable) in calculating taxable income: | | |
| Share of Equity Accounted Investees after tax income, excluding Coda Group Limited Partnership | **(2,785)** | (3,289) |
| Loss on disposal of Equity Accounted Investees | **0** | 207 |
| Other | **(247)** | (647) |
| **Total income tax expense** | **39,079** | 34,634 |
| The income tax expense is represented by: | | |
| **Current tax expense** | | |
| Tax payable in respect of the current period | **39,613** | 36,977 |
| Adjustment for prior period | **(341)** | 630 |
| **Total current tax expense** | **39,272** | 37,607 |
| **Deferred tax expense** | | |
| Adjustment for prior period | **161** | (478) |
| Origination/reversal of temporary differences | **(354)** | (2,495) |
| **Total deferred tax expense (refer to note 9)** | **(193)** | (2,973) |
| **Total income tax expense** | **39,079** | 34,634 |

Income tax recognised in other comprehensive income:

| | **2022 NZ$000** | 2021 NZ$000 |
|---|---|---|
| Revaluation of property, plant and equipment | **22,912** | 18,470 |
| Cash flow hedges | **7,602** | 4,091 |
| **Total income tax recognised in other comprehensive income (refer to note 9)** | **30,514** | 22,561 |

| | |
|---|---|
| **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 $47.256 million at 30 June 2022 (2021: $37.803 million). |

## 9 DEFERRED TAXATION

| | Assets | | Liabilities | | Net | |
|---|---|---|---|---|---|---|
| | **2022 NZ$000** | 2021 NZ$000 | **2022 NZ$000** | 2021 NZ$000 | **2022 NZ$000** | 2021 NZ$000 |
| **Deferred tax (asset)/liability** | | | | | | |
| Property, plant and equipment | **0** | 0 | **115,795** | 93,224 | **115,795** | 93,224 |
| Intangible assets | **0** | 0 | **823** | 1,060 | **823** | 1,060 |
| Derivatives | **0** | (4,182) | **3,420** | 0 | **3,420** | (4,182) |
| Provisions and accruals | **(3,037)** | (3,489) | **0** | 0 | **(3,037)** | (3,489) |
| Equity Accounted Investees | **(788)** | (638) | **0** | 0 | **(788)** | (638) |
| Contingent consideration | **(265)** | (348) | **0** | 0 | **(265)** | (348) |
| **Total** | **(4,090)** | (8,657) | **120,038** | 94,284 | **115,948** | 85,627 |

| | Recognised in the Statement of Financial Position on Acquisition of Subsidiary | | Recognised in the Income Statement | | Recognised in Other Comprehensive Income | |
|---|---|---|---|---|---|---|
| | **2022 NZ$000** | 2021 NZ$000 | **2022 NZ$000** | 2021 NZ$000 | **2022 NZ$000** | 2021 NZ$000 |
| **Deferred tax (asset)/liability** | | | | | | |
| Property, plant and equipment | **0** | 390 | **(320)** | (1,575) | **22,912** | 18,470 |
| Intangible assets | **0** | 757 | **(237)** | (217) | **0** | 0 |
| Finance lease receivables | **0** | 0 | **0** | (4) | **0** | 0 |
| Derivatives | **0** | 0 | **0** | 0 | **7,602** | 4,091 |
| Provisions and accruals | **0** | (7) | **431** | (1,066) | **0** | 0 |
| Equity Accounted Investees | **0** | 0 | **(150)** | (213) | **0** | 0 |
| Contingent consideration | **0** | (450) | **83** | 102 | **0** | 0 |
| **Total** | **0** | 690 | **(193)** | (2,973) | **30,514** | 22,561 |

| | |
|---|---|
| **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.<br>Deferred tax is not recognised for the initial recognition of goodwill.<br>Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse.<br>A deferred tax asset is recognised only to the extent it is probable it will be utilised.<br>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.<br>The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of buildings classified as property, plant and equipment carried at cost is presumed to be recovered through use. |
| **Unrecognised Tax Losses or Temporary Differences** | There are no material unrecognised income tax losses or temporary differences carried forward. There are no material unrecognised temporary differences associated with the Group's investments in Subsidiaries or Equity Accounted Investees. |

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

# Notes to the Consolidated Financial Statements

*FOR THE YEAR ENDED 30 JUNE 2022*

## 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 2020 | 825,556 | 137,445 | 321,065 | 175,751 | 247,257 | 10,273 | **1,717,347** |
| Additions | 1,660 | 10,836 | 10,572 | 956 | 2,978 | (4,029) | **22,973** |
| Assets acquired on acquisition of Timaru Container Terminal Limited | 0 | 361 | 106 | 0 | 7,104 | 0 | **7,571** |
| Revaluation | 103,838 | 0 | 28,688 | 2,255 | 0 | 0 | **134,781** |
| **Balance at 30 June 2021** | **931,054** | **148,642** | **360,431** | **178,962** | **257,339** | **6,244** | **1,882,672** |
| Balance at 1 July 2021 | 931,054 | 148,642 | 360,431 | 178,962 | 257,339 | 6,244 | **1,882,672** |
| Additions | 0 | 1,083 | 11,290 | 1,320 | 4,283 | 4,114 | **22,090** |
| Disposals | 0 | 0 | 0 | 0 | (137) | 0 | **(137)** |
| Transfers between asset classes | 0 | (904) | 904 | 0 | 0 | 0 | **0** |
| Revaluation | 537,841 | (6,713) | 75,313 | 28,697 | 0 | 0 | **635,138** |
| **Balance at 30 June 2022** | **1,468,895** | **142,108** | **447,938** | **208,979** | **261,485** | **10,358** | **2,539,763** |
| **Accumulated depreciation and impairment:** | | | | | | | |
| Balance at 1 July 2020 | 0 | (54) | (22,726) | (2,809) | (106,893) | 0 | **(132,482)** |
| Depreciation expense | 0 | (5,643) | (12,086) | (1,590) | (11,955) | 0 | **(31,274)** |
| Impairment | 0 | 0 | 0 | 0 | (12) | 0 | **(12)** |
| Revaluation | 0 | 0 | 34,806 | 4,399 | 0 | 0 | **39,205** |
| **Balance at 30 June 2021** | **0** | **(5,697)** | **(6)** | **0** | **(118,860)** | **0** | **(124,563)** |
| Balance at 1 July 2021 | 0 | (5,697) | (6) | 0 | (118,860) | 0 | **(124,563)** |
| Depreciation expense | 0 | (5,898) | (14,583) | (1,250) | (12,006) | 0 | **(33,737)** |
| Disposals | 0 | 0 | 0 | 0 | 67 | 0 | **67** |
| Transfers between asset classes | 0 | 23 | (23) | 0 | 0 | 0 | **0** |
| Revaluation | 0 | 11,466 | 0 | 0 | 0 | 0 | **11,466** |
| **Balance at 30 June 2022** | **0** | **(106)** | **(14,612)** | **(1,250)** | **(130,799)** | **0** | **(146,767)** |
| **Carrying amounts:** | | | | | | | |
| **Total net book value as at 30 June 2021** | **931,054** | **142,945** | **360,425** | **178,962** | **138,479** | **6,244** | **1,758,109** |
| **Total net book value as at 30 June 2022** | **1,468,895** | **142,002** | **433,326** | **207,729** | **130,686** | **10,358** | **2,392,996** |

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:

| | **2022 Notional Carrying Amount NZ$000** | 2021 Notional Carrying Amount NZ$000 |
|---|---|---|
| Freehold land | **119,203** | 119,203 |
| Freehold buildings | **85,235** | 89,978 |
| Wharves and hardstanding | **61,788** | 61,622 |
| Harbour improvements | **112,239** | 107,922 |
| **Total notional carrying amount** | **378,465** | 378,725 |

## 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. In the years between independent valuations, the carrying value of land is adjusted annually based on a sample valuation provided by an independent valuer. For the remaining asset classes, if during the three year revaluation cycle there are indicators that the fair value of a particular asset class may differ materially from its carrying value, an interim revaluation of that asset class is undertaken.

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

Major useful lives are:

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

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

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

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

**Security**

Certain items of property, plant and equipment have been pledged as security against certain loans and borrowings of the Group (refer to note 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 $32,187 million.

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

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

The Parent Company has committed capital of $25.000 million to fund the development of the inland port and as at 30 June 2022 $2.850 million has been provided for.

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

**Judgements**

*Fair Values*

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

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

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

# Notes to the Consolidated Financial Statements

*FOR THE YEAR ENDED 30 JUNE 2022*

## 10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

**Judgements (continued)**

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

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

As at 30 June 2022, buildings have been revalued, due to indicators of a potential material movement in the fair value of the asset class. As the majority of buildings are valued on a combined land and building basis, a revaluation of land has also been performed.

There are also indicators of a potential material movement in the fair value of wharves and hardstanding, and harbour improvement. Due to a full revaluation being performed on these asset classes in the prior year, a full revaluation being performed in the current year is deemed unnecessary as the asset base is substantially the same, therefore the prior year assessments are still relevant. The major movement in value is due to price movements of the materials used to construct these assets. The Parent Company determined that an adjustment to the carrying value of the asset classes by a cost inflation index will give an accurate representation. The index has been provided by an independent valuer and is based on publicly available price indices.

*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 $537.841 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 significant assumptions applied in the valuation of these assets are:

| | | | **2022** | | 2021 | |
|---|---|---|---|---|---|---|
| *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 | 182.2 | **450-1,650** | **755** | 404-1,044 | 468 |
| | Auckland land – land adjacent to MetroPort Auckland per square metre | 6.8 | **1,000-1,067** | **1,050** | 842-936 | 873 |
| | Rolleston land – MetroPort Christchurch per square metre | 15.0 | **140** | **140** | 124 | 124 |

- *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 valuation of buildings was carried out by Colliers International New Zealand Limited. The valuation increased the carrying amount of buildings by $4.753 million.

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.

**Judgements (continued)**

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:

| | | **2022** | | 2021 | |
|---|---|---|---|---|---|
| *Asset Valuation Method* | *Key Valuation Assumptions* | ***Range of Significant Assumptions %*** | ***Weighted Average %*** | *Range of Significant Assumptions %* | *Weighted Average %* |
| Capitalised income model | Market capitalisation rate | **1.75–9.50** | **3.71** | 4.50–8.00 | 5.33 |

*Wharves and Hardstanding, and Harbour Improvements*

Wharves, hardstanding and harbour improvements assets are classified as specialised assets and have accordingly been valued on a Depreciated Replacement Cost basis, adjusted for a cost inflation index provided by WSP New Zealand Limited. This index movement increased the carrying amount of these asset classes by $104.010 million.

WSP New Zealand Limited use publicly available price indices from Statistics New Zealand and Waka Kotahi NZ Transport Agency to assist in informing their assessment of unit rate increases since the last valuation at 30 June 2021. A different combination of indices has been used for each asset class. The price indices used for each asset component of wharves are as follows:

| *Index* | *Description* | *Weighting %* |
|---|---|---|
| Capital Expenditure Price Index – structural metal products and parts thereof (CEPQ.S2421) | Used to represent the cost of reinforcing and structural steel | 39 |
| Labour Cost Index – construction industry (LCIQ.SG53E9) | Used to represent the cost of labour | 40 |
| Capital Expenditure Price Index – civil construction (CEPQ.S2GC) | Used to represent the cost of other materials | 21 |

The cost inflation adjustment also includes an allowance for on-costs which allow for those costs directly attributable to the construction of an asset. On-costs include professional fees (which include activities such as design, traffic management and quality monitoring), administration costs and finance charges. The on-costs for the components of wharves and hardstandings, and harbour improvements have increased from a range of 13% to 23% in 2021, to 14% to 34% in 2022.

The significant assumptions applied in the Depreciated Replacement Cost estimate of these assets are:

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

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

# Notes to the Consolidated Financial Statements

*FOR THE YEAR ENDED 30 JUNE 2022*

## 10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

**Judgements (continued)**

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

| | | ***2022*** | | *2021* | |
|---|---|---|---|---|---|
| *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 lineal metre – high performance wharves | **137,300–282,000** | **232,500** | 107,000–220,000 | 181,170 |
| | Earthworks construction replacement unit cost rates per square metre | **8.09** | **8.09** | 7.50 | 7.50 |
| | Basecourse construction replacement unit cost rates per cubic metre | **23–45** | **37** | 21–42 | 34 |
| | Asphalt construction replacement unit cost rates per square metre | **29–59** | **47** | 27–55 | 44 |
| | Capital dredging replacement unit cost rates per square metre | **5–89** | ***** | 4–77 | * |
| | Depreciation method | **Straight line basis** | **Not applicable** | Straight line basis | Not applicable |
| | Channel assets (capital dredging) useful life | **Indefinite** | **Not applicable** | Indefinite | Not applicable |
| | Pavement remaining useful lives (years) | **1–37** | **14** | 2–38 | 15 |
| | Wharves remaining useful lives (years) | **0–61** | **20** | 0–62 | 21 |

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

*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 LEASES

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

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

| | **2022 NZ$000** | 2021 NZ$000 |
|---|---|---|
| **Right-of-use assets** | | |
| Opening balance | **40,577** | 25,011 |
| Depreciation | **(1,593)** | (1,302) |
| Additions to right-of-use assets | **383** | 1,174 |
| Adjustments to existing right-of-use assets | **0** | 19 |
| Right-of-use assets acquired on acquisition of Timaru Container Terminal Limited | **0** | 15,675 |
| **Closing balance** | **39,367** | 40,577 |
| **Lease liabilities** | | |
| Opening balance | **41,878** | 25,402 |
| Additions | **384** | 84 |
| Lease liability acquired on acquisition of Timaru Container Terminal | **0** | 16,156 |
| Adjustments to existing lease liabilities | **0** | 1,108 |
| Interest | **2,082** | 1,757 |
| Repayments | **(2,957)** | (2,629) |
| **Closing balance** | **41,387** | 41,878 |
| **Lease liabilities maturity analysis** | | |
| Between zero to one year | **776** | 837 |
| Between one to five years | **3,380** | 3,086 |
| More than five years | **37,231** | 37,955 |
| **Total lease liabilities** | **41,387** | 41,878 |

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

| | **2022 NZ$000** | 2021 NZ$000 |
|---|---|---|
| Within one year | **23,363** | 17,643 |
| One to two years | **18,635** | 13,353 |
| Two to three years | **12,675** | 10,956 |
| Three to four years | **10,108** | 10,138 |
| Four to five years | **9,474** | 9,226 |
| More than five years | **28,454** | 35,359 |
| **Total** | **102,709** | 96,675 |

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

| | **2022 Valuation NZ$000** | **2022 Accumulated Depreciation NZ$000** | 2021 Valuation NZ$000 | 2021 Accumulated Depreciation NZ$000 |
|---|---|---|---|---|
| Land | **760,498** | **0** | 484,311 | 0 |
| Buildings | **97,392** | **0** | 104,832 | 3,508 |
| **Total** | **857,890** | **0** | 589,143 | 3,508 |

## 11 LEASES (CONTINUED)

**Policies**

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

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

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

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

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

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

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

## 12 INTANGIBLE ASSETS

| | Goodwill NZ$000 | Computer Software NZ$000 | Consents and Contracts NZ$000 | **Total NZ$000** |
|---|---|---|---|---|
| **Cost:** | | | | |
| Balance at 1 July 2020 | 15,490 | 5,227 | 10,567 | **31,284** |
| Additions | 0 | 305 | 937 | **1,242** |
| Disposals | 0 | (285) | (10,000) | **(10,285)** |
| Intangible assets acquired on acquisition of Timaru Container Terminal Limited | 2,930 | 34 | 2,667 | **5,631** |
| **Balance at 30 June 2021** | **18,420** | **5,281** | **4,171** | **27,872** |
| Balance at 1 July 2021 | 18,420 | 5,281 | 4,171 | **27,872** |
| Additions | 0 | 135 | 0 | **135** |
| **Balance at 30 June 2022** | **18,420** | **5,416** | **4,171** | **28,007** |
| **Accumulated amortisation:** | | | | |
| Balance at 1 July 2020 | 0 | (2,655) | (9,650) | **(12,305)** |
| Amortisation expense | 0 | (544) | (878) | **(1,422)** |
| Disposals | 0 | 55 | 10,000 | **10,055** |
| **Balance at 30 June 2021** | **0** | **(3,144)** | **(528)** | **(3,672)** |
| Balance at 1 July 2021 | 0 | (3,144) | (528) | **(3,672)** |
| Amortisation expense | 0 | (562) | (765) | **(1,327)** |
| **Balance at 30 June 2022** | **0** | **(3,706)** | **(1,293)** | **(4,999)** |
| **Carrying amounts:** | | | | |
| **Total net book value 30 June 2021** | **18,420** | **2,137** | **3,643** | **24,200** |
| **Total net book value 30 June 2022** | **18,420** | **1,710** | **2,878** | **23,008** |

## 12 INTANGIBLE ASSETS (CONTINUED)

| | |
|---|---|
| **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.<br><br>Goodwill is measured at cost less accumulated impairment losses.<br><br>Other intangible assets acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.<br><br>The estimated useful lives for the current and comparative periods are:<br>Consents and contracts — 4 to 35 years<br>Computer software — 1 to 10 years<br><br>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.<br><br>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 (Mount Maunganui) Limited and Timaru Container Terminal Limited.<br><br>Goodwill was tested for impairment at 30 June 2022 and confirmed that no adjustment was required.<br><br>For impairment testing on the goodwill of Quality Marshalling (Mount Maunganui) Limited, the calculation of value-in-use was based upon the following key assumptions:<br>• Cash flows were projected using management forecasts over the five year period. Average revenue growth for this period is 6%.<br>• Terminal cash flows were estimated using a constant growth rate of 2% after year five.<br>• 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 | **2022 %** | 2021 % | Balance Date |
|---|---|---|---|---|---|
| Port of Tauranga Trustee Company Limited | New Zealand | Holding company for employee share scheme | **100.00** | 100.00 | 30 June |
| Quality Marshalling (Mount Maunganui) Limited | New Zealand | Marshalling and terminal operations services | **100.00** | 100.00 | 30 June |
| Timaru Container Terminal Limited | New Zealand | Sea port | **100.00** | 100.00 | 30 June |

| | |
|---|---|
| **Policies** | Subsidiaries are entities controlled by the Parent Company. Control exists when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In assessing control, potential voting rights that presently are exercisable, are taken into account. The financial statements of Subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.<br><br>Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. |

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

# Notes to the Consolidated Financial Statements

*FOR THE YEAR ENDED 30 JUNE 2022*

## 14 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES

### (a) Investments in Equity Accounted Investees Comprises

| Name of Entity | Principal Activity | 2022 % | 2021 % | 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 |
| Ruakura Inland Port LP | Inland port | **50.00** | 50.00 | 30 June |

### (b) Carrying Value of Investments in Equity Accounted Investees

| | 2022 NZ$000 | 2021 NZ$000 |
|---|---|---|
| Balance as at 1 July | **167,650** | 158,588 |
| Group's share of net profit after tax | **11,586** | 13,524 |
| Group's share of hedging reserve | **862** | 496 |
| Group's share of revaluation reserve | **13,865** | 12,090 |
| **Group's share of total comprehensive income** | **26,313** | 26,110 |
| Disposal of Equity Accounted Investees | **0** | (7,412) |
| Investment in Equity Accounted Investees | **2,850** | |
| Dividends received | **(10,763)** | (9,636) |
| **Balance as at 30 June** | **186,050** | 167,650 |

### (c) Summarised Financial Information of Equity Accounted Investees

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

## 14 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES (CONTINUED)

| 2022 | Northport Limited NZ$000 | Coda Group Limited Partnership NZ$000 | PrimePort Timaru Limited NZ$000 | Individually Immaterial Equity Accounted Investees NZ$000 | **Total NZ$000** |
|---|---|---|---|---|---|
| Cash and cash equivalents | 299 | 9,842 | 1,671 | 1,530 | **13,342** |
| **Total current assets** | **5,834** | **38,021** | **5,214** | **1,859** | **50,928** |
| **Total non-current assets** | **225,781** | **78,537** | **140,878** | **11,107** | **456,303** |
| **Total assets** | **231,615** | **116,558** | **146,092** | **12,966** | **507,231** |
| Current financial liabilities excluding trade and other payables and provisions | 0 | (10,774) | (408) | (2,890) | **(14,072)** |
| **Total current liabilities** | **(5,942)** | **(32,618)** | **(5,258)** | **(7,223)** | **(51,041)** |
| Non-current financial liabilities excluding trade and other payables and provisions | (45,457) | (40,421) | (43,071) | 0 | **(128,949)** |
| **Total non-current liabilities** | **(45,457)** | **(40,421)** | **(43,071)** | **0** | **(128,949)** |
| **Total liabilities** | **(51,399)** | **(73,039)** | **(48,329)** | **(7,223)** | **(179,990)** |
| **Net assets** | **180,216** | **43,519** | **97,763** | **5,743** | **(327,241)** |
| **Group's share of net assets** | **90,108** | **21,760** | **48,882** | **2,872** | **163,622** |
| **Goodwill acquired on acquisition of Equity Accounted Investees, less impairment losses** | **0** | **22,428** | **0** | **0** | **22,428** |
| **Carrying amount of Equity Accounted Investees** | **90,108** | **44,188** | **48,882** | **2,872** | **186,050** |
| Revenues | 42,574 | 245,666 | 27,515 | 2,374 | **318,129** |
| Depreciation and amortisation | (5,330) | (3,101) | (3,573) | (285) | **(12,289)** |
| Interest expense | (1,928) | (2,623) | (1,457) | (108) | **(6,116)** |
| **Net profit before tax** | **20,746** | **3,282** | **7,020** | **451** | **31,499** |
| Tax expense | (5,692) | 0 | (2,506) | (130) | **(8,328)** |
| **Net profit after tax** | **15,054** | **3,282** | **4,514** | **321** | **23,171** |
| Other comprehensive income | 25,570 | 0 | 3,884 | 0 | **29,454** |
| **Total comprehensive income** | **40,624** | **3,282** | **8,398** | **321** | **52,625** |
| **Group's share of net profit after tax** | **7,527** | **1,641** | **2,257** | **161** | **11,586** |
| **Group's share of total comprehensive income** | **20,312** | **1,641** | **4,199** | **161** | **26,313** |
| **Group's share of dividends/distributions** | **9,513** | **0** | **1,250** | **0** | **10,763** |

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

# Notes to the Consolidated Financial Statements

*FOR THE YEAR ENDED 30 JUNE 2022*

## 14 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES (CONTINUED)

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

| | |
|---|---|
| **Policies** | The Parent Company's interests in Equity Accounted Investees comprise interests in Joint Ventures.<br>A Joint Venture is an arrangement in which the Parent Company has joint control, whereby the Parent Company has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.<br>Equity Accounted Investees are accounted for using the equity method.<br>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 Limited Partnerships** | Coda Group Limited Partnership and Ruakura Inland Port Limited Partnership are treated as partnerships for tax purposes and are 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 Parent Company has joint control over its investees, due to the existence of contractual agreements which require the unanimous consent of the parties sharing control over relevant business activities.<br>Impairment indicators for the Parent Company's investment in Coda Group Limited Partnership were reviewed at 30 June 2022 and confirmed that no adjustment was required. |

## 15 RECEIVABLES AND PREPAYMENTS

| | 2022 NZ$000 | 2021 NZ$000 |
|---|---|---|
| **Non-current** | | |
| Prepayments and sundry receivables | **18,612** | 16,502 |
| **Total non-current** | **18,612** | 16,502 |
| **Current** | | |
| Trade receivables | **54,222** | 58,241 |
| Trade receivables from Equity Accounted Investees and related parties | **326** | 312 |
| | **54,548** | 58,553 |
| Advances to Equity Accounted Investees (refer to note 22) | **1,400** | 1,400 |
| Provision for expected credit losses – advances to Equity Accounted Investees (refer to note 20(a)) | **(211)** | (265) |
| Prepayments and sundry receivables | **6,164** | 5,572 |
| **Total current** | **61,901** | 65,260 |
| **Total** | **80,513** | 81,762 |

The ageing of trade receivables at reporting date was:

| | 2022 NZ$000 | 2021 NZ$000 |
|---|---|---|
| Not past due | **43,092** | 45,054 |
| Past due 0–30 days | **9,811** | 10,570 |
| Past due 30–60 days | **956** | 1,946 |
| Past due 60–90 days | **167** | 499 |
| More than 90 days | **196** | 172 |
| **Total of ageing of trade receivables** | **54,222** | 58,241 |

| | |
|---|---|
| **Polices** | Receivables and prepayments are initially recognised at transaction price. They are subsequently measured at amortised cost, and adjusted for impairment losses.<br><br>Receivables with a short duration are not discounted. |
| **Fair Values** | The nominal value less impairment provision of trade receivables are assumed to approximate their fair values due to their short term nature. |
| **Judgements** | A provision for expected credit losses is established when the assessment under NZ IFRS 9 deems a provision is required (refer to note 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. |
| **Prepayments** | Prepayments is predominantly made up of a $22.5 million payment made to KiwiRail Limited in consideration for the extension of the rail agreement at MetroPort. The payment is amortised over 20 years. |

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

# Notes to the Consolidated Financial Statements

*FOR THE YEAR ENDED 30 JUNE 2022*

## 16 EQUITY

### Share Capital

| | 2022 | 2021 |
|---|---|---|
| **Number of ordinary shares issued** | | |
| Balance as at 1 July | 680,256,809 | 679,965,432 |
| Shares issued during year | 55,851 | 301,863 |
| Shares repurchased by the Group during the year | (12,463) | (10,486) |
| **Balance as at 30 June** | **680,300,197** | 680,256,809 |

### Dividends

The following dividends were declared and paid during the period:

| | 2022 NZ$000 | 2021 NZ$000 |
|---|---|---|
| Final 2021 dividend paid 7.5 cents per share (2020: 6.4 cps) | 51,024 | 43,537 |
| Interim 2022 dividend paid 6.5 cents per share (2021: 6.0 cps) | 44,218 | 40,816 |
| **Total dividends** | **95,242** | 84,353 |

**Policies**

*Capital Management*

The Parent Company's policy is to maintain a strong capital base, which the Group defines as total shareholders' equity, so as to maintain investor, creditor and market confidence, and to sustain the future business development of the Group.

The Group has established policies in capital management, including the specific requirements that interest cover is to be maintained at a minimum of three times and that the debt/(debt + equity) ratio is to be maintained at a 40% maximum. It is also Group policy that the ordinary dividend payout is maintained between a level of between 70% and 100% of net profit after tax for the period.

The Group has complied with all capital management policies during the reporting periods.

**Share Capital**

All shares are fully paid and have no par value. All shares rank equally with one vote attached to each fully paid ordinary share.

Where the Group purchases its own share capital (treasury shares), the consideration paid, including any directly attributable 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.

**Dividends**

The dividends are fully imputed. Supplementary dividends of $0.419 million (2021: $0.407 million) were paid to shareholders that are not tax residents in New Zealand, for which the Group received a foreign tax credit entitlement.

**Share Based Payment Reserve – Container Volume Commitment Agreement**

On 1 August 2014 the Parent Company issued 2,000,000 shares as a volume rebate to Kotahi as part of a 10 year freight alliance. Due to the Parent Company completing a 5:1 share split on 17 October 2016, the number of shares originally issued to Kotahi increased to 10,000,000. Of these shares, 7,000,000 are subject to a call option allowing the Parent Company to "call" shares back at zero cost if Kotahi fails to meet the volume commitments.

The increase in the reserve of $1.469 million (2021: $2.191 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 23).

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.

## 16 EQUITY (CONTINUED)

| | |
|---|---|
| **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. |

## 17 EARNINGS PER SHARE

| | **2022** | 2021 |
|---|---|---|
| **Earnings per share** | | |
| Net profit attributable to ordinary shareholders (NZ$000) | **111,317** | 102,375 |
| Weighted average number of ordinary shares (net of treasury stock) for basic earnings per share | **673,306,550** | 672,377,703 |
| Basic earnings per share (cents) | **16.5** | 15.2 |
| Weighted average number of ordinary shares (net of treasury stock) for diluted earnings per share | **680,787,899** | 680,775,549 |
| Diluted earnings per share (cents) | **16.4** | 15.0 |

| | |
|---|---|
| **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.<br><br>Diluted EPS adjusts for any commitments the Parent Company has to issue shares in the future that would decrease the basic EPS. The Parent Company has two types of dilutive potential ordinary shares, Management Long Term Incentive Plan share rights (refer to note 23) and Container Volume Commitment Agreement share rights (refer to 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.

| **2022** | Maturity | Coupon | Committed Facilities NZ$000 | Undrawn Facilities NZ$000 | Fair Value Adjustments NZ$000 | Carrying Value NZ$000 |
|---|---|---|---|---|---|---|
| **Non-current** | | | | | | |
| Fixed rate bond | 2028 | 3.552% | 100,000 | 0 | (7,528) | 92,472 |
| Standby revolving cash advance facility | 2026 | Floating | 130,000 | 130,000 | 0 | 0 |
| Fixed rate bond | 2025 | 1.020% | 100,000 | 0 | 0 | 100,000 |
| Standby revolving cash advance facility | 2025 | Floating | 100,000 | 75,000 | 0 | 25,000 |
| Standby revolving cash advance facility | 2024 | Floating | 100,000 | 0 | 0 | 100,000 |
| Standby revolving cash advance facility | 2023 | Floating | 50,000 | 50,000 | 0 | 0 |
| **Total non-current** | | | **580,000** | **255,000** | **(7,528)** | **317,472** |
| **Current** | | | | | | |
| Multi option facility | 2022 | Floating | 5,000 | 5,000 | 0 | 0 |
| Commercial papers | <3 months | Floating | 0 | 0 | 0 | 125,000 |
| **Total current** | | | **5,000** | **5,000** | **0** | **125,000** |
| **Total** | | | **585,000** | **260,000** | **(7,528)** | **442,472** |

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

# Notes to the Consolidated Financial Statements

*FOR THE YEAR ENDED 30 JUNE 2022*

## 18 LOANS AND BORROWINGS (CONTINUED)

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

| | |
|---|---|
| **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. Any loans and borrowing that have been designated as a fair value hedged item are carried at amortised cost plus a fair value adjustment. Loans and borrowings are derecognised if the Group's obligations as specified in the contract expire or are discharged or cancelled.<br><br>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 $100 million fixed rate bonds, a five-year bond with a final maturity on 29 September 2025, and a seven-year bond with a final maturity on 24 November 2028. |
| **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.<br><br>At 30 June 2022 the Group had $125 million of commercial paper debt that is classified within current liabilities (2021: $220 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 $380 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 (2021: $480 million). The facility, which is secured, provides for both direct borrowings and support for issuance of commercial papers. |
| **Multi Option Facility** | The Parent Company has a $5 million multi option facility with Bank of New Zealand Limited, used for short term working capital requirements (2021: $5 million). |
| **Security** | Bank facilities and fixed rate bonds are secured by way of a security interest over certain floating plant assets ($15.289 million, 2021: $15.954 million), mortgages over the land and building assets ($1,610.341 million, 2021: $1,073.498 million), and by a general security agreement over the assets of the Parent Company ($2,600.187 million, 2021: $1,956.214 million). |
| **Covenants** | The Parent Company borrows under a negative pledge arrangement, which with limited circumstances does not permit the Parent Company to grant any security interest over its assets. The negative pledge deed requires the Parent Company to maintain certain levels of shareholders' funds and operate within defined performance and debt gearing ratios.<br><br>The Parent Company has complied with all covenants during the reporting periods. |
| **Fair Values** | The fair value of fixed rate loans and borrowings is calculated by discounting the future contractual cash flows at current market interest rates that are available for similar financial instruments. The amortised cost of variable rate loans and borrowings is assumed to closely approximate fair value as debt facilities mature every 90 days. |
| **Interest Rates** | The average weighted interest rate of interest bearing loans was 2.94% at 30 June 2022 (2021: 2.38%). |

## 19 DERIVATIVE FINANCIAL INSTRUMENTS

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

| 2022 | Hedging Instrument | Hedged Item | Carrying Amount of Hedging Instrument Assets NZ$000 | Carrying Amount of Hedging Instrument (Liabilities) NZ$000 | Carrying Amount of Hedged Item Assets NZ$000 | Carrying Amount of Hedged Item (Liabilities) NZ$000 | Change in Fair Value Used for Calculating Hedge Effectiveness NZ$000 | Change in Fair Value Used for Calculating Hedge Ineffectiveness NZ$000 | Notional* Amount of Hedging Instrument |
|---|---|---|---|---|---|---|---|---|---|
| Cash flow hedge | Interest rate derivatives | Loans and borrowings | 11,957 | (67) | 0 | (205,000) | 26,797 | 6 | NZD300 million |
| Fair value hedge | Interest rate derivatives | Loans and borrowings | 0 | (7,403) | 0 | (92,954) | (7,403) | 0 | NZD100 million |
| Cash flow hedge | Foreign exchange derivatives | Property, plant and equipment | 310 | 0 | 0 | 0 | 233 | 0 | USD1.410 million |
| Cash flow hedge | Foreign exchange derivatives | Property, plant and equipment | 40 | 0 | 0 | 0 | 40 | 0 | AUD1.568 million |
| **Total** | | | **12,307** | **(7,470)** | **0** | **(297,954)** | **19,666** | **6** | |

**Includes forward starting derivatives.*

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

**Includes forward starting derivatives.*

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

| | **2022 NZ$000** | 2021 NZ$000 |
|---|---|---|
| Opening balance | **(11,358)** | (22,375) |
| Fair value gains | **27,075** | 14,523 |
| Ineffective portion transferred to income statement | **(6)** | 3 |
| Amortisation of interest rate collar premium | **80** | 86 |
| Movement in hedging reserve of Equity Accounted Investees | **862** | 496 |
| Tax impact (refer to note 8) | **(7,602)** | (4,091) |
| **Closing balance** | **9,051** | (11,358) |

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

# Notes to the Consolidated Financial Statements

*FOR THE YEAR ENDED 30 JUNE 2022*

## 19 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

**Policies**

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

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

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

The Group's hedging policy parameters are:

*Interest Rate Derivatives*

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

*Foreign Exchange Derivatives*

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

**Cash Flow Hedges**

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in the cash flow hedge reserve to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the income statement. The effective portion of changes in fair value of hedging instruments is accumulated in the cash flow hedge reserve as a separate component of equity.

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

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

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

Sources of hedge ineffectiveness are:

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

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

**Fair Value Hedges**

The Group designates as fair value hedges derivative financial instruments on fixed rate debt where the fair value of the debt changes as a result of changes in interest rates. The carrying amount of the hedged items are adjusted for gains and losses attributable to the risk being hedged. The hedging instruments are also measured to fair value. Gains and losses from both are recognised in 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:

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

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

## 20 FINANCIAL INSTRUMENTS

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

| **2022** | Fair Value Through Profit and Loss NZ$000 | Amortised Cost NZ$000 | Total Carrying Amount NZ$000 | Fair Value NZ$000 |
|---|---|---|---|---|
| Derivative financial instruments | 11,957 | 0 | 11,957 | 11,957 |
| **Total non-current assets** | **11,957** | **0** | **11,957** | **11,957** |
| Cash and cash equivalents | 0 | 7,272 | 7,272 | 7,272 |
| Receivables | 0 | 55,737 | 55,737 | 55,737 |
| Derivative financial instruments | 350 | 0 | 350 | 350 |
| **Total current assets** | **350** | **63,009** | **63,359** | **63,359** |
| **Total assets** | **12,307** | **63,009** | **75,316** | **75,316** |
| **Liabilities** | | | | |
| Lease liabilities | 0 | 40,611 | 40,611 | 40,611 |
| Loans and borrowings | 0 | 317,472 | 317,472 | 305,793 |
| Derivative financial instruments | 7,403 | 0 | 7,403 | 7,403 |
| Contingent consideration | 2,688 | 0 | 2,688 | 2,688 |
| **Total non-current liabilities** | **10,091** | **358,083** | **368,174** | **356,495** |
| Lease liabilities | 0 | 776 | 776 | 776 |
| Loans and borrowings | 0 | 125,000 | 125,000 | 125,000 |
| Trade and other payables | 0 | 10,956 | 10,956 | 10,956 |
| Derivative financial instruments | 67 | 0 | 67 | 67 |
| Contingent consideration | 368 | 0 | 368 | 368 |
| **Total current liabilities** | **435** | **136,732** | **137,167** | **137,167** |
| **Total liabilities** | **10,526** | **494,815** | **505,341** | **493,662** |

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

# Notes to the Consolidated Financial Statements

*FOR THE YEAR ENDED 30 JUNE 2022*

## 20 FINANCIAL INSTRUMENTS (CONTINUED)

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

**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 to the Board of Directors on its activities.

The Group's financial risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Financial risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Board of Directors oversees how management monitors compliance with the Group's financial risk management policies and procedures and reviews the adequacy of the financial risk management framework in relation to the risks faced by the Group.

### (a) Credit Risk

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

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

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

## 20 FINANCIAL INSTRUMENTS (CONTINUED)

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

| **2022** | Not Past Due | Past Due 0-30 Days | Past Due 30-60 Days | More Than 60 Days | **Total** |
|---|---|---|---|---|---|
| Expected loss rate (%) | 0 | 0 | 0 | 0 | **0** |
| Gross carrying amount – trade receivables (NZ$000) | 43,092 | 9,811 | 956 | 363 | **54,222** |
| Loss allowance on trade receivables (NZ$000) | 0 | 0 | 0 | 0 | **0** |

Movements in the provision for impairment of financial assets are:

| | **2022 NZ$000** | 2021 NZ$000 |
|---|---|---|
| Opening balance | **265** | 682 |
| Provision for trade receivables | **0** | (201) |
| Provision for advances to Equity Accounted Investees | **(54)** | (216) |
| Bad debts written off | **0** | 0 |
| **Closing balance** | **211** | 265 |

| | |
|---|---|
| **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.<br><br>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.<br><br>The Group adheres to a credit policy that requires each new customer to be analysed individually for creditworthiness before the Group's standard payment terms and conditions are offered. Customer payment performance is constantly monitored with customers not meeting creditworthiness being required to transact with the Group on cash terms. The Group generally does not require collateral. |
| **Default** | The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as security (if any is held). |
| **Write-off** | The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. |
| **Concentration of Credit Risk** | The only significant concentration of credit risk at reporting date relates to bank balances and advances to Equity Accounted Investees. The nature of the Group's business means that the top ten customers account for 59.9% of total Group revenue (2021: 63.8%). The Group is satisfied with the credit quality of these debtors and does not anticipate any non-performance. |

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

# Notes to the Consolidated Financial Statements

*FOR THE YEAR ENDED 30 JUNE 2022*

## 20 FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Liquidity Risk

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

| **2022** | 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 | (442,472) | (482,040) | (253,787) | (2,979) | (5,865) | (114,081) | (105,328) |
| Lease liabilities | (41,387) | (83,097) | (1,411) | (1,405) | (2,813) | (8,947) | (68,521) |
| Trade and other payables | (10,956) | (10,956) | (10,956) | 0 | 0 | 0 | 0 |
| Contingent consideration | (3,056) | (3,439) | 0 | (511) | (2,928) | 0 | 0 |
| **Total non-derivative financial liabilities** | **(497,871)** | **(579,532)** | **(266,154)** | **(4,895)** | **(11,606)** | **(123,028)** | **(173,849)** |
| **Derivatives** | | | | | | | |
| **Interest rate derivatives** | | | | | | | |
| Cash flow hedges – outflow | 0 | (1,227) | (1,131) | (37) | (34) | (25) | 0 |
| Cash flow hedges – inflow | 11,990 | 14,576 | 344 | 1,191 | 2,385 | 7,198 | 3,458 |
| Fair value hedges – outflow | (7,503) | (8,605) | (52) | (818) | (1,623) | (4,007) | (2,105) |
| **Foreign currency derivatives** | | | | | | | |
| Cash flow hedges – outflow | 0 | (3,641) | (3,641) | 0 | 0 | 0 | 0 |
| Cash flow hedges – inflow | 350 | 3,993 | 3,993 | 0 | 0 | 0 | 0 |
| **Total derivatives** | **4,837** | **5,096** | **(487)** | **336** | **728** | **3,166** | **1,353** |
| **Total** | **(493,034)** | **(574,436)** | **(266,641)** | **(4,559)** | **(10,878)** | **(119,862)** | **(172,496)** |

| 2021 | Statement of Financial Position NZ$000 | Contractual Cash Flows NZ$000 | 6 Months or Less NZ$000 | 6–12 Months NZ$000 | 1–2 Years NZ$000 | 2–5 Years NZ$000 | More Than 5 Years NZ$000 |
|---|---|---|---|---|---|---|---|
| **Non-derivative financial liabilities** | | | | | | | |
| Loans and borrowings | (485,000) | (494,870) | (386,895) | (1,446) | (2,665) | (103,864) | 0 |
| Lease liabilities | (41,878) | (85,032) | (1,469) | (1,440) | (2,773) | (8,227) | (71,123) |
| Trade and other payables | (10,460) | (10,460) | (10,460) | 0 | 0 | 0 | 0 |
| Contingent consideration | (3,354) | (3,881) | 0 | (499) | (534) | (2,848) | 0 |
| **Total non-derivative financial liabilities** | **(540,692)** | **(594,243)** | **(398,824)** | **(3,385)** | **(5,972)** | **(114,939)** | **(71,123)** |
| **Derivatives** | | | | | | | |
| **Interest rate derivatives** | | | | | | | |
| Cash flow hedges – outflow | (14,914) | (18,954) | (3,833) | (3,492) | (4,693) | (6,726) | (210) |
| Cash flow hedges – inflow | 0 | 2,600 | 0 | 0 | 65 | 1,087 | 1,448 |
| **Total derivatives** | **(14,914)** | **(16,354)** | **(3,833)** | **(3,492)** | **(4,628)** | **(5,639)** | **1,238** |
| **Total** | **(555,606)** | **(610,597)** | **(402,657)** | **(6,877)** | **(10,600)** | **(120,578)** | **(69,885)** |

| | |
|---|---|
| **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.<br><br>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 | |
|---|---|---|
| | **2022 NZ$000** | 2021 NZ$000 |
| **Fixed rate instruments** | | |
| Lease liabilities | **(41,387)** | (41,878) |
| Fixed rate bonds | **(192,472)** | (100,000) |
| **Total** | **(233,859)** | (141,878) |
| **Variable rate instruments** | | |
| Commercial papers | **(125,000)** | (220,000) |
| Standby revolving cash advance facility | **(125,000)** | (165,000) |
| Interest rate derivatives | **4,487** | (14,914) |
| Cash balances | **7,272** | 7,886 |
| **Total** | **(238,241)** | (392,028) |

### 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 2021.

| | 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 debt | (1,750) | 1,766 | 0 | 0 |
| Interest rate derivatives – paying fixed | 1,476 | (1,476) | 5,656 | (5,995) |
| Interest rate derivatives – paying floating | (720) | 720 | 0 | 0 |
| **Total as at 30 June 2022** | **(994)** | **1,010** | **5,656** | **(5,995)** |
| Variable rate debt | (2,731) | 2,773 | 0 | 0 |
| Interest rate derivatives – paying fixed | 1,746 | (1,746) | 8,116 | (8,652) |
| **Total as at 30 June 2021** | **(985)** | **1,027** | **8,116** | **(8,652)** |

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

# Notes to the Consolidated Financial Statements

*FOR THE YEAR ENDED 30 JUNE 2022*

## 20 FINANCIAL INSTRUMENTS (CONTINUED)

**Profile of Timing**

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

| **2022** | Less Than 12 Months | 1–4 Years | Maturity<br>4–7 Years | More Than 7 Years | **Total** |
|---|---|---|---|---|---|
| **Interest rate derivatives** | | | | | |
| Notional amount (NZD$000) | 30,000 | 135,000 | 195,000 | 40,000 | **400,000** |
| Average rate (%) | 3.56 | 3.61 | 3.46 | 1.41 | **3.53** |

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

| | |
|---|---|
| **Market Risk Management Policies** | Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.<br><br>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.<br><br>The Group enters into derivative transactions into International Swaps Derivatives Association (ISDA) master agreements. The ISDA agreements do not meet the criteria for offsetting in the balance sheet for accounting purposes. |
| **Foreign Exchange Risk** | Full disclosures on foreign exchange risk have not been presented as this risk is insignificant to the Group. |

## 21 TRADE AND OTHER PAYABLES

| | **2022 NZ$000** | 2021 NZ$000 |
|---|---|---|
| Accounts payable | **10,727** | 10,185 |
| Accrued employee benefit liabilities | **6,115** | 5,075 |
| Accruals | **21,908** | 22,187 |
| Payables due to Equity Accounted Investees and related parties | **229** | 275 |
| **Total trade and other payables** | **38,979** | 37,722 |

| | |
|---|---|
| **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. |

## 22 RELATED PARTY TRANSACTIONS

Related party transactions with related parties:

| | 2022 NZ$000 | 2021 NZ$000 |
|---|---|---|
| **Transactions with Equity Accounted Investees** | | |
| Services provided to Port of Tauranga Limited | **521** | 754 |
| Services provided by Port of Tauranga Limited | **4,071** | 4,348 |
| Accounts receivable by Port of Tauranga Limited | **165** | 154 |
| Accounts payable by Port of Tauranga Limited | **49** | 14 |
| Advances by Port of Tauranga Limited | **1,400** | 1,400 |
| Services provided to Quality Marshalling (Mount Maunganui) Limited | **1** | 25 |
| Services provided by Quality Marshalling (Mount Maunganui) Limited | **703** | 2,045 |
| Accounts receivable by Quality Marshalling (Mount Maunganui) Limited | **21** | 158 |
| Accounts payable by Quality Marshalling (Mount Maunganui) Limited | **0** | 2 |
| Services provided to Timaru Container Terminal Limited | **3,050** | 2,701 |
| Services provided by Timaru Container Terminal Limited | **337** | 1 |
| Accounts receivable by Timaru Container Terminal Limited | **140** | 259 |
| Accounts payable by Timaru Container Terminal Limited | **180** | 0 |
| **Transactions with key management personnel** | | |
| Directors' fees recognised during the period | **862** | 767 |
| Executive officers' salaries and other employee benefits (cash settled) recognised during the period | **3,907** | 5,216 |
| Executive officers' share based payments (equity settled) recognised during the period | **305** | 62 |
| Post-employment executive officers' employee benefits recognised during the period | **117** | (186) |

**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% (2021: 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, $0.055 million (2021: $0.013 million).

In March 2013, the Ultimate Controlling Party granted Port of Tauranga Limited a resource consent to widen and deepen the shipping channels. As a condition of this consent, an environmental bond to the value of $1.000 million is to be held in escrow in favour of the Ultimate Controlling Party. The bond is to ensure the remedy of any unforeseen adverse effects on the environment arising from the dredging. The resource consent expires on 6 June 2027.

No related party debts have been written off, forgiven or provided for as doubtful during the year.

**Transactions With Key Management Personnel**

During the year, the Group entered into transactions with companies in which Group Directors hold directorships. These directorships have not resulted in key management personnel having a significant influence over the operations, policies, or key decisions of these companies.

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

All members of the Parent Company's Executive Management Team participate in Management Long Term Incentive Plans and may receive cash or non-cash benefits as a result of these plans (refer to note 23).

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

# Notes to the Consolidated Financial Statements

*FOR THE YEAR ENDED 30 JUNE 2022*

## 23 MANAGEMENT LONG TERM INCENTIVE PLAN

**Policy**

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

*Equity Settled Transactions*

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

**Management Long Term Incentive Plan – Equity Settled**

Members of the Parent Company's executive management team participate in an equity settled long term incentive (LTI) plan. Under this LTI plan, share rights are issued and have a three year vesting period.

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 2022 is $0.552 million (2021: -$0.113 million) with a corresponding increase in the share based payments reserve (refer to note 16).

*Number of Share Rights Issued to Executives:*

| *Grant Date* | *Scheme End Date* | *Right Type* | *Balance at 30 June 2021* | *Granted During the Year* | *Vested During the Year* | *Forfeited During the Year* | *Balance at 30 June 2022* |
|---|---|---|---|---|---|---|---|
| 1 July 2018 | 30 June 2021 | EPS | 108,500 | 0 | (41,660) | (66,840) | 0 |
| 1 July 2018 | 30 June 2021 | TSR | 90,417 | 0 | (37,071) | (53,346) | 0 |
| 1 July 2019 | 30 June 2022 | EPS | 90,058 | 0 | 0 | 0 | 90,058 |
| 1 July 2019 | 30 June 2022 | TSR | 75,050 | 0 | 0 | 0 | 75,050 |
| 1 July 2020 | 30 June 2023 | EPS | 88,409 | 0 | 0 | 0 | 88,409 |
| 1 July 2020 | 30 June 2023 | TSR | 73,674 | 0 | 0 | 0 | 73,674 |
| 1 July 2021 | 30 June 2024 | EPS | 0 | 79,203 | 0 | 0 | 79,203 |
| 1 July 2021 | 30 June 2024 | TSR | 0 | 66,003 | 0 | 0 | 66,003 |
| **Total LTI Plan** | | | **526,108** | **145,206** | **(78,731)** | **(120,186)** | **472,397** |

**Fair Value of Share Rights Granted**

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

| *Grant Date* | *Scheme End Date* | *Right Type* | *Grant Date Share Price $* | *Risk Free Interest Rate %* | *Expected Volatility of Share Price %* | *Valuation per Share Right $* |
|---|---|---|---|---|---|---|
| 1 July 2019 | 30 June 2022 | EPS | 6.28 | 0.80 | 17.6 | 6.02 |
| 1 July 2019 | 30 June 2022 | TSR | 6.28 | 0.80 | 17.6 | 2.72 |
| 1 July 2020 | 30 June 2023 | EPS | 7.59 | 0.00 | 25.0 | 7.03 |
| 1 July 2020 | 30 June 2023 | TSR | 7.59 | 0.00 | 25.0 | 3.01 |
| 1 July 2021 | 30 June 2024 | EPS | 7.00 | 1.38 | 25.9 | 6.88 |
| 1 July 2021 | 30 June 2024 | TSR | 7.00 | 1.38 | 25.9 | 4.19 |

**PAYE Liability**

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

## 24 CONTINGENT LIABILITIES

| | |
|---|---|
| **Ruakura Inland Port LP (RIP)** | Refer to the Capital Commitments section of note 10 for details on the construction contingency the Parent Company may be required to fund. |

## 25 SUBSEQUENT EVENTS

| | |
|---|---|
| **Approval of Financial Statements** | The financial statements were approved by the Board of Directors on 26 August 2022. |
| **Final and Special Dividend** | A final dividend of 8.2 cents per share to a total of $55,785,793 has been approved subsequent to reporting date. The final dividend was not approved until after year end, therefore it has not been accrued in the current year financial statements. |

## Corporate Governance Statement Summary

*FOR THE YEAR ENDED 30 JUNE 2022*

# Committed to Effective Governance

This statement is a summary of the Corporate Governance Statement approved by the Board of Directors (the Board) of Port of Tauranga Limited (the Company) on 26 August 2022. The full statement is available at: http://www.port-tauranga.co.nz/investors/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.

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

The Board's policies and charters are available on the Investors page of the Port of Tauranga website: http://www.port-tauranga.co.nz/investors/governance.

### ETHICS

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

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

### SHARE TRADING

The Board has an Insider Trading Policy which sets out the procedures that must be followed by Directors, Senior Management and any other employees with inside information when purchasing or selling Company securities. Directors and Senior Management require approval to trade shares at any time and may not trade during certain specified periods. Directors' interests are disclosed on page 115 of this Integrated Annual Report.

### OUR BOARD STRUCTURE

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

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

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

Directors' period of appointment are:

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

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

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

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

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

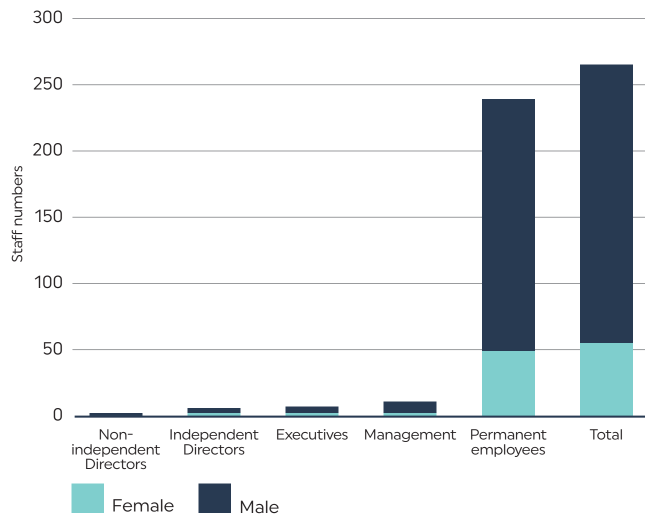
The positions of Chair of the Board and Chair of the Audit Committee are held by independent Directors. These two roles, and the role of Chief Executive, are all held by different people. The Chair has been assessed as being independent by the Board.

### DIVERSITY AND INCLUSION

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

Last year the Company revised its Diversity and Inclusion Policy and set itself the objective of achieving a minimum of 40% females and 40% males holding director, executive and manager level positions by 2025. In 2022 the Company had 21% females and 79% males holding these positions.

*Diversity by Gender as at 30 June 2022*



| | As at 30 June 2022 | | As at 30 June 2021 | |
|---|---|---|---|---|
| | **Female** | **Male** | **Female** | **Male** |
| | **%** | **%** | **%** | **%** |
| Non-independent Directors | **0** | **100** | 0 | 100 |
| Independent Directors | **33** | **67** | 40 | 60 |
| Executives | **29** | **71** | 29 | 71 |
| Management | **18** | **82** | 25 | 75 |
| Permanent employees | **21** | **79** | 18 | 82 |
| **Total** | **21** | **79** | **18** | **82** |

## FINANCIAL AND NON-FINANCIAL INFORMATION

The Board is committed to ensuring timely and accurate information is provided to shareholders and market participants. The Integrated Annual Report for 2022 is based on the Integrated Reporting Framework so that stakeholders can better understand the non-financial aspects of the Company. It is the Company's fourth Integrated Report.

## REMUNERATION

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

A table listing remuneration for employees paid above $100,000, a report on the Chief Executive's remuneration and a report on Directors' remuneration are on pages 112 to 114 of this Integrated Annual Report and in the comprehensive Corporate Governance Report held on our website: http://www.port-tauranga.co.nz/investors/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/investors/governance.

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

The Board has received written confirmation from KPMG regarding its independence. There were no other assurance services provided by KPMG in the 2022 financial year.

The Audit Committee oversees an active internal audit programme.

## SHAREHOLDER RELATIONS

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

The Annual Shareholder Meeting is held locally, reflecting the head office location for the Company, and to encourage participation in person by many of the Company's shareholders. The 2022 Annual Meeting will be held on 28 October 2022 at the Stadium Lounge, Trustpower Baypark and will also be webcast.

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

## REMUNERATION REPORT

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

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

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

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

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

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

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

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

The target value of the STI is set as a percent of the fixed remuneration. For the 2022 financial year the Chief Executive's STI was set at 50% and for all nominated executives it was set at 40%.

For the 2022 financial year there were seven nominated executives included in the STI Scheme, an increase of nil from the previous year.

For the Chief Executive, 60% of the STI is linked to the Company's financial performance with the actual opportunity in the range of 0-110% (i.e. 0-66%). The remaining 40% 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. The financial objective is to meet or exceed the normalised net profit after tax target. A threshold of 90% of target is required before any of the financial component is paid.

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

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

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

# Corporate Governance Statement (continued)

*FOR THE YEAR ENDED 30 JUNE 2022*

The 2020 LTI (allocated on 1 July 2019), which vested at the end of the 2022 financial year, was set at 55% of fixed remuneration for the Chief Executive and 33% 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:

| **TSR Percentile Ranking %** | **Earned %** |
|---|---|
| Below 40 | 0 |
| Above 40 to 50 | 40-50 |
| Above 50 to below 75 | 50-99 |
| At 75 or above | 100 |

| **EPS* Three Year CAGR** %** | **Earned %** | |
|---|---|---|
| 0 | 0 | |
| 3.5 | 50 | With straight line progression between 0% and 3.5% |
| 7.0 | 100 | With straight line progression between 3.5% and 7% |
| 8.0 | 110 | With straight line progression between 7% and 8% |
| 9.0 | 120 | With straight line progression between 8% and 9% |

**Earnings per Share*

***Compound Annual Growth Rate*

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

### Employee Share Ownership

Permanent employees can choose to join Port of Tauranga's Employee Share Ownership Plan (ESOP). The ESOP gives employees the opportunity to buy shares in the Company via weekly pay deductions. The shares are offered every three years and paid off over the intervening three year period. In financial year 2022 an offer of up to $5,000 worth of shares was made to employees at a 10% discount to the market price. On the day of allocation, the price was $6.09 per share and participating individuals received up to 821 shares. Over 87% of our employees are shareholders.

### Employee Remuneration

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

| | **Parent Company** | |
|---|---|---|
| **Remuneration Range $000** | **Number of Employees 2022** | Number of Employees 2021 |
| 100-109 | **19** | 23 |
| 110-119 | **35** | 35* |
| 120-129 | **20** | 19 |
| 130-139 | **21** | 14 |
| 140-149 | **10** | 8 |
| 150-159 | **6** | 13 |
| 160-169 | **12** | 15 |
| 170-179 | **11** | 5 |
| 180-189 | **6** | 2 |
| 190-199 | **5** | 2 |
| 200-209 | **2** | 2 |
| 210-219 | **2** | 3 |
| 220-229 | **1** | 0 |
| 240-249 | **3** | 5 |
| 250-259 | **1** | 4 |
| 260-269 | **1** | 1 |
| 270-279 | **2** | 1 |
| 280-289 | **2** | 1 |
| 290-299 | **2** | 0 |
| 310-319 | **1** | 0 |
| 320-329 | **1** | 0 |
| 330-339 | **1** | 1* |
| 370-379 | **1** | 0 |
| 420-429 | **1** | 0 |
| 440-449 | **0** | 1 |
| 470-479 | **0** | 1 |
| 530-539 | **0** | 1* |
| 550-559 | **1*** | 0 |
| 570-579 | **1*** | 0 |
| 680-689 | **1** | 0 |
| 800-809 | **0** | 1* |
| 890-899 | **1*** | 0 |
| 1,000-1,100 | **1*** | 0 |
| 1,500-1,569 | **0** | 1* |
| **Total** | **171** | **159** |

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

**Chief Executive Remuneration**

| Year | Fixed Remuneration* $ | Performance Pay** STI $ | LTI $ | Subtotal $ | Total Remuneration† $ |
|---|---|---|---|---|---|
| **FY2022** | **750,000** | **237,875** | **83,973** | **1,071,848** | **1,082,144** |
| FY2021 | 884,340 | 212,651 | 427,887 | 1,524,878 | 1,553,455 |

**Fixed remuneration includes the value of any benefits (health care, superannuation or vehicle) taken. The Chief Executive participates in the Company's Health Insurance Scheme.*

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

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

Chief Executive remuneration for financial year 2021 refers to the previous Chief Executive Mark Cairns.

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

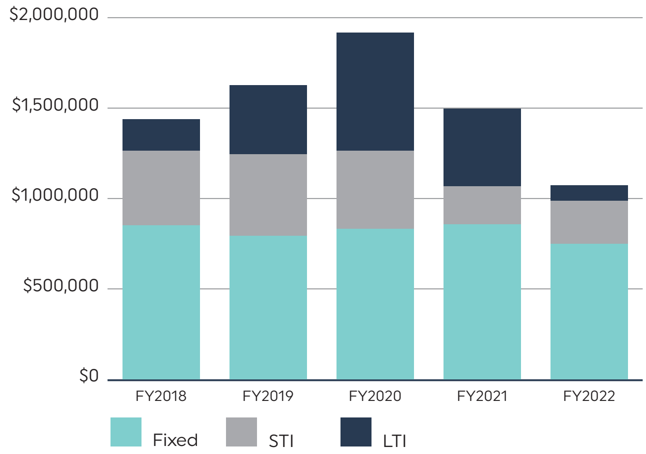
An explanation of the Chief Executive's performance pay paid/vested in financial year 2022 is shown in the following table:

| | Description | Performance Measures | Achieved % |
|---|---|---|---|
| **STI** | Set at 50% of fixed remuneration. Based on a combination of financial and non-financial performance measures. | 50% based on achieving normalised NPAT target. The range for the financial performance is 0-110%. | 110 |
| | | 40% based on key strategic measures and safety. The range is 0-100%. | 51 |
| **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%. | 41 |
| | | 50% based on EPS CAGR. The range is 0-120%. | 46 |

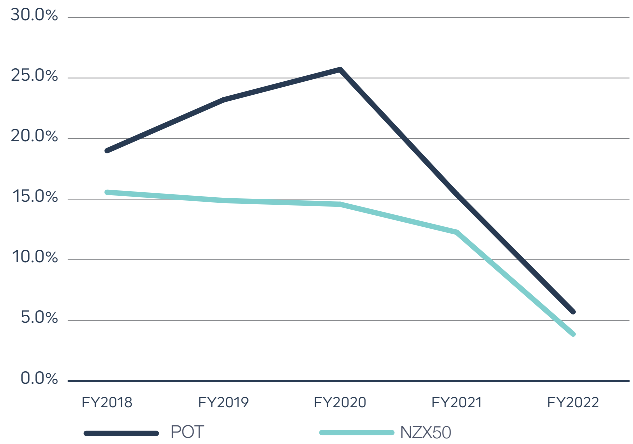
*The Five Year Summary – Chief Executive Remuneration (exclusive of holiday pay)*

| Year | Total Remuneration $ | STI Against Maximum % | LTI Against Maximum % | Span of LTI Performance Period |
|---|---|---|---|---|
| **FY2022** | **1,082,144** | **87** | **40** | **FY2019-2021** |
| FY2021 | 1,553,455 | 19 | 54 | FY2018-2020 |
| FY2020 | 2,022,501 | 78 | 97 | FY2017-2019 |
| FY2019 | 1,773,259 | 82 | 97 | FY2016-2018 |
| FY2018 | 1,680,106 | 86 | 75 | FY2015-2017 |

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

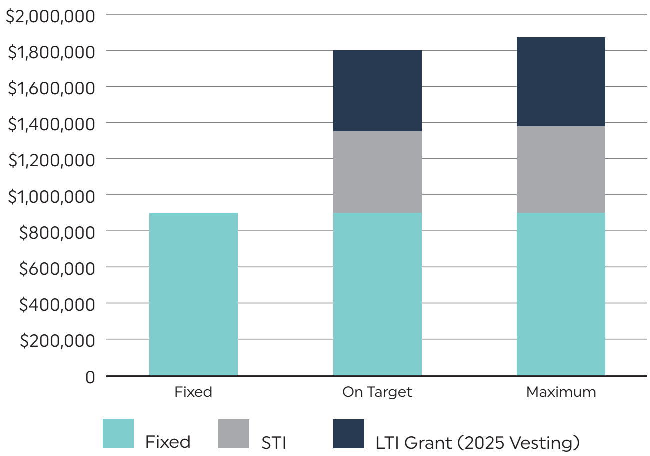



*Total Shareholder Return Performance (three year return)*




*Chief Executive Remuneration for 2023*

The Chief Executive's potential remuneration package for the year ending June 2023 is shown in the following chart.




Fixed remuneration reflects base salary and benefits. For performance that meets expectations, the STI would pay out at 50% of fixed remuneration and the LTI at 50% of fixed remuneration. For performance that exceeds expectations, the STI would pay out a maximum 106% of available STI and the LTI at 110% of available LTI.

# Corporate Governance Statement (continued)

*FOR THE YEAR ENDED 30 JUNE 2022*

## APPROVED DIRECTOR REMUNERATION

The aggregate pool of fees able to be paid to Directors is subject to shareholder approval and currently sits at $880,000.

The Board approved annual fees are:

| Designation | Directors' Fees $ |
|---|---|
| Chair | 180,000 |
| Directors | 92,000 |
| Audit Committee Chair | 20,000 |
| Audit Committee Member | 11,750 |
| Remuneration Committee Chair | 15,000 |
| Remuneration Committee Member | 7,625 |

Directors' fees received during the 2022 year were:

| Director | Board $ | Audit $ | Remuneration $ | Total 2022 $ |
|---|---|---|---|---|
| Mr D A Pilkington | 176,243 | | 6,834 | **183,077** |
| Ms A M Andrew | 90,826 | | 6,834 | **97,660** |
| Mr D J Bracewell* | 49,750 | | | **49,750** |
| Mr K R Ellis | 90,826 | 10,462 | 13,500 | **114,788** |
| Ms J C Hoare | 90,826 | 18,565 | 6,834 | **116,225** |
| Mr A R Lawrence | 90,826 | 10,462 | | **101,288** |
| Mr D W Leeder | 90,826 | | 6,834 | **97,660** |
| Sir Robert McLeod KNZM | 90,826 | 10,462 | | **101,288** |
| **Total** | **$770,949** | **$49,951** | **$40,836** | **$861,736** |

**Mr Bracewell was appointed 17 December 2021.*

Due to managing Director succession, there are periods when the Board has comprised eight members as a transitional arrangement. 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 2022 was:

| Director | Subsidiary | Fees $ |
|---|---|---|
| Mr D A Pilkington | Northport Director | 25,000 |
| Mr D A Pilkington | PrimePort Director | 36,000 |
| **Total** | | **$61,000** |

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

## INTERESTS REGISTER

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

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

### General Notice of Interest by Directors

The Directors of the Company have declared interests in the following identified entities as at 30 June 2022:

| Director | Interest | Entity |
|---|---|---|
| **Alison Moira Andrew** | Chief Executive Officer | Transpower New Zealand Limited |
| **Dean John Bracewell** (appointed 17 December 2021) | Director | Air NZ Limited |
| | Director | Halberg Trust |
| | Director | Property for Industry Limited |
| | Director | Tainui Group Holdings Limited |
| | Director / Shareholder | Ara Street Investments Limited |
| | Director / Shareholder | Dean Bracewell Limited |
| | Shareholder | Freightways Limited |
| **Kimmitt Rowland Ellis** | Chair | Green Cross Health |
| | Chair | NZ Social Infrastructure Fund Limited |
| | Director (resigned during the year) | Ballance Agri-Nutrients Limited |
| | Director | Fonterra Shareholders Fund (FSF) Management Company |
| | Director (resigned during the year) | Freightways Limited |
| **Julia Cecile Hoare** | Deputy Chair | The a2 Milk Company Limited |
| | Director | Auckland International Airport Limited |
| | Director | Meridian Energy Limited |
| | President (designation changed from Vice President to President during the year) | Institute of Directors |
| | Member (appointed during the year) | Chapter Zero New Zealand Steering Committee |
| **Alastair Roderick Lawrence** | Chair | Brittain Wynyard Limited |
| | Director / Shareholder | Antipodes Properties Limited and subsidiaries |
| | Director / Shareholder | CBS Advisory Limited |
| | Director / Shareholder | Olrig Limited |
| | Director / Shareholder | Retail Dimension Limited |
| | Trustee | JAB Hellaby Trust |
| **Douglas William Leeder** | Chair | Bay of Plenty Regional Council |
| **Sir Robert Arnold McLeod KNZM** | Chair | Ngati Porou Holding Company Limited |
| | Chair | Quayside Holdings Limited (and Quayside Properties Limited and Quayside Securities Limited) |
| | Chair | Sanford Group |
| | Director | AZSTA NZ Limited |
| | Director (appointed during the year) | China Construction Bank (New Zealand) Limited |
| | Director | MSJS NZ Limited |
| | Director | Point 76 Limited |
| | Director | Point Guard Limited |
| | Director | Point Seventy Limited |
| | Director | VCFA NZ Limited |
| **David Alan Pilkington** | Chair | Douglas Pharmaceuticals Limited |
| | Chair | Rangatira Limited |
| | Director / Shareholder | Excelsa Associates Limited |
| | Director | Northport Limited |
| | Director | Port of Tauranga Trustee Company Limited |
| | Director | PrimePort Timaru Limited |
| | Alternate Director | Coda GP Limited |
| | Trustee | New Zealand Community Trust |

# Corporate Governance Statement (continued)

*FOR THE YEAR ENDED 30 JUNE 2022*

## 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 2022.

### Twenty Largest Ordinary Equity Holders

| Holder | Number of Shares Held | Issued Equity % |
|---|---|---|
| Quayside Securities Limited | 368,437,680 | 54.14 |
| Custodial Services Limited | 60,998,374 | 8.96 |
| Accident Compensation Corporation | 12,481,170 | 1.83 |
| FNZ Custodians Limited | 12,246,033 | 1.80 |
| Tea Custodians Limited | 10,971,384 | 1.61 |
| Citibank Nominees (NZ) Ltd | 9,838,915 | 1.45 |
| Kotahi Logistics LP | 8,500,000 | 1.25 |
| JBWere (NZ) Nominees Limited | 6,699,157 | 0.98 |
| BNP Paribas Nominees NZ Limited BPSS40 | 6,652,935 | 0.98 |
| HSBC Nominees (New Zealand) Limited | 5,924,061 | 0.87 |
| New Zealand Depository Nominee | 5,870,520 | 0.86 |
| Forsyth Barr Custodians Limited | 5,494,383 | 0.81 |
| New Zealand Superannuation Fund Nominees Limited | 3,571,977 | 0.52 |
| Private Nominees Limited | 3,226,169 | 0.47 |
| HSBC Nominees (New Zealand) Limited | 2,769,667 | 0.41 |
| Masfen Securities Limited | 2,708,395 | 0.40 |
| Public Trust | 2,535,678 | 0.37 |
| Premier Nominees Limited | 2,505,573 | 0.37 |
| PT Booster Investments Nominees Limited | 2,037,267 | 0.30 |
| JPMorgan Chase Bank | 1,960,021 | 0.29 |
| **Total** | **535,429,359** | **78.67** |

### Distribution of Equity Securities

| Range of Equity Holdings | Number of Holders | Number of Shares Held | Issued Equity % |
|---|---|---|---|
| 1-5,000 | 9,024 | 18,271,139 | 2.68 |
| 5,001-10,000 | 2,468 | 18,891,432 | 2.78 |
| 10,001-50,000 | 2,497 | 53,828,407 | 7.91 |
| 50,001-100,000 | 257 | 18,032,199 | 2.65 |
| 100,001 and over | 120 | 571,558,053 | 83.98 |
| **Total** | **14,366** | **680,581,230** | **100.00** |

#### Substantial Security Holders

According to Company records and notices given under the Financial Markets Conduct Act 2013, the substantial security holders in ordinary shares (being the only class of quoted voting securities) of the Company as at 30 June 2022, were:

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

The total number of issued voting securities of the Company as at 30 June 2022 was 680,581,230.

#### Directors' Equity Holdings

As at 30 June 2022 Port of Tauranga Limited Directors' had the following relevant interests in Port of Tauranga Limited equity securities:

| | Held Beneficially | | Held by Associated Persons | |
|---|---|---|---|---|
| **Director** | **30 June 2022** | 30 June 2021 | **30 June 2022** | 30 June 2021 |
| Mr D A Pilkington | **0** | 0 | **15,000** | 15,000 |
| Ms A M Andrew | **0** | 0 | **82,500** | 82,500 |
| Mr D J Bracewell* | **0** | 0 | **15,000** | 0 |
| Mr K R Ellis | **0** | 0 | **62,750** | 62,750 |
| Ms J C Hoare | **2,500** | 2,500 | **0** | 0 |
| Mr A R Lawrence | **0** | 0 | **0** | 0 |
| Mr D W Leeder | **0** | 0 | **0** | 0 |
| Sir Robert McLeod KNZM | **0** | 0 | **0** | 0 |

**Mr Bracewell was appointed 17 December 2021.*

## DONATIONS

Donations of $25,934 were made during the year ended 30 June 2022 (2021: $20,938).

## 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 2022 had a S&P Global (Standard & Poor's) rating of A-/Stable/A-2.

## ANNUAL MEETING

The Annual Meeting will be held on Friday 28 October 2022 at 1.00pm, at Trustpower Baypark, 81 Truman Lane, Mount Maunganui. The ability for the Company to hold a physical meeting may change depending on Covid-19 restrictions at that time.

Mr Alastair Roderick Lawrence is retiring by rotation and seeking re-election and Mr Dean John Bracewell and Mr John Brodie Stevens being eligible are seeking election, at the Annual Meeting.

## AUDITORS

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

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

## FURTHER INFORMATION ON-LINE

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

# Financial and Operational Five Year Summary

*AS AT 30 JUNE 2022*

## FINANCIAL

| | **Year 2022 $000** | Year 2021 $000 | Year 2020 $000 | Year 2019 $000 | Year 2018 $000 |
|---|---|---|---|---|---|
| Operating income | **375,288** | 338,281 | 301,985 | 313,263 | 283,726 |
| EBITDA* | **204,663** | 189,917 | 165,198 | 181,270 | 169,236 |
| Surplus after taxation – reported | **111,317** | 102,375 | 88,679 | 100,577 | 94,273 |
| Dividends paid related to earnings | **95,242** | 84,353 | 124,486 | 122,440 | 115,017 |
| Total equity | **2,074,438** | 1,396,968 | 1,195,184 | 1,165,885 | 1,121,980 |
| Net interest bearing debt | **435,200** | 477,114 | 479,435 | 442,097 | 399,164 |
| Total assets | **2,743,526** | 2,081,270 | 1,848,790 | 1,748,861 | 1,657,031 |
| Interest cover (times) | **10.3** | 9.3 | 7.3 | 8.4 | 8.0 |
| Gearing ratio (%)** | **17.3** | 25.5 | 28.6 | 27.5 | 26.2 |
| Return on average equity (%) | **6.4** | 7.9 | 7.4 | 8.9 | 9.2 |
| Share price ($) | **6.22** | 7.03 | 7.70 | 6.34 | 5.10 |
| Market capitalisation ($) | **4,231,557** | 4,782,274 | 5,237,414 | 4,312,098 | 3,470,964 |
| Net asset backing per share ($) | **3.05** | 2.04 | 1.75 | 1.71 | 1.64 |

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

| | ***Year 2022 $000*** | *Year 2021 $000* | *Year 2020 $000* | *Year 2019 $000* | *Year 2018 $000* |
|---|---|---|---|---|---|
| *Profit before taxation* | ***150,396*** | *137,009* | *117,097* | *135,009* | *126,386* |
| *Net finance costs* | ***16,165*** | *16,572* | *18,530* | *18,177* | *18,027* |
| *Depreciation and amortisation* | ***36,657*** | *33,998* | *29,746* | *27,585* | *25,269* |
| *Asset impairment* | ***0*** | *12* | *0* | *499* | *0* |
| *Asset impairment on revaluation* | ***1,445*** | *2,326* | *0* | *0* | *0* |
| *Reversal of previous revaluation deficit* | ***0*** | *0* | *(175)* | *0* | *(446)* |
| ***Total*** | ***54,267*** | *52,908* | *48,101* | *46,261* | *42,850* |
| ***EBITDA*** | ***204,663*** | *189,917* | *165,198* | *181,270* | *169,236* |

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

The Board approved a final dividend of 8.2 cents per share ($55.786 million) after year end payable on 7 October 2022.

## OPERATIONAL

| | **Year 2022** | Year 2021 | Year 2020 | Year 2019 | Year 2018 |
|---|---|---|---|---|---|
| Cargo throughput (000 tonnes) | **25,615** | 25,738 | 24,808 | 26,946 | 24,458 |
| Containers (TEU)* | **1,241,061** | 1,200,831 | 1,251,741 | 1,233,177 | 1,182,147 |
| Net crane rate (container moves per hour)** | **32.1** | 29.7 | 35.8 | 32.9 | 35.5 |
| Ship departures | **1,369** | 1,307 | 1,515 | 1,678 | 1,747 |
| Berth occupancy (%)*** | **56** | 53 | 45 | 50 | 48 |
| Total cargo ship days in port | **3,078** | 3,072 | 2,441 | 2,769 | 2,643 |
| Turn-around time per cargo ship (days) | **2.26** | 2.05 | 1.61 | 1.65 | 1.5 |
| Cargo tonnes per ship | **18,711** | 19,693 | 16,291 | 16,058 | 14,000 |
| Average cargo ship gross tonnage (GT) | **28,172** | 29,036 | 33,408 | 33,920 | 30,218 |
| Average cargo ship length overall (metres) | **197** | 201 | 207 | 207 | 200 |
| Permanent employees – Port of Tauranga Limited | **256** | 243 | 238 | 230 | 208 |
| Parent lost time injuries (LTI – frequency)**** | **0** | 0 | 2.5 | 2.5 | 2.8 |
| Parent total injury (frequency rate)**** | **0** | 0 | 2.5 | 2.5 | 5.5 |
| Parent plus contractors lost time injuries (LTI – frequency)**** | **19.8** | 8.7 | 2.7 | 4.2 | 4.7 |
| Parent plus contractors total injury (frequency rate)**** | **26.6** | 13.0 | 4.5 | 5.9 | 8.4 |

**TEU = Twenty Foot Equivalent Unit.*

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

****The ratio of time a berth is occupied by a vessel in the total time available in that period.*

*****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 (resigned 29 July 2022)
*Chair*

J C Hoare (appointed Chair 1 August 2022)

A M Andrew

D J Bracewell (appointed 17 December 2021)

K R Ellis

A R Lawrence

D W Leeder

Sir Robert McLeod KNZM

J B Stevens (appointed 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 & Company Secretary*

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

S&P Global (Standard & Poor's)
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

| | |
|---|---|
| 7 October 2022 | Final dividend payment |
| 28 October 2022 | Annual Meeting |
| 24 February 2023 | Interim results announcement |
| March 2023 | Interim Accounts and Market Update produced |
| 24 March 2023 | Interim dividend payment |
| 30 June 2023 | Financial year end |
| 25 August 2023 | Annual results announcement |

## INTERNATIONAL STANDARD SERIAL NUMBERS

**ISSN** 2744-6530 (Print)
**ISSN** 2744-6549 (Online)


PORT OF TAURANGA
NEW ZEALAND'S
Port for the Future
www.port-tauranga.co.nz