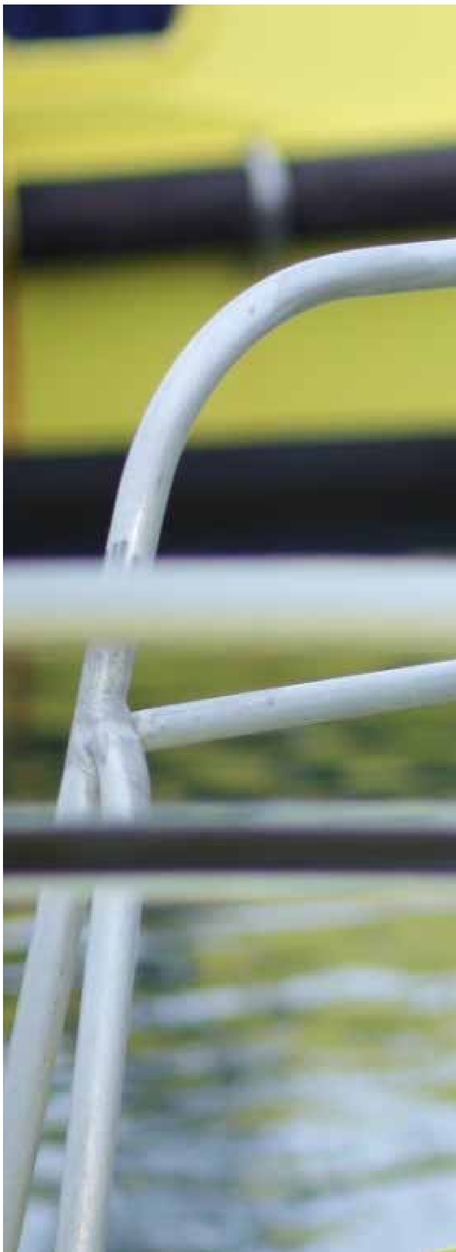
THIS REPORT HONOURS THE STRENGTH AND RESILIENCE OF OUR RELATIONSHIPS, OUR PEOPLE AND OUR PORT.

PORT OF TAURANGA LIMITED – INTEGRATED ANNUAL REPORT 2020

PORT OF TAURANGA

PORT OF TAURANGA REMAINS 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.



Port of Tauranga handles 32% of all New Zealand cargo, 37% of New Zealand exports and 41% of all shipping containers.

We provide our customers with highly effective supply chains through our investment in other ports, inland freight hubs, cargo handling expertise and logistics services. We have the people and expertise to deliver excellent care of our customers, sustainable and wide-reaching benefits to our community, and strong financial returns to our shareholders.

Port of Tauranga creates jobs and wealth for the Tauranga community, the wider Bay of Plenty region and beyond. Our national network reaches to Whangarei, Auckland, Hamilton, Timaru and Christchurch.

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

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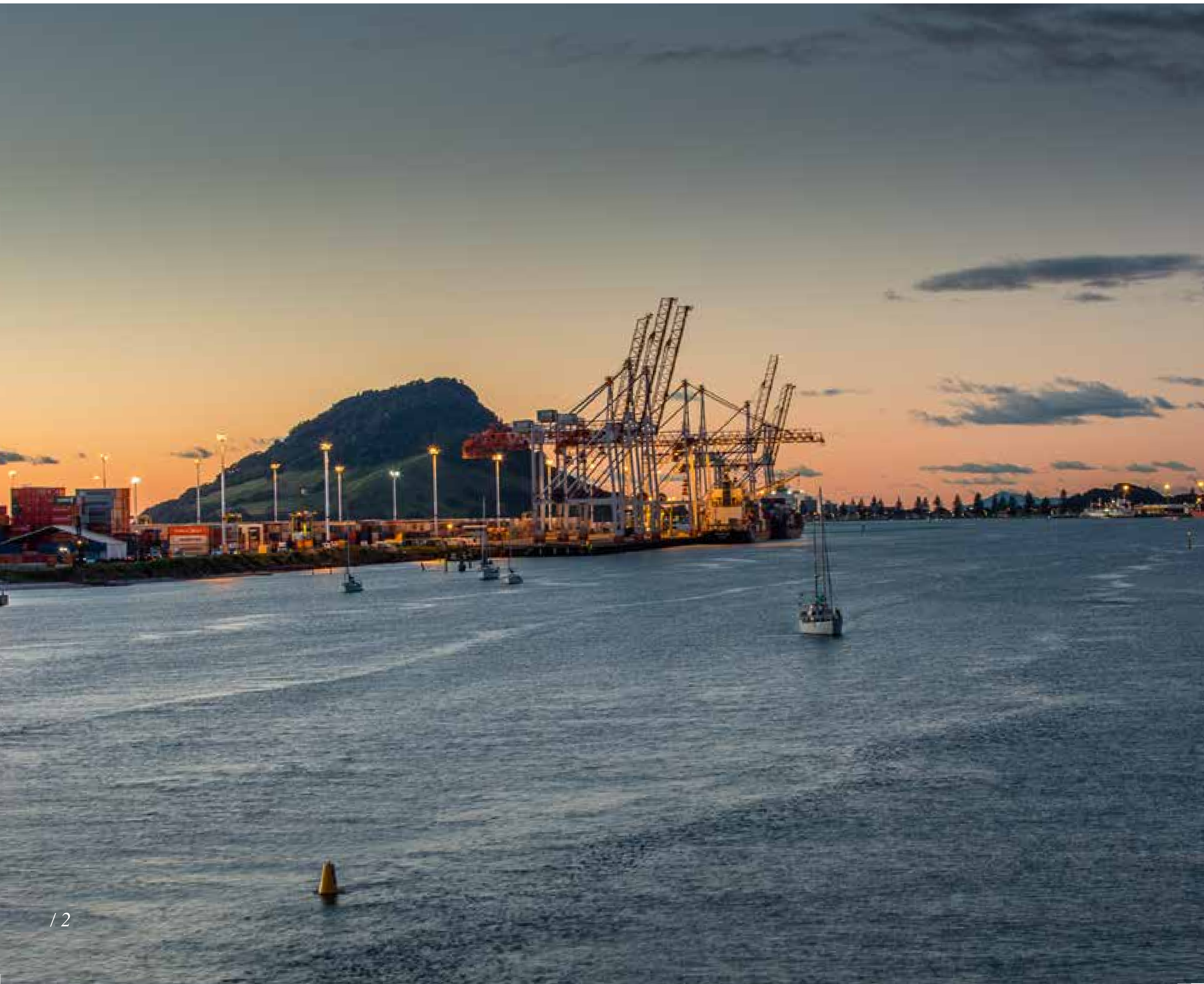

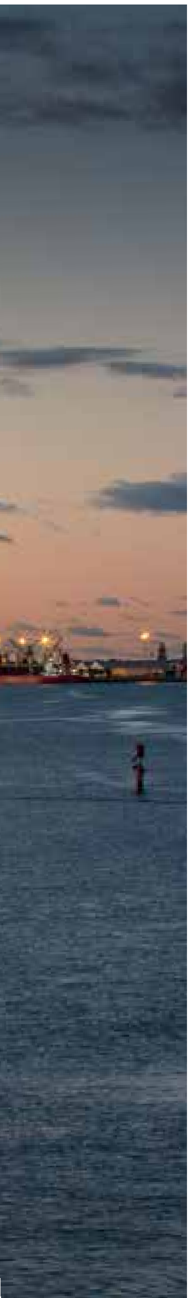

HIGHLIGHTS AND CHALLENGES
FOR THE YEAR ENDED 30 JUNE 2020

CHALLENGE IS OUR OPPORTUNITY

↓ *Group Net Profit After Tax*

$90.0

million (decreased 10.5% from $100.6 million)

↓ *Total trade*

24.8

million tonnes (decreased 7.9% from 26.9 million tonnes)

↑ *Container volumes*

1.25

million TEUs[1] (up 1.5%)

↓ *Revenue*

$302.0

million (from $313.3 million)

↓ *Imports*

9.0

million (decreased 7.8% from 9.8 million tonnes)

↓ *Exports*

15.8

tonnes (decreased 8.0% from 17.1 million tonnes)

Total shareholder return

23.34%

annual compounding rate over last decade

↑ *18.4%*

increase in Subsidiary and Associate Company earnings

Final dividend

6.4

cents per share (total ordinary dividend 12.4 cents per share)

↑ *Container crane productivity rate*

34.4

moves/hour (up from 33.6 moves/hour)

↓ *15.3%*

reduction in total carbon emissions

↓ *25%*

reduction in Total Recordable Injury Frequency Rate for combined contractors/Port of Tauranga

[1] *TEUs = Twenty foot Equivalent Units – a standard measure of shipping containers*

HIGHLIGHTS AND CHALLENGES
FOR THE YEAR ENDED 30 JUNE 2020

↑ 240%

increase in staff-led safety interventions

Ship visits

↓ 1,515

(down 9.7% from 1,678)

↓ 106

cruise ship visits (down from 116 last year)

2,000+

people hosted on port tours

16

educational scholarships for students

Commissioned a ninth container crane and seven straddle carriers, including three hybrid models

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Extended long-term operating agreement with Kotahi Logistics, New Zealand's biggest exporter of containerised cargo

Agreed to form 50:50 venture with Tainui Group Holdings to develop Ruakura Inland Port at Hamilton

The Government's Upper North Island Supply Chain review recommended the move of much of Auckland's cargo to Whangarei's Northport (50% owned by Port of Tauranga)

Compliance costs continue to rise

Regional transport infrastructure continues to be under strain due to population growth and increased economic activity over the long term

Wide-ranging impact on business from the Covid-19 pandemic, including but not limited to shipping cancellations, reduced cargo volumes, operational challenges and cost, and economic recession in New Zealand and the world

**THE YEAR IN REVIEW:
CHAIR AND CHIEF EXECUTIVE'S
REPORT TO SHAREHOLDERS**

The 2020 financial year was a tumultuous one, and we are extremely grateful for the strength, resilience and fortitude demonstrated by the Port of Tauranga team.

RESILI

MARK CAIRNS – *Chief Executive*

ENCE

DAVID PILKINGTON – Chair

Our systems, processes and people were tested in a myriad of ways. The effects of the ongoing Covid-19 global pandemic still reverberate in all parts of our business and the long-term impact remains uncertain.

2020 results

Our diversity of cargoes and income streams, strong balance sheet and ongoing vigilance regarding costs have helped Port of Tauranga to weather the initial impact of the Covid-19 pandemic.

As an essential service, Port of Tauranga continued trading through all Government alert levels.

For the financial year ended 30 June 2020, Port of Tauranga handled a total of just over 24.8 million tonnes of cargo, a decrease of 7.9% on the previous year. Containerised cargo grew 1.5% in volume, to more than 1.25 million TEUs.

Group Net Profit After Tax was $90.0 million, compared with $100.6 million in 2019. The Board has declared a final dividend of 6.4 cents per share.

Dividend policy reviewed

The Board has reviewed our dividend policy in the light of the pandemic and its fallout. Our special dividend scheme will be suspended, with funds reserved to accelerate capital expenditure such as our planned container berth extension. Our policy is to maintain an ordinary dividend payout of between 70% and 100% of Underlying Net Profit After Tax

Hub port strategy success

Partnerships with our key customers are an integral feature of Port of Tauranga's long-term success and ability to invest in building capacity.

We have extended our strategic alliance with Kotahi, New Zealand's largest containerised freight exporter.

All of our business units reduced emissions compared with the previous year.

The renewed agreement extends Kotahi's freight volume commitment to Port of Tauranga for an additional seven years, through to mid-2031. Kotahi manages freight on behalf of more than 40 of New Zealand's importers and exporters, including its shareholders Fonterra and Silver Fern Farms.

The alliance has already brought significant benefits to New Zealand. When it was established in 2014, it paved the way for the introduction of the next generation of larger, more efficient container ships to New Zealand – and with them a lower carbon supply chain.

In September, we celebrated the 20th anniversary of our MetroPort Auckland freight hub, the country's first true intermodal inland port. MetroPort's rail links and strategic location in the South Auckland industrial belt give shippers easy access to the big ship services that call at Port of Tauranga.

We've replicated the intermodal model at our MetroPort Christchurch facility at Rolleston, and we are now partnering with Tainui Group Holdings to develop an inland port in Hamilton.

Ruakura Inland Port partnership announced

Port of Tauranga and Tainui Group Holdings are forming a 50:50 joint venture to bring the Ruakura Inland Port at Hamilton to fruition within two years.

The new joint venture will take an initial 50-year ground lease to establish the inland port, and plans to start operations at Ruakura following the opening of the nearby Hamilton section of the Waikato Expressway, currently scheduled for late 2021.

The project is of national scale and significance and will add to Port of Tauranga's strong and growing capacity to serve the Auckland, Waikato and Bay of Plenty regions. It combines the Port's expertise in developing and operating ports, the deep regional connections of Tainui and the scale and efficiencies offered by the site.

It will also unlock significant environmental and economic benefits for freight customers using the rail-connected inland port.

The facility will cover approximately 30 hectares, with 192 surrounding hectares earmarked for logistics and industrial uses. The project has attracted Government funding for roading connections, as has a new industrial park under development to the port's east, at Rangiuru near Te Puke.

Carbon emissions cut by 15.3%

Measuring, understanding and reducing our carbon emissions is a big focus and we are proud to report that the Company has cut its overall emissions by 15.3% compared with the previous financial year.

Much of the decrease has come through a waste minimisation programme that reduced the volume of waste going to landfill from the Mount Maunganui wharves by 48.5%. Significantly more waste is being recycled instead, and we believe we can still generate further improvements in this area.

All of our business units reduced emissions compared with the previous year.

Our emissions are certified through the Certified Emissions Measurement and Reduction Scheme (CEMARS) and audited by Toitū Envirocare. It is important to us that our emissions reduction strategy is not based on hollow promises or "greenwashing". Our approach is to break down every part of our business to ensure we are making lasting and tangible change.

Cargo volume trends

Exports decreased 8.0% in volume to nearly 15.8 million tonnes and imports decreased 7.8% to just over 9.0 million tonnes for the year ended 30 June 2020.

In the first half of the financial year, log volumes were hit by lower international prices and demand. By March, positive signs were emerging in China, our major log export market, as business there returned to normal and demand increased.

However, log and other forestry product exports were deemed a non-essential cargo during the Level 4 lockdown from late March. Inventory stored at our Mount Maunganui wharves could be shipped to make way for essential cargoes, but no new exports came through the port gates until early May.

Overall, log volumes decreased 21.5% compared with the previous year, to 5.5 million tonnes. Sawn timber exports decreased 10.4% in volume. Pulp and paper exports increased slightly over the full year.

Dairy product exports increased 1.7% to nearly 2.4 million tonnes. Meat products increased 15.4% in volume.

Kiwifruit export volumes remained steady, with increasing volumes shipped via container.

Imported fertilisers remained steady in volume compared with the previous year, while protein and feed imports increased 20.1% in volume. Grain imports increased 26.1% in volume.

Oil product imports decreased 12.3% in volume, reflecting the economic conditions.

Transhipment rates remained steady, despite the overall decline in cargo volumes. Transhipment, where cargo is transferred from one ship to another at Tauranga, increased 0.2% overall.

Ship visits decreased by 9.7%, from 1,678 to 1,515 for the year.

Impact of Covid-19 pandemic

Port of Tauranga felt the impacts of Covid-19 well before the virus reached New Zealand. As China extended its New Year shutdown to contain the outbreak, log inventories in China surged and exports from New Zealand shrunk considerably.

As New Zealand imposed its own strict border controls and subsequent local lockdown, we had a duty to ensure that imports and exports could flow unimpeded across our wharves. We implemented extensive measures to protect our people, trade and the community.

These included cleaning of all shared work stations and equipment between shifts, and more frequent cleaning of shared facilities such as staff rooms, toilets and vehicles. Shifts and teams were separated, including on breaks.

Non-essential shuttle transport for international crews was suspended, effectively cancelling crew shore leave. Electronic transactions were encouraged at our Tauranga container terminal and MetroPort Auckland.

Our administration offices were closed to visitors, in-person meetings were cancelled and all employees who could work from home were asked to do so. Our IT team worked long hours to ensure this was as seamless as possible.

Our health and safety team sourced vital supplies of personal protective equipment and cleaning supplies to protect our frontline workers. Disposable gloves and masks remain in use by maritime pilots and the crew members they come into contact with.

Essential cargoes prioritised

Importers were encouraged to identify cargo required for essential services before its arrival in New Zealand so that it could be handled and transported first. The dwell charges deadline for priority cargo was extended to provide relief to our customers while ensuring cargo was collected promptly.

As Level 4 lockdown was introduced from 25 March, we made arrangements in both Tauranga and Auckland to ensure non-essential cargo could be temporarily stored on or off-site until it could be collected by truck or transferred by rail to MetroPort Auckland. Dwell charges were suspended for these cargoes.

Dairy product exports increased 1.7% to nearly 2.4 million tonnes. Meat products increased 15.4% in volume.

Cruise ship season disrupted

In December, 38 passengers visiting Tauranga on the *Ovation of the Seas* cruise ship were caught in a volcanic eruption while visiting Whakaari White Island, approximately 90 kilometres away. The ship extended its stay at Tauranga by several days and a karakia was held by local iwi Ngāi Te Rangi before its departure. A total of 47 people were killed or injured as a result of the eruption.

In February, the unfolding Covid-19 crisis threw cruise ship schedules into chaos, with multiple service changes and cancellations through to mid-March, when the Government announced a ban on cruise ships entering New Zealand waters. One of our regular cruise ship visitors, the *Noordam*, spent five nights on an unscheduled layover, with only crew on board, in early March following a charter cancellation.

In total, Port of Tauranga lost 16 cruise ship visits from the end of the 2019/2020 season, and we are currently not budgeting for any visits in the 2020/2021 season.

Lessons from lockdown

The pandemic revealed the strength of our team in many ways.

During the lockdown, we utilised our in-house resources and remote support to commission our ninth container crane.

The crane arrived in parts from Ireland in mid-February, was assembled on site and then moved several hundred metres on to the berth.

The Tauranga Container Terminal team handled a record container exchange in April, obliterating all previous records. The *Sally Maersk* container ship exchanged 9,367 TEUs over two and a half days before departing Tauranga for Kaohsiung in Taiwan.

STRO
TOGET

At the same time, another 1,772 TEUs were exchanged on two other vessels, all while maintaining the physical separation of workers demanded by Covid-19 lockdown restrictions.

Many of our team were anxious about continuing to work through the lockdown and concerned for the health of our loved ones. However, they also realised their privilege in continuing to work while many people in our region lost their jobs or worked reduced hours.

The crisis pushed many local families into vulnerable positions and our team suggested we make a one-off donation to the Tauranga Community Foodbank, which the Port donates to each Christmas. We made a $25,000 donation in late April.

NGER
HER

Log ship stranded at harbour entrance

Our team's resilience was once more put to the test when a departing log ship lost engine power at the harbour entrance during extreme weather in July.

The *MV Funing* drifted to the edge of the shipping channel and became entangled in a marker buoy. Our marine team, including maritime pilots and tug boat crews, managed to tow the disabled vessel to a deeper anchorage. The ship was subsequently towed into port for further inspections and repairs.

Upper North Island Supply Chain Review continues

In February 2018, the Government announced an Upper North Island Supply Chain Review as part of the coalition agreement between Labour and New Zealand First. A working group recommended that Ports of Auckland's cargo volumes be shifted to Northport.

A subsequent review of the working group's recommendations was undertaken by economic consultants Sapere. It concluded that a new port on the Manukau Harbour was the best option for Auckland cargo, with the second best option being Port of Tauranga.

SCALING U

A Government decision has been deferred until after the 2020 election and a detailed feasibility study would still be required to test whether a Manukau Harbour option is even possible, given the major shipping issues, costs and environmental impact.

In the meantime, Port of Tauranga continues to increase capacity without increasing our existing footprint.

Sapere's report is the latest of more than 20 reports to examine this issue in the last 15 years. In our view, if all port companies simply priced and invested to achieve a cost of capital return, a natural hierarchy of ports would emerge quite quickly. Ultimately, Auckland City ratepayers and the Government need to decide whether they wish to fund a major new port or utilise the current well-performing and efficient assets at Northport and Port of Tauranga.

In the meantime, Port of Tauranga continues to increase capacity without increasing our existing footprint. International experts have told us that Port of Tauranga can easily accommodate up to 2.8 million TEUs on our current land holdings. There is also the opportunity to factor in the future freight handling capacity of the Ruakura Inland Port in Hamilton.

Changes to the leadership team

During the year we had two retirements from the Senior Management Team – our award-winning Chief Financial Officer of 13 years, Steve Gray, and our Corporate Services Manager, Sara Lunam.

Simon Kebbell, formerly Port of Tauranga's Finance and IT Manager, became Chief Financial Officer in July.

Chair David Pilkington was named Chairperson of the Year at the Deloitte Top 200 Business Awards.

As part of its succession planning, Port of Tauranga appointed Leonard Sampson to the newly-created position of Chief Operating Officer, reporting to the Chief Executive. Leonard was the Port's Commercial Manager for seven years after joining the Company from KiwiRail.

Blair Hamill, formerly Zespri International's Chief Global Supply Officer, took up the Commercial Manager position in July.

Port of Tauranga's longstanding Group Health and Safety Manager, Pat Kirk, has joined the Senior Management Team. Pat has been with the Company for seven years and has more than three decades' experience in health and safety.

Two other appointments have also been made to the Senior Management Team. Melanie Dyer, formerly Trustpower's General Manager People and Culture, started in August as our new Corporate Services Manager. Our Communications Manager, Rochelle Lockley, will join the team in September.

Prestigious business award for Port of Tauranga Chair

Chair David Pilkington was named Chairperson of the Year at the Deloitte Top 200 Business Awards. David joined the Port of Tauranga Board in July 2005 and has been Chair since 2013.

His win scored a hat trick for Port of Tauranga Limited at the prestigious annual awards. Mark Cairns won the accolade for Chief Executive of the Year in 2012, while Chief Financial Officer, Steve Gray, won CFO of the Year in 2017.

External influences on our business

Port of Tauranga's ability to create value for our stakeholders is impacted by multiple external factors. They include economic conditions, trade trends and longer-term influences such as technological and social change. We also operate within the context of the current political environment, both locally and nationally.

We are grateful for the ongoing support of our community and iwi as we play our role in the management of and recovery from the Covid-19 pandemic.

The impacts of the Covid-19 pandemic, and the resulting worldwide economic recession, remain difficult to quantify. Its effects will be far-reaching and long-term. We are already seeing more attention on supply chain resilience and a trend to regionalisation (as opposed to globalisation). We expect lower carbon alternatives to become increasingly important to shippers.

We continue to use our relationships to gather market intelligence and our networks to influence public policy.

Historic growth

We have achieved a compound annual growth rate of 4.76% in cargo throughput over the last 15 years. The rate of container throughput growth has been 7.5% per annum over the same period, with both rates outpacing the 2.8% increase in GDP between 2002 and 2019.

The average annual compounding Total Shareholder Return over the last decade has been 23.34%.

Market outlook for 2021 and beyond

Our long-term track record means we have a strong credit rating and we believe we are well placed to weather the Covid-19 storm.

The short and medium impacts of the Covid-19 pandemic are still uncertain.

We expect cargo volumes to slowly recover over the next three years, with dairy product and kiwifruit exports likely to be the strongest performers in terms of growth.

We are unlikely to see international cruise ship traffic this coming summer.

We are still confident of growth over the long-term and, given the lead time required for any investment, we continue to pursue capacity expansion.

We will provide earnings guidance for the 2021 financial year at our Annual Shareholders' Meeting on 30 October 2020, once we have a feel for the first quarter's trade and the ongoing influence of the Covid-19 pandemic on the global economy.

Thank you

We are grateful for the ongoing support of our community and iwi as we play our role in the management of and recovery from the Covid-19 pandemic.

We would also like to pay tribute to our amazing team members, contractors, suppliers, partners and customers, who have kept the port moving through extremely challenging times and who continue to make Port of Tauranga New Zealand's Port for the Future.

DAVID PILKINGTON
Chair

MARK CAIRNS
Chief Executive

INTEGRATED REPORTING

Welcome to Port of Tauranga's integrated annual report for the 2020 financial year. This report outlines how Port of Tauranga creates value for our stakeholders over the short, medium and long term. We aim to communicate our strategy, governance, performance and prospects.

Our reporting follows the internationally-recognised <IR> Framework of the International Integrated Reporting Council[3] and is consistent with the principles and recommendations of the NZX Corporate Governance Code[4].

This year, for the first time, we have also indicated how we contribute to meeting the aspirations outlined in the United Nations Sustainable Development Goals[5]. The goals seek to tackle some of the biggest and most urgent global challenges, such as inequality, climate change and environmental degradation. We have also expanded our description of climate-related risks and opportunities, in line with the recommendations of the Taskforce for Climate-related Financial Disclosures[6].

In this report, we examine 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 and strengths 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.

Last year, we surveyed our internal and external stakeholders to identify what issues matter most to them. We'll repeat these conversations next year

[3]https://integratedreporting.org
[4]https://www.nzx.com/regulation/nzx-rules-guidance/corporate-governance-code
[5]https://www.un.org/sustainabledevelopment/
[6]https://www.fsb-tcfd.org/wp-content/uploads/2017/06/FINAL-2017-TCFD-Report-11052018.pdf

to ensure our strategies focus on those issues that are the highest priority for our stakeholders.

Our carbon emissions are audited annually by Toitū Envirocare using the CEMARS certification. We intend to seek assurance on other non-financial data in future.

We will continue to enhance our non-financial reporting to increase our transparency and build credibility and trust with our stakeholders.

Integrated thinking, actions and reporting will help us ensure the best possible outcomes for our shareholders, employees, customers, partners and community.

DAVID PILKINGTON
Chair

COMPANY OVERVIEW:
OUR PURPOSE

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

We deliver sustainable returns, while taking appropriate risks, for our shareholders and work to cultivate a prosperous city, region and nation.

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

6,216
TEU total ground slots

2.8km
total quay length, with 14 berths

45ha
of land in Auckland

3,426
dedicated reefer connections

238
permanent employees (up from 230 in 2019)

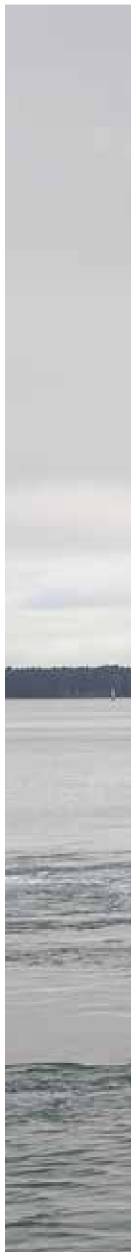
190ha
of land in Tauranga

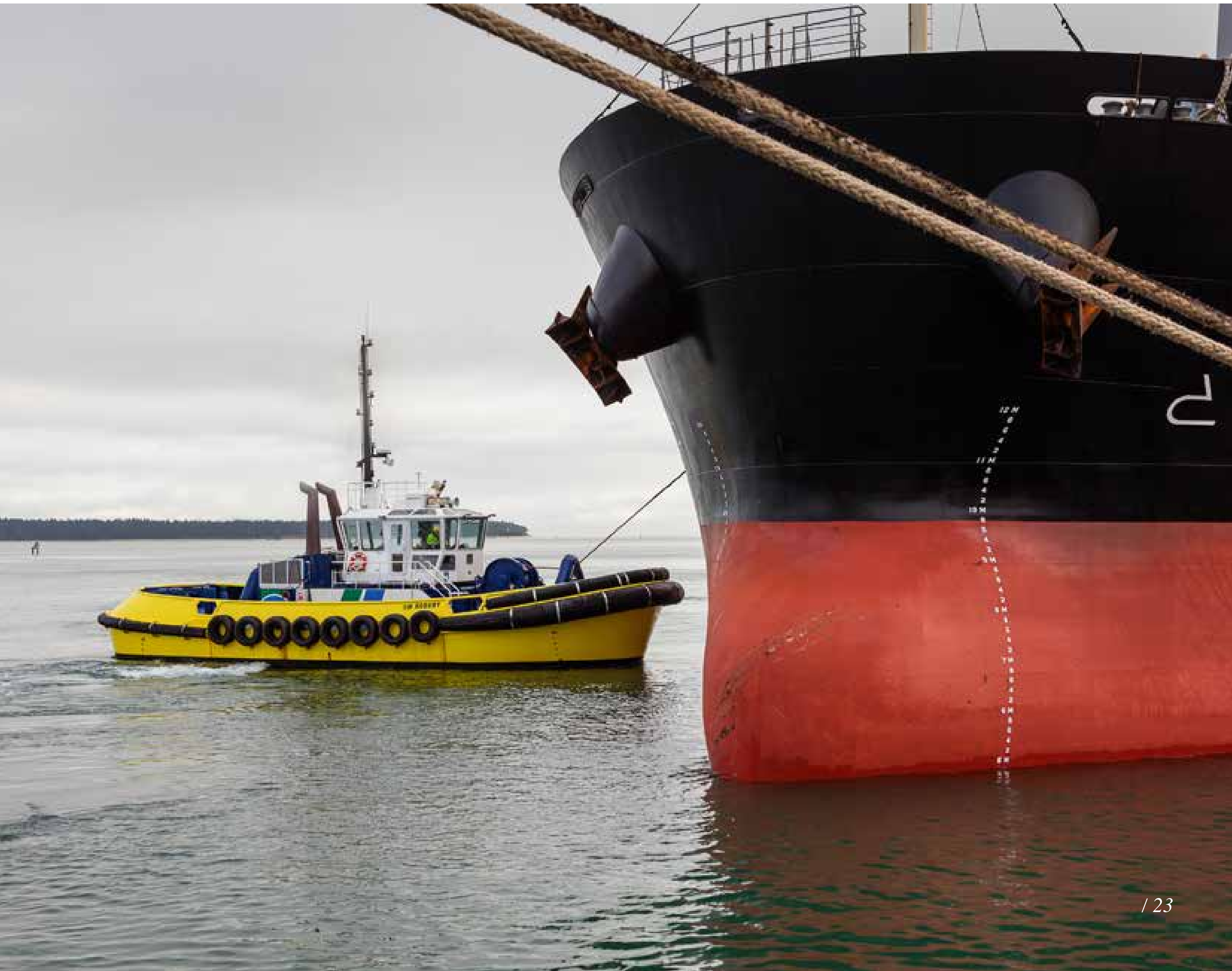
14.5m
shipping channel depth

15ha
of land in Rolleston near Christchurch

53
straddle carriers (up from 46 straddles in 2019)

9
container cranes (up from 8 cranes in 2019)





**COMPANY OVERVIEW:
OUR VALUES**

Our core values inform everything we do

SAFETY INTEGRITY INNOVATION COMMUNICATION TEAMWORK

COMPANY OVERVIEW: OUR NATIONAL NETWORK

PORT OF TAURANGA

1

PARENT COMPANY

- New Zealand's largest port and international freight gateway
- Container terminal, bulk cargo wharves and bunkering/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 6

50% OWNERSHIP WITH KOTAHI

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

Northport

4

50% OWNERSHIP WITH MARSDEN MARITIME HOLDINGS

- Deep water commercial port near Whangarei.

PORTCONNECT

1 3

50% OWNERSHIP WITH PORTS OF AUCKLAND

- Online cargo management system.

METROPORT 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

2

PLANNED 50:50 JOINT VENTURE WITH TAINUI GROUP HOLDINGS

- Inland port connected by rail to Tauranga and Auckland.

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

50.1% OWNERSHIP WITH KOTAHI

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

QM QUALITY MARSHALLING

1 6

100% OWNERSHIP

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

PRIMEPORT TIMARU

6

50% OWNERSHIP WITH TIMARU DISTRICT HOLDINGS

- Commercial port in Timaru
- Bulk cargoes including major cement handling facility
- New oil terminal.

HOW PORT OF TAURANGA CREATES VALUE

INPUTS

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

OUR CAPABILITIES

- 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
- Strong financial and risk management

OUR OUTPUTS

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

Constructive partnerships with iwi and our community, focussed on harbour health, education and youth development

Consistent, reliable and efficient performance through safe and resilient operations within a competitive operating model

Innovative investments in other ports, inland freight hubs, logistics and cargo handling specialists

Strategic land holdings on both sides of Tauranga Harbour and other key locations

Cargo handling equipment and storage capacity that enables cargo growth

Proactive pollution prevention and focus on energy efficiency and waste minimisation

Strong balance sheet

Job creation (direct and indirect)

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

Tourism income from visiting cruise ship passengers

OUTCOMES FOR OUR STAKEHOLDERS

Enduring, mutually beneficial partnerships

A proud, safe and motivated workforce

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

Responsible environmental stewardship

Appropriate risk and return for our shareholders

Prosperity for local, regional and national communities

WHAT MATTERS MOST

Stakeholder engagement and materiality

Port of Tauranga's business strategies are focused on the issues that matter most to our community, iwi, customers, suppliers, partners and investors.

In 2019, we engaged an independent expert to consult our internal and external stakeholders about the "material issues" most likely to impact the way we create or erode value. They include economic, environmental and social issues.

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

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

This report outlines our strategies, recent progress, and commentary on how we utilise the available resources to address these issues.

We engage our stakeholders regularly across a variety of formal and informal communications channels and we will formally consult our stakeholders again in the next 12 months. This ensures we continue to prioritise resources to improve our performance in the most important areas.

The assessment of our top issues informs our risk management framework, outlined in the following pages.

MANAGING RISKS AND OPPORTUNITIES

Port of Tauranga has extensive programmes in place to identify, manage and mitigate any risks to our employees, our Company, our community and our environment. This allows us to pursue business growth and grow shareholder returns while we protect our people, our assets, the environment and our reputation.

Port of Tauranga's Board of Directors is responsible for ensuring risk is managed effectively. The Board considers strategic, operational, financial and compliance risk.

While risks are continuously evolving, we have identified our top strategic risks as:

- 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 channel.

More detail on the potential consequences and how we mitigate these risks is outlined in the Corporate Governance Statement on our website: www.port-tauranga.co.nz

Spotlight on: Seismic risk

Tauranga City Council has undertaken extensive modelling based on a tsunami of up to 14 metres resulting from a magnitude 9 earthquake on the Kermadec fault line, which it estimates has a 1-4% chance of occurring in the next 100 years. It shows the effect on the inner harbour would be significantly lower than on the ocean side.

We have installed earthquake monitors on our wharf infrastructure to monitor even the slightest seismic activity and its effects.

MANAGING RISKS AND OPPORTUNITIES

Spotlight on: Climate-related risks and opportunities

We have considered the guidelines of the Task Force on Climate-related Financial Disclosures. There are two major categories of climate-related impacts:

- The risks and opportunities related to New Zealand's transition to a lower-carbon economy
- The risks and opportunities related to the physical impacts of climate change.

Projections of climate change depend on future greenhouse gas emissions, which are uncertain. Port of Tauranga relies on the projections used by central Government agencies – including the Ministry for the Environment, the Ministry for Primary Industries and the National Institute of Water and Atmospheric Research (NIWA) – for the Bay of Plenty. We also consider scenario planning by the Bay of Plenty Regional Council and the Tauranga City Council.

The regional impacts from climate change include an increased likelihood of heatwaves, increased storm intensity, and droughts that are more frequent, longer and more intense. More frequent extreme rainfall events are also a possibility[7].

Current models show potential for flooding along wharf edges and of Port of Tauranga land at the southern end of the Mount Maunganui wharves, and to the south of the container terminal at Sulphur Point. Sea level rise analysis shows there is likely to be minimal impact to current wharf structures under most scenarios[8].

Our measures to reduce greenhouse gas emissions are outlined in Our Environment on page 56.

[7]https://www.mfe.govt.nz/climate-change/likely-impacts-of-climate-change/how-could-climate-change-affect-my-region/bay-of
[8]https://www.tauranga.govt.nz/Portals/0/data/living/natural_hazards/files/niwa_sea_level_analysis_report.pdf

MANAGING RISKS AND OPPORTUNITIES

	Examples	Potential impacts
Transition risks		
	• Increased reporting requirements • Costs of transition to lower emissions technology • Changing customer, investor and community expectations and supply/demand • Changes to Government and regulator policies • Technological improvements and innovations	• Increased compliance costs • Increased capital expenditure and operating costs • Reduced demand from customers and/or investors, e.g. for imported coal
Transition opportunities		
	• Use of more efficient modes of transport • Increased recycling • Reduced energy use and greater use of lower-emission energy sources • Changing customer and investor expectations and supply/demand • Technological improvements and innovations	• Lower operating costs • New revenue sources • Increased demand from customers and/or investors
Physical risks		
	• Increased severity and occurrence of extreme weather events with the potential to damage equipment and infrastructure • Rising sea levels impacting on port land and operations • Productivity impacts or supply chain disruption due to acute or chronic climate change • Increased biosecurity risk due to warmer, wetter conditions allowing invasive pests and weeds to become established	• Increased operating costs • Increased insurance premiums • Increased capital expenditure to replace or repair equipment and infrastructure • Impact on cargo volumes due to decreased productivity, especially in primary sectors, due to extreme weather events or a warmer climate • Impact on primary production from the establishment of invasive pests
Physical opportunities		
	• Investment in more resilient equipment, infrastructure and technologies	• Lower operating costs from more efficient equipment and technologies • New or increased revenue streams as a result of increased productivity in some primary sectors due to warmer weather

OUR STRATEGIES FOR THE FUTURE

Our strategies to address the issues important to our stakeholders are outlined here, along with recent progress. More details can be found in the sections following:

MATERIAL ISSUES	OUR STRATEGIES	RECENT PROGRESS	ALIGNED UN SUSTAINABLE DEVELOPMENT GOALS[9]
Health, safety and wellbeing Refer to: Our relationships Our skills and knowledge Our people	• Encourage a positive health, safety and wellbeing culture, where incidents are prevented and wellbeing is proactively managed • Prepare for crises and emergencies through thorough planning, testing and training.	• Implemented extensive changes to work practices to protect workers from Covid-19 • Extra attention to employee mental wellbeing as we continue to recover from the challenges and related stress of Covid-19 • Bronze level accreditation (from Toi Te Ora Public Health) for our comprehensive wellness programme, ShipShape • Implemented policies and training about domestic violence, discrimination, bullying and harassment, diversity and inclusion • Design and ongoing implementation of a comprehensive training and development programme for all employees • A 25% reduction in injury rate for combined Port of Tauranga and contractors • Increased reporting of "near misses" reflecting a proactive health and safety culture • Training exercises involving NZ Police, Customs, Maritime NZ, Fire and Emergency NZ and other border agencies and emergency services.	3 GOOD HEALTH AND WELL-BEING 5 GENDER EQUALITY 10 REDUCED INEQUALITIES
Stormwater management Refer to: Our environment Our skills and knowledge Our relationships	• Protect biodiversity and marine habitats through responsible stewardship of the harbour, including pollution prevention.	• Extensive and regular stormwater monitoring as part of the resource consent for stormwater management at our Mount Maunganui wharves.	14 LIFE BELOW WATER
Biosecurity Refer to: Our environment	• Avoid or minimise pest incursions to protect native biodiversity and the local economy • Utilise technology and the knowledge of the wider Port community to increase threat detection.	• Continued to work with border agencies and primary producers through our award-winning Biosecurity Excellence Partnership • In partnership with Kiwifruit Vine Health (KVH), held our third annual Biosecurity Week for frontline port workers • Supported the Tauranga Moana Biosecurity Capital initiative.	14 LIFE BELOW WATER 15 LIFE ON LAND

[9] https://www.un.org/sustainabledevelopment/

MATERIAL ISSUES	OUR STRATEGIES	RECENT PROGRESS	ALIGNED UN SUSTAINABLE DEVELOPMENT GOALS[9]
Customer satisfaction and trust Refer to: Our relationships Our skills and knowledge Our people Our finances	• Create new and build on existing long-term partnerships with a diverse range of customers, including shipping lines, importers and exporters • Foster a customer-centric, can-do attitude across the team.	• Extended long-term freight agreement with Kotahi, New Zealand's largest container exporter • Partnered with Tainui Group Holdings to develop an inland port at Ruakura, Hamilton • Continued to work with large customers to predict and plan for demand.	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 17 PARTNERSHIPS FOR THE GOALS
Air quality management Refer to: Our relationships Our skills and knowledge Our environment	• Monitor fumigation on port premises to ensure processes and procedures are strictly followed and workers and the community are protected • Support forestry industry efforts to reduce methyl bromide fumigant use • Manage dust through sealed wharf and cargo storage areas, intense sweeping, dust reduction and suppression techniques and technology • Support the move to low sulphur fuel to reduce air pollution from ships.	• Supported industry moves to phase out the use of methyl bromide for log fumigation by incentivising bark removal, resulting in a significant decrease in the amount of fumigant used • Ensured fumigation is carried out according to regional and national standards, including meeting recapture targets • Closely monitored dusty cargo exchanges to prevent pollution • Improved and refined dust recovery procedures for vacuum sweeper trucks • Low sulphur fuel use reduced air pollution since January 2020.	13 CLIMATE ACTION 15 LIFE ON LAND
Port capacity and expansion Refer to: Our assets and infrastructure Our finances Our skills & knowledge	• Keep ahead of customer demand through targeted commercial investment in shipping channel widening and deepening, investment in cargo handling equipment and berth extensions • Maximise efficiency within current footprint by utlising technology.	• Commissioned our ninth container crane during lockdown • Commissioned seven new straddle carriers, including three hybrid models • Progressed plans to extend the container terminal wharves to the south, using existing port land • Commenced demolition of a container terminal shed to create more cargo storage space.	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

MATERIAL ISSUES	OUR STRATEGIES	RECENT PROGRESS	ALIGNED UN SUSTAINABLE DEVELOPMENT GOALS[9]
Profitability Refer to: Our finances	• Provide sustainable shareholder returns through revenue growth from diverse income streams, increased trade, new customers/cargoes, operational efficiencies and prudent cost management • Retain Standard & Poor's (S&P) long-term issuer credit rating.	• Paid interim dividend of $40.8 million • Reviewed special dividend policy to expedite capital expenditure plans • Renewed debt facilities • Diligent attention to costs due to the economic impact of Covid-19 • S&P raised Port of Tauranga's long-term credit rating from BBB+ to A– in August 2019 and affirmed the A-2 short-term rating.	8 DECENT WORK AND ECONOMIC GROWTH 11 SUSTAINABLE CITIES AND COMMUNITIES
Workforce engagement Refer to: Our people Our skills and knowledge	• Deliver world-leading productivity through the teamwork of a proud, engaged and satisfied workforce where talent is recruited, nurtured, retained and recognised.	• 76% of employees took up our 2018 share offer. An estimated 95% of employees are shareholders • Employee satisfaction grew to 74% (up from 70%) in our latest engagement survey • 240% increase in employee-led safety interventions across the port • Nine out of 10 employees agree the Company consistently demonstrates a genuine commitment to health and safety.	3 GOOD HEALTH AND WELL-BEING 5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH
Geographic reach Refer to: Our assets and infrastructure Our skills and knowledge Our relationships	• Invest in infrastructure for more efficient (and lower carbon) bigger ships • Grow Port of Tauranga's hinterland beyond the Bay of Plenty • Provide connectivity for international shipping via road, rail and sea, utilising inland freight hubs in Auckland, Hamilton and Christchurch • Utilise our network's expertise to eliminate waste from the supply chain and influence sustainable practices.	• Partnership with Tainui Group Holdings to develop the Ruakura Inland Port in Hamilton • Transhipped containers have increased 225% since 2016.	11 SUSTAINABLE CITIES AND COMMUNITIES 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

MATERIAL ISSUES	OUR STRATEGIES	RECENT PROGRESS	ALIGNED UN SUSTAINABLE DEVELOPMENT GOALS[9]
Community engagement Refer to: Our relationships	• Invest in community infrastructure, the arts, education, sport, economic growth and the environment • Take an active interest in youth development • Be a good neighbour by connecting with and listening to community interests and concerns and actively working together on them.	• Sponsored community events and projects such as Tauranga Arts Festival • Hosted members of the public for annual port tours • Provided 16 scholarships to tertiary students in two schemes • Increased communication and engagement through social media and other channels.	4 QUALITY EDUCATION 10 REDUCED INEQUALITIES 11 SUSTAINABLE CITIES AND COMMUNITIES 17 PARTNERSHIPS FOR THE GOALS
Land transport networks Refer to: Our assets and infrastructure Our environment Our relationships	• Take a collaborative approach to proactive land transport management with KiwiRail, Waka Kotahi NZ Transport Agency, Tauranga City Council, Bay of Plenty Regional Council and the Ministry of Transport.	• Implemented a vehicle booking system at the container terminal and incentivised traffic outside of peak hours • Continued to lobby for investment in regional infrastructure, including state highway designation for Totara Street, Mount Maunganui.	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 11 SUSTAINABLE CITIES AND COMMUNITIES 13 CLIMATE ACTION
Iwi engagement Refer to: Our relationships Our environment	• Create and maintain relationships with the three iwi with mana whenua status in Tauranga Moana to protect cultural and spiritual values and foster education.	• Investment in harbour health and education through the Ngā Mātarae Charitable Trust, including seven scholarships for 2020 • Awarded nine Turirangi Te Kani Memorial educational scholarships for 2020 • Consulted iwi regarding resource consent applications for the extension to the container terminal wharves.	4 QUALITY EDUCATION 11 SUSTAINABLE CITIES AND COMMUNITIES 17 PARTNERSHIPS FOR THE GOALS

CAPITAL #1
OUR RELATIONSHIPS

NURTURING STRONG RELATIONSHIPS

Port of Tauranga seeks long-term, mutually beneficial relationships with a diverse range of customers, communities and business partners. This helps us plan for the future.

We take pride in our reputation for a can-do attitude and innovative approach to typical challenges faced by our customers. We seek bold solutions to tricky problems and look for the same qualities in our suppliers and partners.

We invest in our community, especially in infrastructure, and take an active interest in youth development and education. We aim to be a good neighbour by connecting with, and listening to, our community.

MATERIAL ISSUES

Customer satisfaction and trust

Community engagement

Iwi engagement.

FUTURE FOCUS

Port of Tauranga will protect our social licence with the local community, to maintain our day-to-day operations as well as plan for the future. We will create and nurture strong relationships with our neighbours, interest groups and regulatory bodies – locally, regionally and nationally.

CAPITAL #1 OUR RELATIONSHIPS

Joint venture established with Tainui Group Holdings to develop Ruakura Inland Port

Extension of long-term freight agreement with Kotahi

2,000+

people hosted on port tours

16

tertiary scholarships awarded

53%

increase in Facebook page followers

KOTAHI CONFIRMS TAURANGA AS ITS PORT FOR THE FUTURE

Port of Tauranga has extended our long-term volume commitment agreement with Kotahi, New Zealand's largest containerised freight exporter.

The renewed agreement extends Kotahi's commitment to Port of Tauranga for an additional seven years, through to mid-2031. Kotahi manages freight on behalf of more than 40 of New Zealand's importers and exporters, including its shareholders Fonterra and Silver Fern Farms.

The collaboration between our two companies gives us the confidence to invest further in expanding our container terminal. The alliance has already brought significant benefits to New Zealand, including the introduction of more efficient big ships and, with them, a lower carbon supply chain.

CUSTOMER RELATIONSHIPS FOR THE LONG-TERM

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

In December 2018, we renewed our operating agreement with key customer Oji Fibre Solutions, New Zealand's biggest producer of pulp, paper and packaging products. Oji committed to consolidating the majority of its import and export volumes through Port of Tauranga for another decade.

Oji has pulp and paper mills in the central North Island and eastern Bay of Plenty and its relationship with Port of Tauranga dates back to the 1950s. Oji leases a purpose-built, 22,000m^2 warehouse at Port of Tauranga's container terminal (pictured above) as well as other facilities nearby.

Another purpose-built facility, a coolstore at the Mount Maunganui wharves, is leased to Tauranga Kiwifruit Logistics, which handles exports for Zespri International.

We also work closely with the major log exporters, giving us valuable insight into short and long-term trends and forecasts.

CONNECTIONS WITH TAURANGA MOANA IWI

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

The Ngā Mātarae Charitable Trust brings together the Port, the three iwi, the Mauao Trust and the Tauranga Moana Iwi Customary Fisheries Trust. It was founded six years ago to balance the impact on the cultural and spiritual values of local Maori from the harbour capital dredging project completed in 2016. It is funded through an annual grant from the Port.

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

In 2020, scholarships were awarded to seven tertiary students in their first, second or third year of study.

Port of Tauranga also provides educational scholarships through the Turirangi Te Kani Memorial scheme, established 30 years ago in honour of a much-respected kaumatua. In 2020, the Port provided nine scholarships under the scheme, for first, second and third years of study.

CAPITAL #1
OUR RELATIONSHIPS

DIVIDENDS PAID TO REGIONAL RATEPAYERS

Port of Tauranga's main shareholder is Quayside Holdings, the investment arm of the Bay of Plenty Regional Council. Quayside received dividends of $67.4 million over the past year.

Since the company was listed on the New Zealand Stock Exchange in 1992, Quayside has received a total of more than $860 million in dividends.

In addition, Quayside has used its 54.14% shareholding in Port of Tauranga to establish a $200 million infrastructure fund to help pay for regional assets. It was set up in 2008 through a share issue by Quayside and has been used so far to kickstart projects such as the Opotiki Harbour transformation, the Tauranga tertiary campus, the Tauranga marine precinct and the Scion Innovation Hub in Rotorua.

PORT SUPPORT FOR BAY OF PLENTY COMMUNITIES

Port of Tauranga sponsorship has helped provide and protect valued community infrastructure and equipment.

We helped fund the Pilot Bay boardwalk in Mount Maunganui (pictured), the purchase of the Bay of Plenty TECT rescue helicopter's specialist winch, and floodlighting at the Bay of Plenty Oval cricket ground. We have also purchased two patrol boats for the Tauranga Yacht and Power Boat Club to support young sailors learning on the harbour.

Through a partnership with Tauranga City Council, we also supported the enhancement of the popular walkways on Mauao, the landmark mountain at the entrance to Tauranga Harbour and the port.

DONATING TO GOOD CAUSES

Port of Tauranga is a long-term supporter of community organisations making a difference in the Bay of Plenty. The last six months, especially, have been incredibly tough for the charities assisting the most vulnerable in our community.

Port of Tauranga donates money every Christmas to the Tauranga Community Foodbank. During the Covid-19 lockdown, the pressure on the foodbank escalated rapidly, and the Port decided to make a $25,000 gift. This was on top of the $10,000 donation made in December.

In addition to our Christmas gift to the foodbank, Port of Tauranga employees annually nominate another charity to receive an end-of-year donation. The 2019 recipient was the Waikato/Bay of Plenty Cancer Society. The $5,000 donation was made in honour of the Port's former Corporate Services Manager, Terry James, who lost his fight with cancer last year.

During and after the lockdown, we were able to donate some cleaning supplies and protective gear to local organisations, including anti-viral disinfectant to SPCA Tauranga and face masks and gloves to local marae community outreach workers.

BACKING FOR LOCAL EVENTS

Port of Tauranga supports the creation of vibrant communities through event sponsorship. The Company is a founding sponsor of the biennial Tauranga Arts Festival.

In the past year, the Port has also sponsored the Ngāi Te Rangi Rangatahi Summit to develop youth leadership and a wide range of other community events.

Although Tauranga won't be hosting any America's Cup racing, we were pleased to waive the cargo handling fees for Emirates Team New Zealand's race yacht *Te Aihe* on her way to and from Europe through our container terminal (pictured above).

Where local events have been cancelled or postponed due to Covid-19, we have converted our sponsorship into a one-off donation.

CAPITAL #2
OUR PEOPLE

LONG-TERM HEALTH & WELLBEING

Port of Tauranga delivers world-leading productivity through the teamwork of a proud, engaged and satisfied workforce.

We encourage a positive health, safety and wellbeing culture and foster an inclusive and equitable workplace. We aim to recruit talent, nurture it, retain it and recognise it.

FUTURE FOCUS

Port of Tauranga will continue to foster a positive health, safety and wellbeing culture, where risks are proactively managed and mitigated. Our thorough planning, preparation and practice will help us deal with any challenges, emergencies or crises. We will encourage teamwork and collaboration as the means to achieve our aspirations.

MATERIAL ISSUES

Health, safety and wellbeing

Workforce engagement

CAPITAL #2
OUR PEOPLE

3%
Staff turnover

74%
Job satisfaction increased
(up from 70% in 2017)

53%
of job vacancies
filled internally

LOOKING AFTER OUR PEOPLE'S WELLBEING

The Covid-19 pandemic has made the nurturing of our people's health and happiness more important than ever.

Our employee wellbeing programme, ShipShape, provided the perfect platform to promote physical, mental and emotional health at a time when people's work and personal routines were undergoing immense upheaval.

Regular newsletters helped to promote coping strategies, share online resources and maintain social connections.

ShipShape was launched in 2018 to bring together existing and new wellbeing initiatives and is driven by a committee of team members from across the business. The programme has bronze accreditation under the WorkWell framework of Toi Te Ora Public Health.

Team-building events promoted through ShipShape include the annual Tough Guy and Gal extreme off-road running event in Rotorua, Steptember and the Aotearoa Bike Challenge.

Port of Tauranga employees can access subsidised health insurance, free annual health assessments and skin checks, flu vaccinations, financial advice and an exercise membership subsidy. The Company also provides a free, confidential employee assistance programme through Vitae.

76%

of employees participated in latest staff share ownership offer

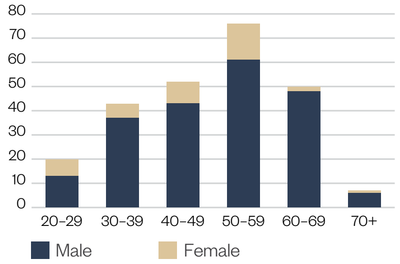
18%

of workforce is female

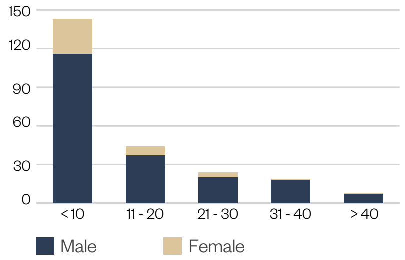
2.5

Total Recordable Injury Frequency Rate per million hours worked (the same as last year)

Age and Gender Profile



Length of Service (Years)



FEWER INJURIES ACROSS PORT COMMUNITY

Safety is one of our core values and we expect all of the companies that operate on the port to share our attitudes to keeping people safe.

We identify, understand and minimise hazards. All near misses and incidents are recorded, analysed and acted on.

Our Total Recordable Injury Frequency Rate (TRIFR) remained at 2.5 per million hours worked, the same rate as last year. Our people suffered one lost-time injury – a minor lower back strain. We have a good team reporting culture, and saw a 240% increase in employee-led safety interventions across the port.

Port of Tauranga and contractors combined achieved another big improvement with a 25% decrease in the TRIFR to 4.5 per million hours worked.

We are finalising the design of a comprehensive training and development programme to ensure we are meeting our targets for safety and other training.

Port of Tauranga's prioritisation of health and safety is reflected in the results of our employee engagement survey, with nine out of ten respondents agreeing that the Company consistently demonstrates a genuine commitment to health and safety.

CAPITAL #2
OUR PEOPLE

PROTECTING OUR PEOPLE FROM DISCRIMINATION

In the past few years, Port of Tauranga has implemented a suite of policies to help avoid unlawful or unacceptable behaviour in the workplace.

These include policies to manage diversity and inclusion; discrimination, bullying and harassment; and domestic violence leave.

All have been implemented with training for team leaders and processes in place to address any complaints.

EMPLOYEE SATISFACTION INCREASES

We conducted our biennial employee engagement survey in late February and early March 2020, just before the Covid-19 lockdown.

The survey results showed that employee job satisfaction had grown to 74%, up from 70% in late 2017.

Focus groups are developing action plans to address the issues raised, such as improving the way we recognise excellent performance within teams.

PROMOTING INCLUSIVITY AT PORT OF TAURANGA

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

In 2019 we updated and extended our Diversity and Inclusion Policy to give the Board of Directors, management and all employees more clearly defined roles and objectives.

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

At the end of the financial year, director, executive and manager positions held by females was 17%, with two females joining the Senior Management Team after year-end.

Overall, 18% of our employees are female.

ATTRACTING WORKERS OF ALL AGES

To try and attract younger workers into port-related careers, Port of Tauranga offers a range of cadetship, apprenticeship, internship, scholarship and casual job opportunities.

We also seek to retain the skills and experience of older workers by adapting individual roles when requested and where possible.

CAPITAL #3
OUR SKILLS AND KNOWLEDGE

SKILLS TO OVERCOME CHALLENGES

Port of Tauranga takes an integrated view of the supply chain, leading us to invest in other ports, inland freight hubs, cargo handling expertise, transport operations and logistics services.

Our collaborative approach eliminates waste from the supply chain.

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

MATERIAL ISSUES

Customer satisfaction and trust

Port capacity

Geographic reach

FUTURE FOCUS

Port of Tauranga will continue to invest to match customer demand. We will maximise efficiency within our current footprint through innovation and utilising technology. We will expand our network through partnerships, to better serve New Zealand importers and exporters.

CAPITAL #3
OUR SKILLS AND KNOWLEDGE

34.4

average moves per hour per container crane (up from 33.6 moves/hour)

RECORDS BROKEN DURING COVID-19 LOCKDOWN

The Tauranga Container Terminal team broke all previous records for container handling when the Sally Maersk *visited in April.*

A total of 9,367 TEUs were exchanged over two and a half days before the ship departed Tauranga for Kaohsiung in Taiwan.

The exchange completely eclipsed the previous record exchange of just under 7,000 TEUs. At the same time, another 1,772 TEUs were exchanged on two other vessels.

The need to keep all workers safe by maintaining physical distances meant some things took a little longer than usual, but the teams demonstrated patience, cooperation and commitment. Four ship-to-shore cranes were used, with operators achieving a ship rate of 97.49 moves per hour – an impressive 160% more efficient than the national average.

The effort was made possible by the Port of Tauranga and Quality Marshalling teams, our service providers Independent Stevedoring Limited and C3 Limited, as well as transport providers. Border agencies Customs New Zealand and the Ministry for Primary Industries also ensured the quick processing of imported containers.

NEW CONTAINER CRANE PUT INTO SERVICE

The commissioning of Port of Tauranga's newest and largest container crane was another epic achievement during lockdown.

The commissioning of Port of Tauranga's newest and largest container crane was another epic achievement during lockdown.

Our ninth ship-to-shore gantry crane arrived in parts from Ireland in mid-February on a special purpose delivery ship. It was assembled on site and moved several hundred metres on to the berth in a 48-hour operation.

It started work just 11 weeks after it arrived.

The new crane can load and unload container ships up to 49 metres or 19 containers wide, compared with the 18 container reach of the Port's other large cranes.

The project was a great achievement by the Port of Tauranga team, assemblers Rich Rigging and manufacturers Liebherr, based in Ireland. The crane was mostly assembled prior to the Covid-19 Level 4 lockdown, with commissioning and testing supported remotely by engineers at the Liebherr factory in Ireland.

The decision was made to move the crane onto the wharf during lockdown to free up the construction zone for much-needed storage space for containerised cargo. It was also safer for the crane to be anchored onto the rails on the berth in case of stormy weather.

WORKING WITH ENFORCEMENT AGENCIES

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

Local police officers undergo a Port of Tauranga safety induction so they can quickly respond to any emergencies on site. Regular patrols are complemented by access to the Port's security camera footage when required.

Other government agencies with a regulatory role in border protection and safety at the port include the Ministry for Primary Industries, WorkSafe, Maritime NZ and the Tauranga Harbourmaster.

CAPITAL #3
OUR SKILLS AND KNOWLEDGE

LINKING SHIPPERS TO NATIONAL NETWORKS

Our network of ports, inland freight hubs and transport links ensures New Zealand importers and exporters have ready access to the most efficient supply chain, no matter their location.

We established our market-leading inland freight hub, MetroPort Auckland, two decades ago, connecting Auckland-based shippers with Port of Tauranga by rail.

In 2015 we replicated this successful model in the South Island by establishing MetroPort Christchurch at Rolleston. MetroPort Christchurch is linked to our Timaru Container Terminal by rail, giving importers access to the Christchurch metropolitan area and exporters access to our fast international services.

We are now working with Tainui Group Holdings to establish the Ruakura Inland Port near Hamilton.

PROVIDING THE MOST EFFICIENT SUPPLY CHAIN

Dedicated container trains run up to 12 times per day between Tauranga and our inland freight hub, MetroPort Auckland.

Through a process we call "triangulation", imported containers are railed to Auckland, where trains are then filled with emptied containers for transfer to Fonterra in Hamilton. There, the train is reloaded with cargo bound for export from Tauranga.

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

STILL NEW ZEALAND'S MOST EFFICIENT CONTAINER PORT

The Ministry of Transport monitors the productivity of New Zealand's six largest container ports, through quarterly reviews[10].

In calendar year 2019, Port of Tauranga handled 55% more containers than Ports of Auckland, and 228% more cargo tonnes overall[11].

Port of Tauranga's average crane rate (containers per hour per crane) in calendar year 2019 was 34.4, up from 33.6 moves per hour in 2019 and well ahead of the national average of 30.1 moves per hour.

Tauranga's ship rate was an average of 83.4 moves per hour, compared with the national average of 62.3.

In Australia, the top five container ports had an average crane rate of 30.8 moves per hour in the six months to June 2019 (the most recent figures available) and an average ship rate of 64.6 moves per hour[12].

SHARING OUR EXPERTISE

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

During the Covid-19 pandemic, we have been invited to lend our expertise to a range of government-related forums and working groups, including Parliament's Epidemic Response Committee.

We are heavily involved in port sector safety strategy and sit on the Covid-19 related Maritime Border Working Group. We hold leadership roles 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.

[10] *https://www.transport.govt.nz/mot-resources/freight-resources/figs/port-container-handling/*
[11] *https://www.transport.govt.nz/mot-resources/freight-resources/figs/trade/tables/*
[12] *https://www.bitre.gov.au/publications/2019/waterline-65*

CAPITAL #4
OUR ENVIRONMENT

PROTECTING OUR ENVIRONMENT

Port of Tauranga sets, monitors and continuously improves operational standards to protect the environment and prevent pollution.

We demand the same high standards from other port users. We monitor their efforts and regularly share best practice, including through our monthly Port Users' Health, Safety and Environment Forum.

We also recognise the aspirations of local hapu and iwi for the moana and its surrounds, and invest in harbour health through the Ngā Mātarae Charitable Trust.

MATERIAL ISSUES

Stormwater

Biosecurity

Air quality

Iwi engagement

FUTURE FOCUS

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

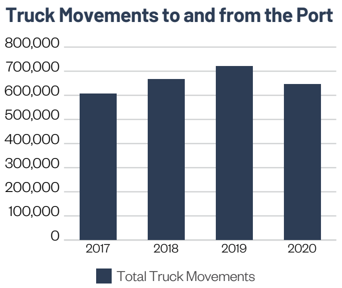
CAPITAL #4
OUR ENVIRONMENT

3
new hybrid straddle carriers

15.3%
reduction in total carbon emissions

10.2%
decrease in annual truck movements

49.3%
of containers carted in by rail (up from 48.4%), compared to 8.1% at Auckland



REDUCTION IN CARBON EMISSIONS

Port of Tauranga achieved a 15.3% decrease in greenhouse gas emissions compared with the 2019 financial year.

About half of the reduction was the result of a waste minimisation plan that reduced the amount of waste disposed to landfill. The volume of yard waste sent to the dump was reduced by 48.5% through recycling, saving the Port around $215,000 in costs.

This was an important area for us to focus on, as the volume of waste had grown due to increased wharf sweeping to prevent dust and debris entering the harbour. A large proportion of bark swept from the log wharves is already recycled into compost and other landscape supplies, so we knew there was an opportunity to do more.

Another significant decrease in total emissions came from changes to our rail-related emissions. A small reduction in cargo tonnage, combined with an adjusted calculation factor, resulted in a 6.7% decrease.

Overall, all areas of our business were able to reduce their volume of greenhouse gas emissions over the year. Total emissions were 40,430 tonnes.

We achieved a 4.2% decrease in overall Scope 1[13] emissions, and the intensity (Scope 1, 2 and 3 emissions per cargo tonne) decreased 7.9%.

Part of our emissions reduction strategy is to "inset" carbon offsets by investing the money into sustainability initiatives within our business.

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

[13]Scope 1 measures the direct emissions of our activities on site. Scope 2 measures carbon consumed but not created (eg electricity from the national grid). Scope 3 measures emissions from other parts of our supply chain.

PORT OF TAURANGA OFFERS LOWEST CARBON SUPPLY CHAIN

By far the largest proportion of carbon emissions in New Zealand's container supply chain relates to the "blue water" or ocean-going component of the cargo journey.

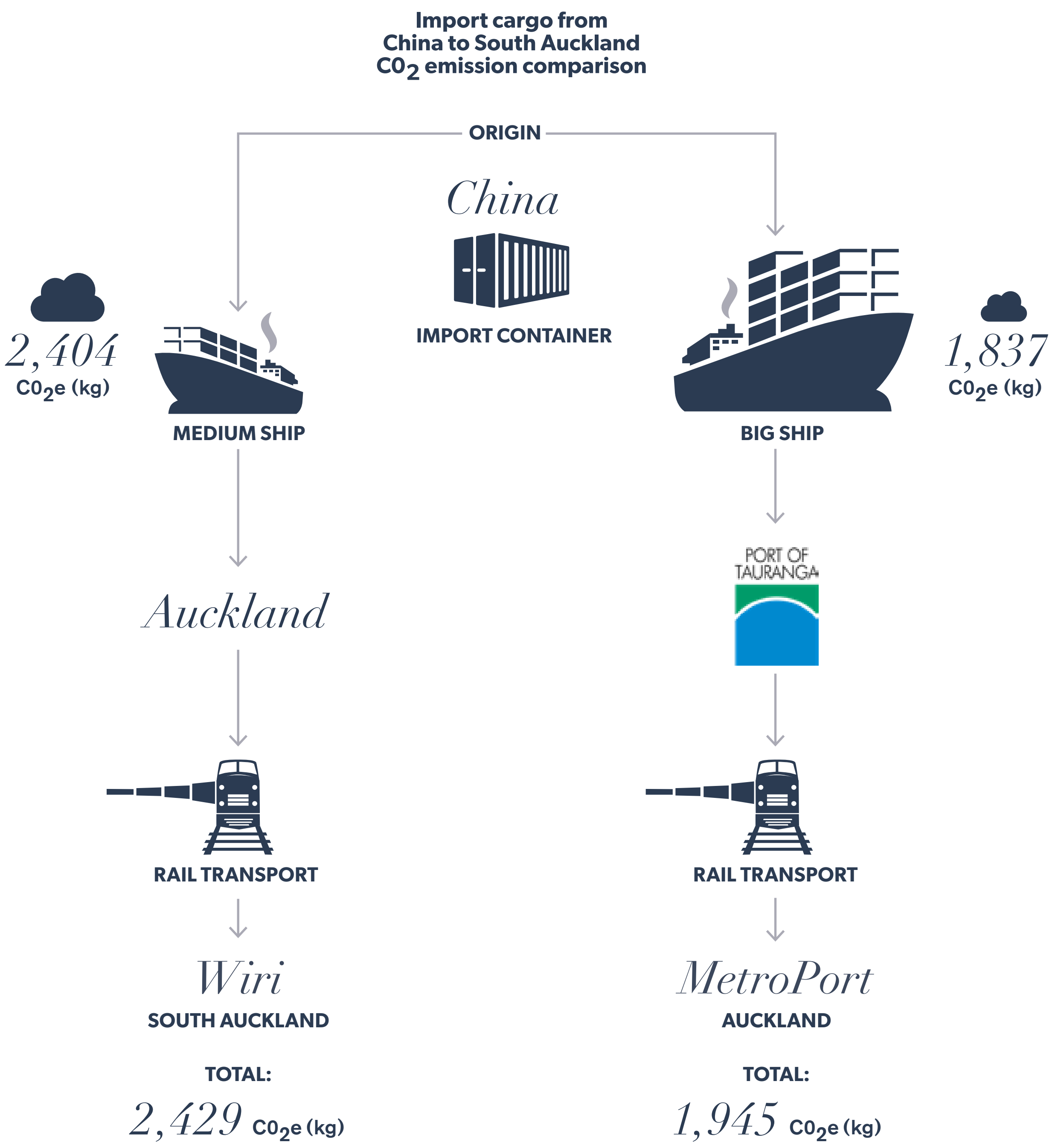
Landside emissions from road or rail transport contribute only a small percentage of the total carbon emissions related to container imports and exports.

Port of Tauranga is the only New Zealand port able to handle larger container vessels and give importers and exporters access to their higher efficiency and lower emissions.

Port of Tauranga regularly receives visits from vessels with capacity of around 9,500 TEUs. The carbon footprint for a 20 foot, 15 tonne dry container (the average weight) from Shanghai to Port of Tauranga on a ship of that size is smaller than the same box shipped from Shanghai to Auckland on a 4,500 TEU vessel. This is true even taking into account the emissions from transferring the container by rail from Tauranga to Auckland.

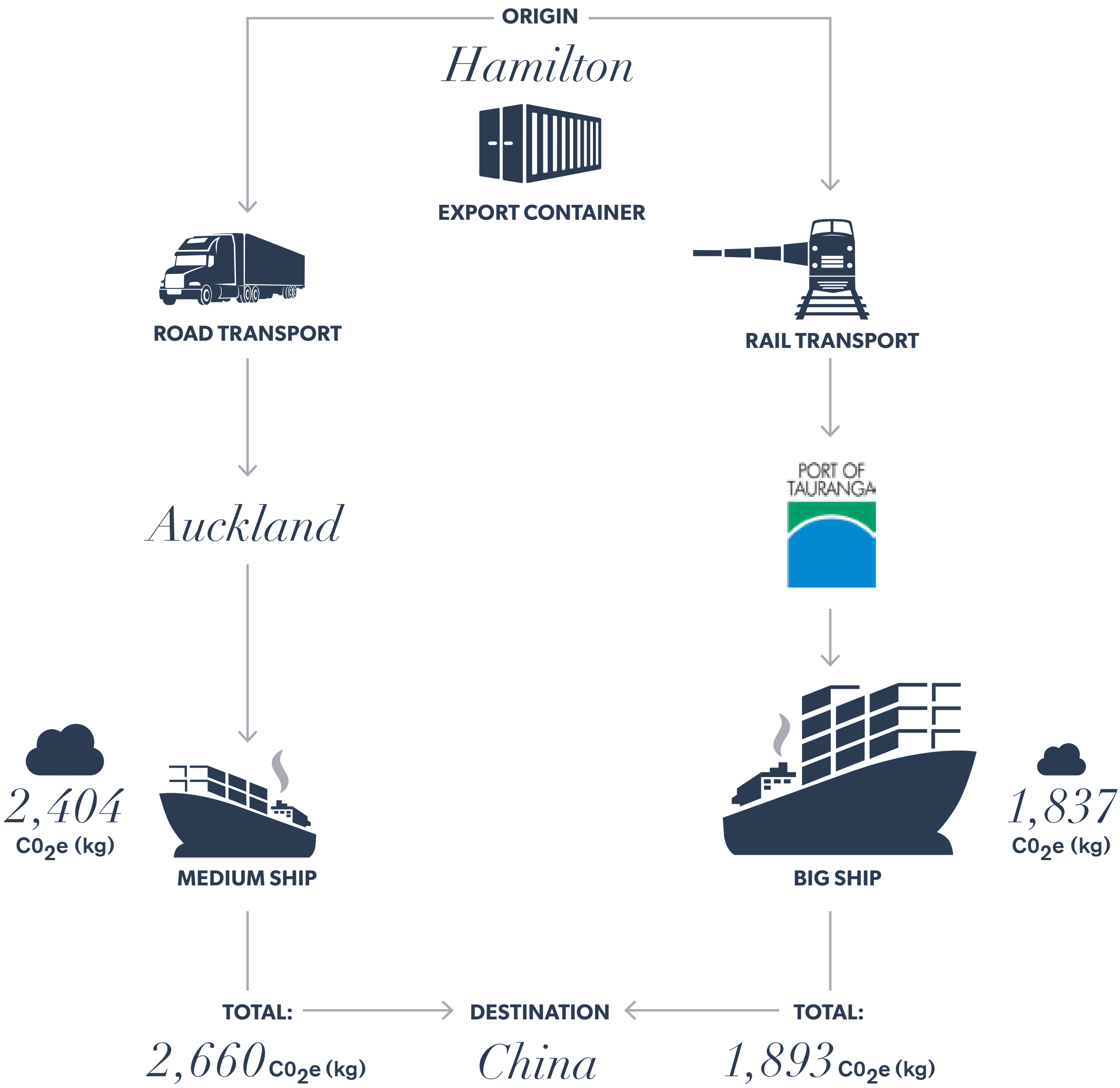
CAPITAL #4
OUR ENVIRONMENT

BIGGER SHIPS OFFER A LOWER CARBON SUPPLY CHAIN

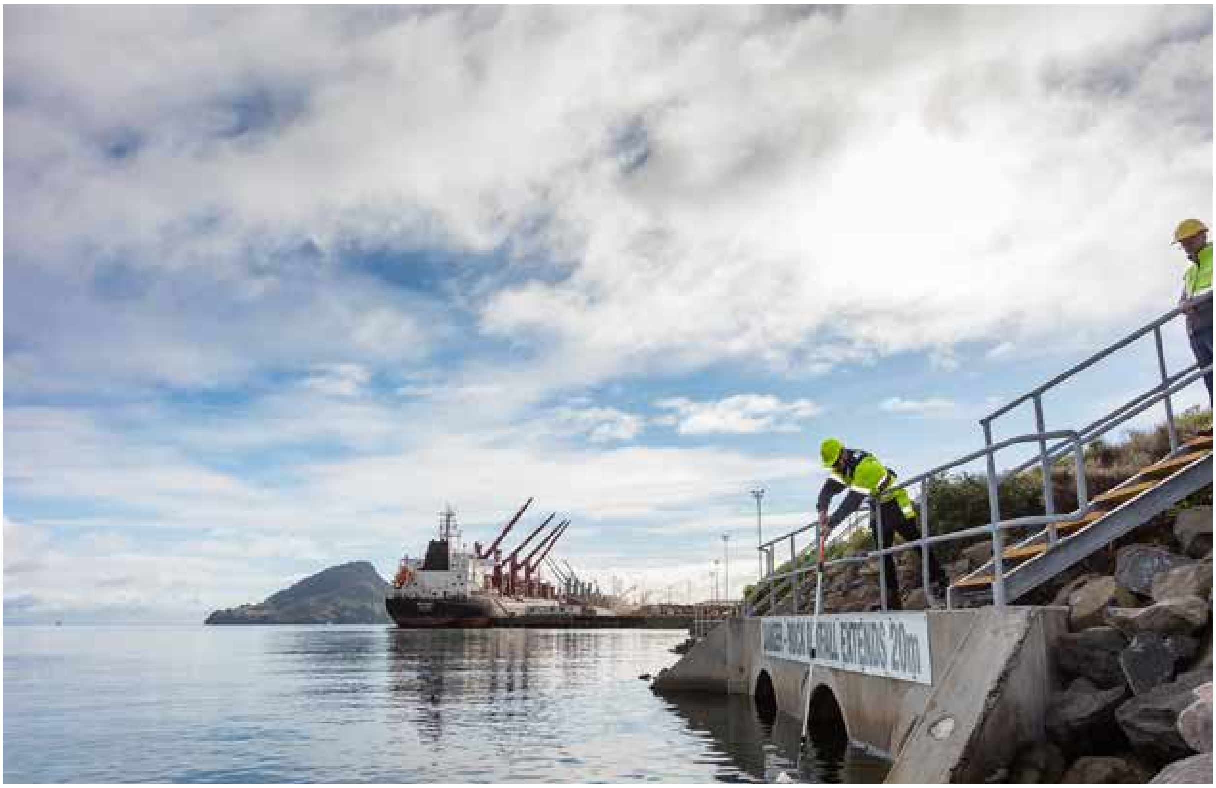


CO_2e calculations are based on a 20 foot, 15 tonne container shipped on a typical container vessel size of 3,000-4,999 TEUs (via Auckland) and 8,000+ TEUs (via Tauranga)

Export cargo from Hamilton to China
CO_2 emission comparison



CAPITAL #4
OUR ENVIRONMENT



FOCUS ON AIR AND WATER QUALITY

Port of Tauranga's comprehensive environmental management plan incorporates air quality, stormwater management, fumigation of imports and exports, noise, spill prevention, energy consumption, waste and asbestos.

As part of our new resource consent for stormwater discharges from our Mount Maunganui wharves, we are undertaking comprehensive monitoring of water quality, especially after high rainfall. This will help inform future improvements of our stormwater management.

In recent years, Port of Tauranga has focussed on improved housekeeping to prevent dust and debris from entering the harbour. Sweeper trucks are continuously cleaning the wharves and storage areas, all of which are sealed to avoid dust from vehicle movements. A third sweeper truck was added to the fleet in June 2019, enabling an increase in sweeping hours and even more efficient dust removal.

Wind fences have been erected on boundaries next to log handling areas and traffic controls installed to confine vehicles and other machinery to clean, swept roadways.

Screening chambers are installed on stormwater drains, and steel fenders and rope bunds at the wharf face prevent any products accidentally dropping into the harbour.

We have strict procedures in place to avoid spills and any spills onto land or into water must be reported, managed, minimised and investigated so improvements can be made. Recent additions to the Port's stormwater infrastructure include automating stormwater drain shut-off valves and installation of containment structures in high risk areas.

IMPROVING AIR QUALITY IN AND AROUND THE PORT

Concerns about air quality in industrial areas led to the establishment of the Mount Maunganui Airshed in November 2019.

The airshed declaration allows the Bay of Plenty Regional Council to target air discharges in the area and introduce new rules to improve air quality. The council has 10 air quality monitors in the area, testing a range of parameters.

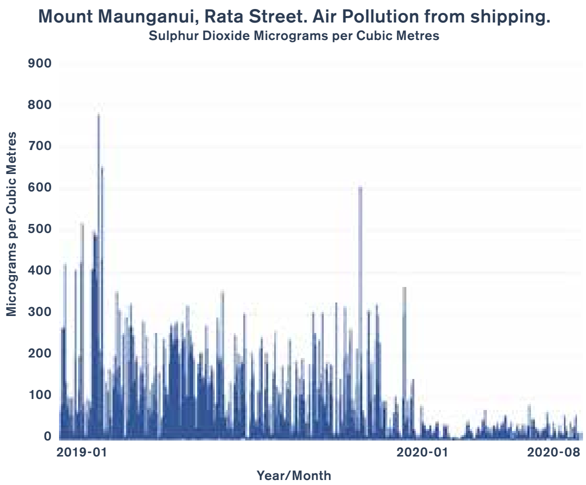
The council has also proposed changes to its Regional Air Plan. Some of the changes, referred to as “Plan Change 13”, have been appealed to the Environment Court. While Port of Tauranga is not appealing any of the changes, some of its customers have appealed provisions regarding bulk solid material handling and we are a party to the proceedings.

The community of Whareroa Marae, located next to Tauranga Airport not far from the port, has been campaigning against the presence of heavy industry in the area, including the operations of some of the Port’s customers, tenants and neighbours.

Port of Tauranga continues its discussions with the iwi and hapu involved to ensure port operations have the least possible impact on neighbouring communities. Bay of Plenty Regional Council and Tauranga City Council, whose job it is to balance the needs of residents, commercial and industrial land users, are developing an air quality action plan for the marae.

REDUCING SHIPPING POLLUTION

Air pollution from shipping has been reduced by new low sulphur fuel limits introduced internationally on 1 January 2020.



Although New Zealand has not yet implemented the new rules, most international ships visiting here have already complied.

The sulphur limit was reduced from 3.5% to 0.5% by mass for marine fuels under Annex VI of the International Convention for the Prevention of Pollution from Ships (MARPOL). It aims to reduce carbon emissions and improve air quality around ports by requiring the use of low sulphur fuel or exhaust gas cleaning systems, known as “scrubbers”.

Following supportive submissions from Port of Tauranga and other New Zealand ports, the Government has agreed to accede to the convention, meaning domestic cargo ships will also be required to meet the standards from early 2022.

According to Bay of Plenty Regional Council air monitoring data, the new requirement had an immediate effect on sulphur dioxide levels recorded at the Rata Street monitoring station, near the port.

CAPITAL #4
OUR ENVIRONMENT

FUMIGANT USE REDUCED

Many imported and exported cargoes are fumigated to kill any pests trying to enter or leave New Zealand. A common fumigant is methyl bromide, an odourless gas that is toxic to humans and damaging to the ozone layer.

The biggest users of methyl bromide in New Zealand are log exporters, whose major markets demand its use.

At Port of Tauranga, fumigation is carried out by highly experienced operators Genera, according to codes of practice outlined by the Environmental Protection Agency and the Bay of Plenty Regional Council, as well as our own protocols. They require Genera to recapture methyl bromide used in fumigation and adhere to rules regarding exclusion zones and notifications.

Genera currently undertakes methyl bromide recapture on close to 90% of log fumigations and 100% of container fumigations.

Genera closely monitors the fumigation activity and publishes the results on its website[14]. An independent contractor also audits fumigation activities to ensure compliance, and Bay of Plenty Regional Council monitors for methyl bromide indicators at four air quality monitoring stations on the port boundary.

Forestry exporters are working to reduce the amount of methyl bromide required. Last year, Timberlands Limited opened a multi-million dollar facility at its Murupara rail exchange to remove bark from logs. De-barked logs destined for China, New Zealand's biggest log market, are not required to be fumigated because insects are removed along with the bark.

The amount of methyl bromide used at Port of Tauranga has decreased from 243 tonnes in 2017 to 154 tonnes in the year to June 2020 (a 36.6% decrease).

[14] https://genera.co.nz/our-services/

PREVENTING PESTS FROM ENTERING NEW ZEALAND

Port of Tauranga's award-winning biosecurity excellence partnership has again proved its worth, helping to catch a potential pest incursion.

A solitary, dead spotted lantern fly was found by a worker unpacking a container at a Tauranga transitional facility. He recognised it as one of the top 12 most unwanted pests featured in the annual calendar[15], published and distributed by the partnership.

The spotted lantern fly eats everything in sight and those who work on the port or in transitional facilities are trained to look for it and its egg masses, which look like grey putty.

The biosecurity excellence partnership involves Port of Tauranga, the Ministry for Primary Industries, Kiwifruit Vine Health, primary produce organisations, scientists and local government. It aims to build a port community prepared to prevent any bug invasions through the port.

As well as producing the calendar and other publications, the partnership runs an annual Biosecurity Week to raise awareness among the port community.

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

PROTECTING BIODIVERSITY IN AND AROUND THE HARBOUR

Tauranga Harbour is home to an abundance of flora and fauna and is an important kaimoana or seafood gathering place.

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

Maungatapu Primary School pupils are getting a helping hand to protect native crabs in Tauranga Harbour thanks to Port of Tauranga.

The Pāpaka project is supported by Port of Tauranga and local iwi Ngāi Te Rangi and Ngāti Ranginui. A $5,000 donation towards science and technology resources will help the school pupils research and protect the creatures that live in Tauranga Moana, with an emphasis on the native Pāpaka o Rangataua.

The pāpaka are iconic to the tangata whenua of the school community but are at risk from invasive species such as the Asian paddle crab.

[15] https://www.kvh.org.nz/vdb/document/104875

CAPITAL #5
OUR ASSETS AND INFRASTRUCTURE

PROVEN GROWTH STRATEGY

Port of Tauranga's investment in capacity to accommodate bigger ships has proven a successful strategy for growth.

We spent more than $350 million over six years to prepare for larger vessels, which started calling in late 2016.

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

MATERIAL ISSUES

Port capacity

Geographic reach

FUTURE FOCUS

Port of Tauranga is now planning for future cargo growth. We will expand capacity at our container terminal through more efficient use of space, the introduction of electric stacking cranes and extending the wharves to a fourth berth.

We will continue to grow our national network through road, rail and sea connections to intermodal freight hubs in key cargo catchments in the North and South Islands.

CAPITAL #5 OUR ASSETS AND INFRASTRUCTURE

Ninth crane added to container terminal

Seven new straddle carriers, including three hybrid models

225%
increase in transhipped containers since 2016

1,251,741
TEUs, a 1.5% increase

1,515
ship visits (down 9.7%)

INCREASING CONTAINER HANDLING CAPACITY

Our ninth and largest container crane was delivered in February for assembly on site.

We were able to complete its commissioning during lockdown with the support of assemblers Rich Rigging and the Liebherr crane factory in Ireland.

We also purchased seven new straddle carriers to serve the new crane. They include three hybrid models, which are more fuel efficient than our current diesel electric models.

CHOOSING ENERGY EFFICIENT VEHICLES

Our modern fleet of ship-to-shore gantry cranes all have sophisticated electric motors that re-generate up to 700 kw of electricity when lowering a container.

Excess electricity can be made available to adjacent cranes lifting containers, or fed back into the terminal to power refrigerated container connections.

As well as the recent purchase of our first hybrid straddle carriers, we are choosing electric and hybrid models, whenever possible, for our light vehicle fleet. Suitable options are increasingly available.

SMOOTHING TRAFFIC FLOWS AT THE PORT AND BEYOND

A vehicle booking system introduced at our container terminal last year has improved traffic flows.

The system incentivises truck visits outside peak hours, to ease cargo delivery and pick up within the port gates and avoid congestion on roads surrounding the port.

Much of the increase in cargo volume in recent years has been able to be absorbed without adding significantly to truck movements on local highways. The increase in transhipment, where containers are transferred between ships at Tauranga, and the utilisation of rail, has prevented a big increase in truck traffic.

We continue to lobby for state highway designation for Totara Street, a busy thoroughfare that serves our Mount Maunganui wharves and the surrounding industrial and residential areas. A state highway designation would help fast-track safety improvements, additional capacity and intersection upgrades.

STRATEGIC LAND HOLDINGS

Port of Tauranga owns 190 hectares of land on both sides of Tauranga Harbour, with about 40 hectares still available for development.

Port-owned land adjacent to the existing container wharves will be converted from cargo storage to a fourth container vessel berth.

We believe container throughput could reach 2.8 to 3.0 million TEUs in future through land reconfiguration, stacking cranes and other technology. We have recently removed a cargo shed to make room for assembling our newest container crane and that land has now been converted into container storage.

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

CAPITAL #6
OUR FINANCES

GROWTH THROUGH DIVERSITY

In 1992, Port of Tauranga issued shares to the public at $1.05 each, with a total market capitalisation of $79 million. Today's market capitalisation is more than $5 billion.

Just over 54% of the Company is owned by regional ratepayers through the Bay of Plenty Regional Council's investment arm, Quayside Holdings. Port of Tauranga dividends are used by Quayside towards its contribution of 25% of the Council's annual revenues.

Port of Tauranga is also the city's largest ratepayer.

FUTURE FOCUS

Port of Tauranga will provide sustainable shareholder returns through revenue growth from diverse income streams and will actively seek new customers and cargoes. We will keep a close eye on costs and target operational efficiencies in all areas of our business.

Through our cornerstone shareholder, Quayside Holdings, we will share the financial benefits of the Port's success with residents and ratepayers of the Bay of Plenty.

MATERIAL ISSUES

Profitability

Community engagement

CAPITAL #6 OUR FINANCES

Group Net Profit After Tax
$90.0
million (decreased 10.5% from $100.6 million)

13.4
cents earnings per share (2019: 15.0 cents)

Revenue
$302.0
million (from $313.3 million)

12.4
cents per share ordinary dividends

$166.5
million Group EBITDA[16]

$14.1
million earnings from Subsidiary and Associate Companies

RAISED CREDIT RATING

In August, ratings agency Standard & Poor's (S&P) raised its long-term issuer credit rating on Port of Tauranga Limited from BBB+ to A-. S&P also affirmed Port of Tauranga's A-2 short-term rating.

This upgrade to our long-term credit rating by S&P reflects the Port's consolidation of its competitive position in New Zealand, on the back of strategic investments and constrained competitors.

CAUTION DURING COVID-19 LOCKDOWN

Port of Tauranga comfortably paid our interim dividend of $40.8 million in March 2020, just before the lockdown, thanks to a strong balance sheet and strong operating cashflows from diverse revenue streams.

Port of Tauranga's Board of Directors believed it prudent to withdraw the full year profit guidance due to the widespread uncertainty about the impact of Covid-19 and the Government measures against the pandemic.

Many of the Port's major exports, including meat and dairy products, were classified as essential cargoes under Level 4 lockdown. Imports of oil products, food and medical supplies were also essential cargoes, and the kiwifruit export season got under way as scheduled in mid-March.

However, log and other forestry exports were considered a non-essential cargo despite increasing demand from major markets such as China.

[16]EBITDA = earnings before interest, tax, depreciation and amortisation. Refer to page 128 for more detail.

CRUISE SHIP SEASON'S EARLY END

The summer cruise ship season came to an early end, with 16 cruise ship visits to Tauranga cancelled as a result of a Government ban.

While the loss of income was relatively small for Port of Tauranga, the cancellations had a significant impact on the Bay of Plenty businesses catering to international tourists.

A total of 106 ships visited in the 2019/2020 summer season, compared with 116 the previous year.

DEBT FACILITIES INCREASED AND EXTENDED

Port of Tauranga has total committed debt facilities of $660 million, of which $172 million is undrawn. Only $5 million of these debt facilities mature in 2020.

Just prior to the pandemic, the Company began negotiations to increase and extend debt facilities maturing in January 2021. Our banking partners were very supportive and we experienced no issues with the routine extension of the facilities.

WE SAY FAREWELL TO STEVE GRAY

Port of Tauranga's award-winning Chief Financial Officer, Steve Gray, has retired after 13 years in the role and 33 years with the Company.

Steve was instrumental in the Company's success and oversaw outstanding returns for its shareholders. He led the team that negotiated the original long-term freight agreement with Kotahi that prompted the Port's expansion to accommodate bigger ships.

In 2017, Steve was named CFO of the Year in the Deloitte Top 200 Business Awards. He is continuing his association with Port of Tauranga through governance roles on its Associate Company Boards.

BOARD OF DIRECTORS

D A PILKINGTON
BSc, BE, GradDip Dairy Science & Technology, CFInstD, Chair
Independent Director

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

A R LAWRENCE
BCA (Business Admin)
Independent Director

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

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

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

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

J C HOARE
BCom, FCA, CMInstD
Independent Director

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

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

A M ANDREW
BE Chemical & Materials (1st Class Honours), MBA (Distinction), FEngNZ, CMInstD
Independent Director

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

D W LEEDER

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

SIR R A MCLEOD
LLB, BCom, FCA

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

SENIOR MANAGEMENT TEAM

MARK CAIRNS
Chief Executive

Mark has been Chief Executive of Port of Tauranga Limited since 2005.

He was previously Chief Executive of Toll Owens Limited and Owens Cargo Company Limited.

He has a First Class Honours Degree in Civil Engineering, a degree in Business Studies and a Master of Management. He is a Fellow of Engineering New Zealand and a member of the Institute of Directors. In 2019, Mark received the prestigious Caldwell Partners Leadership Award from the Institute of Finance Professionals.

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.

LEONARD SAMPSON
Chief Operating Officer

Leonard was appointed to the newly created role of Chief Operating Officer in September 2019.

Leonard was Port of Tauranga's Commercial Manager from 2013, when he joined the Company from the role of General Manager – Sales at KiwiRail. He also held senior roles at Carter Holt Harvey and Mainfreight.

DAN KNEEBONE
Property & Infrastructure Manager

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 has extensive commercial property experience.

PAT KIRK
Group Health & Safety Manager

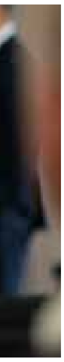
Pat joined the Company in 2013 and the Senior Management Team in March 2020, reflecting the importance of health and safety to our ongoing success.

Pat has three decades of extensive 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/ACC National Industry Prevention Working Group, the WorkSafe/Maritime NZ Industry Advisory Group (Port Sector) and the Business Leaders' Health & Safety Forum.

BLAIR HAMILL
Commercial Manager

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.



MELANIE DYER
Corporate Services Manager

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.

ROCHELLE LOCKLEY
Communications Manager

Rochelle will join the Company's Senior Management Team in September 2020.

Rochelle, a former journalist, held senior communications roles in tourism and telecommunications in New Zealand and overseas before establishing a communications consultancy in 2005.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020
PORT OF TAURANGA LIMITED AND SUBSIDIARIES

Contents

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

DIRECTORS' RESPONSIBILITY STATEMENT

FOR THE YEAR ENDED 30 JUNE 2020

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 2020.

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 2020.

The financial statements were authorised for issue for and on behalf of the Directors on 27 August 2020.

....
Chair

....
Director

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Port of Tauranga Limited

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

OPINION

We have audited the consolidated financial statements of the Group on pages 83 to 88, that comprise the consolidated statement of financial position as at 30 June 2020, 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 2020, 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 (NZ IFRS) and International Financial Reporting Standards (IFRS).

BASIS FOR OPINION

We conducted our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

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.

In addition to the audit, our firm has also provided other services to the company in relation to the data & analytical review of the depreciation rates for property, plant and equipment. In addition, subject to certain restrictions, partners and employees of our firm may deal with the company on normal terms within the ordinary course of trading activities of the business of the company. These matters have not impaired our independence as auditor of the company. Other than these engagements and arm's length transactions, and in our capacity as auditor acting on behalf of the Auditor-General, we have no relationship with, or interest in, the company.

KEY AUDIT MATTERS

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

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

Refer to note 10 of the financial statements.
The Group has property, plant and equipment of $1,584 million.
The Group has a policy of valuing Land; Buildings; Wharves and Hardstanding; and Harbour Improvements at fair value (Revalued PP&E). Full valuations are obtained (by an independent valuer) on an annual basis for Land and Buildings and every 3 years on Wharves and Hardstanding, and Harbour Improvements, unless there is an indicator that the fair value has changed significantly. Prior to this financial year the last full independent valuation on Wharves and Hardstanding, and Harbour Improvements were carried out on 30 June 2018.
The independent valuers have undertaken their valuations with reference to Covid-19 and the valuation uncertainty involved in assessing the fair value of the assets in the current economic environment. (Refer to Note 2 on page 90.)
The assumptions that have the largest impact on the valuations are:
– The impact on the capitalisation rate, rental growth rate and terminal yield impacting the value of land and buildings.
– The estimated future cash flows and expected rate of return from the land and buildings.
	Our procedures focussed on the appropriateness of the Group's assessment as to whether the carrying values of Revalued PP&E materially represent their fair values, and if a revaluation of a class of asset was required, that the revalued assets have been accurately reflected in the financial statements.
	Our procedures by major category included:
	– For Land and Buildings:
	  – Where valuation expert(s) are engaged, considering the competence, objectivity and independence of the valuer;
	  – Assessing whether the evidence used by the valuer is based on appropriate comparable properties and benchmarks; and
	  – Where increases in value were recognised, we assessed whether the uplift was appropriately reflected in the reported carrying values of respective assets.

The Revalued PP&E is considered a key audit matter due to the judgement involved in the assessment of the fair value. The judgement in the current financial year also relates to the assessment of whether the carrying values of assets not revalued materially represent their fair values.
The Covid-19 pandemic has created significant additional risks across the business, particularly in the valuation of property, plant and equipment. All forward looking assumptions are inherently more uncertain during these unprecedented times. While this key audit matter is consistent with last year, the underlying audit risk has increased which impacted the extent and nature of audit evidence that we had to gather.
	– For Wharves and Hardstanding, and Harbour Improvements:
	  – Assessing whether the capital goods price indices or relevant data used by the Group are appropriate and agreeing to observable data points;
	  – Testing the accuracy of the Group's calculation of the impact of these changes; and
	  – Challenging management's assessment of the estimated fair value movements in each asset class.
	– We also considered the appropriateness of the accounting policies and disclosures in the financial statements.
	– Based on the above procedures there were no matters to report.

Investment in Coda	
Refer to note 14 of the financial statements. The Group has $127 million invested in businesses in which it has significant influence or joint control over the operation of those businesses and they are equity accounted in the financial statements. As mentioned in Note 2 on page 90, the Group identified an indicator of impairment in relation to its investment in one of its equity accounted investees, the Coda Group Limited Partnership (Coda), as a result of the impact of Covid-19. The Group therefore performed an impairment test, utilising a detailed cash flow model that discounted the next five years of Coda's cash flows and applied a terminal growth rate to the cash flows expected in Year 5. As a result the Group has recorded an impairment charge of approximately $7 million against the carrying value of its investment in Coda. The investment in Coda is considered a key audit matter because of the judgement involved in determining the future cash flows of the business and the impact any impairment may have on reported profit.	Our procedures included the following: – We challenged the basis for determining the assumptions used in estimating the future cash flows of the Coda business. We compared the cash flow forecasts to approved budgets and where possible we corroborated information for inputs against historical results and third-party contracts; – We performed sensitivity analysis on the key assumptions used, risk weighting those assumptions with higher estimation uncertainty; – We used our valuation specialists to assess the discount rate and terminal growth rate used in the cash flow model; – We assessed whether the approach to estimating the future cash flows was reasonable and in accordance with the relevant accounting standard; – We considered the impact of Covid-19 on the estimates used within the valuations; – We read and assessed the disclosures made in the financial statements in relation to the Group's investment in Coda; and – Based on the above procedures there were no matters to report.

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 79 and 120 to 130, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with NZIFRS and IFRS, 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

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

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

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

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

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

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

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

27 August 2020

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 NZ$000	2019 NZ$000
Total operating revenue	4	**301,985**	313,263
Contracted services for port operations		**(61,363)**	(63,775)
Employee benefit expenses	5	**(40,110)**	(38,275)
Direct fuel and power expenses		**(10,195)**	(10,752)
Maintenance of property, plant and equipment		**(11,543)**	(11,979)
Other expenses		**(16,547)**	(15,312)
Operating expenses		**(139,758)**	(140,093)
Results from operating activities		**162,227**	173,170
Depreciation and amortisation	10, 11, 12	**(29,746)**	(27,585)
Impairment of property, plant and equipment		**0**	(499)
Reversal of previous revaluation deficit		**175**	0
		(29,571)	(28,084)
Operating profit before finance costs, share of profit from Equity Accounted Investees and taxation		**132,656**	145,086
Finance income	7	**310**	417
Finance expenses	7	**(18,840)**	(18,594)
Net finance costs	7	**(18,530)**	(18,177)
Share of profit from Equity Accounted Investees	14(c)	**11,305**	8,100
Impairment of investment in Equity Accounted Investees	14(b)	**(6,986)**	0
		4,319	8,100
Profit before income tax		**118,445**	135,009
Income tax expense	8	**(28,418)**	(34,432)
Profit for the period		**90,027**	100,577
Basic earnings per share (cents)	17	**13.4**	15.0
Diluted earnings per share (cents)	17	**13.2**	14.8

These statements are to be read in conjunction with the notes on pages 89 to 119.

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020

	2020 NZ$000	2019 NZ$000
Profit for the period	**90,027**	100,577
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Cash flow hedge – changes in fair value*	**(7,555)**	(8,942)
Cash flow hedge – reclassified to profit or loss*	**2,341**	1,629
Share of net change in cash flow hedge reserves of Equity Accounted Investees	**(186)**	(308)
Items that will never be reclassified to profit or loss:		
Asset revaluation, net of tax*	**36,876**	72,129
Share of net change in revaluation reserve of Equity Accounted Investees	**216**	448
Total other comprehensive income	**31,692**	64,956
Total comprehensive income	**121,719**	165,533

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

These statements are to be read in conjunction with the notes on pages 89 to 119.

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

	Share Capital NZ$000	Share Based Payment Reserve NZ$000	Hedging Reserve NZ$000	Revaluation Reserve NZ$000	Retained Earnings NZ$000	Total Equity NZ$000
Balance at 30 June 2018	**70,754**	**2,047**	**(9,354)**	**940,554**	**117,979**	**1,121,980**
Adjustment on adoption of NZ IFRS 9 (refer to note 20(a))	0	0	0	0	(274)	(274)
Profit for the period	0	0	0	0	100,577	100,577
Other comprehensive income	0	0	(7,621)	72,577	0	64,956
Total comprehensive income	**0**	**0**	**(7,621)**	**72,577**	**100,577**	**165,533**
Decrease in share capital	(997)	0	0	0	0	(997)
Dividends paid during the period (refer to note 16)	0	0	0	0	(122,440)	(122,440)
Equity settled share based payment accrual (refer to note 16)	0	2,038	0	0	0	2,038
Revaluation surplus transferred to retained earnings on asset disposal	0	0	0	0	45	45
Total transactions with owners in their capacity as owners	**(997)**	**2,038**	**0**	**0**	**(122,395)**	**(121,354)**
Balance at 30 June 2019	**69,757**	**4,085**	**(16,975)**	**1,013,131**	**95,887**	**1,165,885**
Profit for the period	0	0	0	0	90,027	90,027
Other comprehensive income	0	0	(5,400)	37,092	0	31,692
Total comprehensive income	**0**	**0**	**(5,400)**	**37,092**	**90,027**	**121,719**
Decrease in share capital	(705)	0	0	0	0	(705)
Dividends paid during the period (refer to note 16)	0	0	0	0	(124,486)	(124,486)
Equity settled share based payment accrual (refer to note 16)	0	1,167	0	0	0	1,167
Shares issued upon vesting of Management Long Term Incentive Plan	764	(739)	0	0	(25)	0
Total transactions with owners in their capacity as owners	**59**	**428**	**0**	**0**	**(124,511)**	**(124,024)**
Balance at 30 June 2020	**69,816**	**4,513**	**(22,375)**	**1,050,223**	**61,403**	**1,163,580**

These statements are to be read in conjunction with the notes on pages 89 to 119.

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	Note	2020 NZ$000	2019 NZ$000
Assets			
Property, plant and equipment	10	**1,584,865**	1,531,211
Right-of-use assets	11	**25,011**	0
Intangible assets	12	**18,979**	19,028
Investments in Equity Accounted Investees	14	**126,984**	132,731
Receivables		**0**	12
Total non current assets		**1,755,839**	1,682,982
Cash and cash equivalents		**8,565**	3,903
Receivables and prepayments	15	**51,399**	60,610
Inventories		**1,383**	1,366
Total current assets		**61,347**	65,879
Total assets		**1,817,186**	1,748,861
Equity	16		
Share capital		**69,816**	69,757
Share based payment reserve		**4,513**	4,085
Hedging reserve		**(22,375)**	(16,975)
Revaluation reserve		**1,050,223**	1,013,131
Retained earnings		**61,403**	95,887
Total equity		**1,163,580**	1,165,885
Liabilities			
Loans and borrowings	18	**229,458**	124,213
Lease liabilities	11	**24,810**	0
Derivative financial instruments	19	**29,359**	20,895
Employee benefits	5	**3,157**	1,783
Deferred tax liabilities	9	**65,349**	66,389
Total non current liabilities		**352,133**	213,280
Loans and borrowings	18	**259,000**	322,000
Lease liabilities	11	**592**	0
Derivative financial instruments	19	**0**	1,138
Trade and other payables	21	**32,066**	33,688
Revenue received in advance		**93**	260
Employee benefits	5	**724**	2,178
Income tax payable		**8,998**	10,432
Total current liabilities		**301,473**	369,696
Total liabilities		**653,606**	582,976
Total equity and liabilities		**1,817,186**	1,748,861
Net tangible assets per share (dollars per share)		**1.70**	1.71

For and on behalf of the Board of Directors who authorised these financial statements for issue on 27 August 2020.

Chair

Director

These statements are to be read in conjunction with the notes on pages 89 to 119.

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 NZ$000	2019 NZ$000
Cash flows from operating activities			
Receipts from customers		**321,275**	316,172
Interest received		**273**	415
Payments to suppliers and employees		**(151,007)**	(151,448)
Taxes paid		**(35,293)**	(34,680)
Interest paid		**(18,111)**	(18,270)
Net cash inflow from operating activities		**117,137**	112,189
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**68**	58
Finance lease payments received, including interest		**13**	13
Repayment of advances from Equity Accounted Investees		**0**	1,000
Dividends from Equity Accounted Investees	14	**10,096**	9,840
Purchase of property, plant and equipment		**(38,239)**	(41,125)
Purchase of intangible assets		**(587)**	(1,058)
Interest capitalised on property, plant and equipment		**(451)**	(274)
Total net cash used in investing activities		**(29,100)**	(31,546)
Cash flows from financing activities			
Proceeds from borrowings		**130,265**	44,250
Dividends paid	16	**(124,486)**	(122,440)
Repurchase of shares		**(716)**	(1,386)
Repayment of borrowings		**(88,004)**	(3,000)
Repayment of lease liabilities		**(434)**	0
Net cash used in financing activities		**(83,375)**	(82,576)
Net increase/(decrease) in cash held		**4,662**	(1,933)
Add opening cash brought forward		**3,903**	5,836
Ending cash and cash equivalents		**8,565**	3,903

These statements are to be read in conjunction with the notes on pages 89 to 119.

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

RECONCILIATION OF PROFIT FOR THE PERIOD TO CASH FLOWS FROM OPERATING ACTIVITIES

FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 NZ$000	2019 NZ$000
Profit for the period		**90,027**	100,577
Items classified as investing/financing activities:			
Finance lease interest revenue	7	**(2)**	(2)
Loss on sale of property, plant and equipment		**68**	40
		66	38
Add/(less) non cash items and non operating items:			
Depreciation	10, 11	**29,110**	27,039
Amortisation expense	12	**636**	546
Impairment of property, plant and equipment	10	**0**	499
Decrease in deferred taxation expense	9	**(5,441)**	(1,017)
Ineffective portion of change in fair value of cash flow hedge		**(1)**	1
Amortisation of interest rate collar premium		**86**	86
Reversal of previous revaluation deficit		**(175)**	0
Share of net profit after tax retained by Equity Accounted Investees	14(c)	**(11,305)**	(8,100)
Impairment of investment in Equity Accounted Investees	14(b)	**6,986**	0
Increase in equity settled share based payment accrual		**1,167**	2,038
		21,063	21,092
Add/(less) movements in working capital:			
Change in trade receivables and prepayments		**9,211**	(10,606)
Change in inventories		**(17)**	(964)
Change in income tax payable		**(1,434)**	769
Change in trade, other payables and revenue received in advance		**(1,779)**	1,283
		5,981	(9,518)
Net cash flows from operating activities		**117,137**	112,189

These statements are to be read in conjunction with the notes on pages 89 to 119.

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

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 2020 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 2020

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

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

- NZ IFRS 16 Leases (refer to note 11).

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

The Group has considered the potential impact of Covid-19 as part of its impairment testing of assets on its statement of financial position. The Group's services are considered essential services and as such, the Group continued trading throughout all alert levels, including through the recent full lockdown. This has limited the impact of Covid-19 and the Government's response on the Group. The table below provides an assessment of the impact of Covid-19 on the Group's assets. It is acknowledged that there is significant uncertainty in how Covid-19 will impact the New Zealand economy and the Group in the future. This assessment is effective as at 30 June 2020 and has made use of all available information at that time.

Asset	Covid-19 Assessment
Receivables and Prepayments	The Group has increased its provision for expected credit losses as a result of the deteriorating outlook for the New Zealand economy. Refer to note 20(a) for more details.
Property, Plant and Equipment	The Group's property, plant and equipment (excluding plant and equipment) are held at fair value, and land and buildings have been revalued as at 30 June 2020 following an independent valuation by Colliers International New Zealand Limited (Colliers). Colliers have reported their valuation on the basis of "material valuation uncertainty", given the unprecedented set of circumstances on which to base a judgement. Refer to note 10 for more detail on valuation inputs.
Right-of-use Assets	Covid-19 has not had any impact on any of the lease agreements underpinning these right-of-use assets. The Group has not sought any rent relief from landlords or changed its view on likely contract extensions.
Investment in Equity Accounted Investees	An impairment test was performed on Coda Group Limited Partnership due to the impact of Covid-19 on its operations. Refer to note 14 for more detail. There were no impairment indicators for the remaining Equity Accounted Investees.

Tax Depreciation on Buildings

On 25 March 2020 the Government enacted the Covid-19 Response (Taxation and Social Assistance Urgent Measures) Act (Act). The Act reintroduces depreciation deductions on industrial and commercial buildings with effect from the start of the 2021 tax year. Refer to note 9 for more detail and the impact of this law change on the financial statements.

3 SEGMENTAL REPORTING

Operating Segments

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

The Group operates in three primary reportable segments, being:

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

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

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

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

3 SEGMENTAL REPORTING (CONTINUED)

The Group segment results are as follows:

2020	Port Operations Group NZ$000	Property Services Group NZ$000	Marshalling Services Group NZ$000	Unallocated [1] Group NZ$000	Inter Segment Group NZ$000	Group NZ$000
Revenue (external)	266,293	29,628	4,966	0	0	300,887
Inter segment revenue	0	69	13,004	0	(13,073)	0
Total segment revenue	**266,293**	**29,697**	**17,970**	**0**	**(13,073)**	**300,887**
Other income and expenditure:						
Share of profit from Equity Accounted Investees	0	0	0	11,305	0	11,305
Impairment of investment in Equity Accounted Investees	0	0	0	(6,986)	0	(6,986)
Interest income	0	0	0	310	0	310
Other income	0	0	0	1,273	0	1,273
Interest expense	0	0	0	(18,840)	0	(18,840)
Depreciation and amortisation expense	0	0	(946)	(28,800)	0	(29,746)
Other unallocated expenditure	0	0	(13,513)	(139,318)	13,073	(139,778)
Income tax expense	0	0	(983)	(27,435)	0	(28,418)
Total other income and expenditure	0	0	(15,442)	(208,491)	13,073	(210,860)
Total segment result	**266,293**	**29,697**	**2,528**	**(208,491)**	**0**	**90,027**

[1] Operating costs are not allocated to individual business segments within the Parent Company.

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

[1] Operating costs are not allocated to individual business segments within the Parent Company.

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

4 OPERATING REVENUE

	2020 NZ$000	2019 NZ$000
Revenue from contracts with customers		
Container terminal revenue	**178,394**	176,473
Multi cargo revenue	**52,584**	60,948
Marine services revenue	**40,281**	43,367
	271,259	280,788
Other revenue		
Rental revenue	**29,628**	28,769
Other income	**1,098**	3,706
Total operating revenue	**301,985**	313,263

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

5 EMPLOYEE BENEFIT EXPENSES

	2020 NZ$000	2019 NZ$000
Wages and salaries	**38,096**	36,334
ACC levy	**291**	261
KiwiSaver contribution	**1,436**	1,421
Medical subsidy	**287**	259
Total employee benefit expenses	**40,110**	38,275

Employee Benefit Provisions

	Long Service Leave NZ$000	Profit Sharing and Bonuses NZ$000	**Total NZ$000**
Balance at 30 June 2019	1,783	2,178	**3,961**
Additional provision	482	2,414	**2,896**
Unused amounts reversed	(65)	0	**(65)**
Utilised during the period	(88)	(2,823)	**(2,911)**
Balance at 30 June 2020	2,112	1,769	**3,881**
Total current provisions	0	724	**724**
Total non current provisions	2,112	1,045	**3,157**

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:

	2020 NZ$000	2019 NZ$000
Audit and review of financial statements	**201**	165
Treasury function review	**0**	33
Data analytics review of GST and fixed assets	**13**	12
Hedge accounting policy review	**0**	7
Total audit and other services fees	**214**	**217**

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7 FINANCIAL INCOME AND EXPENSE

	2020 NZ$000	2019 NZ$000
Interest on lease	**2**	2
Interest income on bank deposits	**68**	123
Interest on advances to Equity Accounted Investees	**205**	292
Ineffective portion of changes in fair value of cash flow hedges	**35**	0
Finance income	**310**	417
Interest expense on borrowings	**(18,209)**	(18,737)
Less:		
Interest capitalised to property, plant and equipment	**451**	274
	(17,758)	(18,463)
Interest expense on lease liabilities	**(996)**	0
Ineffective portion of changes in fair value of cash flow hedges	**0**	(1)
Amortisation of interest rate collar premium	**(86)**	(86)
Currency option expense	**0**	(44)
Finance expenses	**(18,840)**	(18,594)
Total net finance costs	**(18,530)**	(18,177)

Policies	Finance income comprises interest income on bank deposits, finance lease interest and gains on hedging instruments that are recognised in the income statement. Interest income on financial assets carried at amortised cost is calculated using the effective interest method. Finance lease interest is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return. Finance expenses comprise interest expense on borrowings, finance lease interest expense, unwinding of the discount of provisions and losses on hedging instruments that are recognised in the income statement. Except for interest capitalised directly attributable to the purchase or construction of qualifying assets, all borrowing costs are measured at amortised cost and recognised in the income statement, using the effective interest method.
Capitalised Interest	The average weighted interest rate for interest capitalised to property, plant and equipment, was 3.25% for the current period (2019: 3.83%). Total interest capitalised to property, plant and equipment, was $0.451 million for the current period (2019: $0.274 million).

8 INCOME TAX

Components of Tax Expense

	2020 NZ$000	2019 NZ$000
Profit before income tax for the period	**118,445**	135,009
Income tax on the surplus for the period at 28.0 cents	**33,165**	37,803
Tax effect of amounts which are non deductible/(taxable) in calculating taxable income:		
Tax effect on change to depreciation rate for buildings (refer to note 9)	**(3,327)**	0
Impairment of investment in Equity Accounted Investees (refer to note 14)	**1,956**	0
Share of Equity Accounted Investees after tax income, excluding Coda Group Limited Partnership	**(3,438)**	(3,258)
Other	**62**	(113)
Total income tax expense	**28,418**	34,432
The income tax expense is represented by:		
Current tax expense		
Tax payable in respect of the current period	**33,206**	35,736
Adjustment for prior period	**653**	(287)
Total current tax expense	**33,859**	35,449
Deferred tax expense		
Adjustment for prior period	**(634)**	(82)
Origination/reversal of temporary differences	**(1,480)**	(935)
Tax effect on change to depreciation rate for buildings (refer to note 9)	**(3,327)**	0
Total deferred tax expense (refer to note 9)	**(5,441)**	(1,017)
Total income tax expense	**28,418**	34,432

Income tax recognised in other comprehensive income:

	2020 NZ$000	2019 NZ$000
Revaluation of property, plant and equipment	**6,429**	(234)
Cash flow hedges	**(2,028)**	(2,844)
Total income tax recognised in other comprehensive income (refer to note 9)	**4,401**	(3,078)

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 $28.696 million at 30 June 2020 (2019: $39.750 million).

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

9 DEFERRED TAXATION

	Assets		Liabilities		Net	
	2020 NZ$000	2019 NZ$000	**2020 NZ$000**	2019 NZ$000	**2020 NZ$000**	2019 NZ$000
Deferred tax (asset)/liability						
Property, plant and equipment	**0**	0	**75,939**	74,066	**75,939**	74,066
Intangible assets	**0**	0	**520**	555	**520**	555
Finance lease receivables	**0**	0	**4**	7	**4**	7
Derivatives	**(8,273)**	(6,246)	**0**	0	**(8,273)**	(6,246)
Provisions and accruals	**(2,416)**	(1,993)	**0**	0	**(2,416)**	(1,993)
Equity Accounted Investees	**(425)**	0	**0**	0	**(425)**	0
Total	**11,114**	(8,239)	**76,463**	74,628	**65,349**	66,389

	Recognised in the Income Statement		Recognised in Other Comprehensive Income	
	2020 NZ$000	2019 NZ$000	**2020 NZ$000**	2019 NZ$000
Deferred tax (asset)/liability				
Property, plant and equipment	**(4,556)**	(1,031)	**6,429**	(234)
Intangible assets	**(35)**	139	**0**	0
Finance lease receivables	**(3)**	(3)	**0**	0
Derivatives	**1**	**0**	**(2,028)**	**(2,844)**
Provisions and accruals	**(423)**	(122)	**0**	0
Equity Accounted Investees	**(425)**	0	**0**	0
Total	**(5,441)**	(1,017)	**4,401**	(3,078)

Policies

Deferred tax is recognised on temporary differences that arise between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse.

A deferred tax asset is recognised only to the extent it is probable it will be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of buildings classified as property, plant and equipment carried at cost is presumed to be recovered through use.

Unrecognised Tax Losses or Temporary Differences

There are no material unrecognised income tax losses or temporary differences carried forward. There are no material unrecognised temporary differences associated with the Group's investments in Subsidiaries or Equity Accounted Investees.

Tax Depreciation of Buildings

On 25 March 2020 the Government enacted the Covid-19 Response (Taxation and Social Assistance Urgent Measures) Act (Act). The Act reintroduces depreciation deductions on industrial and commercial buildings with effect from the start of the 2021 tax year. Tax depreciation on buildings with an estimated useful life of 50 years or more was previously removed from the start of the 2012 tax year.

The 2012 law change reduced the tax base which resulted in the recognition of deferred tax liabilities for those buildings. The reinstatement of tax depreciation on those buildings in the current year will increase the tax base and reduce the existing deferred tax liability. The quantum of the tax base going forward reflects tax depreciation deductions available over the remaining economic life of the building.

The impact of this law change has resulted in a decrease to tax expense and a movement in deferred tax of $3.327 million.

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 2018	730,406	105,991	301,579	173,284	217,123	5,573	**1,533,956**
Additions	22	10,237	17,233	1,183	2,877	9,083	**40,635**
Disposals	0	(1,300)	0	0	(1,036)	0	**(2,336)**
Revaluation	72,776	0	0	0	0	0	**72,776**
Balance at 30 June 2019	**803,204**	**114,928**	**318,812**	**174,467**	**218,964**	**14,656**	**1,645,031**
Balance at 1 July 2019	803,204	114,928	318,812	174,467	218,964	14,656	**1,645,031**
Additions	0	5,323	6,940	1,284	29,432	(4,383)	**38,596**
Disposals	0	(145)	0	0	(1,139)	0	**(1,284)**
Revaluation	22,352	12,652	0	0	0	0	**35,004**
Transfers between asset classes	0	4,687	(4,687)	0	0	0	**0**
Balance at 30 June 2020	**825,556**	**137,445**	**321,065**	**175,751**	**247,257**	**10,273**	**1,717,347**
Accumulated depreciation and impairment:							
Balance at 1 July 2018	0	(38)	0	0	(87,648)	0	**(87,686)**
Depreciation expense	0	(4,170)	(11,147)	(1,291)	(10,431)	0	**(27,039)**
Impairment	0	(463)	0	0	(36)	0	**(499)**
Disposals	0	466	0	0	938	0	**1,404**
Balance at 30 June 2019	**0**	**(4,205)**	**(11,147)**	**(1,291)**	**(97,177)**	**0**	**(113,820)**
Balance at 1 July 2019	0	(4,205)	(11,147)	(1,291)	(97,177)	0	**(113,820)**
Depreciation expense	0	(4,373)	(11,675)	(1,518)	(10,719)	0	**(28,285)**
Disposals	0	145	0	0	1,003	0	**1,148**
Transfers between asset classes	0	(96)	96	0	0	0	**0**
Revaluation	0	8,475	0	0	0	0	**8,475**
Balance at 30 June 2020	**0**	**(54)**	**(22,726)**	**(2,809)**	**(106,893)**	**0**	**(132,482)**
Carrying amounts:							
Total net book value as at 30 June 2019	**803,204**	**110,723**	**307,665**	**173,176**	**121,787**	**14,656**	**1,531,211**
Total net book value as at 30 June 2020	**825,556**	**137,391**	**298,339**	**172,942**	**140,364**	**10,273**	**1,584,865**

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 desktop valuation provided by an independent valuer, as underlying land values are considered the significant determinant of fair value changes. For the remaining asset classes, if during the three year revaluation cycle there are indicators that the fair value of a particular asset class may differ materially from its carrying value, an interim revaluation of that asset class is undertaken.

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.

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10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Policies (continued)

Major useful lives are:

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

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

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

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

Restriction on Title

An area of 12,000 square metres of land located between the Sulphur Point wharves and the Parliamentary approved reclamation does not have formal title. Actions are being taken to resolve the issue and obtain title. The resolution lies with Land Information New Zealand.

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 $6.989 million.

Judgements

Fair Values

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

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

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

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

In line with policy, at 30 June 2020, the Group adjusted the carrying value of land based on a desktop valuation. The Group also revalued buildings due to indicators of potential material movement in the fair value of the asset class. At 30 June 2020, the assessment is that there is no material change compared with carrying value in the fair value of wharves and hardstanding, and harbour improvements.

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 $22.352 million.

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

The interim valuation was performed on a desk top basis with no physical inspection of the sites, therefore the work performed is less than that which would be undertaken at the full revaluation cycle.

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Judgements (continued)

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

			2020		*2019*	
Asset Valuation Method	*Key Valuation Assumptions*	*Hectares*	*Range of Significant Assumptions $*	*Weighted Average $*	*Range of Significant Assumptions $*	*Weighted Average $*
Direct sales comparison	Tauranga (Sulphur Point) / Mount Maunganui – wharf and industrial land per square metre	181.7	**360-930**	**417**	330-770	411
	Auckland land – land adjacent to MetroPort Auckland per square metre	6.8	**720-800**	**746**	568-596	592
	Rolleston land – MetroPort Christchurch per square metre	15.0	**110**	**110**	100	100

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

Building Valuations

The valuation of buildings was carried out by Colliers International New Zealand Limited. The valuation increased the carrying amount of buildings by $21.127 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.

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:

		2020		*2019*	
Asset Valuation Method	*Key Valuation Assumptions*	*Range of Significant Assumptions %*	*Weighted Average %*	*Range of Significant Assumptions %*	*Weighted Average %*
Capitalised income model	Market capitalisation rate	**4.50-8.00**	**5.33**	5.00-8.00	5.47

Wharves and Hardstanding, and Harbour Improvements

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

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

- *Replacement Unit Costs of Construction Rates – Cost Rates Are Calculated Taking Into Account:*
  - The Parent Company's historic cost data, including any recent competitively tendered construction works.
  - Published cost information.
  - The WSP Opus construction cost database.
  - Long run price trends.
  - Historic costs adjusted for changes in price levels.
  - An allowance is included for costs directly attributable to bringing assets into working condition, management costs and the financing cost of capital held over construction period.

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10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Judgements (continued)

- *Depreciation – the Calculated Remaining Lives of Assets Are Reviewed, Taking Into Account:*
  - Observed and reported condition, performance and utilisation of the asset.
  - Expected changes in technology.
  - Consideration of current use, age and operational demand.
  - Discussions with the Parent Company's operational officers.
  - Opus Consultants' in-house experience from other infrastructure valuations.
  - Residual values.

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

		2020		2019	
Asset Valuation Method	*Key Valuation Assumptions*	*Range of Significant Assumptions $*	*Weighted Average $*	*Range of Significant Assumptions $*	*Weighted Average $*
Depreciated replacement cost basis	Wharf construction replacement unit cost rates per square metre – high performance wharves	**5,000-7,000**	**6,446**	5,000-7,000	6,446
	Earthworks construction replacement unit cost rates per square metre	**9**	**9**	9	9
	Basecourse construction replacement unit cost rates per square metre	**20-40**	**31**	20-40	31
	Asphalt construction replacement unit cost rates per square metre	**23-50**	**44**	23-50	44
	Capital dredging replacement unit cost rates per square metre	**4-75**	*****	4-75	*
	Depreciation method	**Straight line basis**	**Not applicable**	Straight line basis	Not applicable
	Channel assets (capital dredging) useful life	**Indefinite**	**Not applicable**	Indefinite	Not applicable
	Pavement remaining useful lives	**2-32 years**	**14 years**	2-32 years	14 years
	Wharves remaining useful lives	**0-65 years**	**24 years**	0-65 years	24 years

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

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

Leases as a Lessee

NZ IFRS 16 Leases replaces NZ IAS 17 Leases and removes the classification of leases as either operating leases or finance leases, for the lessee, and consequently all lease (other than short term or low value leases), are recognised on the balance sheet. This has resulted in the Group recognising right-of-use assets and related lease liabilities on the statement of financial position. As a result, payments for leases previously classified as operating leases, which include leases of land and building, and vehicles, have been reclassified from operating expenses to depreciation and interest expense.

The Group has adopted NZ IFRS 16 using the modified retrospectively approach from 1 July 2019 but it has not restated comparatives for previous periods. The reclassifications and the adjustments arising from the new standard are therefore recognised in the opening balance sheet on 1 July 2019.

The lease liabilities were measured at the present value of the remaining lease payments. Lease payments are discounted at the Group's incremental borrowing rate as at 1 July 2019. The weighted average incremental borrowing rate applied to lease liabilities at 1 July 2019 was 4.0%. The right-of-use assets were measured at the amount equal to the corresponding lease liabilities, with no change in net assets.

The Group applied the following practical expedients when applying NZ IFRS 16 to leases previously classified as operating leases under NZ IAS 17:

- a single discount rate to a portfolio of leases with similar characteristics;
- exemption to not recognise right-of-use assets for low value leases; and
- exemption to not recognise, right-of-use assets for leases with less than 12 months remaining.

The judgements and estimates made when adopting NZ IFRS 16 include:

- incremental borrowing rate, being the rate that the Group have to pay to borrow the funds necessary to obtain an asset of a similar value with similar terms and conditions; and
- lease terms, including any right of renewal where it is reasonably certain they will be exercised.

The impact of adoption of NZ IFRS 16 on the Group's statement of financial position is summarised in the table below:

	30 June 2020 NZ$000	1 July 2019 NZ$000
Right-of-use assets	**25,011**	24,273
Lease liabilities (current)	**(592)**	(397)
Lease liabilities (non current)	**(24,810)**	(23,876)

When compared to the accounting policies in the prior comparative period, the adoption of NZ IFRS 16 on the Group's income statement for the year ended 30 June 2020 is summarised in the table below:

	Pre NZ IFRS 16 NZ$000	Adjustments NZ$000	Post NZ IFRS 16 NZ$000
Other expenses	17,976	(1,429)	16,547
Depreciation and amortisation	28,921	825	29,746
Finance expenses	17,844	996	18,840
Income tax expense	24,748	(110)	24,638

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.

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11 LEASES (CONTINUED)

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

	30 June 2020 NZ$000
Right-of-use assets	
Opening balance	24,273
Depreciation	(825)
Additions to right-of-use assets	298
Adjustments to existing right-of-use assets	1,265
Closing balance	25,011
Lease liabilities maturity analysis	
Between zero to one year	592
Between one to five years	2,496
More than five years	22,314
Total lease liabilities	25,402

During the year a lease liabilities interest expense of $0.996 million was recognised in the income statement.

	30 June 2020 NZ$000
Reconciliation of lease commitments to lease liabilities	
Operating commitments as at 30 June 2019 not previously disclosed	49,613
Discounted at the incremental borrowing rate at the date of initial application	(25,340)
Net present value of future lease payments as at 1 July 2019	24,273

Leases as a Lessor

Lessor accounting is substantially unchanged from accounting under NZ IAS 17 and no adjustments resulted on transition to NZ IFRS 16.

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

	2020 NZ$000	2019 NZ$000
Within one year	21,527	18,295
One to two years	14,603	14,730
Two to three years	11,486	10,840
Three to four years	9,018	9,332
Four to five years	8,280	6,076
Greater than five years	44,096	39,721
Total	109,010	98,994

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 2018	15,490	4,154	10,000	29,644
Additions	0	486	567	1,053
Balance at 30 June 2019	15,490	4,640	10,567	30,697
Balance at 1 July 2019	15,490	4,640	10,567	30,697
Additions	0	587	0	587
Balance at 30 June 2020	15,490	5,227	10,567	31,284
Accumulated amortisation:				
Balance at 1 July 2018	0	(1,736)	(9,387)	(11,123)
Amortisation expense	0	(422)	(124)	(546)
Balance at 30 June 2019	0	(2,158)	(9,511)	(11,669)
Balance at 1 July 2019	0	(2,158)	(9,511)	(11,669)
Amortisation expense	0	(497)	(139)	(636)
Balance at 30 June 2020	0	(2,655)	(9,650)	(12,305)
Carrying amounts:				
Total net book value 30 June 2019	15,490	2,482	1,056	19,028
Total net book value 30 June 2020	15,490	2,572	917	18,979

Policies

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

Goodwill is measured at cost less accumulated impairment losses.

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

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

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

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

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

Judgements

Goodwill relates to goodwill arising on the acquisition of Quality Marshalling.

Goodwill was tested for impairment at 30 June 2020 and confirmed that no adjustment was required.

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

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

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13 INVESTMENTS IN SUBSIDIARIES

Investments in Subsidiaries Comprises:

Name of Entity	Place of Business	Principal Activity	2020 %	2019 %	Balance Date
Port of Tauranga Trustee Company Limited	New Zealand	Holding company for employee share scheme	**100.00**	100.00	30 June
Quality Marshalling (Mount Maunganui) Limited	New Zealand	Marshalling and terminal operations services	**100.00**	100.00	30 June

Policies

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

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

14 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES

(a) Investments in Equity Accounted Investees Comprises:

Name of Entity	Principal Activity	2020 %	2019 %	Balance Date
Coda Group Limited Partnership	Freight logistics and warehousing	**50.00**	50.00	30 June
Northport Limited	Sea port	**50.00**	50.00	30 June
PortConnect Limited	On line cargo management	**50.00**	50.00	30 June
PrimePort Timaru Limited	Sea port	**50.00**	50.00	30 June
Timaru Container Terminal Limited	Sea port	**50.10**	50.10	30 June

(b) Carrying Value of Investments in Equity Accounted Investees

	2020 NZ$000	2019 NZ$000
Balance as at 1 July	**132,731**	134,331
Group's share of net profit after tax	**11,305**	8,100
Group's share of hedging reserve	**(186)**	(308)
Group's share of revaluation reserve	**216**	448
Group's share of total comprehensive income	**11,335**	8,240
Impairment of investment in Equity Accounted Investees	**(6,986)**	0
Dividends received	**(10,096)**	(9,840)
Balance as at 30 June	**126,984**	132,731

14 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES (CONTINUED)

(c) Summarised Financial Information of Equity Accounted Investees:

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

2020	Northport Limited NZ$000	Coda Group Limited Partnership NZ$000	Individually Immaterial Equity Accounted Investees NZ$000	Total NZ$000
Cash and cash equivalents	325	2,923	3,223	**6,471**
Total current assets	**5,366**	**22,782**	**9,998**	**38,146**
Total non current assets	**141,676**	**98,796**	**114,921**	**355,393**
Total assets	**147,042**	**121,578**	**124,919**	**393,539**
Current financial liabilities excluding trade and other payables and provisions	0	(1,539)	(8,146)	**(9,685)**
Total current liabilities	**(5,542)**	**(15,345)**	**(12,911)**	**(33,798)**
Non current financial liabilities excluding trade and other payables and provisions	(46,298)	(69,551)	(44,520)	**(160,369)**
Total non current liabilities	**(46,298)**	**(69,551)**	**(44,520)**	**(160,369)**
Total liabilities	**(51,840)**	**(84,896)**	**(57,431)**	**(194,167)**
Net assets	**95,202**	**36,682**	**67,488**	**199,372**
Group's share of net assets	**47,601**	**18,341**	**33,752**	**99,694**
Goodwill acquired on acquisition of Equity Accounted Investees, less impairment losses	**0**	**22,428**	**4,862**	**27,290**
Carrying amount of Equity Accounted Investees	**47,601**	**40,769**	**38,613**	**126,984**
Revenues	39,840	219,000	39,371	**298,211**
Depreciation and amortisation	(4,054)	(14,600)	(2,896)	**(21,550)**
Interest expense	(1,850)	(3,240)	(1,302)	**(6,392)**
Net profit before tax	**22,527**	**(1,944)**	**9,510**	**30,093**
Tax expense	(4,937)	0	(2,548)	**(7,485)**
Net profit after tax	**17,590**	**(1,944)**	**6,962**	**22,608**
Other comprehensive income	(1,026)	0	1,086	**60**
Total comprehensive income	**16,564**	**(1,944)**	**8,048**	**22,668**
Group's share of net profit after tax	**8,795**	**(972)**	**3,482**	**11,305**
Group's share of total comprehensive income	**8,282**	**(972)**	**4,025**	**11,335**
Group's share of dividends/distributions	**8,745**	**0**	**1,351**	**10,096**

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14 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES (CONTINUED)

2019	Northport Limited NZ$000	Coda Group Limited Partnership NZ$000	Individually Immaterial Equity Accounted Investees NZ$000	**Total NZ$000**
Cash and cash equivalents	386	3,748	2,464	**6,598**
Total current assets	**4,766**	**26,091**	**7,698**	**38,555**
Total non current assets	**131,515**	**40,053**	**94,194**	**265,762**
Total assets	**136,281**	**66,144**	**101,892**	**304,317**
Current financial liabilities excluding trade and other payables and provisions	0	(2,749)	(6,738)	**(9,487)**
Total current liabilities	**(4,812)**	**(20,101)**	**(11,366)**	**(36,279)**
Non current financial liabilities excluding trade and other payables and provisions	(35,341)	(7,417)	(28,384)	**(71,142)**
Total non current liabilities	**(35,341)**	**(7,417)**	**(28,384)**	**(71,142)**
Total liabilities	**(40,153)**	**(27,518)**	**(39,750)**	**(107,421)**
Net assets	**96,128**	**38,626**	**62,142**	**196,896**
Group's share of net assets	**48,064**	**19,313**	**31,078**	**98,455**
Goodwill acquired on acquisition of Equity Accounted Investees	**0**	**29,414**	**4,862**	**34,276**
Carrying amount of Equity Accounted Investees	**48,064**	**48,727**	**35,940**	**132,731**
Revenues	42,622	215,884	36,797	**295,303**
Depreciation and amortisation	(3,818)	(1,799)	(2,272)	**(7,889)**
Interest expense	(1,813)	(18)	(1,246)	**(3,077)**
Net profit before tax	**24,028**	**(7,072)**	**7,289**	**24,245**
Tax expense	(6,038)	0	(2,012)	**(8,050)**
Net profit after tax	**17,990**	**(7,072)**	**5,277**	**16,195**
Other comprehensive income	(296)	0	576	**280**
Total comprehensive income	**17,694**	**(7,072)**	**5,853**	**16,475**
Group's share of net profit after tax	**8,995**	**(3,536)**	**2,641**	**8,100**
Group's share of total comprehensive income	**8,847**	**(3,536)**	**2,929**	**8,240**
Group's share of dividends/distributions	**9,190**	**0**	**650**	**9,840**

Policies	The Parent Company's interests in Equity Accounted Investees comprise interests in Joint Ventures. A Joint Venture is an arrangement in which the Parent Company has joint control, whereby the Parent Company has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. Equity Accounted Investees are accounted for using the equity method. In respect of Equity Accounted Investees, the carrying amount of goodwill is included in the carrying amount of the investment and not tested for impairment separately.
Tax Treatment of Coda Group Limited Partnership	Coda Group Limited Partnership is treated as a partnership for tax purposes and is not taxed at the partnership level. Fifty percent of the income and expense flow through the limited partnership to the Parent Company who is then taxed.
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. The investment in Coda Group Limited Partnership was tested for impairment at 30 June 2020, based upon the value-in-use of the investment. Value-in-use was determined by discounting five year future cash flows and was based upon the following key assumptions: • Cash flow projections for the years 2021 to 2023 were projected using management forecasts. • An annual growth rate of 5% has been included in cash flow projections for the years 2024 and 2025. • Terminal cash flows were estimated using a constant growth rate of 1.25% after year five. • An after tax discount rate of 8.7% was applied in determining the recoverable amount of the investment. The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external and internal sources. As a result of impairment testing performed, the Parent Company has impaired its investment in Coda Group Limited Partnership by $6.986 million.

15 RECEIVABLES AND PREPAYMENTS

	2020 NZ$000	2019 NZ$000
Trade receivables	**44,278**	51,702
Provision for expected credit losses – trade receivables (refer to note 20(a))	**(201)**	(22)
Trade receivables from Equity Accounted Investees and related parties	**101**	584
	44,178	52,286
Advances to Equity Accounted Investees (refer to note 22)	**5,319**	5,319
Provision for expected credit losses – advances to Equity Accounted Investees (refer to note 20(a))	**(481)**	(269)
Prepayments and sundry receivables	**2,383**	3,005
Total receivables and prepayments	**51,399**	60,610

The ageing of trade receivables at reporting date was:

	2020 NZ$000	2019 NZ$000
Not past due	**31,374**	35,358
Past due 0-30 days	**11,442**	14,400
Past due 30-60 days	**1,078**	1,339
Past due 60-90 days	**92**	601
More than 90 days	**292**	4
Total of ageing of trade receivables	**44,278**	51,702

Polices	Receivables and prepayments are initially recognised at transaction price. They are subsequently measured at amortised cost, and adjusted for impairment losses. Receivables with a short duration are not discounted.
Fair Values	The nominal value less impairment provision of trade receivables are assumed to approximate their fair values due to their short term nature.
Judgements	A provision for expected credit losses is established when the assessment under NZ IFRS 9 deems a provision is required (refer to note 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.

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16 EQUITY

Share Capital

	2020	2019
Number of ordinary shares issued		
Balance as at 1 July	**679,920,525**	680,119,179
Shares issued during year	**155,530**	128,820
Shares repurchased by the Group during the year	**(110,623)**	(327,474)
Balance as at 30 June	**679,965,432**	679,920,525

Dividends

The following dividends were declared and paid during the period:

	2020 NZ$000	2019 NZ$000
Final 2019 dividend paid 7.3 cents per share (2018: 7.0 cps)	**49,661**	47,619
Final 2019 special dividend paid 5.0 cents per share (2018: 5.0 cps)	**34,014**	34,014
Interim 2020 dividend paid 6.0 cents per share (2019: 6.0 cps)	**40,811**	40,807
Total dividends	**124,486**	122,440

Policies

Capital Management

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

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

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

Share Capital

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

During the year 2,940 shares at $3.55 per share were issued to employees from the Port of Tauranga Trustee Company Limited as part of the Employee Share Ownership Plan (2019: 128,820 shares at $3.02 per share).

During the year no shares were repurchased on market and transferred to the Port of Tauranga Trustee Company Limited as part of the Employee Share Ownership Plan (2019: 194,200 shares).

Where the Group purchases its own share capital (treasury shares), the consideration paid, including and directly attributable to incremental costs are deducted from share capital until the shares are cancelled or reissued. Where such shares are reissued, any consideration received, net of any directly attributable transaction costs, are included in share capital.

During the year 110,623 shares were repurchased on market and are held as treasury stock (2019: 133,274 shares).

Dividends

The dividends are fully imputed. Supplementary dividends of $588,145 (2019: $630,929) were paid to shareholders that are not tax residents in New Zealand, for which the Group received a foreign tax credit entitlement.

Share Based Payment Reserve – Container Volume Commitment Agreement

On 1 August 2014 the Parent Company issued 2,000,000 shares as a volume rebate to Kotahi as part of a 10 year freight alliance. Due to the Parent Company completing a 5:1 share split on 17 October 2016, the number of shares originally issued to Kotahi increased to 10,000,000. Of these shares, 8,500,000 are subject to a call option allowing the Parent Company to "call" shares back at zero cost if Kotahi fails to meet the volume commitments. During the period the Container Volume Commitment Agreement was extended by seven years and now expires on 31 July 2031.

The increase in the reserve of $1.277 million (2019: $1.258 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.

16 EQUITY (CONTINUED)

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.

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

	2020	2019
Earnings per share		
Net profit attributable to ordinary shareholders (NZ$000)	**90,027**	100,577
Weighted average number of ordinary shares (net of treasury stock) for basic earnings per share	**671,685,796**	671,641,605
Basic earnings per share (cents)	**13.4**	15.0
Weighted average number of ordinary shares (net of treasury stock) for diluted earnings per share	**680,771,040**	680,797,763
Diluted earnings per share (cents)	**13.2**	14.8

Policies

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Parent Company by the weighted average number of ordinary shares outstanding for the Parent Company during the period.

Diluted EPS adjusts for any commitments the Parent Company has to issue shares in the future that would decrease the basic EPS. The Parent Company has two types of dilutive potential ordinary shares, Management Long Term Incentive Plan share rights (refer note 23) and Container Volume Commitment Agreement share rights (refer note 16). Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of the share rights.

18 LOANS AND BORROWINGS

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

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

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18 LOANS AND BORROWINGS (CONTINUED)

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

Policies

Loans and borrowings are recognised at fair value, plus any directly attributable transaction costs, if the Group becomes a party to the contractual provisions of the instrument. Loans and borrowings are derecognised if the Group's obligations as specified in the contract expire or are discharged or cancelled.

Subsequent to initial recognition, loans and borrowings are measured at amortised cost using the effective interest method, less any impairment losses.

Fixed Rate Bonds

The Parent Company has issued a $75 million fixed rate bond with final maturity on 29 January 2021.

Commercial Papers

Commercial papers are secured, short term discounted debt instruments issued by the Parent Company for funding requirements as a component of its banking arrangements. The commercial paper programme is fully backed by committed term bank facilities.

At 30 June 2020 the Group had $184 million of commercial paper debt that is classified within current liabilities (2019: $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 $580 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 (2019: $430 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 (2019: $5 million).

Security

Bank facilities and fixed rate bonds are secured by way of a security interest over certain floating plant assets ($16.620 million, 2019: $17.285 million), mortgages over the land and building assets ($962.784 million, 2019: $913.791 million), and by a general security agreement over the assets of the Parent Company ($1,768.615 million, 2019: $1,631.564 million).

Covenants

The Parent Company borrows under a negative pledge arrangement, which with limited circumstances does not permit the Parent Company to grant any security interest over its assets. The negative pledge deed requires the Parent Company to maintain certain levels of shareholders' funds and operate within defined performance and debt gearing ratios.

The Parent Company has complied with all covenants during the reporting periods.

Fair Values

The fair value of fixed rate loans and borrowings is calculated by discounting the future contractual cash flows at current market interest rates that are available for similar financial instruments. The amortised cost of variable rate loans and borrowings is assumed to closely approximate fair value as debt facilities mature every 90 days.

Interest Rates

The average weighted interest rate of interest bearing loans was 2.73% at 30 June 2020 (2019: 3.85%).

19 DERIVATIVE FINANCIAL INSTRUMENTS

	2020 NZ$000	2019 NZ$000
Current liabilities		
Foreign exchange derivatives – cash flow hedges	0	(266)
Interest rate derivatives – cash flow hedges	0	(872)
Total current liabilities	**0**	(1,138)
Non current liabilities		
Interest rate derivatives – cash flow hedges	(29,359)	(20,895)
Total non current liabilities	(29,359)	(20,895)
Total liabilities	(29,359)	(22,033)

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 change in fair value of the cash flow hedge is accounted for as a cost of hedging and recognised in the hedging reserve within 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.

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FOR THE YEAR ENDED 30 JUNE 2020

19 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Cash Flow Hedges (continued)

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 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:

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

20 FINANCIAL INSTRUMENTS (CONTINUED)

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

Financial Risk Management

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

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

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

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

(a) Credit Risk

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

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

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

An additional $0.200 million has been included due to large forecast reductions in both New Zealand and global GDP over the next year, as a result of Covid-19. There has been no indication of a change in customer payment behaviour, compared with pre-Covid-19 behaviour.

20 FINANCIAL INSTRUMENTS (CONTINUED)

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

2020	Not Past Due	Past Due 0-30 Days	Past Due 30-60 Days	More Than 60 Days	Total
Expected loss rate (%)	0.1	0.4	4.5	18.3	**0**
Gross carrying amount – trade receivables (NZ$000)	31,374	11,442	1,078	384	**44,278**
Loss allowance on trade receivables (NZ$000)	30	50	50	71	**201**

Movements in the provision for impairment of financial assets are:

	2020 NZ$000	2019 NZ$000
Opening balance	**291**	274
Provision for trade receivables	**179**	10
Provision for advances to Equity Accounted Investees	**212**	10
Bad debts written off	**0**	(3)
Closing balance	**682**	291

Credit Risk Management Policies	Counterparty credit risk is the risk of losses (realised or unrealised) arising from a counterparty failing to meet its contractual obligations. Financial instruments which potentially subject the Group to credit risk, principally consist of bank balances, trade receivables, advances to Equity Accounted Investees and derivative financial instruments. The Group only transacts in treasury activity (including investment, borrowing and derivative transactions) with Board approved counterparties. Unless otherwise approved by the Board, counterparties are required to be New Zealand registered banks with a Standard & Poor's credit rating of A or above. The Group continuously monitors the credit quality of the financial institutions that are counterparties and does not anticipate any non performance. The Group adheres to a credit policy that requires each new customer to be analysed individually for credit worthiness before the Group's standard payment terms and conditions are offered. Customer payment performance is constantly monitored with customers not meeting creditworthiness being required to transact with the Group on cash terms. The Group generally does not require collateral.
Default	The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as security (if any is held).
Write-off	The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.
Concentration of Credit Risk	The only significant concentration of credit risk at reporting date relates to bank balances and advances to Equity Accounted Investees. The nature of the Group's business means that the top ten customers account for 64.1% of total Group revenue (2019: 62.7%). The Group is satisfied with the credit quality of these debtors and does not anticipate any non performance.

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:

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

2019	Statement of Financial Position NZ$000	Contractual Cash Flows NZ$000	6 Months or Less NZ$000	6–12 Months NZ$000	1–2 Years NZ$000	2–5 Years NZ$000	More Than 5 Years NZ$000
Non derivative financial liabilities							
Loans and borrowings	(446,213)	(461,630)	(376,051)	(2,678)	(80,087)	(2,814)	0
Trade and other payables	(12,144)	(12,144)	(12,144)	0	0	0	0
Total non derivative financial liabilities	**(458,357)**	**(473,774)**	**(388,195)**	**(2,678)**	**(80,087)**	**(2,814)**	**0**
Derivatives							
Interest rate derivatives							
Cash flow hedges – outflow	(21,767)	(23,656)	(1,643)	(2,159)	(9,804)	(7,053)	(2,997)
Foreign currency derivatives							
Cash flow hedges – outflow	(294)	(295)	(295)	0	0	0	0
Cash flow hedges – inflow	28	28	28	0	0	0	0
Total derivatives	**(22,033)**	**(23,923)**	**(1,910)**	**(2,159)**	**(9,804)**	**(7,053)**	**(2,997)**
Total	**(480,390)**	**(497,697)**	**(390,105)**	**(4,837)**	**(89,891)**	**(9,867)**	**(2,997)**

Liquidity and Funding Risk Management Policies	Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient cash and borrowing facilities available to meet its liabilities when due, under both normal and adverse conditions. The Group's cash flow requirements and the utilisation of borrowing facilities are continuously monitored, and it is required that committed bank facilities are maintained at a minimum of 10% above maximum forecast usage. Funding risk is the risk that arises when either the size of borrowing facilities or the pricing thereof is not able to be replaced on similar terms, at the time of review with the Group's banks. To minimise funding risk it is Board policy to spread the facilities' renewal dates and the maturity of individual loans. Where this is not possible, extensions to, or the replacement of, borrowing facilities are required to be arranged at least six months prior to each facility's expiry.

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20 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Market Risk

Interest Rate Risk

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

	Carrying Amount	
	2020 NZ$000	2019 NZ$000
Fixed rate instruments		
Lease liabilities	**(25,402)**	0
Fixed rate bonds	**(75,000)**	(125,000)
Total	**(100,402)**	(125,000)
Variable rate instruments		
Commercial papers	**(184,000)**	(220,000)
Standby revolving cash advance facility	**(229,000)**	(99,000)
Interest rate derivatives	**(29,359)**	(21,767)
Multi option facility	**0**	(2,000)
Cash balances	**8,565**	3,903
Total	**(433,794)**	(338,864)

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 2019.

	Profit or Loss		Cash Flow Hedge Reserve	
	100 bp Increase NZ$000	100 bp Decrease NZ$000	100 bp Increase NZ$000	100 bp Decrease NZ$000
Variable rate instruments	(2,918)	2,959	0	0
Interest rate derivatives	1,477	(1,477)	7,886	(8,360)
Total as at 30 June 2020	**(1,441)**	**1,482**	**7,886**	**(8,360)**
Variable rate instruments	(2,239)	2,269	0	0
Interest rate derivatives	1,135	(1,135)	7,337	(7,774)
Total as at 30 June 2019	**(1,104)**	**1,134**	**7,337**	**(7,774)**

Market Risk Management Policies	Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The Group uses derivative financial instruments such as interest rate swaps and foreign currency options to hedge certain risk exposures. All derivative transactions are carried out within the guidelines set out in the Group's Treasury Policy which has been approved by the Board of Directors. Generally the Group seeks to apply hedge accounting in order to manage volatility in the income statement.
Interest Rate Risk	Interest rate risk is the risk of financial loss, or impairment to cash flows in current or future periods, due to adverse movements in interest rates on borrowings or investments. The Group uses interest rate derivatives to manage its exposure to variable interest rate risk by converting variable rate debt to fixed rate debt. The Group enters into derivative transactions into International Swaps Derivatives Association (ISDA) master agreements. The ISDA agreements do not meet the criteria for offsetting in the balance sheet for accounting purposes. The total nominal value of interest rate derivatives outstanding is $280 million (2019: $310 million). The average interest rate on interest rate derivatives is 3.3% (2019: 3.9%).
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

	2020 NZ$000	2019 NZ$000
Accounts payable	**7,259**	12,016
Accrued employee benefit liabilities	**5,120**	4,597
Accruals	**19,635**	16,947
Payables due to Equity Accounted Investees and related parties	**52**	128
Total trade and other payables	**32,066**	33,688

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:

	2020 NZ$000	2019 NZ$000
Transactions with Equity Accounted Investees		
Services provided to Port of Tauranga Limited	**511**	556
Services provided by Port of Tauranga Limited	**4,987**	3,824
Accounts receivable by Port of Tauranga Limited	**27**	239
Accounts payable by Port of Tauranga Limited	**342**	125
Advances by Port of Tauranga Limited	**5,319**	5,319
Services provided to Quality Marshalling (Mount Maunganui) Limited	**18**	3
Services provided by Quality Marshalling (Mount Maunganui) Limited	**4,028**	3,913
Accounts receivable by Quality Marshalling (Mount Maunganui) Limited	**365**	345
Accounts payable by Quality Marshalling (Mount Maunganui) Limited	**1**	3
Transactions with key management personnel		
Directors' fees recognised during the period	**764**	735
Executive officers' salaries and short term employee benefits recognised during the period	**2,965**	3,593
Executive officers' share based payments (equity settled) recognised during the period	**1,414**	920

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% (2019: 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, $0.021 million (2019: $0.076 million). In March 2013, the Ultimate Controlling Party granted Port of Tauranga Limited a resource consent to widen and deepen the shipping channels. As a condition of this consent, an environmental bond to the value of $1.000 million is to be held in escrow in favour of the Ultimate Controlling Party. The bond is to ensure the remedy of any unforeseen adverse effects on the environment arising from the dredging. The resource consent expires on 6 June 2027. No related party debts have been written off, forgiven or provided for as doubtful during the year.
Transactions With Key Management Personnel	During the year, the Group entered into transactions with companies in which Group Directors hold directorships. These directorships have not resulted in the Group having a significant influence over the operations, policies, or key decisions of these companies. The Group does not provide any non cash benefits to Directors in addition to their Directors' fees. All members of the Parent Company's Executive Management Team participate in Management Long Term Incentive Plans and may receive cash or non cash benefits as a result of these plans (refer to note 23).

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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

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

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

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

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

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

The share based payment expense relating to the LTI plan for the year ended 30 June 2020 is -$0.110 million (2019: $0.780 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 2019*	*Granted During the Year*	*Vested During the Year*	*Forfeited During the Year*	*Balance at 30 June 2020*
1 March 2018	30 June 2019	EPS	127,470	0	127,470	0	0
1 March 2018	30 June 2019	TSR	106,225	0	100,276	5,949	0
1 March 2018	30 June 2020	EPS	121,934	0	0	0	121,934
1 March 2018	30 June 2020	TSR	101,612	0	0	0	101,612
1 July 2018	30 June 2021	EPS	108,500	0	0	0	108,500
1 July 2018	30 June 2021	TSR	90,417	0	0	0	90,417
1 July 2019	30 June 2022	EPS	0	90,058	0	0	90,058
1 July 2019	30 June 2022	TSR	0	75,050	0	0	75,050
Total LTI Plan			**656,158**	**165,108**	**227,746**	**5,949**	**587,571**

Fair Value of Share Rights Granted

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

Grant Date	*Scheme End Date*	*Right Type*	*Grant Date Share Price $*	*Risk Free Interest Rate %*	*Expected Volatility of Share Price %*	*Valuation per Share Right $*
1 March 2018	30 June 2020	EPS	5.09	1.96	15.10	4.81
1 March 2018	30 June 2020	TSR	5.09	1.96	15.10	2.26
1 July 2018	30 June 2021	EPS	5.10	1.72	16.3	4.64
1 July 2018	30 June 2021	TSR	5.10	1.72	16.3	2.00
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

PAYE Liability

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

24 CONTINGENT LIABILITIES

Disclosures

No material contingent liabilities or assets have been identified.

25 SUBSEQUENT EVENTS

Approval of Financial Statements

The financial statements were approved by the Board of Directors on 27 August 2020.

Final and Special Dividend

A final dividend of 6.4 cents per share to a total of $43,531,749 has been approved subsequent to reporting date. The final dividend was not approved until after year end, therefore it has not been accrued in the current year financial statements.

Covid-19

On Wednesday 12 August 2020 at 12.00pm, the Auckland region moved to Alert Level 3 and the rest of New Zealand moved to Alert Level 2.

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

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2020

COMMITTED TO EFFECTIVE GOVERNANCE

This statement is a summary of the Corporate Governance Statement approved by the Board of Directors (the Board) of Port of Tauranga Limited (the Company) on 27 August 2020. The full statement is available at: http://www.port-tauranga.co.nz/about-port-of-tauranga/corporate-governance/

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

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

As at 27 August 2020, the Board considers that the Company's corporate governance practices materially reflect the NZX Corporate Governance Best Practice Code, the Financial Markets Authority's Corporate Governance in New Zealand Principles and Guidelines and the NZX Main Board Listing Rules (NZX Rules). The Board regularly reviews and assesses the Company's governance structures and processes to ensure that they are consistent with best practice.

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

ETHICS

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

New Directors are provided with a copy of the Code of Ethics and they confirm that they have read and understand the document.

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 pages 124 to 125 of this Integrated Annual Report.

OUR BOARD STRUCTURE

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

The Board comprises seven Directors, five of whom are independent. Profiles are provided on pages 74 to 75 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	2	3	1	1

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

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

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

The Chief Executive (CE), Chief Financial Officer (CFO) and other Management regularly attend Board and Committee Meetings.

The positions of Chair of the Board and Chair of the Audit Committee are held by independent Directors. These two roles, and the role of CE, are all held by different people. The Chair has been assessed as being independent 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 2020 the Company had 17% females and 83% males holding these positions.

	As at 30 June 2020				As at 30 June 2019			
	Female		Male		Female		Male	
	No.	%	No.	%	No.	%	No.	%
Non independent Directors	0	0	2	100	0	0	2	100
Independent Directors	2	40	3	60	2	40	3	60
Executives	0	0	5	100	1	20	4	80
Management	2	18	9	82	2	20	8	80
Permanent employees	39	18	183	82	35	16	180	84
Total	43	18	202	82	40	17	197	83

FINANCIAL AND NON FINANCIAL INFORMATION

The Board is committed to ensuring timely and accurate information is provided to shareholders and market participants. The Integrated Annual Report for 2020 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 second Integrated Report.

REMUNERATION

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

A table listing remuneration for employees paid above $100,000, a report on the Chief Executive's remuneration and a report on Directors' remuneration is on pages 122 to 124 of this Integrated Annual Report and also in the comprehensive Corporate Governance Report held on our website: http://www.port-tauranga.co.nz/about-port-of-tauranga/corporate-governance/

RISK MANAGEMENT AND AUDIT

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

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

The Board has received written confirmation from KPMG regarding its independence. Other assurance services considered and approved by the Audit Committee were provided by KPMG and are included in Note 6 of the financial statements in the 2020 Integrated Annual Report.

The Audit Committee oversees an active internal audit programme.

SHAREHOLDER RELATIONS

The Board is committed to engaging with shareholders and market participants in order that timely and accurate information is provided and two-way communication is facilitated. The Company's website has the 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 2020 Annual Meeting will also be webcast.

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

REMUNERATION REPORT

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

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

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

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

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

Fixed Remuneration

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

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

Short Term Incentives

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 2020 financial year the Chief Executive's STI was set at 60% and for all nominated executives it was set between 40-50%.

For the 2020 financial year there were four nominated executives included in the STI Scheme, the same number as the previous year.

For the Chief Executive, 60% (2019: 70%) of the STI is linked to the Company's financial performance with the actual opportunity in the range of 0-110%. The remaining 40% (2019: 30%) comprised agreed safety, environmental and strategic objectives. Strategic objectives are set each year by the Remuneration Committee (and approved by the Board) and closely align to the Port of Tauranga's strategic aspirations. The financial objective is to meet or exceed the normalised net profit after tax target. A threshold of 90% of target is required before any of the financial component is paid.

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

Long Term Incentives

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

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

The 2018 LTI (allocated on 1 July 2017), which vested at the end of the 2020 financial year, was set at 50% of fixed remuneration for the Chief Executive and 30% of fixed remuneration for the nominated executives. The value of each allocation is set at the date of the grant. The plan's performance hurdles are based on two metrics, the first 50% is Port of Tauranga's three year Total Shareholder Return (TSR) relative to the performance of the NZX50 less Australian companies listed in New Zealand. The second 50% is measured by achieving target compound earnings per share (EPS) growth.

The LTI targets are:

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

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

**Earnings per Share*

***Compound Annual Growth Rate*

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

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

Employee Share Ownership

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

Employee Remuneration

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

	Parent Company	
Remuneration Range $000	**Number of Employees 2020**	Number of Employees 2019
100-109	**25**	21
110-119	**26**	21
120-129	**23**	18
130-139	**13**	14
140-149	**10**	13
150-159	**11**	8
160-169	**13**	6
170-179	**2**	8
180-189	**2**	3
190-199	**0**	2
200-209	**1**	1
210-219	**1**	3
220-229	**2**	0
230-239	**1**	0
240-249	**7**	8
250-259	**3**	4
260-269	**2**	3
270-279	**1**	0
630-639	**0**	1*
660-669	**1***	1*
740-749	**0**	1*
780-789	**0**	1*
810-819	**1***	0
840-849	**1***	0
850-859	**1***	0
1,770-1,779	**0**	1*
2,020-2,029	**1***	0
Total	**148**	**138**

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

Chief Executive Remuneration

For the 2020 financial year the Chief Executive's fixed remuneration was lifted by 2% to $884,340.

There will be no increase in the Chief Executive's fixed remuneration for the 2021 financial year.

FY2020

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

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

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

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

FY2019

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

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

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

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

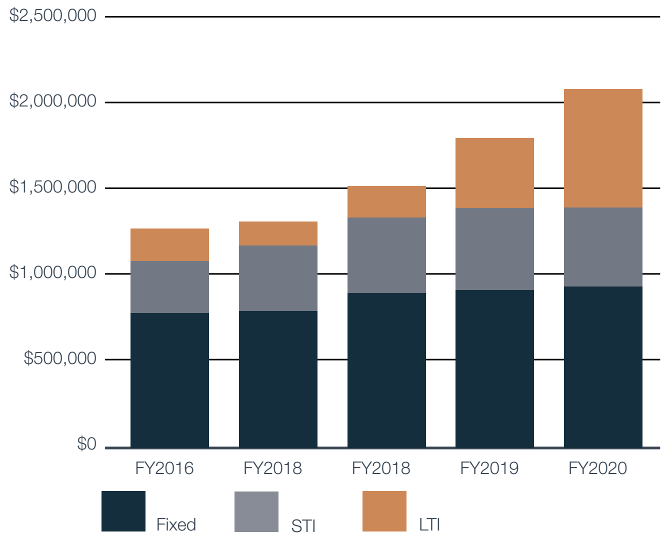
Total remuneration paid includes fixed remuneration and the short and long-term performance payments paid/vested in the year. Performance payments are actually those earned in prior periods.

An explanation of the Chief Executive's performance pay paid/vested in 2020 is shown in the following table:

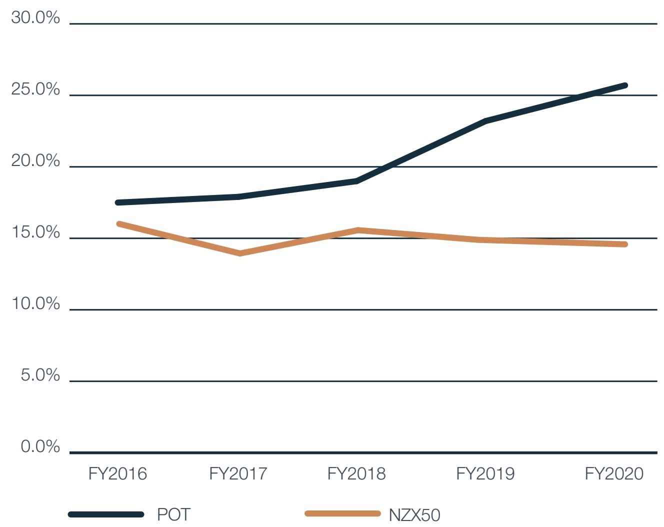
	Description	Performance Measures	Achieved %
STI	Set at 60% of fixed remuneration. Based on a combination of financial and non financial performance measures.	70% based on achieving normalised NPAT target. The range for the financial performance is 0-110%.	100.0
		30% based on key strategic measures and safety. The range is 0-100%.	44.8
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%.	94.4
		50% based on EPS CAGR. The range is 0-120%.	120.0

The Five Year Summary – Chief Executive Remuneration

FY	Total Remuneration $	STI Against Maximum %	LTI Against Maximum %	Span of LTI Performance Period
2020	**2,022,501**	**78**	**97**	**FY2017-2019**
2019	1,773,259	82	97	FY2016-2018
2018	1,680,106	86	75	FY2015-2017
2017	1,242,214	76	35	FY2014-2016
2016	1,205,231	62	28	FY2013-2015

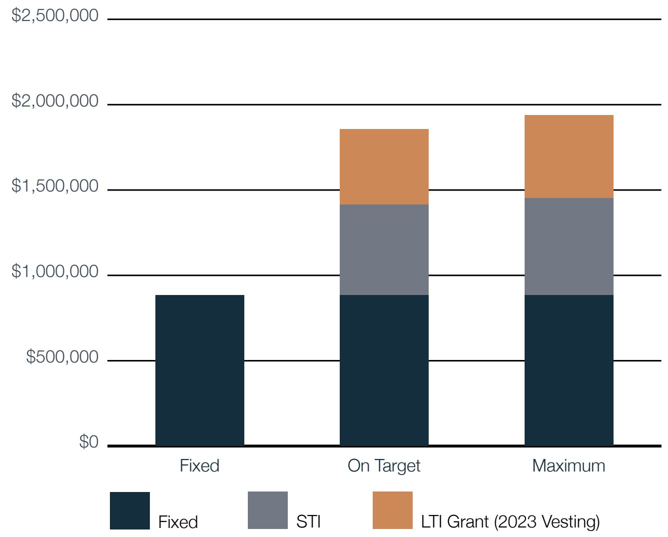


Total Shareholder Return Performance



Chief Executive Remuneration for 2021

The Chief Executive's potential remuneration package for the year ending June 2021 is shown in the following chart.



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

APPROVED DIRECTOR REMUNERATION

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

There will be no increase in Directors fees for the 2021 financial year.

The Board approved annual fees are:

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

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

Directors' fees received during the 2020 year were:

	Board $	Audit $	Remuneration $	Total 2020 $	Total 2019 $
Mr D A Pilkington	168,480		5,200	**173,680**	167,000
Ms A M Andrew	88,400		5,200	**93,600**	90,000
Mr K R Ellis	88,400	7,800	10,400	**106,600**	102,500
Ms J C Hoare	88,400	15,600		**104,000**	100,000
Mr A R Lawrence	88,400	7,800		**96,200**	92,500
Mr D W Leeder	88,400		5,200	**93,600**	90,000
Sir Robert McLeod	88,400	7,800		**96,200**	92,500
Total				**$763,880**	**$734,500**

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 2020 was:

Director	Subsidiary	Fees $
Mr D A Pilkington	NorthPort Chair/Director*	35,416
Mr D A Pilkington	PrimePort Director	34,916
Total		**$70,332**

**Mr Pilkington changed designation from Chair to Director during the year.*

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 2020:

Director	Interest	Entity
Alison Moira Andrew	Chief Executive Officer	Transpower New Zealand Limited
Kimmitt Rowland Ellis	Chair (appointed during the year)	Green Cross Health
	Chair	Metlifecare Limited
	Chair	NZ Social Infrastructure Fund Limited
	Chair (resigned during the year)	Sleepyhead Group Limited
	Director	Ballance Agri-Nutrients Limited
	Director	Fonterra Shareholders Fund (FSF) Management Company
	Director	Freightways Limited
Julia Cecile Hoare	Deputy Chair	The a2 Milk Company Limited
	Deputy Chair	Watercare Services Limited
	Director	Auckland International Airport Limited
	Director	AWF Madison Group Limited
	Director (appointed during the year)	Meridian Energy Limited
	Director (resigned during the year)	New Zealand Post Limited
	Director	The a2 Milk Company (New Zealand) Limited (subsidiary of The a2 Milk Company Limited)
	Member	External Reporting Advisory Panel
	Vice President	Institute of Directors Council
Alastair Roderick Lawrence	Chair	Brittain Wynyard Limited
	Chair (resigned during the year)	Glenorchy Pastoral Management Limited
	Director / Shareholder	Antipodes Properties Limited and subsidiaries
	Director / Shareholder	CBS Advisory Limited
	Director / Shareholder	Olrig Limited
	Director / Shareholder	Retail Dimension Limited
	Trustee	JAB Hellaby Trust
Douglas William Leeder	Chair	Bay of Plenty Regional Council

General Notice of Interest by Directors (continued)

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

DIRECTORS' LOANS

There were no loans by the Company to Directors.

DIRECTORS' INSURANCE

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

SHAREHOLDER INFORMATION

The ordinary shares of Port of Tauranga Limited are listed on NZX. The information in the disclosures below has been taken from the Company's registers as at 30 June 2020.

Twenty Largest Ordinary Equity Holders

Holder	Number of Shares Held	% of Issued Equity
Quayside Securities Limited	368,437,680	54.17
New Zealand Central Securities Depository Limited	60,966,450	8.96
Custodial Services Limited (3 a/c)	18,230,216	2.68
Custodial Services Limited (4 a/c)	16,488,144	2.42
FNZ Custodians Limited	13,791,024	2.03
Custodial Services Limited (2 a/c)	10,542,501	1.55
Kotahi Logistics LP	8,500,000	1.25
Custodial Services Limited (18 a/c)	6,821,200	1.00
JBWere (NZ) Nominees Limited (NZ Resident a/c)	6,585,703	0.97
Forsyth Barr Custodians Limited (1-Custody a/c)	4,716,075	0.69
New Zealand Depository Nominee Limited (1 a/c)	4,258,092	0.63
Investment Custodial Services Limited (C a/c)	2,920,601	0.43
Masfen Securities Limited	2,708,395	0.40
Custodial Services Limited (1 a/c)	2,633,035	0.39
Custodial Services Limited (16 a/c)	2,632,709	0.39
Lloyd James Christie	1,535,000	0.23
FNZ Custodians Limited (DTA Non Resident a/c)	1,404,370	0.21
ASB Nominees Limited (729140 a/c)	1,214,225	0.18
Fraser Grant McKenzie & Dorothy Ann McKenzie	1,001,530	0.15
FNZ Custodians Limited (DRP NZ a/c)	871,862	0.13
Total	**536,258,812**	**78.84**

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

Distribution of Equity Securities

Range of Equity Holdings	Number of Holders	Number of Shares Held	% of Issued Equity
1-5,000	2,904	1,684,428	0.25
5,001-10,000	5,783	16,745,685	2.46
10,001-50,000	2,645	20,421,400	3.00
50,001-100,000	3,077	79,446,639	11.68
100,001 and over	153	561,885,420	82.61
Total	**14,562**	**680,183,572**	**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 2020, were:

Holder	Number of Shares Held	%
Quayside Securities Limited	368,437,680	54.17

The total number of issued voting securities of the Company as at 30 June 2019 was 680,183,572.

Directors' Equity Holdings

As at 30 June 2020 Port of Tauranga Limited Directors' had the following relevant interests in Port of Tauranga Limited equity securities:

	Held Beneficially		Held by Associated Persons	
	30 June 2020	30 June 2019	**30 June 2020**	30 June 2019
Mr D A Pilkington	**0**	0	**15,000**	0
Ms A M Andrew	**0**	0	**82,500**	82,500
Mr K R Ellis	**0**	0	**62,750**	62,750
Ms J C Hoare	**0**	0	**0**	0
Mr A R Lawrence	**0**	0	**0**	0
Mr D W Leeder	**0**	0	**0**	0
Sir Robert McLeod	**0**	0	**0**	0

DONATIONS

Donations of $47,059 were made during the year ended 30 June 2020 (2019: $24,806).

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 2020 had a Standard & Poor's rating of A-/Stable/A-2.

ANNUAL MEETING

The Annual Meeting will be held on Friday 30 October 2020 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.

Messrs David Alan Pilkington and Douglas William Leeder are retiring by rotation and are seeking re-election at the Annual Meeting.

AUDITORS

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

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

FURTHER INFORMATION ON-LINE

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

FINANCIAL AND OPERATIONAL FIVE YEAR SUMMARY

AS AT 30 JUNE 2020

FINANCIAL

	Year 2020 $000	Year 2019 $000	Year 2018 $000	Year 2017 $000	Year 2016 $000
Operating income	**301,985**	313,263	283,726	255,882	245,521
EBITDA*	**166,546**	181,270	169,236	152,385	143,180
Surplus after taxation – reported	**90,027**	100,577	94,273	83,441	77,314
Dividends paid related to earnings	**124,486**	122,440	115,017	108,893	72,142
Total equity	**1,163,580**	1,165,885	1,121,980	931,943	885,684
Net interest bearing debt	**479,435**	442,097	399,164	374,816	308,420
Total assets	**1,817,186**	1,748,861	1,657,031	1,422,600	1,322,367
Interest cover (times)	**7.4**	8.4	8.0	7.5	7.0
Gearing ratio (%)**	**29.2**	27.5	26.2	28.7	25.8
Return on average equity (%)	**7.7**	8.9	9.2	9.3	8.7
Share price ($)***	**7.70**	6.34	5.10	4.45	19.50
Market capitalisation ($)	**5,237,414**	4,312,098	3,470,964	3,028,586	2,654,267
Net asset backing per share ($)***	**1.70**	1.71	1.64	1.36	6.51

**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 2020 $000	*Year 2019 $000*	*Year 2018 $000*	*Year 2017 $000*	*Year 2016 $000*
Profit before taxation	***118,445***	*135,009*	*126,386*	*111,347*	*103,088*
Net finance costs	***18,530***	*18,177*	*18,027*	*16,771*	*16,340*
Depreciation and amortisation	***29,746***	*27,585*	*25,269*	*24,460*	*23,722*
Asset impairment	***0***	*499*	*0*	*0*	*0*
Reversal of previous revaluation deficit	***(175)***	*0*	*(446)*	*(193)*	*30*
Total	***48,101***	*46,261*	*42,850*	*41,038*	*40,092*
EBITDA	***166,546***	*181,270*	*169,236*	*152,385*	*143,180*

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

****On 17 October 2016, the Parent Company completed a 5:1 share split.*

The Board approved a final dividend of 6.4 cents per share ($43.532 million) after year end payable on 2 October 2020.

OPERATIONAL

	Year 2020	Year 2019	Year 2018	Year 2017	Year 2016
Cargo throughput (000 tonnes)	**24,808**	26,946	24,458	22,194	20,120
Containers (TEU)*	**1,251,741**	1,233,177	1,182,147	1,085,987	954,006
Net crane rate (container moves per hour)**	**35.8**	32.9	35.5	36.2	35.6
Ship departures	**1,515**	1,678	1,747	1,651	1,482
Berth occupancy (%)	**45**	50	48	47	46
Total cargo ship days in port	**2,441**	2,769	2,643	2,589	2,504
Turn-around time per cargo ship (days)	**1.61**	1.65	1.5	1.4	1.6
Cargo tonnes per ship	**16,291**	16,058	14,000	13,442	13,549
Average cargo ship gross tonnage (GT)	**33,408**	33,920	30,218	29,654	26,665
Average cargo ship length overall (metres)	**207**	207	200	199	190
Number of employees – Port of Tauranga Limited	**238**	230	208	206	194
Lost time injuries (LTI – frequency)***	**2.5**	2.5	2.8	2.8	5.6
Total injury (frequency rate)	**2.5**	2.5	5.5	5.6	5.6

**TEU = Twenty Foot Equivalent Unit.*

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

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

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

COMPANY DIRECTORY

DIRECTORS

D A Pilkington
Chair

A M Andrew

K R Ellis

J C Hoare

A R Lawrence

D W Leeder

Sir Robert McLeod

EXECUTIVE

M C Cairns
Chief Executive

L E Sampson
Chief Operating Officer

M J Dyer
Corporate Services Manager

B J Hamill
Commercial Manager

S R Kebbell
Chief Financial Officer

P M Kirk
Group Health & Safety Manager

D A Kneebone
Property & Infrastructure Manager

R A Lockley
Communications Manager

REGISTERED OFFICE

Salisbury Avenue
Mount Maunganui

Private Bag 12504
Tauranga Mail Centre
Tauranga 3143
New Zealand

Telephone 07 572 8899

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

AUDITORS

KPMG
Tauranga
(On behalf of the Auditor-General)

SOLICITORS

Holland Beckett Law
Tauranga

BANKERS

ANZ National Bank Limited

Bank of New Zealand

Commonwealth Bank of Australia

MUFG Bank, Limited

CREDIT RATING AGENCY

Standard & Poor's (S&P)
Australia

Port of Tauranga Limited's rating: A-/Stable/A-2

SHARE REGISTRY

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

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

Telephone 09 375 5998
Facsimile 09 375 5990

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

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

FINANCIAL CALENDAR

2 October 2020	Final dividend payment
30 October 2020	Annual Meeting
26 February 2021	Interim results announcement
March 2021	Interim Accounts and Market Update produced
26 March 2021	Interim dividend payment
30 June 2021	Financial year end
27 August 2021	Annual results announcement