



INTERIM REPORT 2018

NEW ZEALAND'S CARGO GATEWAY TO THE WORLD





Interim Report

For the six months ended 31 December 2018 : Port of Tauranga Limited and Subsidiaries

Port of Tauranga Limited's growth continues with a strong start to the 2018-2019 financial year.

New Zealand's major international hub port saw strong cargo growth, with cargo volumes growing 8.8% to nearly 13.6 million tonnes for the six month period.

FINANCIAL RESULTS

The Group's Net Profit After Tax increased 4.0% to \$49.0 million.

The Port of Tauranga Board has declared a fully imputed interim dividend of 6 cents per share, a 5.3% increase on the dividend in the previous corresponding period.

CARGO TRENDS

The volume of imported goods increased 5.7% to almost 5.0 million tonnes, while exported cargo increased 10.8% to 8.6 million tonnes for the six month period.

Growth was driven by increased log and sawn timber exports. Log exports grew 11.7% to 3.7 million tonnes for the six month period, while sawn timber volumes increased 9.0%.

Container volumes increased 5.1% to 621,117 TEUs¹. Transshipment volumes continue to increase, growing 18.9% compared with the previous corresponding period to 174,983 TEUs. The number of containers transferred to and from Auckland by rail grew 3.8%.

Kiwifruit volumes handled at Port of Tauranga increased 30.2% compared with the previous corresponding period, with the trend towards greater containerisation of kiwifruit exports continuing.

Other produce exports also grew substantially, with volumes of frozen meat increasing 17.3% and apples increasing 64.9% compared with the same period last year.

Dairy product exports remained steady, with volumes the same as the first half of the last financial year.

Imported oil products, fertilisers, chemicals and bulk liquids remained steady. Salt and grain imports increased 15.5% and 7.3% respectively.

Ship visits decreased 5.4% to 842 in the six month period but their average length continues to grow.

OPERATIONAL AND OTHER DEVELOPMENTS

Container services have been diverted to Tauranga due to congestion at Auckland and we expect this to continue for the remainder of the financial year.

Port of Tauranga has commenced planning for the next stage of cargo growth. Preparations are under way to extend the container terminal's 770 metre quay by up to 385 metres. A ninth container crane has been ordered for delivery in 2020.

Port of Tauranga and Oji Fibre Solutions have agreed a 10 year extension to our long-term operating agreement. Oji Fibre Solutions is New Zealand's major manufacturer of market kraft pulps, container board and packaging products. The company has committed to consolidating the majority of its import and export cargo volumes through Port of Tauranga for the next decade.

SUBSIDIARY AND ASSOCIATE COMPANIES

Quality Marshalling, which is 100% owned by Port of Tauranga, continues to perform well with a refreshed portfolio of cargo and service contracts. Its earnings increased 36.4% compared with the previous corresponding period.

Our Associate Companies' earnings declined compared to the previous six month period.

OUTLOOK

Port of Tauranga is on track to deliver a strong result for the full financial year, subject to any significant change in the global trading environment and the usual cyclical fluctuations in commodity cargo volumes.

We expect our earnings to be at the upper end of the previous guidance of \$96 to \$101 million given at our Annual Meeting in October.

David Pilkington
CHAIR

Mark Cairns
CHIEF EXECUTIVE

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

Consolidated Income Statement

For the six months ended 31 December 2018 : Port of Tauranga Limited and Subsidiaries

	(Unaudited) Six Months Ended 31 December 2018 Group NZ\$000	(Unaudited) Six Months Ended 31 December 2017 Group NZ\$000	(Audited) Year Ended 30 June 2018 Group NZ\$000
Total operating revenue	152,996	141,431	283,726
Contracted services for port operations	(33,063)	(29,316)	(58,797)
Employee benefit expenses	(18,939)	(18,596)	(37,780)
Direct fuel and power expenses	(4,614)	(4,251)	(9,230)
Maintenance of property, plant and equipment	(4,118)	(4,380)	(9,346)
Other expenses	(8,357)	(7,767)	(14,478)
Operating expenses	(69,091)	(64,310)	(129,631)
Results from operating activities	83,905	77,121	154,095
Depreciation and amortisation	(13,830)	(12,940)	(25,269)
Reversal of previous revaluation deficit	0	0	446
	(13,830)	(12,940)	(24,823)
Operating profit before finance costs and taxation	70,075	64,181	129,272
Finance income	185	194	391
Finance expenses (refer note 6)	(9,071)	(9,330)	(18,418)
Net finance costs	(8,886)	(9,136)	(18,027)
Share of profit from Equity Accounted Investees	4,770	7,908	15,141
Profit before income tax	65,959	62,953	126,386
Income tax expense	(16,972)	(15,840)	(32,113)
Profit for the period	48,987	47,113	94,273
Basic earnings per share (cents)	7.3	7.0	14.0
Diluted earnings per share (cents)	7.2	6.9	13.9

These statements are to be read in conjunction with the notes on pages 8 to 15.

Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2018 : Port of Tauranga Limited and Subsidiaries

	(Unaudited) Six Months Ended 31 December 2018 Group NZ\$000	(Unaudited) Six Months Ended 31 December 2017 Group NZ\$000	(Audited) Year Ended 30 June 2018 Group NZ\$000
Profit for the period	48,987	47,113	94,273
Other comprehensive income			
Items that are or may be reclassified to profit or loss:			
Cash flow hedge – changes in fair value	(2,997)	(1,638)	(3,520)
Cash flow hedge – reclassified to profit or loss	737	1,079	2,226
Share of net change in cash flow hedge reserves of Equity Accounted Investees	(79)	(46)	(71)
	(2,339)	(605)	(1,365)
Items that will never be reclassified to profit or loss:			
Asset revaluation, net of tax	0	0	209,778
Share of net change in revaluation reserves of Equity Accounted Investees	288	551	1,711
	288	551	211,489
Total other comprehensive income	(2,051)	(54)	210,124
Total comprehensive income	46,936	47,059	304,397

These statements are to be read in conjunction with the notes on pages 8 to 15.

Consolidated Statement of Changes in Equity

For the six months ended 31 December 2018 : Port of Tauranga Limited and Subsidiaries

	Share Capital Group NZ\$000	Share Based Payment Reserve Group NZ\$000	Hedging Reserve Group NZ\$000	Revaluation Reserve Group NZ\$000	Retained Earnings Group NZ\$000	Total Group NZ\$000
Balance at 30 June 2017	68,276	3,868	(7,989)	729,065	138,723	931,943
Profit for the period	0	0	0	0	47,113	47,113
Total other comprehensive income	0	0	(605)	551	0	(54)
Total comprehensive income	0	0	(605)	551	47,113	47,059
Increase in share capital	147	0	0	0	0	147
Shares, previously subject to a call option, issued	3,938	(3,938)	0	0	0	0
Dividends paid during the period (refer note 7)	0	0	0	0	(76,225)	(76,225)
Equity settled share based payment	0	700	0	0	0	700
Total transactions with owners in their capacity as owners	4,085	(3,238)	0	0	(76,225)	(75,378)
Balance at 31 December 2017	72,361	630	(8,594)	729,616	109,611	903,624
Profit for the period	0	0	0	0	47,160	47,160
Total other comprehensive income	0	0	(760)	210,938	0	210,178
Total comprehensive income	0	0	(760)	210,938	47,160	257,338
Decrease in share capital	(1,607)	0	0	0	0	(1,607)
Dividends paid during the period	0	0	0	0	(38,792)	(38,792)
Equity settled share based payment	0	1,417	0	0	0	1,417
Total transactions with owners in their capacity as owners	(1,607)	1,417	0	0	(38,792)	(38,982)
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	0	0	0	0	(274)	(274)
Profit for the period	0	0	0	0	48,987	48,987
Total other comprehensive income	0	0	(2,339)	288	0	(2,051)
Total comprehensive income	0	0	(2,339)	288	48,987	46,936
Decrease in share capital	(1,011)	0	0	0	0	(1,011)
Dividends paid during the period (refer note 7)	0	0	0	0	(81,632)	(81,632)
Equity settled share based payment accrual	0	926	0	0	0	926
Total transactions with owners in their capacity as owners	(1,011)	926	0	0	(81,632)	(81,717)
Balance at 31 December 2018	69,743	2,973	(11,693)	940,842	85,060	1,086,925

These statements are to be read in conjunction with the notes on pages 8 to 15.

Consolidated Statement of Financial Position

As at 31 December 2018 : Port of Tauranga Limited and Subsidiaries

	(Unaudited) 31 December 2018 Group NZ\$000	(Unaudited) 31 December 2017 Group NZ\$000	(Audited) 30 June 2018 Group NZ\$000
Assets			
Property, plant and equipment (refer note 8)	1,454,581	1,224,492	1,446,270
Intangible assets	18,212	17,773	18,521
Investments in Equity Accounted Investees	133,720	130,213	134,331
Receivables	24	30	25
Total non current assets	1,606,537	1,372,508	1,599,147
Cash and cash equivalents	3,190	10,657	5,836
Receivables and prepayments	57,963	47,428	51,646
Inventories	528	355	402
Total current assets	61,681	58,440	57,884
Total assets	1,668,218	1,430,948	1,657,031
Equity			
Share capital	69,743	72,361	70,754
Share based payment reserve	2,973	630	2,047
Hedging reserve	(11,693)	(8,594)	(9,354)
Revaluation reserve	940,842	729,616	940,554
Retained earnings	85,060	109,611	117,979
Total equity	1,086,925	903,624	1,121,980
Liabilities			
Loans and borrowings (refer note 9)	175,089	125,000	130,021
Derivative financial instruments	14,022	10,488	11,787
Provisions	1,836	2,165	1,746
Deferred tax liabilities	68,874	55,108	70,484
Total non current liabilities	259,821	192,761	214,038
Loans and borrowings (refer note 9)	280,000	295,285	275,335
Derivative financial instruments	946	227	0
Accounts payable and accruals	33,770	30,902	32,656
Revenue received in advance	345	244	279
Provisions	1,531	2,197	3,080
Provision for tax	4,880	5,708	9,663
Total current liabilities	321,472	334,563	321,013
Total liabilities	581,293	527,324	535,051
Total equity and liabilities	1,668,218	1,430,948	1,657,031
Net tangible assets per share (dollars per share)	1.59	1.32	1.64

These statements are to be read in conjunction with the notes on pages 8 to 15.

Consolidated Statement of Cash Flows

For the six months ended 31 December 2018 : Port of Tauranga Limited and Subsidiaries

	(Unaudited) Six Months Ended 31 December 2018 Group NZ\$000	(Unaudited) Six Months Ended 31 December 2017 Group NZ\$000	(Audited) Year Ended 30 June 2018 Group NZ\$000
Cash flows from operating activities			
Receipts from customers	153,247	142,964	284,379
Interest received	184	192	388
Payments to suppliers and employees	(75,450)	(68,980)	(135,078)
Taxes paid	(22,485)	(19,636)	(32,030)
Interest paid	(8,495)	(8,907)	(18,228)
Net cash inflow from operating activities	47,001	45,633	99,431
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	7	0	7
Finance lease payments received, including interest	7	7	13
Repayment of advances from Equity Accounted Investees	200	0	350
Dividends from Equity Accounted Investees	5,591	5,783	10,033
Purchase of property, plant and equipment	(22,291)	(9,625)	(17,399)
Purchase of computer software assets	(115)	0	(137)
Interest capitalised on property, plant and equipment	(138)	(186)	(175)
Total net cash used in investing activities	(16,739)	(4,021)	(7,308)
Cash flows from financing activities			
Proceeds from borrowings	95,111	40,086	30,167
Repurchase of shares	(1,386)	0	(1,614)
Repayment of borrowings	(45,001)	0	(5,007)
Dividends paid	(81,632)	(76,225)	(115,017)
Net cash used in financing activities	(32,908)	(36,139)	(91,471)
Net (decrease)/increase in cash held	(2,646)	5,473	652
Add opening cash brought forward	5,836	5,184	5,184
Ending cash and cash equivalents	3,190	10,657	5,836

These statements are to be read in conjunction with the notes on pages 8 to 15.

Consolidated Statement of Cash Flows (continued)

For the six months ended 31 December 2018 : Port of Tauranga Limited and Subsidiaries

	(Unaudited) Six Months Ended 31 December 2018 Group NZ\$000	(Unaudited) Six Months Ended 31 December 2017 Group NZ\$000	(Audited) Year Ended 30 June 2018 Group NZ\$000
RECONCILIATION OF PROFIT FOR THE PERIOD TO CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period	48,987	47,113	94,273
Adjustments for non cash and non operating items			
Depreciation and amortisation expense	13,830	12,940	25,269
Decrease in deferred taxation expense	(731)	(870)	(1,175)
Share of surpluses retained by Equity Accounted Investees	(4,770)	(7,908)	(15,141)
Other	966	737	1,295
	9,295	4,899	10,248
Less movements in working capital	(11,281)	(6,379)	(5,090)
Net cash flows from operating activities	47,001	45,633	99,431

These statements are to be read in conjunction with the notes on pages 8 to 15.

Notes to the Consolidated Interim Financial Statements

For the six months ended 31 December 2018 : Port of Tauranga Limited and Subsidiaries

1 REPORTING ENTITY

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

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

2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and New Zealand International Accounting Standard (NZ IAS) 34 Interim Financial Reporting. They do not include all information required for full annual financial statements and should be read in conjunction with the annual financial statements and related notes included in Port of Tauranga Limited's Annual Report for the year ended 30 June 2018.

3 SIGNIFICANT ACCOUNTING POLICIES

Other than as set out below in regard to NZ IFRS 9 adoption, the accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2018.

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

- **NZ IFRS 9 Financial Instruments**

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

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

There has been no material quantitative impact on the financial statements and all existing hedges will remain effective.

The following new standard is not yet effective in preparing these financial statements:

- **NZ IFRS 16 Leases**

This standard becomes mandatory for the Group's 2020 consolidated financial statements. NZ IFRS 16 requires a lessee to recognise a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts. Included is an optional exemption for certain short-term leases and leases of low value assets, however this exemption can only be applied by lessees. The Parent Company has assessed that the net effect of the adoption of NZ IFRS 16 will not be material. The Group intends to adopt this standard from 1 July 2019.

Notes to the Consolidated Interim Financial Statements

For the six months ended 31 December 2018 : Port of Tauranga Limited and Subsidiaries

4 ACCOUNTING ESTIMATES AND JUDGEMENTS

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

In preparing these financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty, were the same as those applied to the Group's consolidated financial statements for the year ended 30 June 2018.

5 SEGMENT INFORMATION

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

The Group operates in three main reportable segments, being:

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

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

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

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

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

Notes to the Consolidated Interim Financial Statements

For the six months ended 31 December 2018 : Port of Tauranga Limited and Subsidiaries

5 SEGMENT INFORMATION (CONTINUED)

Six Months Ended 31 December 2018	Port Operations Group NZ\$000	Property Services Group NZ\$000	Marshalling Services Group NZ\$000	Unallocated ⁽¹⁾ Group NZ\$000	Inter Segment Group NZ\$000	Group NZ\$000
Revenue (external)	136,330	14,277	2,389	0	0	152,996
Inter segment revenue	0	32	6,115	0	(6,147)	0
Total segment revenue	136,330	14,309	8,504	0	(6,147)	152,996
Other income and expenditure:						
Share of profit from Equity Accounted Investees	0	0	0	4,770	0	4,770
Interest income	0	0	0	185	0	185
Interest expense	0	0	0	(9,005)	0	(9,005)
Depreciation and amortisation expense	0	0	(442)	(13,388)	0	(13,830)
Other unallocated expenditure	0	0	(6,266)	(69,038)	6,147	(69,157)
Income tax expense	0	0	(503)	(16,469)	0	(16,972)
Total other income and expenditure	0	0	(7,211)	(102,945)	6,147	(104,009)
Total segment result	136,330	14,309	1,293	(102,945)	0	48,987

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

Notes to the Consolidated Interim Financial Statements

For the six months ended 31 December 2018 : Port of Tauranga Limited and Subsidiaries

5 SEGMENT INFORMATION (CONTINUED)

Six Months Ended 31 December 2017	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)	125,474	13,312	2,645	0	0	141,431
Inter segment revenue	8	24	4,306	0	(4,338)	0
Total segment revenue	125,482	13,336	6,951	0	(4,338)	141,431
Other income and expenditure:						
Share of profit from Equity Accounted Investees	0	0	0	7,908	0	7,908
Interest income	0	0	0	194	0	194
Interest expense	0	0	0	(9,292)	0	(9,292)
Depreciation and amortisation expense	0	0	(408)	(12,532)	0	(12,940)
Other unallocated expenditure	0	0	(5,226)	(63,460)	4,338	(64,348)
Income tax expense	0	0	(369)	(15,471)	0	(15,840)
Total other income and expenditure	0	0	(6,003)	(92,653)	4,338	(94,318)
Total segment result	125,482	13,336	948	(92,653)	0	47,113

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

Notes to the Consolidated Interim Financial Statements

For the six months ended 31 December 2018 : Port of Tauranga Limited and Subsidiaries

6 FINANCE EXPENSES

	Six Months Ended 31 December 2018 Group NZ\$000	Six Months Ended 31 December 2017 Group NZ\$000
Interest expense on borrowings	9,143	9,478
Less:		
Interest capitalised to property, plant and equipment	(138)	(186)
	9,005	9,292
Ineffective portion of changes in fair value of cash flow hedges	2	15
Amortisation of interest rate collar premium	43	23
Total finance expenses	9,071	9,330

7 DIVIDENDS

The following dividends were paid by the Group:

	Six Months Ended 31 December 2018 Group NZ\$000	Six Months Ended 31 December 2017 Group NZ\$000
Final dividend of 7.0 cents per share (2017: 6.2 cents per share)	47,618	42,196
Special dividend of 5.0 cents per share (2017: 5.0 cents per share)	34,014	34,029
Total dividends paid	81,632	76,225

Notes to the Consolidated Interim Financial Statements

For the six months ended 31 December 2018 : Port of Tauranga Limited and Subsidiaries

8 PROPERTY, PLANT AND EQUIPMENT

Acquisitions and Disposals

During the six months ended 31 December 2018, the Group acquired assets with a cost of \$21.713 million (six months ended 31 December 2017: \$9.740 million).

9 LOANS AND BORROWINGS

	31 December 2018 Carrying Value Group NZ\$000	31 December 2017 Carrying Value Group NZ\$000
Commercial papers	180,000	245,000
Standby revolving cash advance facility	150,000	50,000
Fixed rate bonds	125,000	125,000
Advances from employees	89	285
Total loans and borrowings	455,089	420,285
Current	280,000	295,285
Non current	175,089	125,000
Total loans and borrowings	455,089	420,285

Commercial Papers

As at 31 December 2018 the Group had \$280 million of loans and borrowings that are classified within current liabilities (2017: \$295 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 Group having \$280 million (2017: \$280 million) of undrawn committed term debt facilities. The current portion of the Group's debt facilities will be refinanced in the current year.

Notes to the Consolidated Interim Financial Statements

For the six months ended 31 December 2018 : Port of Tauranga Limited and Subsidiaries

10 RELATED PARTY TRANSACTIONS AND BALANCES

Related party transactions and balances with related parties:

	Six Months Ended 31 December 2018 NZ\$000	Six Months Ended 31 December 2017 NZ\$000
Transactions with Equity Accounted Investees		
Services provided to Port of Tauranga Limited	234	240
Services provided by Port of Tauranga Limited	1,391	1,551
Accounts receivable by Port of Tauranga Limited	224	174
Accounts payable by Port of Tauranga Limited	9	0
Advances by Port of Tauranga Limited	6,119	6,669
Services provided by Quality Marshalling Limited	1,920	2,191
Accounts receivable by Quality Marshalling Limited	393	456

During the six months ended 31 December 2018, 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.

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

Controlling Entity

Quayside Securities Limited owns 54.14% (as at 31 December 2017: 54.14%) of the issued ordinary shares in Port of Tauranga Limited.

Quayside Securities Limited is beneficially owned by Bay of Plenty Regional Council, the Ultimate Controlling Party. Transactions with the Ultimate Controlling Party during the period include services provided to Port of Tauranga Limited \$15,611 (six months ended 31 December 2017: \$10,048).

Transactions with Key Management Personnel

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

	Six Months Ended 31 December 2018 Group NZ\$000	Six Months Ended 31 December 2017 Group NZ\$000
Directors		
Directors' fees recognised during the period	367	353
Executive Officers		
Salaries and short term employee benefits recognised during the period	1,845	2,120*
Share based payments (cash and equity settled) recognised during the period	286	313

*Includes back dated holiday pay.

Notes to the Consolidated Interim Financial Statements

For the six months ended 31 December 2018 : Port of Tauranga Limited and Subsidiaries

11 COMMITMENTS

	Six Months Ended 31 December 2018 Group NZ\$000	Six Months Ended 31 December 2017 Group NZ\$000
Capital commitments		
Estimated capital commitments for the Group contracted for at the reporting date but not provided for	14,598	0

12 FINANCIAL INSTRUMENTS

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

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

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

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

13 SUBSEQUENT EVENTS

There have been no subsequent events.

Independent Review Report

To the shareholders of Port of Tauranga Limited



REPORT ON THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim consolidated financial statements on pages 2 – 15 do not:

- i. Present, in all material respects the Group's financial position as at 31 December 2018 and its financial performance and cash flows for the 6 month period ended on that date in compliance with NZ IAS 34 Interim Financial Reporting.

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

- The consolidated statement of financial position as at 31 December 2018;
- The consolidated statements of comprehensive income, changes in equity and cash flows for the 6 month period then ended; and
- Notes, including a summary of significant accounting policies and other explanatory information.

BASIS FOR CONCLUSION

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

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

Our firm has also provided other services to the Group in relation to a treasury health check advisory engagement. Subject to certain restrictions, partners and employees of our firm may also deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. These matters have not impaired our independence as reviewer of the Group. The firm has no other relationship with, or interest in, the Group.

USE OF THIS INDEPENDENT REVIEW REPORT

This report is made solely to the Shareholders as a body. Our review work has been undertaken so that we might state to the Shareholders those matters we are required to state to them in the Independent Review Report and for no other purpose. To the

fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Shareholders as a body for our review work, this report, or any of the opinions we have formed.

RESPONSIBILITIES OF THE DIRECTORS FOR THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE REVIEW OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

This description forms part of our Independent Review Report.

Glenn Keaney
KPMG

On behalf of the Auditor-General
Tauranga, New Zealand
18 February 2019

Company Directory

Port of Tauranga Limited

DIRECTORS

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

EXECUTIVE

M C Cairns, *Chief Executive*
S G Gray, *Chief Financial Officer*
D A Kneebone, *Property & Infrastructure Manager*
S M Lunam, *Corporate Services Manager*
L E Sampson, *Commercial Manager*

REGISTERED OFFICE

Salisbury Avenue
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Private Bag 12504
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Tauranga 3143
New Zealand

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

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 Annual and Interim Reports are available from our website.



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