



# INTERIM REPORT

Condensed Consolidated Interim Financial Statements  
for the six months ended 31 December 2020





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| <b>CHAIR &amp; CHIEF EXECUTIVE'S REVIEW</b>                    | <b>4</b>  |
| <b>CONDENSED CONSOLIDATED<br/>INTERIM FINANCIAL STATEMENTS</b> | <b>8</b>  |
| Income statement   | 8         |
| Statement of comprehensive income                              | 8         |
| Statement of financial position                                | 9         |
| Statement of changes in equity                                 | 10        |
| Statement of cash flows  | 11        |
| Notes to the financial statements                              | 13        |
| <b>SECTION A / OUR PERFORMANCE</b>                             |           |
| A1 – COVID-19  | 14        |
| A2 – Revenue   | 14        |
| A3 – Expenses  | 15        |
| A4 – Taxation  | 16        |
| <b>SECTION B / CAPITAL ASSETS USED TO OPERATE OUR BUSINESS</b> |           |
| B1 – Property, plant and equipment                             | 17        |
| B2 – Intangible assets   | 18        |
| B3 – Investment properties                                     | 18        |
| B4 – Right of use assets                                       | 19        |
| <b>SECTION C / HOW WE FUND OUR BUSINESS</b>                    |           |
| C1 – Borrowings  | 20        |
| C2 – Dividends   | 20        |
| <b>SECTION D / OTHER DISCLOSURES</b>                           |           |
| D1 – Capital commitments                                       | 21        |
| D2 – Contingencies   | 21        |
| D3 – Financial Instruments                                     | 21        |
| D4 – Events occurring after the reporting period               | 21        |
| <b>INDEPENDENT AUDITOR'S REPORT</b>                            | <b>22</b> |



## KEY FACTS

**\$114.2m**

REVENUE

**104,224**

CARS HANDLED



**Car handling building**  
completed and in service



**Channel deepening**  
consent granted and  
now under appeal

**9,155**

COVID TESTS ON MARITIME WORKERS

**\$13.6m**

NET PROFIT AFTER TAX

**416,232**

CONTAINER VOLUME (TEU)



**3.153m tonnes**  
of bulk and breakbulk cargo



**Zero** Cruise ships due to COVID  
**468** freight ship calls

**Two tunnel boring machines,**  
for Watercare's Central Interceptor  
& City Rail Link

**Hydrogen refueller**  
commissioned

\*1 TEU = 1 standard 20-foot container





# CHAIR & CHIEF EXECUTIVE'S REVIEW

Welcome to Ports of  
Auckland's half year report  
to December 31, 2020

The first half of this financial year has been incredibly hard for the business, but we can now look forward with some optimism. That is not to say the second half won't be difficult – it will – but we have plans in place to resolve the issues that affected us in this period. We expect the current issues to be behind us in the second half of calendar 2021 and to be able to lift performance in FY 2022.

There has been one big issue that has loomed large over this six-month period: Global supply chain congestion as a result of COVID-19, which has had flow on effects to our container terminal automation project and delays to shipping through our container terminal.

Phase one of automation was meant to go-live in March 2020, but days before the go-live date the country went into Level 4 lockdown and work had to stop. The project is back up and working now with systems all running to plan. As soon as pavement remediation can be done, a full terminal roll-out will happen.

At the end of August there was an accident at the container terminal which resulted in the death of one of our colleagues. Safety is and has always been a top priority at the port. Several operational changes were made immediately after the accident and we have implemented a programme called 'strong foundations, safe people' to bring an even greater intensity to improving







# 70+

## SHIPS THROUGH THE AUTOMATED YARD

with over 40,000  
containers handled

safety. We know we must work collectively across the business to keep improving safety systems.

Across the month of September and into October, the events of the year combined to produce a perfect storm, reducing container terminal throughput and delaying shipping through Auckland.

With COVID lockdown, we put our people into 'work bubbles' to keep them safe – but this added complexity to our operations and reduced the number of effective work hours. Training time was lost and combined with strong competition from the construction industry we have struggled to maintain our talent pool. Crane drivers are a particular case.

Another impact of COVID is that normal supply chain patterns disappeared and have not come back.

Other global events have had an impact. Strikes at ports in Australia disrupted schedules and unexpectedly high volumes around the world meant that by August we were seeing more ships running off-schedule than normal. As New Zealand's largest import port and the first port of call for many services, the increase in import demand had a significant impact.

In the lead up to Christmas there was an unusual pattern of demand and a continuous flow of ships. In a normal year

we have busy and quiet periods during the week and across the year, for which our rosters and staffing level are designed.

This year, with no quiet periods, there was no time in the week when days off didn't have an impact and staff were consistently working longer hours. In the interest of staff welfare, we changed the roster to reduce maximum work hours and improve days off with a consequent impact on productivity.

The nature of the job we face at the terminal has changed, so we are adapting. While we've been able to hire enough new people for the lower skilled roles and have a good training pipeline for straddle drivers, finding and/or training crane drivers has been difficult. For the first time ever, we have looked overseas to recruit.

Customers up and down the supply chain have had a tough time so it is good, therefore, to report some positive progress.

In December we recruited two skilled crane drivers from New Zealand which allowed us to form an additional crane crew. We searched worldwide for crane operators with the right skills for our port and a willingness to move to New Zealand and found enough to create a circuit breaker so we can work through the backlog and get ships back on their Auckland timetable.

Automation is progressing well. Over 70 ships have now been through the



automated yard with over 40,000 containers handled. We are looking forward to turning it fully on across the whole terminal later in 2021.

While COVID has presented some big challenges, the multi-cargo operations team and the third-party stevedores who work the ships in this part of the port have done an outstanding job.

Trade to the Pacific Islands has continued unabated; cement volumes remain strong and other bulk imports like grains and gypsum have continued steadily. Car volumes have bounced back from a fall in the first six months of calendar 2020 and the newly completed car handling building has been well used, demonstrating its value to the motor vehicle supply chain.

Thanks to COVID it is pretty much impossible to forecast at present. However, our increased recruitment and training, will result in a larger container terminal workforce and ensure we are ready for anticipated increased container demand. It will also ensure we are geared up long-term to handle any spikes in demand and throughput.

Other projects will also come to fruition this year. Towards the end of 2021 we are due to take delivery of our electric tug, Sparky, the world's first electric ship-handling tug. We have also installed a hydrogen refueller,

which is part of our road-map toward a zero-emission future.

Financially, the year has been better than forecast but down on the previous corresponding period (pcp). Container volumes were down due to the capacity constraints at the terminal. In contrast, volumes through the multi-cargo wharves were ahead of forecast. Revenue, expenses and profit were all down on the pcp. Profit (before income tax) was \$17.9 million for the period, compared to \$20.7 million in the pcp.

There have been several changes to the Board this period. Liz Coutts retired as Chair and stepped down from the Board, as did Jon Mayson and Karl Smith. Peter Chrisp and Hazel Armstrong both joined the Board and Bill Osborne was confirmed as the new Chair. We would like to thank Liz, Jon and Karl for their service to the company and to welcome Peter and Hazel on board.

We would like to thank all our staff and management for the work they have been doing over this very difficult period. The COVID year, with its different ways of working, lockdowns, home schooling and more has been very difficult for everyone in New Zealand, and our people are no exception. We really appreciate the hard work that has gone in to keeping the port working as well as it has.



The first half of this financial year has been incredibly hard for the business, but we can now look forward with some optimism.

**Bill Osborne** Chair

**Tony Gibson** Chief Executive



# CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## INCOME STATEMENT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

|   | NOTES | 31 DECEMBER<br>2020<br>UNAUDITED<br>\$'000 | 31 DECEMBER<br>2019<br>UNAUDITED<br>\$'000 |
|---|-------|--|--|
| Revenue   | A2    | 114,168                                    | 123,232                                    |
| <b>Expenses</b>   |       |  |  |
| Operating expenses  | A3    | (75,205)                                   | (81,192)                                   |
| Depreciation and amortisation   |       | (13,554)                                   | (13,290)                                   |
| Finance costs   | A3    | (8,427)                                    | (9,141)                                    |
| <b>Total expenses</b>   |       | <b>(97,186)</b>                            | <b>(103,623)</b>                           |
| Net (impairment) / reversal of impairment of investments              |       | (92)                                       | (88)                                       |
| Share of profit from equity accounted investments                     |       | 1,030                                      | 1,203                                      |
| <b>Profit before income tax</b>                                       |       | <b>17,920</b>                              | <b>20,724</b>                              |
| Income tax expense  | A4    | (4,318)                                    | (3,545)                                    |
| <b>Profit for the period attributable to the owners of the Parent</b> |       | <b>13,602</b>                              | <b>17,179</b>                              |

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

|  | NOTES | 31 DECEMBER<br>2020<br>UNAUDITED<br>\$'000 | 31 DECEMBER<br>2019<br>UNAUDITED<br>\$'000 |
|--|-------|--|--|
| Profit for the period  |       | 13,602                                     | 17,179                                     |
| <b>Other comprehensive income</b>  |       |  |  |
| <b>Items that will not be reclassified to the income statement:</b>                                  |       |  |  |
| Net change in fair value of equity securities (at fair value through other comprehensive income)     |       | (4,192)                                    | 14,054                                     |
| <b>Items that will not be reclassified to the income statement</b>                                   |       | <b>(4,192)</b>                             | <b>14,054</b>                              |
| <b>Items that may be reclassified subsequently to the income statement:</b>                          |       |  |  |
| Cash flow hedges, net of tax   |       | 1,738                                      | 929  |
| <b>Items that may be reclassified subsequently to the income statement</b>                           |       | <b>1,738</b>                               | <b>929</b>                                 |
| <b>Other comprehensive income net of income tax</b>  |       | <b>(2,454)</b>                             | <b>14,983</b>                              |
| <b>Total comprehensive income for the period net of tax attributable to the owners of the Parent</b> |       | <b>11,148</b>                              | <b>32,162</b>                              |

These financial statements were approved by the Board on 22 February 2021.

Signed on behalf of the Board by:


W. Osborne  
Director

S. Haydon  
Director

These financial statements have not been audited. They have been the subject of review by the auditors pursuant to NZSRE 2410, issued by the External Reporting Board.

The notes and accounting policies form part of and are to be read in conjunction with these financial statements.



# STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

|                                      | NOTES | 31 DECEMBER<br>2020<br>UNAUDITED<br>\$'000 | 30 JUNE<br>2020<br>AUDITED<br>\$'000 |
|--------------------------------------|-------|--|--------------------------------------|
| <b>Current assets</b>                |       |  |                                      |
| Cash and cash equivalents            |       | 2,622                                      | 2,298                                |
| Trade and other receivables          |       | 40,961                                     | 36,977                               |
| Inventories                          |       | 7,558                                      | 6,493                                |
| Derivative financial instruments     |       | -  | 29                                   |
| <b>Total current assets</b>          |       | <b>51,141</b>                              | <b>45,797</b>                        |
| <b>Non-current assets</b>            |       |  |                                      |
| Property, plant and equipment        | B1    | 1,116,814                                  | 1,113,456                            |
| Intangible assets                    | B2    | 92,225                                     | 88,768                               |
| Investment properties                | B3    | 131,289                                    | 130,249                              |
| Right of use assets                  | B4    | 16,373                                     | 17,400                               |
| Equity securities                    |       | 49,231                                     | 53,422                               |
| Investments and advances             |       | 2,242                                      | 2,417                                |
| Derivative financial instruments     |       | -  | 16                                   |
| <b>Total non-current assets</b>      |       | <b>1,408,174</b>                           | <b>1,405,728</b>                     |
| <b>Total assets</b>                  |       | <b>1,459,315</b>                           | <b>1,451,525</b>                     |
| <b>Current liabilities</b>           |       |  |                                      |
| Borrowings                           | C1    | 6,855                                      | 3,398                                |
| Trade and other payables             |       | 27,013                                     | 28,531                               |
| Provisions                           |       | 11,667                                     | 11,896                               |
| Lease liabilities                    |       | 2,342                                      | 2,461                                |
| Derivative financial instruments     |       | 1,230                                      | 1,467                                |
| Deferred income                      |       | 81   | 292                                  |
| Other current liabilities            |       | 908  | 20                                   |
| <b>Total current liabilities</b>     |       | <b>50,096</b>                              | <b>48,065</b>                        |
| <b>Non-current liabilities</b>       |       |  |                                      |
| Borrowings                           | C1    | 484,252                                    | 486,692                              |
| Derivative financial instruments     |       | 6,380                                      | 8,602                                |
| Provisions                           |       | 1,336                                      | 1,336                                |
| Lease liabilities                    |       | 14,527                                     | 15,275                               |
| Deferred income                      |       | 2,905                                      | 2,965                                |
| Deferred tax liabilities             |       | 68,140                                     | 67,370                               |
| <b>Total non-current liabilities</b> |       | <b>577,540</b>                             | <b>582,240</b>                       |
| <b>Total liabilities</b>             |       | <b>627,636</b>                             | <b>630,305</b>                       |
| <b>Net assets</b>                    |       | <b>831,679</b>                             | <b>821,220</b>                       |
| <b>Equity</b>                        |       |  |                                      |
| Share capital                        |       | 146,005                                    | 146,005                              |
| Reserves                             |       | 251,274                                    | 253,728                              |
| Retained earnings                    |       | 434,400                                    | 421,487                              |
| <b>Total equity</b>                  |       | <b>831,679</b>                             | <b>821,220</b>                       |

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## STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

|   | NOTES | ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP |                             |                                | TOTAL<br>EQUITY<br>\$'000 |
|---|-------|---|-----------------------------|--------------------------------|---------------------------|
|   |       | SHARE<br>CAPITAL<br>\$'000                  | OTHER<br>RESERVES<br>\$'000 | RETAINED<br>EARNINGS<br>\$'000 |                           |
| <b>Balance at 1 July 2019</b>   |       | <b>146,005</b>                              | <b>273,402</b>              | <b>380,398</b>                 | <b>799,805</b>            |
| Profit for the period   |       | -   | -                           | 17,179                         | 17,179                    |
| Other comprehensive income  |       | -   | 14,983                      | -                              | 14,983                    |
| <b>Total comprehensive income</b>   |       | -   | 14,983                      | 17,179                         | 32,162                    |
| <b>Transactions with owners in their capacity as owners</b>                 |       |   |                             |                                |                           |
| Tax benefit of losses received from owner                                   |       | -   | -                           | 1,541                          | 1,541                     |
| <b>Other movements</b>  |       |   |                             |                                |                           |
| Revaluation reserve reclassified to retained earnings on disposal of assets |       | -   | (7,992)                     | 7,992                          | -                         |
| <b>Total other movements</b>  |       | -   | (7,992)                     | 9,533                          | 1,541                     |
| <b>Balance at 31 December 2019 (Unaudited)</b>                              |       | <b>146,005</b>                              | <b>280,393</b>              | <b>407,110</b>                 | <b>833,508</b>            |
| <b>Balance at 1 July 2020</b>   |       | <b>146,005</b>                              | <b>253,728</b>              | <b>421,487</b>                 | <b>821,220</b>            |
| Profit for the period   |       | -   | -                           | 13,602                         | 13,602                    |
| Other comprehensive income  |       | -   | (2,454)                     | -                              | (2,454)                   |
| <b>Total comprehensive income</b>   |       | -   | (2,454)                     | 13,602                         | 11,148                    |
| <b>Transactions with owners in their capacity as owners</b>                 |       |   |                             |                                |                           |
| Dividends paid  | C2    | -   | -                           | (4,914)                        | (4,914)                   |
| Tax benefit of losses received from owner                                   |       | -   | -                           | 4,225                          | 4,225                     |
| <b>Other movements</b>  |       |   |                             |                                |                           |
| <b>Total other movements</b>  |       | -   | -                           | (689)                          | (689)                     |
| <b>Balance at 31 December 2020 (Unaudited)</b>                              |       | <b>146,005</b>                              | <b>251,274</b>              | <b>434,400</b>                 | <b>831,679</b>            |

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## STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

|   | NOTES | 31 DECEMBER<br>2020<br>UNAUDITED<br>\$'000 | 31 DECEMBER<br>2019<br>UNAUDITED<br>\$'000 |
|---|-------|--|--|
| <b>Cash flows from operating activities</b>         |       |  |  |
| Receipts from customers                             |       | 129,644                                    | 133,936                                    |
| Payments to suppliers and employees                 |       | (97,069)                                   | (103,567)                                  |
| Dividends received                                  |       | 1,956                                      | 2,236                                      |
| Interest received                                   |       | 8  | 40   |
| Interest paid                                       |       | (8,375)                                    | (9,694)                                    |
| <b>Net cash flows from operating activities</b>     |       | <b>26,164</b>                              | <b>22,951</b>                              |
| <b>Cash flows from investing activities</b>         |       |  |  |
| Payments for investment property                    |       | (1,561)                                    | (2,946)                                    |
| Payment for intangible assets                       |       | (5,506)                                    | (10,368)                                   |
| Payments for property, plant and equipment          |       | (12,192)                                   | (49,764)                                   |
| Advances to related parties                         |       | (80)                                       | (230)                                      |
| Proceeds from sale of property, plant and equipment |       | 461  | 40   |
| Proceeds from sale of investment properties         |       | -  | 54,000                                     |
| Interest paid - capitalised                         |       | (2,139)                                    | (2,139)                                    |
| <b>Net cash flows from investing activities</b>     |       | <b>(21,017)</b>                            | <b>(11,407)</b>                            |
| <b>Cash flows from financing activities</b>         |       |  |  |
| Proceeds from borrowings                            |       | 231,000                                    | 641,000                                    |
| Repayment of borrowings                             |       | (233,500)                                  | (666,000)                                  |
| Lease liabilities principal repaid                  |       | (867)                                      | (721)                                      |
| Dividends paid                                      |       | (4,914)                                    | -  |
| <b>Net cash flows from financing activities</b>     |       | <b>(8,281)</b>                             | <b>(25,721)</b>                            |
| <b>Net cash flows</b>                               |       | <b>(3,134)</b>                             | <b>(14,177)</b>                            |
| Cash at the beginning of the period                 |       | (1,099)                                    | 6,564                                      |
| <b>Cash at the end of the period</b>                |       | <b>(4,233)</b>                             | <b>(7,613)</b>                             |

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## STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

### Reconciliation of profit after income tax to net cash flows from operating activities

|   | NOTES | 31 DECEMBER<br>2020<br>UNAUDITED<br>\$'000 | 31 DECEMBER<br>2019<br>UNAUDITED<br>\$'000 |
|---|-------|--|--|
| <b>Profit for the period</b>                          |       | <b>13,602</b>                              | <b>17,179</b>                              |
| <b>Adjusted for:</b>                                  |       |  |  |
| Depreciation and amortisation                         |       | 13,554                                     | 13,290                                     |
| Movements in borrowings allocated to interest paid    |       | 60   | (218)                                      |
| Tax benefit of losses received from owner             |       | 4,402                                      | 1,540                                      |
| Movement in deferred revenue                          |       | 304  | 131  |
| Net (gain) / loss on sale of other non-current assets |       | (438)                                      | 10   |
| Impairment of Investments                             |       | 92   | 88   |
| <b>Change in operating assets and liabilities:</b>    |       |  |  |
| Trade and other receivables                           |       | (3,984)                                    | (11,658)                                   |
| Trade and other payables                              |       | (1,521)                                    | (888)                                      |
| Income tax payable                                    |       | -  | 77   |
| Deferred tax liability                                |       | 231  | 235  |
| Other provisions                                      |       | (229)                                      | 252  |
| Other operating assets                                |       | (1,065)                                    | (963)                                      |
| Movement in associates and joint ventures             |       | 163  | 270  |
| Capital items included in working capital movements   |       | 993  | 3,606                                      |
| <b>Net cash flows from operating activities</b>       |       | <b>26,164</b>                              | <b>22,951</b>                              |

### Reconciliation of liabilities arising from financing activities to cash flows

|  | NOTES | 31 DECEMBER<br>2020<br>UNAUDITED<br>\$'000 | 31 DECEMBER<br>2019<br>UNAUDITED<br>\$'000 |
|--|-------|--|--|
| <b>Interest bearing liabilities</b>  |       |  |  |
| Opening interest bearing liabilities (excluding overdraft)                       |       | 504,428                                    | 495,287                                    |
| Recognition on adoption of NZ IFRS 16 Leases                                     |       | -  | 15,371                                     |
| Lease additions  |       | -  | 1,887                                      |
| Other non-cash movements   |       | -  | 1,980                                      |
| Less establishment fees (classified as interest paid under operating activities) |       | 60   | (95)                                       |
| <b>Cash movements</b>  |       |  |  |
| Repayment of bank debt   |       | (233,500)                                  | (976,000)                                  |
| Proceeds from borrowing  |       | 231,000                                    | 967,500                                    |
| Repayment of lease principal   |       | (867)                                      | (1,502)                                    |
| <b>Closing interest bearing liabilities (excluding overdraft)</b>                |       | <b>501,121</b>                             | <b>504,428</b>                             |

These financial statements have not been audited. They have been the subject of review by the auditors pursuant to NZSRE 2410, issued by the External Reporting Board.

The notes and accounting policies form part of and are to be read in conjunction with these financial statements.



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

## Reporting entity and nature of operations

The interim financial statements presented are those of Ports of Auckland Limited (the Company) and its subsidiaries, associates and joint ventures (Ports of Auckland Group, or the Group).

Ports of Auckland Group is a designated profit-oriented entity, for the six months ended 31 December 2020.

Ports of Auckland Limited is a company domiciled in New Zealand, is a port company under the Port Companies Act 1988, and registered under the Companies Act 1993.

All the subsidiaries are incorporated in New Zealand.

## Statutory base

These financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 2013 and Companies Act 1993.

The address of its registered office is Ports of Auckland Building, Sunderland Street, Mechanics Bay, Auckland 1010.

## Basis of preparation

The interim financial statements have been prepared in accordance with New Zealand generally accepted accounting practice ("NZ GAAP"). The Group is a for-profit entity for the purpose of complying with NZ GAAP. They comply with New Zealand Equivalent to International Accounting Standard 34 *Interim Financial*

*Reporting* ("NZ IAS 34"). In complying with NZ IAS 34, these statements comply with International Accounting Standard 34 *Interim Financial Reporting* and consequently do not include all the information required for full financial statements. These interim financial statements should be read in conjunction with the Ports of Auckland Group financial statements for the year ended 30 June 2020.

The interim financial statements for the six month period ended 31 December 2020 and 31 December 2019 are unaudited. The comparative information for the year ended 30 June 2020 is audited.

The interim financial statements were approved by the Board of Directors on 22 February 2021.

## Basis of measurement

The interim financial statements have been prepared on the historical cost basis, modified by the revaluation of property, plant and equipment, financial assets measured at fair value through other comprehensive income, derivative financial instruments and investment properties. They are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$'000).

## Accounting policies

The accounting policies and methods of computation set out in these interim financial statements are consistent with those used in the financial statements for the year ending 30 June 2020.

## SECTION A

# OUR PERFORMANCE

This section explains the financial performance of the Group by:

- a) displaying additional information about individual items in the Income statement;
- b) providing analysis of the components of the Group's tax balances.

### A1. COVID-19

The global health pandemic, COVID-19, is continuing to have a significant adverse impact on the global economy. New Zealand is operating within an alert level system to prevent the spread of the virus. At balance date, New Zealand is operating at Alert Level 1, strict border restrictions are in place, however as there is no community spread of COVID-19, the country is open and operating with the minimum of restrictions.

At 30 June 2020, the Group had experienced a reduction in revenue, largely due to the severe restrictions imposed in Alert Level 4. Any cargo deemed non-essential was not able to be handled, and all cruise was immediately suspended due to border restrictions. At reporting date, the Group have been operating free from alert level restrictions, given the freedom allowed within Alert Level 1, with the notable exception of handling cruise ships.

Revaluations on land and investment property were undertaken at 30 June 2020, and concluded on the basis of 'material valuation uncertainty'. Discussions with valuers at reporting date have concluded this uncertainty is unlikely to exist due to changes in market indicators since 30 June 2020 and that the carrying value of land, buildings, wharves and investment property does not materially differ from fair value.

### A2. REVENUE

|   | 31 DECEMBER<br>2020<br>UNAUDITED<br>\$'000 | 31 DECEMBER<br>2019<br>UNAUDITED<br>\$'000 |
|---|--|--|
| <b>Revenue</b>                                    |  |  |
| Revenue from contracts with customers             | 107,128                                    | 117,033                                    |
| Rental income                                     | 5,272                                      | 4,618                                      |
| Gain on disposal of property, plant and equipment | 448  | 3  |
| Dividend income                                   | 763  | 763  |
| Interest income                                   | 8  | 40   |
| Other income                                      | 549  | 775  |
| <b>Total revenue</b>                              | <b>114,168</b>                             | <b>123,232</b>                             |

Revenue from contracts with customers includes \$3.8m compensation received for the early termination of the charter agreement for the bunker barge operated by Seafuels, a wholly owned subsidiary.

|  | 31 DECEMBER<br>2020<br>UNAUDITED<br>\$'000 | 31 DECEMBER<br>2019<br>UNAUDITED<br>\$'000 |
|--|--|--|
| <b>Disaggregation of revenue from contracts with customers</b> |  |  |
| Container terminal   | 58,004                                     | 64,964                                     |
| Multi-cargo  | 22,844                                     | 22,169                                     |
| Marine services  | 15,872                                     | 18,551                                     |
| Container transportation                                       | 10,408                                     | 11,349                                     |
| <b>Total revenue from contracts with customers</b>             | <b>107,128</b>                             | <b>117,033</b>                             |



## A3. EXPENSES

### Operating Expenses

|   | 31 DECEMBER<br>2020<br>UNAUDITED<br>\$'000 | 31 DECEMBER<br>2019<br>UNAUDITED<br>\$'000 |
|---|--|--|
| <b>Employee benefit expenses</b>                                  |  |  |
| Salaries and wages  | 38,565                                     | 39,104                                     |
| Restructuring costs   | 809  | 188  |
| Pension costs   | 1,326                                      | 1,366                                      |
| <b>Total employee benefit expenses</b>                            | <b>40,700</b>                              | <b>40,658</b>                              |
| <b>Other operating expenses</b>                                   |  |  |
| Contracted services   | 15,254                                     | 18,461                                     |
| Repairs and maintenance   | 5,081                                      | 8,370                                      |
| Fuel and power  | 2,451                                      | 3,119                                      |
| Loss on disposal of property, plant and equipment - refer note B1 | 9  | 13   |
| Other expenses  | 11,564                                     | 10,403                                     |
| Auditor's fees  |  |  |
| Audit fees  | 144  | 168  |
| Other assurance services  | 2  | -  |
| <b>Total other operating expenses</b>                             | <b>34,505</b>                              | <b>40,534</b>                              |
| <b>Total operating expenses</b>                                   | <b>75,205</b>                              | <b>81,192</b>                              |
| <b>Finance costs</b>  |  |  |
| Interest and finance costs  | 10,566                                     | 11,280                                     |
| Capitalised interest  | (2,139)                                    | (2,139)                                    |
| <b>Total finance costs</b>  | <b>8,427</b>                               | <b>9,141</b>                               |

## A4. TAXATION

|  | 31 DECEMBER<br>2020<br>UNAUDITED<br>\$'000 | 31 DECEMBER<br>2019<br>UNAUDITED<br>\$'000 |
|--|--|--|
| <b>Income statement</b>                            |  |  |
| <i>Current income tax</i>                          |  |  |
| Current year                                       | 4,296                                      | 3,310                                      |
| Adjustment for prior years                         | (72)                                       | -  |
| <i>Deferred income tax</i>                         |  |  |
| Temporary differences                              | 206  | 235  |
| Adjustment for prior years                         | (112)                                      | -  |
| <b>Income tax expense</b>                          | <b>4,318</b>                               | <b>3,545</b>                               |
| <b>Statement of changes in equity</b>              |  |  |
| Cash flow hedges and property, plant and equipment | 676  | 362  |
| <b>Income tax reported in equity</b>               | <b>676</b>                                 | <b>362</b>                                 |
| <b>Reconciliation of effective tax rate</b>        |  |  |
|  | 31 DECEMBER<br>2020<br>UNAUDITED<br>\$'000 | 31 DECEMBER<br>2019<br>UNAUDITED<br>\$'000 |
| Profit / (loss) before income tax                  | 17,920                                     | 20,724                                     |
| Tax at 28%   | 5,018                                      | 5,803                                      |
| <i>Adjustments</i>                                 |  |  |
| Non-taxable income                                 | 115  | (112)                                      |
| Non-deductible expenses                            | 342  | 247  |
| Adjustment for prior years                         | (183)                                      | -  |
| Loss offset utilisation                            | -  | (2,160)                                    |
| Dividend imputation credits                        | (760)                                      | (574)                                      |
| Sundry items                                       | (214)                                      | 341  |
| <b>Income tax expense</b>                          | <b>4,318</b>                               | <b>3,545</b>                               |

The Group utilises losses from the Auckland Council Group.

## SECTION B

# CAPITAL ASSETS USED TO OPERATE OUR BUSINESS

This section gives information on the capital assets that the Group use to operate the business.

### B1.PROPERTY, PLANT AND EQUIPMENT

|   | FREEHOLD<br>LAND<br>\$'000 | WHARVES<br>\$'000 | FREEHOLD<br>BUILDINGS<br>\$'000 | PLANT AND<br>EQUIPMENT<br>\$'000 | PAVEMENT<br>\$'000 | OTHER<br>\$'000 | TOTAL<br>\$'000  |
|---|----------------------------|-------------------|---------------------------------|----------------------------------|--------------------|-----------------|------------------|
| <b>Net book value at 1 July 2019</b>                      | <b>378,910</b>             | <b>313,265</b>    | <b>54,493</b>                   | <b>200,421</b>                   | <b>93,886</b>      | <b>20,635</b>   | <b>1,061,610</b> |
| <b>Movement</b>   |                            |                   |                                 |                                  |                    |                 |                  |
| Additions   | 2,606                      | 683               | 28,864                          | 34,616                           | 6,268              | 5,761           | 78,798           |
| Disposals   | -                          | -                 | -                               | (2)                              | -                  | (71)            | (73)             |
| Impairment  | -                          | -                 | -                               | (4,800)                          | -                  | -               | (4,800)          |
| Revaluations - Reserves                                   | (20,923)                   | -                 | -                               | -                                | -                  | -               | (20,923)         |
| Revaluations - Income Statement                           | 58                         | -                 | -                               | -                                | -                  | -               | 58               |
| Reclassifications / Transfers                             | 19,962                     | -                 | (721)                           | -                                | 721                | 19              | 19,981           |
| Depreciation charge                                       | -                          | (4,695)           | (1,457)                         | (10,315)                         | (1,836)            | (2,892)         | (21,195)         |
| Movement to 30 June 2020                                  | 1,703                      | (4,012)           | 26,686                          | 19,499                           | 5,153              | 2,817           | 51,846           |
| <b>Balances</b>   |                            |                   |                                 |                                  |                    |                 |                  |
| Cost  | 378,007                    | 317,138           | 45,667                          | 206,432                          | 80,749             | 54,463          | 1,082,456        |
| Work in progress at cost                                  | 2,606                      | 1,685             | 38,150                          | 153,051                          | 37,806             | 9,540           | 242,838          |
| Accumulated depreciation                                  | -                          | (9,570)           | (2,638)                         | (139,563)                        | (19,516)           | (40,551)        | (211,838)        |
| <b>Net book value at<br/>30 June 2020 (Audited)</b>       | <b>380,613</b>             | <b>309,253</b>    | <b>81,179</b>                   | <b>219,920</b>                   | <b>99,039</b>      | <b>23,452</b>   | <b>1,113,456</b> |
| <b>Movement</b>   |                            |                   |                                 |                                  |                    |                 |                  |
| Additions   | -                          | 124               | 2,461                           | 9,648                            | 318                | 1,184           | <b>13,735</b>    |
| Disposals   | -                          | -                 | -                               | (5)                              | -                  | (64)            | <b>(69)</b>      |
| Depreciation charge                                       | -                          | (2,348)           | (874)                           | (4,750)                          | (942)              | (1,394)         | <b>(10,308)</b>  |
| Movement to 31 December 2020                              | -                          | (2,224)           | 1,587                           | 4,893                            | (624)              | (274)           | <b>3,358</b>     |
| <b>Balances</b>   |                            |                   |                                 |                                  |                    |                 |                  |
| Cost  | 378,007                    | 317,138           | 85,930                          | 202,819                          | 86,086             | 55,298          | <b>1,125,278</b> |
| Work in progress at cost                                  | 2,606                      | 1,809             | 348                             | 162,193                          | 32,788             | 9,733           | <b>209,477</b>   |
| Accumulated depreciation                                  | -                          | (11,918)          | (3,512)                         | (140,199)                        | (20,459)           | (41,853)        | <b>(217,941)</b> |
| <b>Net book value at<br/>31 December 2020 (Unaudited)</b> | <b>380,613</b>             | <b>307,029</b>    | <b>82,766</b>                   | <b>224,813</b>                   | <b>98,415</b>      | <b>23,178</b>   | <b>1,116,814</b> |

The Group carries land, buildings and wharves at fair value.

At 31 December 2020, the Group assessed that carrying amounts do not differ materially from fair value.

During the prior period, a portion of the Waikato Freight Hub (investment property) was reclassified to the Waikato Inland Port (property, plant and equipment), with a carrying value of \$20.0m. This change in use occurred to reflect the portion of land that is now operated by Ports of Auckland Ltd.



## B2. INTANGIBLE ASSETS

|   | COMPUTER<br>SOFTWARE<br>\$'000 | TOTAL<br>\$'000 |
|---|--------------------------------|-----------------|
| <b>Net book value at 1 July 2019</b>                  | <b>71,070</b>                  | <b>71,070</b>   |
| <b>Movement</b>                                       |                                |                 |
| Additions   | 21,781                         | 21,781          |
| Disposals   | (97)                           | (97)            |
| Amortisation charge                                   | (3,986)                        | (3,986)         |
| Movement to 30 June 2020                              | 17,698                         | 17,698          |
| <b>Balances</b>                                       |                                |                 |
| Cost  | 45,867                         | 45,867          |
| Work in progress at cost                              | 70,490                         | 70,490          |
| Accumulated amortisation and impairment               | (27,589)                       | (27,589)        |
| <b>Net book value at 30 June 2020 (Audited)</b>       | <b>88,768</b>                  | <b>88,768</b>   |
| <b>Movement</b>                                       |                                |                 |
| Additions   | 5,676                          | 5,676           |
| Amortisation charge                                   | (2,219)                        | (2,219)         |
| Movement to 31 December 2020                          | 3,457                          | 3,457           |
| <b>Balances</b>                                       |                                |                 |
| Cost  | 50,530                         | 50,530          |
| Work in progress at cost                              | 71,503                         | 71,503          |
| Accumulated amortisation and impairment               | (29,808)                       | (29,808)        |
| <b>Net book value at 31 December 2020 (Unaudited)</b> | <b>92,225</b>                  | <b>92,225</b>   |

## B3. INVESTMENT PROPERTIES

|  | 31 DECEMBER<br>2020<br>UNAUDITED<br>\$'000 | 31 DECEMBER<br>2019<br>UNAUDITED<br>\$'000 |
|--|--|--|
| <b>At fair value</b>                         |  |  |
| <b>Balance at 1 July</b>                     | <b>130,249</b>                             | 143,304                                    |
| Capitalised subsequent expenditure           | 1,040                                      | 3,844                                      |
| Reclassifications / Transfers                | -  | (19,981)                                   |
| Net gain / (loss) from fair value adjustment | -  | 3,082                                      |
| <b>Balance at 31 December (30 June)</b>      | <b>131,289</b>                             | 130,249                                    |

Investment property is measured at fair value which reflects market conditions at the statement of financial position date. To determine fair value, the Group commissions investment property valuations at 30 June each year and undertakes a desktop review at 31 December each year.

At 31 December 2020 a desktop review was performed by Colliers and a material change assessment was performed by CBRE with regard to all land and buildings. The desktop review and market data did not include full property inspections or the issue of new reports but examined the likely effect on property values of the investment environment applicable at the relevant time.

At 31 December 2020, the Group assessed that carrying amounts do not differ materially from fair value.

## B4. RIGHT OF USE ASSETS

|   | LEASED<br>LAND<br>\$'000 | LEASED<br>EQUIPMENT<br>\$'000 | LEASED<br>BUILDINGS<br>\$'000 | LEASED<br>OTHER<br>\$'000 | TOTAL<br>\$'000 |
|---|--------------------------|-------------------------------|-------------------------------|---------------------------|-----------------|
| <i>Transition to NZ IFRS 16 at 1 July 2019</i>            | 11,604                   | 2,497                         | 1,255                         | 15                        | 15,371          |
| <b>Movement</b>   |                          |                               |                               |                           |                 |
| Additions during period                                   | -                        | 1,887                         | -                             | -                         | 1,887           |
| Lease payment adjustments                                 | 1,914                    | -                             | -                             | -                         | 1,914           |
| Modification to lease term                                | -                        | 66                            | -                             | -                         | 66              |
| Depreciation charge                                       | (679)                    | (1,045)                       | (106)                         | (8)                       | (1,838)         |
| Movement to 30 June 2020                                  | 12,839                   | 3,405                         | 1,149                         | 7                         | 17,400          |
| <b>Balances</b>   |                          |                               |                               |                           |                 |
| Cost  | 13,518                   | 4,451                         | 1,255                         | 14                        | 19,238          |
| Accumulated depreciation                                  | (679)                    | (1,046)                       | (106)                         | (7)                       | (1,838)         |
| <b>Net book value<br/>at 30 June 2020 (Audited)</b>       | <b>12,839</b>            | <b>3,405</b>                  | <b>1,149</b>                  | <b>7</b>                  | <b>17,400</b>   |
| <b>Movement</b>   |                          |                               |                               |                           |                 |
| Depreciation charge                                       | (364)                    | (606)                         | (53)                          | (4)                       | (1,027)         |
| Movement to 31 December 2020                              | (364)                    | (606)                         | (53)                          | (4)                       | (1,027)         |
| <b>Balances</b>   |                          |                               |                               |                           |                 |
| Cost  | 13,518                   | 4,451                         | 1,255                         | 14                        | 19,238          |
| Accumulated depreciation                                  | (1,043)                  | (1,652)                       | (159)                         | (11)                      | (2,865)         |
| <b>Net book value at<br/>31 December 2020 (Unaudited)</b> | <b>12,475</b>            | <b>2,799</b>                  | <b>1,096</b>                  | <b>3</b>                  | <b>16,373</b>   |

## SECTION C

# HOW WE FUND OUR BUSINESS

This section explains how the Group has managed its debt funding and shows dividends paid in the reporting period.

### C1.BORROWINGS

|                              | 31 DECEMBER<br>2020<br>UNAUDITED |                     |                   | 30 JUNE<br>2020<br>AUDITED |                     |                   |
|------------------------------|----------------------------------|---------------------|-------------------|----------------------------|---------------------|-------------------|
|                              | AVAILABLE<br>\$'000              | NET DRAWN<br>\$'000 | UNDRAWN<br>\$'000 | AVAILABLE<br>\$'000        | NET DRAWN<br>\$'000 | UNDRAWN<br>\$'000 |
| <b>Current</b>               |                                  |                     |                   |                            |                     |                   |
| <i>Unsecured</i>             |                                  |                     |                   |                            |                     |                   |
| Bank overdraft               | 10,000                           | 6,855               | 3,145             | 10,000                     | 3,398               | 6,602             |
| Total current borrowings     | 10,000                           | 6,855               | 3,145             | 10,000                     | 3,398               | 6,602             |
| <b>Non-Current</b>           |                                  |                     |                   |                            |                     |                   |
| <i>Unsecured</i>             |                                  |                     |                   |                            |                     |                   |
| Other bank loans             | 420,000                          | 314,661             | 104,999           | 420,000                    | 317,125             | 102,500           |
| Fixed rate notes             | 170,000                          | 169,567             | -                 | 170,000                    | 169,567             | -                 |
| Total non-current borrowings | 590,000                          | 484,252             | 104,999           | 590,000                    | 486,692             | 102,500           |
| <b>Total borrowings</b>      | <b>600,000</b>                   | <b>491,107</b>      | <b>108,144</b>    | <b>600,000</b>             | <b>490,090</b>      | <b>109,102</b>    |

Ports of Auckland Ltd has long term funding in the form of bank facilities and unsecured notes.

The unsecured notes comprise three fixed rate tranches with terms of 10, 12 and 15 years, and final maturities in 2028, 2030, and 2033 respectively. Each tranche is shared evenly between two investors, Metlife Investments and Pricoa Capital Group.

### C2.DIVIDENDS

|                             | CENTS PER SHARE | 31 DECEMBER<br>2020<br>UNAUDITED<br>\$'000 | 30 JUNE<br>2020<br>AUDITED<br>\$'000 |
|-----------------------------|-----------------|--|--------------------------------------|
| 2020 Full Year dividend     | 3.37            | 4,914                                      | -                                    |
| <b>Total dividends paid</b> |                 | <b>4,914</b>                               | <b>-</b>                             |



## SECTION D OTHER DISCLOSURES

This section provides an update to significant disclosures since the June 2020 annual report.

### DI. CAPITAL COMMITMENTS

|                                  | 31 DECEMBER<br>2020<br>UNAUDITED<br>\$'000 | 30 JUNE<br>2020<br>AUDITED<br>\$'000 |
|----------------------------------|--|--------------------------------------|
| Property, plant and equipment    | 11,945                                     | 16,103                               |
| Intangible assets                | 189  | 36                                   |
| Investment properties            | 855  | 1,162                                |
| <b>Total capital commitments</b> | <b>12,989</b>                              | <b>17,301</b>                        |

Capital commitments include spend related to the capacity upgrade at the container terminal, investment in the supply chain, and the electric tug.

### D2. CONTINGENCIES

#### Contingent liabilities

The Company has a performance bond of \$810,000 with Auckland Council to ensure that an accessible esplanade reserve is provided upon completion of the Fergusson container terminal. A premium is paid to Westpac to take on the bond risk. No event has occurred that would cause this guarantee to be called upon.

The Company potentially has a liability for repairs and maintenance on Queens Wharf of up to \$1.5 million. The expense is likely to be incurred within a ten to fifteen year time horizon.

### D3. 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 derivative financial instruments that are not traded in active markets are estimated on the basis of the quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

Equity securities are categorised as level 1 in the fair value hierarchy and derivative financial instruments are categorised as level 2 in the fair value hierarchy.

### D4. EVENTS OCCURRING AFTER THE REPORTING PERIOD

There are no subsequent events.

**INDEPENDENT AUDITOR'S REVIEW REPORT  
TO THE SHAREHOLDERS OF PORTS OF AUCKLAND LIMITED****Conclusion**

We have reviewed the condensed consolidated interim financial statements ('interim financial statements') of Ports of Auckland Limited ('the Company') and its subsidiaries ('the Group') which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the six months ended on that date, and a summary of significant accounting policies and other explanatory information on pages 8 to 21.

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 31 December 2020 and its financial performance and cash flows for the 31 December 2020 ended on that date in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*.

**Basis for Conclusion**

We conducted our review in accordance with NZ SRE 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity* ('NZ SRE 2410 (Revised)'). Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Interim Financial Statements* section of our report.

We are independent of the Group in accordance with the relevant ethical requirements in New Zealand relating to the audit of the annual financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

**Directors' responsibilities for the interim financial statements**

The directors are responsible on behalf of the Company for the preparation and fair presentation of the interim financial statements in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting* and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the interim financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's responsibilities for the review of the interim financial statements**

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

A review of the interim financial statements in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. 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) and consequently does not enable us to obtain assurance that we might identify in an audit. Accordingly we do not express an audit opinion on the interim financial statements.

**Restriction on use**

This report is made solely to the company's shareholders, as a body. Our review has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in a 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 company's shareholders as a body, for our engagement, for this report, or for the conclusions we have formed.

Brett Tomkins

**Partner**

**for Deloitte Limited**

**On behalf of the Auditor-General**

Auckland, New Zealand

22 February 2021

This review report relates to the unaudited interim financial statements of Ports of Auckland Limited for the six months ended 31 December 2020 included on Ports of Auckland Limited's website. The entity's governing body is responsible for the maintenance and integrity of the entity's website. We have not been engaged to report on the integrity of the entity's website. We accept no responsibility for any changes that may have occurred to the unaudited interim financial statements since they were initially presented on the website. The review report refers only to the unaudited interim financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these unaudited interim financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the unaudited interim financial statements and related review report dated 22 February 2021 to confirm the information included in the unaudited interim financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# GET IN TOUCH

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**For more information on the 30-year master plan:**

[www.masterplan.poal.co.nz](http://www.masterplan.poal.co.nz)

**To see our Annual Report online including videos:**

[www.poal.co.nz/media/reviews](http://www.poal.co.nz/media/reviews)





**[poal.co.nz](http://poal.co.nz)**