

**QUAYSIDE HOLDINGS LIMITED
AND SUBSIDIARY COMPANIES**

HALF YEAR REPORT

For

31 DECEMBER 2018

QUAYSIDE HOLDINGS LIMITED AND SUBSIDIARY COMPANIES FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

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DIRECTORS' REPORT TO SHAREHOLDERS

Unaudited Results for the Six Months to 31 December 2018

Group Net Profit after Tax (NPAT) for the six months was \$37.6m (2017: \$62.3m), a decrease of 39.6%. The performance of the Group is comprised of the result from the 'Port of Tauranga Group' (Port segment) and the 'Quayside Group' (Investing segment) as follows:

Port of Tauranga Group Performance

The Port of Tauranga has had a strong start to the financial year with increased cargo volumes contributing to a 4% increase in Net Profit After Tax to \$49.0 million. Total trade increased by 8.8% to nearly 13.6 million tonnes. Exports increased 10.8% to 8.6 million tonnes, with a significant increase in log exports (up 11.7%). The Port continues to plan for the next stage of growth with a ninth container crane ordered for delivery in 2020, and preparations are underway to extend the container terminal quay by up to 385 metres.

The markets continue to strongly value the Port of Tauranga shares, reflecting its on-going financial performance, future potential, and its status as a quality infrastructure asset. The Port of Tauranga share price at 31 December 2018 was \$5.00 (2017: \$4.94). Quayside held 54.14% of the Port of Tauranga shares as at 31 December 2018 with a market value of \$1,842m.

Quayside Group Performance

The Quayside Group, delivered a loss of \$11.4m (2017: \$15.2m profit) after tax for the first half of the year. This result comprises all the Quayside Group's non-port investments. The Quayside equity portfolio delivered a gross unrealised loss of 5% for the six months (2017: 10.5% gain) as a result of global uncertainty in the markets in the last quarter of the period. Despite this, the 5-year rolling return from the equity portfolio remains strong at 11.82%. Quayside also continues to see strong returns from its orchards and other commercial investments.

The Quayside Group paid dividends to Perpetual Preference Shareholders during the period of \$3.1m in accordance with its prospectus. Dividends paid during the period to the Bay of Plenty Regional Council were \$20.8m (2017: \$17.0m) in line with the current Statement of Intent.

Statement of Intent

Quayside Holdings Limited is a "Council Controlled Organisation", owned by the Bay of Plenty Regional Council. The provisions of the Local Government Act 2002 require "Council Controlled Organisations" to have a "Statement of Intent" in respect of each financial year. The draft Statement of Intent for the coming year, setting out performance criteria and forward dividend guidance, is provided to the Bay of Plenty Regional Council at the end of February each year. Quayside Holdings Limited must provide a final Statement of Intent by 30 June. Quayside is currently operating under a Statement of Intent provided to Council for the period 1 July 2018 to 30 June 2019.

Appointment, Rotation and Retirement of Directors and Officers

The shareholder's policy is that directors retire, but are eligible for reappointment, on a rolling three yearly basis. During the period Jane Nees retired and Stuart Crosby was appointed.



Director



Director

QUAYSIDE HOLDINGS LIMITED AND SUBSIDIARY COMPANIES
CONSOLIDATED INCOME STATEMENT
For the six months ended 31 December 2018

	Note	Unaudited Six months Dec 2018 \$'000	Unaudited Six months Dec 2017 \$'000	Audited Full year June 2018 \$'000
Trading revenue		154,094	142,503	286,562
Other income		3,508	16,786	32,061
Operating income		157,602	159,289	318,623
Employee benefit expenses		(19,440)	(18,936)	(38,545)
Trading and other expenses		(65,033)	(47,302)	(99,596)
Operating expenses		(84,473)	(66,238)	(138,141)
Results from operating activities		73,129	93,051	180,482
Depreciation and amortisation		(14,179)	(13,256)	(25,844)
Reversal of previous revaluation deficit		-	-	446
Operating profit before finance costs and taxation		58,950	79,795	155,084
Finance income		757	631	1,258
Finance expenses	6	(9,943)	(10,201)	(20,017)
Net finance costs		(9,186)	(9,570)	(18,759)
Share of profit from Equity Accounted Investees		4,770	7,926	15,253
PROFIT BEFORE INCOME TAX		54,534	78,151	151,578
Income tax expense		(16,972)	(15,819)	(33,023)
PROFIT FOR THE PERIOD		37,562	62,332	118,555
Attributable to:				
Equity holders of the parent		15,430	41,047	75,963
Non-controlling interest		22,132	21,285	42,592
PROFIT FOR THE PERIOD		37,562	62,332	118,555

QUAYSIDE HOLDINGS LIMITED AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 31 December 2018

	Unaudited Six months Dec 2018 \$'000	Unaudited Six months Dec 2017 \$'000	Audited Full year June 2018 \$'000
Net profit after tax	37,562	62,332	118,555
Other comprehensive income			
<i>Items that will be reclassified to profit or loss when specific conditions are met:</i>			
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)
<i>Items that will never be reclassified to profit or loss:</i>			
Bearer plant revaluation, net of tax	-	-	903
Kiwifruit licence revaluation, net of tax	-	-	224
Asset revaluation, net of tax	-	-	209,778
Share of net change in revaluation reserves of Equity Accounted Investees	288	551	1,687
	288	551	212,592
Total other comprehensive income for the period	(2,051)	(54)	211,227
Total comprehensive income for the period	35,511	62,278	329,782
Attributable to:			
Equity holders of the parent	14,306	41,018	192,256
Non-controlling interest	21,205	21,260	137,526
	35,511	62,278	329,782

QUAYSIDE HOLDINGS LIMITED AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF MOVEMENTS IN EQUITY
For the six months ended 31 December 2018

	Share capital	Hedging Reserve	Revaluation Reserve	Retained Earnings	Non- controlling interest	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2017	200,011	(4,317)	404,147	70,899	420,030	1,090,770
Profit after tax	-	-	-	41,047	21,285	62,332
Cash flow hedges - changes in fair value	-	(898)	-	-	(740)	(1,638)
Cash flow hedge - reclassified to profit or loss	-	592	-	-	487	1,079
Share of net change in cash flow hedge reserves of equity accounted investees	-	(25)	-	-	(21)	(46)
Share of net change in revaluation reserves of Equity Accounted Investees	-	-	302	-	249	551
Total comprehensive income	-	(331)	302	41,047	21,260	62,278
Non-controlling interest adjustments	-	-	-	1	(1)	-
Increase in share capital	-	-	-	81	66	147
Equity settled share based payment accrual	-	-	-	-	700	700
Adjustment for vesting of equity settled share based payment	-	-	-	709	(709)	-
Dividends paid to shareholders (Note 7)	-	-	-	(20,110)	(34,960)	(55,070)
Total transactions with owners	-	-	-	(19,319)	(34,904)	(54,223)
Balance at 31 December 2017	200,011	(4,648)	404,449	92,627	406,386	1,098,825
Profit after tax	-	-	-	34,916	21,307	56,223
Cash flow hedges - changes in fair value	-	(1,032)	-	-	(850)	(1,882)
Cash flow hedge - reclassified to profit or loss	-	628	-	-	519	1,147
Net change in share of Equity Accounted Investees' cash flow hedge reserves	-	(14)	-	-	(11)	(25)
Share of net change in revaluation reserves of Equity Accounted Investees	-	-	612	-	524	1,136
Asset revaluation, net of tax	-	-	115,001	-	94,777	209,778
Bearer plant revaluation, net of tax	-	-	903	-	-	903
Kiwifruit licence revaluation	-	-	224	-	-	224
Total comprehensive income	-	(418)	116,740	34,916	116,266	267,504
Non-controlling interest adjustments	-	-	-	-	(3)	(3)
Increase/(decrease) in share capital	-	-	-	(881)	(726)	(1,607)
Equity settled share based payment accrual	-	-	-	-	1,417	1,417
Dividends paid to shareholders	-	-	-	(11,611)	(17,790)	(29,401)
Total transactions with owners	-	-	-	(12,492)	(17,102)	(29,594)
Balance at 30 June 2018	200,011	(5,066)	521,189	115,051	505,550	1,336,735
Adjustment on adoption of NZ IFRS-9	-	-	-	(150)	(124)	(274)
Profit after tax	-	-	-	15,430	22,132	37,562
Cash flow hedges - changes in fair value	-	(1,643)	-	-	(1,354)	(2,997)
Cash flow hedge - reclassified to profit or loss	-	404	-	-	333	737
Share of net change in cash flow hedge reserves of equity accounted investees	-	(43)	-	-	(36)	(79)
Share of net change in revaluation reserves of equity accounted Investees	-	-	158	-	130	288
Total comprehensive income	-	(1,282)	158	15,430	21,205	35,511
Non-controlling interest adjustments	-	-	-	20	(20)	-
Increase in share capital	-	-	-	(554)	(457)	(1,011)
Equity settled share based payment accrual	-	-	-	-	926	926
Dividends paid to shareholders (Note 7)	-	-	-	(23,910)	(37,420)	(61,330)
Total transactions with owners	-	-	-	(24,444)	(36,971)	(61,415)
Balance at 31 December 2018	200,011	-	6,348	521,347	105,887	489,660
						1,310,557

QUAYSIDE HOLDINGS LIMITED AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Note	Unaudited Six months Dec 2018 \$'000	Unaudited Six months Dec 2017 \$'000	Audited Full year June 2018 \$'000
ASSETS				
Current assets				
Cash & cash equivalents		76,674	51,645	41,688
Trade and other receivables		58,805	48,127	54,495
Inventories		528	355	710
Total current assets		136,007	100,127	96,893
Non-current assets				
Intangible assets		20,397	20,828	20,759
Advances and receivables		24	30	25
Property, plant and equipment	8	1,463,626	1,232,778	1,455,575
Biological assets	9	1,257	675	-
Investments in equity accounted investees	10	163,104	147,315	154,636
Other financial assets		164,073	153,634	171,513
Investment property		24,363	19,051	21,918
Total non-current assets		1,836,844	1,574,311	1,824,426
Total assets		1,972,851	1,674,438	1,921,319
LIABILITIES				
Current liabilities				
Trade and other payables		34,783	31,766	33,380
Revenue received in advance		345	244	279
Loans and borrowings	14	280,000	341,795	321,845
Provisions		1,531	2,197	3,080
Derivative financial instruments		946	227	-
Current taxation		4,880	5,708	10,076
Total current liabilities		322,485	381,937	368,660
Non-current liabilities				
Loans and borrowings	14	253,191	125,000	130,021
Provisions		1,836	2,165	1,746
Derivative financial instruments		14,022	10,488	11,787
Deferred tax liability		70,760	56,023	72,370
Total non-current liabilities		339,809	193,676	215,924
Total liabilities		662,294	575,613	584,584
NET ASSETS		1,310,557	1,098,825	1,336,735

QUAYSIDE HOLDINGS LIMITED AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Unaudited Six months Dec 2018 \$'000	Unaudited Six months Dec 2017 \$'000	Audited Full year June 2018 \$'000
EQUITY			
Paid up capital	200,011	200,011	200,011
Reserves	514,999	399,801	516,123
Retained Earnings	105,887	92,627	115,051
Total equity attributable to equity holders of the Parent	820,897	692,439	831,185
Non controlling interest	489,660	406,386	505,550
TOTAL EQUITY	1,310,557	1,098,825	1,336,735

QUAYSIDE HOLDINGS LIMITED AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS
For the six months ended 31 December 2018

	Unaudited Six months Dec 2018 \$'000	Unaudited Six months Dec 2017 \$'000	Audited Full year June 2018 \$'000
Cash flows from operating activities			
Cash inflows	160,316	149,017	294,246
Cash outflows	(109,164)	(100,111)	(190,757)
Net cash flows from operating activities	51,152	48,906	103,489
Cash flows from investing activities			
Cash inflows	20,531	18,522	27,781
Cash outflows	(55,573)	(34,612)	(62,433)
Net cash flows from investing activities	(35,042)	(16,090)	(34,652)
Cash flows from financing activities			
Cash inflows	145,111	40,086	30,167
Cash outflows	(126,125)	(65,070)	(101,092)
Net cash flows from financing activities	18,986	(24,984)	(70,925)
Effect of exchange rate changes on cash and cash equivalents	(110)	179	142
Net increase in cash and cash equivalents	34,986	8,011	(1,946)
Cash and cash equivalents at the beginning of the period	41,688	43,634	43,634
Cash and cash equivalents at the end of the period	76,674	51,645	41,688
RECONCILIATION OF PROFIT FOR THE PERIOD TO CASHFLOWS FROM OPERATING ACTIVITIES			
Profit for the period	37,562	62,332	118,555
Add/(subtract) non-cash and non-operating items	22,681	(9,539)	(10,150)
Add/(subtract) movements in working capital	(9,091)	(3,887)	(4,916)
Net cash flows from operating activities	51,152	48,906	103,489

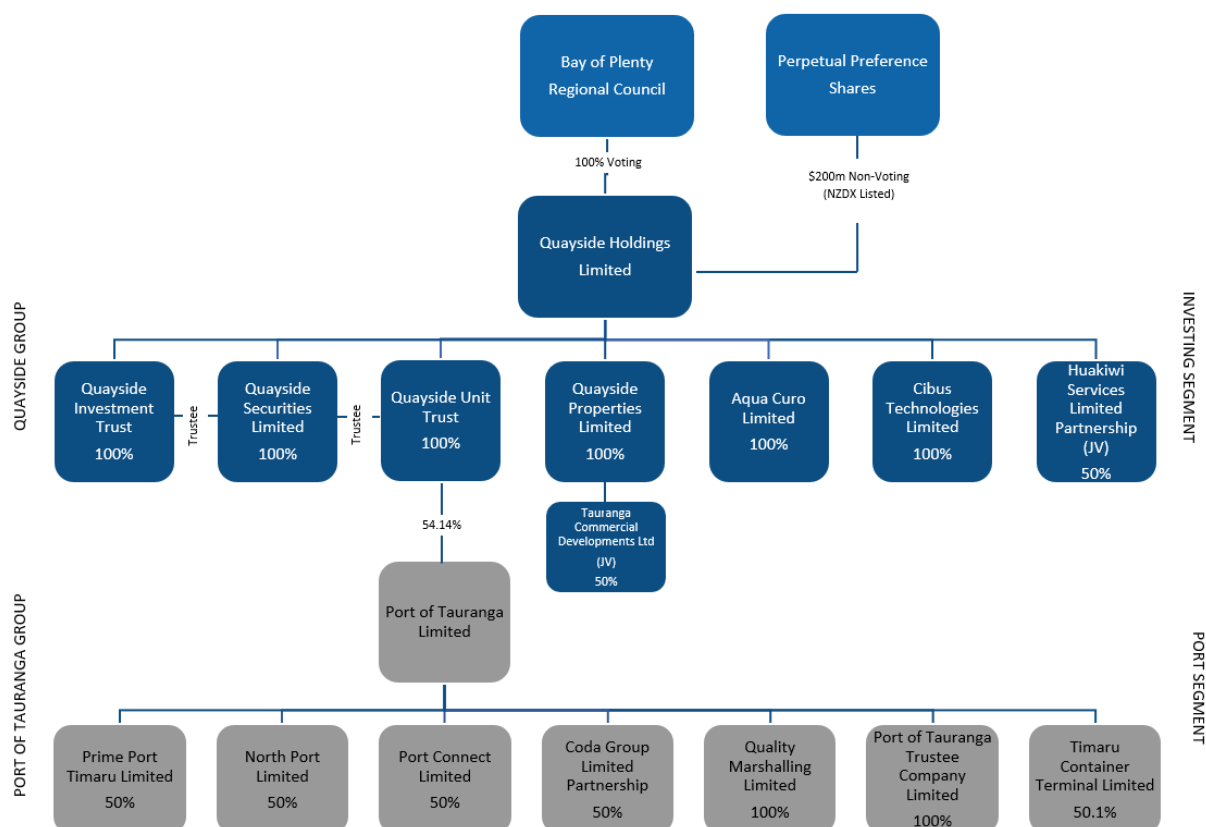
1 REPORTING ENTITY

Quayside Holdings Limited (the “Parent”) is a company domiciled in New Zealand and registered under the Companies Act 1993. The Parent is wholly owned by Bay of Plenty Regional Council (“Council”). The Parent is a holding company for the investment activity of Council. Through appropriate subsidiaries, the Parent is the majority shareholder in Port of Tauranga Limited, the owner of a diversified investment portfolio, property and commercial ventures.

The Parent is a Financial Markets Conduct (FMC) reporting entity for the purposes of the Financial Markets Conduct Act 2013. The financial statements comply with this Act. The Parent is also listed on the New Zealand Stock Exchange (NZX).

The Parent is a council-controlled organisation as defined under Section 6 of the Local Government Act 2002, by virtue of the Council’s right to appoint the Board.

The unaudited interim financial statements for Quayside Holdings Limited comprise Quayside Holdings Limited, its subsidiaries and the Group’s interests in Equity Accounted Investees (together referred to as the “Group”). There are two subsets of the Group being the Quayside Group and the Port of Tauranga Group:



2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with the requirements of the Local Government Act 2002 and the Financial Markets Conduct Act 2013, which includes the requirement to comply with generally accepted accounting practice in New Zealand (“NZ GAAP”). These interim financial statements have been prepared in accordance with New Zealand International Accounting Standard (“NZ IAS”) 34 *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements and related notes included in Quayside Holdings Limited’s Annual Report for the year ended 30 June 2018.

3 SIGNIFICANT ACCOUNTING POLICIES

Other than as set out below in regard to the adoption of NZ IFRS-9, 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

The standard was adopted with effect from 1 July 2018. The main changes under 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 Group 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.

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

At 31 December 2018 the Group comprises two main business segments: The first being the business of facilitating export and import activities (Port), and the second being the business of investment (Investing). The 'Port' segment represents the *Port of Tauranga Group*, whilst the 'Investing' segment is the *Quayside Group*. Both business segments operate in one geographic segment, being New Zealand.

Although the *Port of Tauranga Group* reports three main reportable segments, at the Quayside Group level, information provided by the *Port of Tauranga Group* is presented to the Chief Operating Decision Maker as one business segment.

The unaudited segment results for the six months ended 31 December 2018 are as follows:

	Port \$'000	Investing \$'000	Total \$'000
31 December 2018			
Revenue (from external customers)	152,996	1,098	154,094
Other income	-	47,720	47,720
Less: Inter-segment revenue *	-	(44,212)	(44,212)
	152,996	4,606	157,602
Share of profit of Equity Accounted Investees	4,770	-	4,770
Finance income	185	572	757
Finance costs	(9,071)	(872)	(9,943)
Depreciation and amortisation	(13,830)	(349)	(14,179)
Other expenditure	(69,091)	(15,382)	(84,473)
Income tax expense	(16,972)	-	(16,972)
Profit after income tax	48,987	(11,425)	37,562
Current assets	61,681	74,326	136,007
Non-current assets	1,606,537	230,307	1,836,844
Current liabilities	(321,472)	(1,013)	(322,485)
Non-current liabilities	(259,821)	(79,988)	(339,809)
Net Assets	1,086,925	223,632	1,310,557

* Inter-segment revenue comprises the dividend received by Quayside Unit Trust from the Port of Tauranga Limited.

5 SEGMENT INFORMATION (continued)

	Port \$'000	Investing \$'000	Total \$'000
<u>31 December 2017</u>			
Revenue (from external customers)	141,431	1,072	142,503
Other income	-	58,051	58,051
Inter-segment revenue	-	(41,265)	(41,265)
	<u>141,431</u>	<u>17,858</u>	<u>159,289</u>
Share of profit of Equity Accounted Investees	7,908	18	7,926
Finance income	194	437	631
Finance costs	(9,330)	(871)	(10,201)
Depreciation and amortisation	(12,940)	(316)	(13,256)
Other expenditure	(64,310)	(1,928)	(66,238)
Income tax (expense)/benefit	(15,840)	21	(15,819)
Profit after income tax	<u>47,113</u>	<u>15,219</u>	<u>62,332</u>
Current assets	58,440	41,687	100,127
Non-current assets	1,372,508	201,803	1,574,311
Current liabilities	(334,563)	(47,374)	(381,937)
Non-current liabilities	(192,761)	(915)	(193,676)
Net Assets	<u>903,624</u>	<u>195,201</u>	<u>1,098,825</u>

6 FINANCE EXPENSES

	Six Months Ended 31 Dec 2018 \$000	Six Months Ended 31 Dec 2017 \$000
Interest expense on borrowings	(10,015)	(10,349)
Less: interest capitalised to property, plant and equipment	138	186
	<u>(9,877)</u>	<u>(10,163)</u>
Fair value movement on currency derivative	(21)	-
Amortisation of interest rate collar premium	(43)	(23)
Ineffective portion of changes in fair value of cash flow hedges	(2)	(15)
Total finance expenses	<u>(9,943)</u>	<u>(10,201)</u>

7 DIVIDENDS

The following net dividends were paid by Quayside Holdings Limited. All dividends paid were fully imputed.

	Six Months Ended 31 Dec 2018 \$000	Six Months Ended 31 Dec 2017 \$000
Ordinary Shares		
Dividend (paid 06/07/18) of \$1,560.00 per share (2017: \$850.00)	15,600	8,500
Dividend (paid 25/10/18) of \$520.00 per share (2017: \$850.00)	5,200	8,500
	20,800	17,000
Perpetual Preference Shares		
Quarterly dividend (paid 12/9/18) 0.0778 cents per share (2017: 0.0778 cents)	1,555	1,555
Quarterly dividend (paid 12/12/18) 0.0778 cents per share (2017: 0.0778 cents)	1,555	1,555
	3,110	3,110
Total Dividends Paid	23,910	20,110

The dividend cents per share, for the Perpetual Preference Shares, includes resident with-holding tax of 5% paid by the Quayside Group on behalf of shareholders. The Perpetual Preference Shares are subject to a fixed dividend rate which is reset every three years. The latest reset occurred on 13 March 2017, where the rate for the following three year period was set at 4.32%. The next dividend reset date will be 12 March 2020.

8 PROPERTY, PLANT AND EQUIPMENT

Acquisitions and Disposals

During the six months ended 31 December 2018, the Port of Tauranga Group acquired assets with a cost of \$21.71 million (2017: \$9.74 million).

During the six months ended 31 December 2018, the Quayside Group acquired assets with a cost of \$0.03 million (2017: \$0.06 million).

9 BIOLOGICAL ASSETS

Biological assets comprise kiwifruit crops on bearer plants and forestry owned by Quayside Properties Limited. Harvesting of the kiwifruit crop takes place in April to June each year. At 31 December each year the crop is measured at fair value. The fair value is deemed to be cost as insufficient biological transformation has occurred.

10 INVESTMENTS IN EQUITY ACCOUNTED INVESTEEES

During the period, Quayside Properties Limited entered in to a joint venture, Tauranga Commercial Developments Limited. The joint venture is for the development of commercial property in Tauranga.

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

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.

The carrying value of all financial assets and liabilities represent a reasonable approximation of their fair value.

12 INVESTMENT IN SUBSIDIARIES

During the period, Quayside Holdings Limited incorporated two new companies: Aqua Curo Limited and Cibus Technologies Limited. These companies are currently non-trading shell companies.

13 COMMITMENTS

	Six Months Ended 31 Dec 2018 \$000	Six Months Ended 31 Dec 2017 \$000
Capital commitments		
Estimated capital commitments contracted for at balance date but not provided for:	14,598	5,700

Capital commitments at 31 December 2018 relate to the *Port of Tauranga Group*. Commitments for the prior period related to the *Quayside Group*.

Quayside Holdings Limited also has future uncalled commitments for investments in to Equity Accounted Investees and equity funds.

14 LOANS AND BORROWINGS

	31 Dec 2018 Carrying Value Group \$000	31 Dec 2017 Carrying Value Group \$000
Westpac Banking Corporation	28,102	46,510
Bay of Plenty Regional Council	50,000	-
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	533,191	466,795
Current	280,000	341,795
Non current	253,191	125,000
Total	533,191	466,795

Port of Tauranga Group

At 31 December 2018 the Port of Tauranga Group had \$280 million of loans and borrowings that are classified within current liabilities (2017: \$295 million). Due to this classification, the Port of Tauranga Group's current liabilities exceed the Port of Tauranga Group's current assets. Despite this fact, the Port of Tauranga Group does not have any liquidity or working capital concerns as a result of having \$280 million (2017: \$280 million) of undrawn committed term debt facilities. The current portion of the Port of Tauranga Group's debt facilities will be refinanced in the current year.

Westpac Banking Corporation

Quayside Holdings Limited has a \$55 million (2017: \$70 million) financing arrangement with Westpac Banking Corporation. This facility is secured by a mortgage over shares held in the Port of Tauranga Limited, and provides direct borrowings for the Quayside Group. The facility was renewed in October 2018 for a further term of 3 years, expiring in October 2021. At 31 December this facility was drawn down to \$28.1 million (2017: \$46.5 million).

Bay of Plenty Regional Council

In October 2018, Quayside Holdings Limited entered in to a \$50 million financing arrangement with Bay of Plenty Regional Council, which, to fund this, has in turn borrowed from the Local Government Funding Agency. This facility expires on 30 June 2021. At 31 December this facility was drawn down to \$50m (2017: nil).

15 RELATED PARTY TRANSACTIONS

Controlling entity

The parent entity in the Group is Quayside Holdings Limited, which is 100% owned by the Bay of Plenty Regional Council. Other related parties include subsidiaries and equity accounted investees – refer Note 1.

Transactions with related parties:

During the six months ended 31 December 2018, related party transactions were as follows:

	Six Months Ended 31 Dec 2018 \$000	Six Months Ended 31 Dec 2017 \$000
Quayside Group		
<i>Transactions with Ultimate Controlling Entity</i>		
Services provided to Quayside Properties Limited	5	2
Dividends paid by Quayside Holdings Limited	20,800	17,000
Services provided to Quayside Holdings Limited	25	-
Loan payable by Quayside Holdings Limited	50,000	-
Interest payable by Quayside Holdings Limited	219	-
<i>Transactions with subsidiaries</i>		
Dividends paid to Quayside Holdings Limited	49,500	37,000
Loans receivable by Quayside Holdings Limited	30,952	27,488
Interest receivable by Quayside Holdings Limited	148	131
Consideration for units purchased by Quayside Holdings Limited	13,000	8,750
<i>Transactions with Equity Accounted Investees</i>		
Services provided by Quayside Holdings Limited	59	47
Accounts receivable by Quayside Holdings Limited	6	-
Services provided by Quayside Properties Limited	21	2
Accounts receivable by Quayside Properties Limited	2	-
Port of Tauranga Group		
<i>Transactions with Ultimate Controlling Entity</i>		
Services provided to Port of Tauranga Limited	16	10
<i>Transactions with Equity Accounted Investees</i>		
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	-
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

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

15 RELATED PARTY TRANSACTIONS (continued)

During the six months ended 31 December 2018, the Group entered into transactions with companies in which Group Directors held directorships. These directorships have not resulted in the Group having significant influence over the operations, policies or key decisions of these companies.

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 Dec 2018 \$000	Six Months Ended 31 Dec 2017 \$000
Short term employee benefits		
Directors fees	548	534
Executive salaries *	2,021	2,276
Share based payments (cash and equity settled) recognised during the period	286	313

* Executive salaries at 31 December 2017 included back dated holiday pay for Port of Tauranga Ltd.

16 SUBSEQUENT EVENTS

There have been no subsequent events.

**QUAYSIDE HOLDINGS LIMITED AND SUBSIDIARY COMPANIES
DIRECTORY
as at 31 December 2018**

Directors holding office at 31 December 2018 were:

Quayside Group

R A McLeod (Chair)

B D Hewlett

F C McTavish (appointed 30 June 2018)

S A Crosby (appointed 1 November 2018)

W J Parker

R B Tait

P J Thompson

Port of Tauranga Group

D A Pilkington (Chair)

A M Andrew

K R Ellis

J C Hoare

A R Lawrence

D W Leeder

R A McLeod

Loans

There were no loans made by Group companies or any of its subsidiaries to Directors.

Indemnification and insurance of directors and officers

The Group has arranged policies of Directors' and Officers' Liability Insurance and separate Directors' and Officers' defence costs insurance.

Chief Executive

A S Hamilton

Solicitor

Cooney Lees Morgan

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Tauranga 3110

Registered Office

53 Spring Street

Tauranga 3110

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