

**QUAYSIDE HOLDINGS LIMITED  
AND SUBSIDIARY COMPANIES**

**HALF YEAR REPORT**

**for**

**the Period Ending 31 December 2007**

**QUAYSIDE HOLDINGS LIMITED AND SUBSIDIARY COMPANIES**

**FOR THE PERIOD ENDING 31 DECEMBER 2007**

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**QUAYSIDE HOLDINGS LIMITED AND SUBSIDIARY COMPANIES**  
**DIRECTORS' REPORT TO SHAREHOLDERS**  
**Results for the Six Months to 31 December 2007**

**1 The Half Year at a Glance**

- Total income \$77,054,654 up 3.1% on 1H06
- Total operating expenditure \$51,506,482 up 9.5% on 1H06
- Net surplus before tax and distributions \$27,882,172 down 10.3% on 1H06
- Net surplus after tax \$19,086,091 down 13.2% on 1H06
- Port of Tauranga share price \$6.87 up from \$5.92 at 1H06
- After half year-end, on 24 January 2008, fully paid Redeemable Preference Shares split and re-designated Perpetual Preference Shares

**2 Port Performance**

The Port of Tauranga Limited (POTL) achieved an unaudited net profit for the half year of \$20.5 million compared with \$21.5 million in 1H06. After adjusting for non-recurring profits of \$1.8 million, the result represented a 4% increase on 1H06.

While trade tonnage overall was down 5%, largely due to a decrease in coal imports, container volumes were up 8%.

A strong balance sheet with a debt to debt plus equity ratio of 29% allowed directors to declare an interim fully imputed dividend, payable on 28 March 2008, of 9 cents per share, a 12% increase on 1H06.

The Port has continued a strong focus on costs while continuing to maintain best-in-class productivity. Port directors confidently expect the full year result to be ahead of last year.

**3 Investment funds, other than POTL**

The original value of investment funds was some \$52 million, arising from two special dividends and a capital return in the 1999-2002 period. After returning some \$16m as shareholder dividends since 2002, at 31 December 2007, Quayside Holdings Limited's non-current assets (other than POTL) stood at \$104.97 million, compared to \$102.09 million one year earlier.

Directors have focused on a strategy to produce a long-term risk adjusted rate of return, for the long-term benefit of the shareholder. With extensive independent professional advice directors have ensured that the portfolio of investments (other than POTL) is diversified away from the port and forestry sectors, and includes domestic and international equities as well as direct investment in NZ property.

Overall the annualised IRR for the portfolio, since 1999, is in the region of 12.5%.

**4 Financing Structure Established in 1991**

The IRD private binding ruling, in respect of the holding company structure and the longstanding funding arrangements of QSL, first received in 1997, was succeeded by renewed rulings covering the period until 30 September 2010. In the period under review this financing arrangement has continued to perform according to expectations.

**5 Statement of Intent**

The company's Statement of Intent covers issues touching on prudent financial management and risk management. The long term trend of increased POTL dividends has meant the continuation of enhanced flow of dividend from the Group to the Council and that feature, and a suitable strategy for the investment of returned capital and special dividends to achieve greater diversification and to achieve a satisfactory long run risk adjusted return, have been the subject of consultation with the shareholder. The outcomes are reflected in the Group Statement of Intent effective from 1 July 2007 prepared in accordance with the Local Government Act 2002.

The Statement of Intent provides for a reserving policy under which the Company has progressively established an income reserve, currently standing at \$18.9m, designed to keep pace with inflation,

regional growth and cover income fluctuation risks. The company's targets in respect of monitoring investments, and providing sound timely advice to shareholders, were met.

## 6 Dividend

Refer to Note 4 in Notes to Financial Statements for details.

Dividend to be paid in future to the Council as ordinary shareholder will be reduced by the new requirement for dividend to the proposed PPS holders.

## 7 Directors - Appointment and Rotation of Quayside Directors

The shareholders policy is that that directors retire, but are eligible for reappointment, on a rolling three yearly basis. As a result, in November 2007, Mr John Green and Mr Athole Herbert retired and were re-appointed.

## 8 Quayside Properties Limited

Up to 2005 QPL had acquired investment properties in Rangiuru totalling some 162 ha in area, bringing land holdings to a point where, on 29 August 2005, a Private Plan change was sought from Western Bay of Plenty District Council to provide for an appropriate industrial zone at Rangiuru adjacent to the proposed Tauranga Eastern Motorway. The consent was ultimately issued in January 2007. During the last half year, discussions continued on an appeal by Transit on aspects of roading impacts.

Holding costs are significantly offset by income from a dairy farm and three kiwifruit orchards. During the coming period directors will be analysing options for maximising this land investment.

## 9 Liaison with Port of Tauranga Limited

Quayside continues to enjoy excellent relationships with the Port. The policy of Council and Quayside is to limit themselves to one director each on the Port board. The other Port directors are independent. These arrangements have greatly contributed to the Port's success.

## 10 Binding Ruling and Proposed Issue of Perpetual Preference Shares.

The Council as shareholder received a satisfactory three year Inland Revenue private ruling on 17 September 2007, enabling the proposed "Perpetual Preference Shares" (PPS) offer by the Council to proceed. A joint due diligence committee, between the Council and QHL, was established and met many times during and after the half year in what was an extremely thorough process to prepare a Prospectus and an Investment Statement which complied with the Securities Act. The Prospectus was signed by all Council and QHL Board members on 24 January 2008.

In January 2008 Council-owned fully paid redeemable preference shares were split. Arising from the share split, Council was able to offer 200 million \$1 non-voting perpetual preference shares to the investing public. On 11 February 2008, following a "bookbuild", the dividend rate margin was set at 1.7% above the 3 year swap rate, and the minimum rate was set at 10%. The dividend rate will be set on 12 March 2008 and reset every three years thereafter. Dividends are expected to be fully imputed. The offer opened on 12 February 2008 and was scheduled to close on 7 March 2008. By 25 February 2008 the full amount of the offer had been firmly allocated. It is expected that the shares will be quoted and will trade on the NZDX on 13 March 2008.

## 11 Earnings per Security

The earnings per ordinary share are as follows:

	31/12/07	31/12/06
	(\$000)	(\$000)
Port of Tauranga Limited Profit	20,548	21,500
Quayside Group Share (54.99%)	11,298	11,825
Other Activities	(1,461)	500
	9,837	12,325
Earnings per share	984	1,233

The earnings per share from POTL show a consistent result. The change in the earnings per share reflects the movement in the market value of other financial assets of the Group.

**12 Conclusions**

The foresight of the Bay of Plenty Regional Council, in establishing the Quayside Group to bring a commercial focus to its investments, has been both politically and financially successful and has ensured that POTL shareholding is secured for the future generations of the Bay of Plenty.

The philosophy of the Quayside Group (and its Council shareholder) has consistently been to be a cornerstone shareholder which is supportive of the Port without political interference, allowing the Port Board and Management to maximise the commercial returns from the Port on a long term basis. This approach has achieved a 1595% total shareholder return (dividends plus share price appreciation) on the shareholders' original investment in the Port, or an average compounding return of approximately 20.3% per annum from 1992 to 2007.

The directors support the shareholders policy of maintaining a majority shareholding in POTL for the long-term benefit of the Bay of Plenty community; and in the half year have worked closely with the shareholder on the PPS issue which will provide infrastructure funding without jeopardising the shareholder's ownership of QHL or the Group's majority shareholding in the Port of Tauranga.

**QUAYSIDE HOLDINGS LIMITED AND SUBSIDIARY COMPANIES**  
**CONSOLIDATED CONDENSED INCOME STATEMENT (unaudited)**  
**FOR THE PERIOD ENDING 31 DECEMBER 2007**

	Six Months Dec 2007 \$000	Six Months Dec 2006 \$000	Year Jun 2007 \$000
<b>Income</b>			
Trading revenue	72,778	68,425	131,202
Other Income	3,363	3,567	6,680
Other gains/(losses)	914	2,717	13,420
<b>Total Income</b>	<b>77,055</b>	<b>74,709</b>	<b>151,302</b>
<b>Expenses</b>			
Employee benefit expenses	7,901	7,790	15,278
Depreciation	6,119	5,938	16,529
Trading and other expenses	27,666	23,940	43,415
Finance costs	9,820	9,353	18,085
<b>Total operating expenditure</b>	<b>51,506</b>	<b>47,021</b>	<b>93,307</b>
Share of profit of associates	2,333	3,391	5,398
<b>PROFIT BEFORE INCOME TAX</b>	<b>27,882</b>	<b>31,079</b>	<b>63,393</b>
Income tax expense	8,796	9,079	18,577
<b>Net profit after tax</b>	<b>19,086</b>	<b>22,000</b>	<b>44,816</b>
<b>Attributable to:</b>			
Equity holders of the parent	9,837	12,325	27,151
Minority Interest	9,249	9,675	17,665
	<b>19,086</b>	<b>22,000</b>	<b>44,816</b>
<b>Basic and diluted earnings per ordinary share (\$)</b>	<b>984</b>	<b>1,233</b>	<b>2,715</b>

**QUAYSIDE HOLDINGS LIMITED AND SUBSIDIARY COMPANIES**  
**CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY (unaudited)**  
**FOR THE PERIOD ENDING 31 DECEMBER 2007**

	Six Months Dec 2007 \$000	Six Months Dec 2006 \$000	Year Jun 2007 \$000
<b>Balance at Beginning</b>	<b>686,705</b>	<b>444,814</b>	<b>444,814</b>
Share based payment reserve	(110)	-	110
Cashflow hedges - net of tax	63	564	1,617
Revaluation gains - net of tax	-	-	122,726
Other reserves	(1,199)	(1,349)	-
Net income/(expense) recognised directly in equity	(1,246)	(785)	124,453
Profit for the year	9,837	12,325	27,151
 <b>TOTAL RECOGNISED REVENUES AND EXPENSES AFTER MINORITY INTEREST</b>	 <b>8,591</b>	 <b>11,540</b>	 <b>151,604</b>
Minority Interest Movement in Reserves			
Share based payment reserve	(90)	-	90
Cashflow hedges - net of tax	51	462	1,323
Revaluation gains - net of tax	-	-	100,457
Other reserves	(342)	-	-
Increase/(Decrease) in Minority Interest	(5,028)	2,157	5,265
Dividends Paid	(18,369)	(10,000)	(16,848)
 <b>Balance at end of period</b>	 <b>\$ 671,518</b>	 <b>\$ 448,973</b>	 <b>\$ 686,705</b>

**QUAYSIDE HOLDINGS LIMITED AND SUBSIDIARY COMPANIES**  
**CONSOLIDATED CONDENSED BALANCE SHEET (unaudited)**  
**AS AT 31 DECEMBER 2007**

	Six Months Dec 2007 \$000	Six Months Dec 2006 \$000	Year Jun 2007 \$000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	5,120	2,892	5,012
Derivative financial instruments	305	258	419
Trade and other receivables	26,544	23,728	28,136
Inventories	34	353	520
Taxation	-	-	99
<b>Total current assets</b>	<b>32,003</b>	<b>27,231</b>	<b>34,186</b>
<b>Non-Current Assets</b>			
Intangible Assets	1,179	1,637	1,339
Biological Assets	3,000	3,760	3,000
Trade and other receivables	35,860	36,349	36,846
Property, plant and equipment	788,229	542,673	766,630
Investments in associates	35,956	36,072	34,463
Other financial assets	78,968	84,757	82,748
Investment Properties	22,390	12,271	22,324
Derivative financial instruments	5,710	2,905	5,476
Deferred tax assets	849	1,749	1,591
<b>Total non-current assets</b>	<b>972,141</b>	<b>722,173</b>	<b>954,417</b>
<b>Total Assets</b>	<b>\$ 1,004,144</b>	<b>\$ 749,404</b>	<b>\$ 988,603</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	33,464	8,329	8,009
Borrowings	4,741	3,440	187,422
Provisions	942	479	715
Taxation	2,916	3,877	-
<b>Total current liabilities</b>	<b>42,063</b>	<b>16,125</b>	<b>196,146</b>
<b>Non-Current Liabilities</b>			
Borrowings	249,627	249,923	63,973
Provisions	621	732	641
Deferred tax liability	40,315	33,651	41,138
<b>Total non-current liabilities</b>	<b>290,563</b>	<b>284,306</b>	<b>105,752</b>
<b>Total Liabilities</b>	<b>\$ 332,626</b>	<b>\$ 300,431</b>	<b>\$ 301,898</b>
<b>Total Assets less Total Liabilities</b>	<b>671,518</b>	<b>448,973</b>	<b>686,705</b>



**QUAYSIDE HOLDINGS LIMITED AND SUBSIDIARY COMPANIES**  
**CONSOLIDATED CONDENSED BALANCE SHEET (unaudited)**  
**AS AT 31 DECEMBER 2007**

	Six Months Dec 2007 \$000	Six Months Dec 2006 \$000	Year Jun 2007 \$000
<b>EQUITY</b>			
Paid Up Capital	8,180	8,180	8,180
Reserves	302,949	178,812	302,995
Retained Earnings	76,066	75,935	85,175
Total equity attributable to equity holders of the Parent	<u>387,195</u>	<u>262,927</u>	<u>396,350</u>
Minority Interest	<u>284,323</u>	<u>186,046</u>	<u>290,355</u>
<b>Total Equity</b>	<u><u>671,518</u></u>	<u><u>448,973</u></u>	<u><u>686,705</u></u>

**QUAYSIDE HOLDINGS LIMITED AND SUBSIDIARY COMPANIES**  
**CONSOLIDATED CONDENSED CASH FLOW STATEMENT (unaudited)**  
**FOR THE PERIOD ENDING 31 DECEMBER 2007**

	Six Months Dec 2007 \$000	Six Months Dec 2006 \$000	Year Jun 2007 \$000
<b>Cash flow from operating activities</b>			
Cash inflows	73,175	57,781	132,063
Cash outflows	<u>(50,687)</u>	<u>(45,249)</u>	<u>(96,652)</u>
Net cash from operating activities	22,488	12,532	35,411
<b>Cash flows from investing activities</b>			
Cash inflows	10,694	11,891	18,802
Cash outflows	<u>(3,198)</u>	<u>(3,880)</u>	<u>(8,268)</u>
Net cash from investing activities	7,496	8,011	10,534
<b>Cash flows from financing activities</b>			
Cash inflows	2,657	739	96
Cash outflows	<u>(32,852)</u>	<u>(24,887)</u>	<u>(48,509)</u>
Net cash from financing activities	(30,195)	(24,148)	(48,413)
<b>Net increase/(decrease) in cash, cash equivalents and bank overdrafts</b>	<b>(211)</b>	<b>(3,605)</b>	<b>(2,468)</b>
Cash, cash equivalents and bank overdrafts at the beginning of the period	589	3,057	3,057
<b>Cash, cash equivalents and bank overdrafts at end of period</b>	<b><u>378</u></b>	<b><u>(548)</u></b>	<b><u>589</u></b>
<b>RECONCILIATION OF PROFIT FOR THE PERIOD TO CASHFLOWS FROM OPERATING ACTIVITIES</b>			
<b>Net surplus/(deficit) after tax</b>	<b>19,086</b>	<b>22,000</b>	<b>44,816</b>
Add/(subtract) non cash & non operating items	125	(9,269)	(8,047)
Add/(subtract) movements in working capital	<b>3,277</b>	<b>(199)</b>	<b>(1,358)</b>
<b>Net Cashflows from operating activities</b>	<b><u>22,488</u></b>	<b><u>12,532</u></b>	<b><u>35,411</u></b>

**QUAYSIDE HOLDINGS LIMITED AND SUBSIDIARY COMPANIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDING 31 DECEMBER 2007**

**1 Reporting Entity**

For the purposes of these half yearly condensed financial statements the reporting entity consists of Quayside Holdings Limited and its subsidiaries (together "the Group"). Its subsidiaries comprise: Quayside Properties Limited, Quayside Securities Limited and Quayside Unit Trust (all 100% beneficially owned) and Port of Tauranga Limited (54.99% owned) and Port of Tauranga Trustee Company Limited (100% owned by Port of Tauranga Limited).

Quayside Holdings Limited and its wholly owned subsidiary, Quayside Securities Limited, were established in July 1991. The primary objective of the Group was to acquire at valuation the shares in the Port of Tauranga Limited (POTL), then held by the Bay of Plenty Regional Council and, thereafter, to manage the shareholding, and subsequently other investments, in the interests of the Shareholder. A further wholly owned subsidiary, Quayside Properties Limited, was established in October 2003. The purpose of Quayside Properties Limited is direct investment in property.

**2 Statement of Accounting Policies**

The accounting policies used in the preparation of these half yearly financial statements are consistent with those used in the June 2007 Annual Report. These interim financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand and NZ IAS 34 'Interim Financial Reporting' and should be read in conjunction with the 2007 Annual Report. The interim financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993. The Group is designated as a profit oriented entity for financial reporting purposes. To ensure consistency with the current period, comparative figures have been restated where appropriate.

**3 Unaudited Financial Statements**

The half year financial statements as presented are unaudited.

**4 Dividends**

The following fully imputed dividends were paid by the Group.

	31/12/07	31/12/06
	NZ\$000	NZ\$000
Interim dividend of \$1,100 per share 26/10/07 (2006: \$1,000 per share)	11,000	10,000
Special dividend \$736.88 per share (2006: 0)	7,369	-
	18,369	10,000

The special dividend was paid after receiving the same amount as a special dividend from the Port of Tauranga Limited in October 2007.

**5 Net Tangible Asset Backing per Share**

	31/12/07	31/12/06	30/06/07
Net Tangible Assets per Ordinary Share (\$)	100,298	74,792	98,726

**QUAYSIDE HOLDINGS LIMITED AND SUBSIDIARY COMPANIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDING 31 DECEMBER 2007**

**6 Property, Plant and Equipment**

During the six months ended 31 December 2007, the Group acquired assets with a cost of \$27.22 million (six months ended 31 December 2006: \$1.41 million).

**7 Other Financial Assets**

Other Financial Assets include the Group's equity investments which were revalued to the market value as at 31 December 2007.

**8 Material Events Subsequent to Balance Date**

On 24 January 2008 the fully paid Redeemable Preference Shares were split into 200 million Perpetual Preference Shares (PPS). The PPS were capitalised into Quayside Holdings Limited by a charge of \$191.83 million against Retained Earnings.

**9 Segment Report**

At 31 December 2007, the Group is organised into two main business segments: Port Services and Investing activities.

The segment results for the six months ended 31 December 2007 are as follows:

	Port Operations \$000	Investment \$000	Total \$000
<b>Income</b>			
Trading revenue	72,143	635	72,778
Other Income	2,318	1,045	3,363
Other gains/(losses)	16	898	914
Total Income	74,477	2,578	77,055
<b>Expenses</b>			
Employee benefit expenses	7,901	-	7,901
Depreciation	6,119	-	6,119
Trading and other expenses	26,216	1,450	27,666
Finance costs	7,165	2,655	9,820
Total operating expenditure	47,401	4,105	51,506
Share of profit of associates	2,333	-	2,333
<b>PROFIT BEFORE INCOME TAX</b>	29,409	(1,527)	27,882
Income tax expense	8,862	(66)	8,796
<b>Net profit after tax</b>	20,547	(1,461)	19,086
<b>Attributable to:</b>			
Parent Company Shareholders	11,298	(1,461)	9,837
Minority Interest	9,249	-	9,249
	20,547	(1,461)	19,086

**QUAYSIDE HOLDINGS LIMITED AND SUBSIDIARY COMPANIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDING 31 DECEMBER 2007**

The segment results for the six months ended 31 December 2006 are as follows:

	Port Operations \$000	Investment \$000	Total \$000
<b>Income</b>			
Trading revenue	67,789	636	<b>68,425</b>
Other Income	2,155	1,412	<b>3,567</b>
Other gains/(losses)	842	1,875	<b>2,717</b>
<b>Total Income</b>	<b>70,786</b>	<b>3,923</b>	<b>74,709</b>
<b>Expenses</b>			
Employee benefit expenses	7,790	-	<b>7,790</b>
Depreciation	5,938	-	<b>5,938</b>
Trading and other expenses	23,038	902	<b>23,940</b>
Finance costs	7,083	2,270	<b>9,353</b>
<b>Total operating expenditure</b>	<b>43,849</b>	<b>3,172</b>	<b>47,021</b>
Share of profit of associates	3,391	-	<b>3,391</b>
<b>PROFIT BEFORE INCOME TAX</b>	<b>30,328</b>	<b>751</b>	<b>31,079</b>
Income tax expense	8,828	251	<b>9,079</b>
<b>Net profit after tax</b>	<b>21,500</b>	<b>500</b>	<b>22,000</b>
<b>Attributable to:</b>			
Parent Company Shareholders	11,825	500	<b>12,325</b>
Minority Interest	9,675	-	<b>9,675</b>
	<b>21,500</b>	<b>500</b>	<b>22,000</b>

10 Unrealised gains resulting from a revaluation to market value of publicly traded investments were \$739,000 (2006: \$1,431,000).

**QUAYSIDE HOLDINGS LIMITED AND SUBSIDIARY COMPANIES  
DIRECTORY**

**DIRECTORS**

Athole John Herbert of Tauranga  
Neil Francis Oppatt of Rotorua  
Michael John Smith of Tauranga  
Bryan David Riesterer of Opotiki  
Andrew John von Dadelszen of Tauranga  
John Morris Green of Rotorua

**CHIEF EXECUTIVE**

Alexander Wallace Lawrie of Whakatane

**SOLICITOR**

Cooney Lees & Morgan, Tauranga

**ACCOUNTANTS**

Quay Accountants Limited, Whakatane

**REGISTERED OFFICES**

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