QUAYSIDE HOLDINGS LIMITED
AND SUBSIDIARY COMPANIES

HALF YEAR REPORT

For

31 DECEMBER 2013

QUAYSIDE HOLDINGS LIMITED AND SUBSIDIARY COMPANIES
FOR THE SIX MONTHS ENDED 31 DECEMBER 2013

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DIRECTORS' REPORT TO SHAREHOLDERS

Unaudited Results for the Six Months to 31 December 2013

Group Net Profit after Tax (NPAT) for the six months was $42.1m (2012: $80.2m). 2012 included a one off gain of $38.3m in relation to the Port's sale of its investment in C3 Limited.

Port Segment Performance

The Port of Tauranga, New Zealand's largest port, reported good progress reinforcing its position as New Zealand's per-eminent freight gateway. The financial result for the six months to 31 December 2013 shows a net profit of $39.3m, being in line with the prior year result (2012 Underlying profit: $39.2m). Port operations included a 6.6% increase in exports and a 4.1% increase in imports by weight, with overall trade increasing by 5.8%. Standout performer was log exports, while container throughput was down 11.8% in the period.

The Port of Tauranga Chairman David Pilkington said "Port of Tauranga is very well positioned for the next phase of growth." "Our acquisition of a half share in PrimePort Timaru and the development of a freight hub in Rolleston, southwest of Christchurch, opens a new frontier of opportunities."

Markets continue to strongly price the Port of Tauranga shares, reflecting its on-going financial performance and its status as a quality infrastructure asset. The Port of Tauranga share price at 31 December 2013 was $13.70, against $13.85 at 30 June 2013 and $13.16 at 31 December 2012. Quayside held 54.94% of the Port of Tauranga at 31 December 2013, with a market value of $1,010m.

Investment Segment Performance

The Quayside Group delivered a $2.7m profit (2012: $6.0m) after tax for the first half of the year. Favourable global markets enabled the Quayside portfolio to deliver a gross return of 7.46% for the six months (2012: 14.3%). Operating and finance costs continue to track favourably against historical performance.

The Quayside Group paid dividends to Perpetual Preference Shareholders during the period of $3.9m in accordance with its prospectus. Dividends paid during the period to the Bay of Plenty Regional Council increased 22% over 2012.

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 2013 to 30 June 2014.

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, director John Green was re-appointed.

QUAYSIDE HOLDINGS LIMITED AND SUBSIDIARY COMPANIES
CONSOLIDATED INCOME STATEMENT
For the six months ended 31 December 2013

	Note	Unaudited Six months Dec 2013 $'000	Unaudited Six months Dec 2012 $'000	Audited Full year June 2013 $'000
Trading revenue		**137,466**	118,527	245,730
Other income		**6,647**	8,593	14,941
Operating income		**144,113**	127,120	260,671
Employee benefit expenses		**(22,416)**	(15,225)	(33,282)
Trading and other expenses		**(51,308)**	(44,885)	(92,995)
Operating expenses		**(73,724)**	(60,110)	(126,277)
Results from operating activities		**70,389**	67,010	134,394
Depreciation and amortisation		**(11,138)**	(8,584)	(18,558)
Operating profit before finance costs and taxation		**59,251**	58,426	115,836
Finance income		**935**	1,632	2,792
Finance expenses	7	**(8,504)**	(12,702)	(20,544)
Net finance costs		**(7,569)**	(11,070)	(17,752)
Gain on sale of associate		**-**	38,335	38,214
Share of profit from equity accounted investees		**4,059**	6,367	10,360
PROFIT BEFORE INCOME TAX		**55,741**	92,058	146,658
Income tax expense		**(13,677)**	(11,830)	(25,128)
PROFIT FOR THE PERIOD		**42,064**	80,228	121,530
Attributable to:				
Equity holders of the parent		**24,338**	46,797	71,016
Non-controlling interest		**17,726**	33,431	50,514
PROFIT FOR THE PERIOD		**42,064**	80,228	121,530

The accompanying notes form part of these financial statements.

QUAYSIDE HOLDINGS LIMITED AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 31 December 2013

	Note	Unaudited Six months Dec 2013 $'000	Unaudited Six months Dec 2012 $'000	Audited Full year June 2013 $'000
Net profit after tax		**42,064**	80,228	121,530
Other comprehensive income				
Effective portion of changes in fair value of cash flow hedges, net of tax		**2,961**	(1,597)	1,902
Change in fair value of cash flow hedges transferred to the income statement, net of tax		**1,412**	4,809	6,607
Changes in cash flow hedges transferred to property, plant and equipment, net of tax		**(58)**	512	696
Share of net change in cash flow hedge reserves of equity accounted investees		**244**	107	264
Share of net change in revaluation reserves of equity accounted investees		**-**	-	1,366
Total comprehensive income for the period		**46,623**	84,059	132,365
Total comprehensive income attributable to:				
Equity holders of the parent		**26,843**	48,902	76,969
Non-controlling interest		**19,780**	35,157	55,396
		46,623	84,059	132,365

The accompanying notes form part of these financial statements.

QUAYSIDE HOLDINGS LIMITED AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF MOVEMENTS IN EQUITY
For the six months ended 31 December 2013

	Share capital $'000	Hedging Reserve $'000	Revaluation Reserve $'000	Retained Earnings $'000	Non-controlling interest $'000	Total Equity $'000
Balance at 1 July 2012	200,011	(8,975)	328,399	(104,554)	330,620	745,501
Profit after tax	-	-	-	46,797	33,431	80,228
Net effective portion of changes in fair value of cash flow hedges, net of tax	-	(877)	-	-	(720)	(1,597)
Net change in fair value of cash flow hedges transferred to the income statement, net of tax	-	2,642	-	-	2,167	4,809
Net changes in cash flow hedges transferred to property, plant and equipment, net of tax	-	281	-	-	231	512
Share of net change in cash flow hedge reserves of equity accounted investees	-	59	-	-	48	107
Total comprehensive income	-	2,105	-	46,797	35,157	84,059
Non-controlling interest adjustments	-	-	-	298	(16)	282
Acquisition of non-controlling interest	-	-	-	(121)	242	121
Dividends paid to shareholders (Note 8)	-	-	-	(9,865)	(16,315)	(26,180)
Total transactions with owners	-	-	-	(9,688)	(16,089)	(25,777)
Balance at 31 December 2012	200,011	(6,870)	328,399	(67,445)	349,688	803,783
Profit after tax	-	-	-	24,219	17,083	41,302
Net effective portion of changes in fair value of cash flow hedges, net of tax	-	1,922	-	-	1,577	3,499
Net change in fair value of cash flow hedges transferred to the income statement, net of tax	-	988	-	-	810	1,798
Net changes in cash flow hedges transferred to property, plant and equipment, net of tax	-	101	-	-	83	184
Share of net change in cash flow hedge reserves of equity accounted investees	-	86	-	-	71	157
Share of net change in revaluation reserves of equity accounted investees	-	-	751	-	615	1,366
Total comprehensive income	-	3,097	751	24,219	20,239	48,306
Non-controlling interest adjustments	-	-	-	(298)	(23)	(321)
Acquisition of non-controlling interest	-	-	-	121	(121)	-
Dividends paid to shareholders	-	-	-	(9,865)	(12,087)	(21,952)
Total transactions with owners	-	-	-	(10,042)	(12,231)	(22,273)
Balance at 30 June 2013	200,011	(3,773)	329,150	(53,268)	357,696	829,816
Profit after tax	**-**	**-**	**-**	**24,338**	**17,726**	**42,064**
Net effective portion of changes in fair value of cash flow hedges, net of tax	**-**	**1,627**	**-**	**-**	**1,334**	**2,961**
Net change in fair value of cash flow hedges transferred to the income statement, net of tax	**-**	**776**	**-**	**-**	**636**	**1,412**
Net changes in cash flow hedges transferred to property, plant and equipment, net of tax	**-**	**(32)**	**-**	**-**	**(26)**	**(58)**
Share of net change in cash flow hedge reserves of equity accounted investees	**-**	**134**	**-**	**-**	**110**	**244**
Total comprehensive income	**-**	**2,505**	**-**	**24,338**	**19,780**	**46,623**
Non-controlling interest adjustments	**-**	**-**	**-**	**6**	**5**	**11**
Dividends paid to shareholders (Note 8)	**-**	**-**	**-**	**(11,198)**	**(15,711)**	**(26,909)**
Total transactions with owners	**-**	**-**	**-**	**(11,192)**	**(15,706)**	**(26,898)**
Balance at 31 December 2013	**200,011**	**(1,268)**	**329,150**	**(40,122)**	**361,770**	**849,541**

The accompanying notes form part of these financial statements.

QUAYSIDE HOLDINGS LIMITED AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2013

	Note	Unaudited Six months Dec 2013 $'000	Unaudited Six months Dec 2012 * Restated $'000	Audited Full year June 2013 $'000	Audited Opening July 2012 * Restated $'000
ASSETS					
Current assets					
Cash & cash equivalents		**29,941**	57,215	50,554	16,692
Trade and other receivables		**40,160**	36,062	34,967	36,488
Inventories		**1,163**	539	710	514
Derivative financial instruments		**-**	-	81	-
Other financial assets		**-**	-	1,300	-
Total current assets		**71,264**	93,816	87,612	53,694
Non-current assets					
Intangible assets		**43,191**	16,562	42,695	16,916
Biological assets		**1,253**	332	1,252	332
Advances and receivables		**-**	3,714	1,857	21,943
Property, plant and equipment	10	**965,042**	914,042	946,929	889,036
Investments in equity accounted investees		**69,610**	47,724	49,915	61,993
Other financial assets		**75,123**	64,159	69,754	57,365
Investment property		**8,905**	9,840	8,905	9,840
Total non-current assets		**1,163,124**	1,056,373	1,121,307	1,057,425
Total assets		**1,234,388**	1,150,189	1,208,919	1,111,119
LIABILITIES					
Current liabilities					
Trade and other payables		**19,619**	17,144	19,909	20,389
Loans and borrowings	11	**110,629**	256,709	146,312	140,961
Provisions		**2,505**	2,749	3,657	3,992
Derivative financial instruments		**143**	962	812	1,421
Deferred consideration		**1,500**	1,000	1,500	-
Provision for tax		**5,601**	3,135	8,146	8,956
Total current liabilities		**139,997**	281,699	180,336	175,719
Non-current liabilities					
Trade and other payables		**48**	-	52	-
Loans and borrowings	11	**191,084**	666	139,767	120,052
Provisions		**1,186**	1,275	1,298	2,487
Deferred consideration		**500**	-	500	1,000
Derivative financial instruments		**3,265**	16,116	8,692	20,827
Deferred tax liability		**48,767**	46,650	48,458	45,533
Total non-current liabilities		**244,850**	64,707	198,767	189,899
Total liabilities		**384,847**	346,406	379,103	365,618
NET ASSETS		**849,541**	**803,783**	**829,816**	**745,501**

* Refer note 11(b)

The accompanying notes form part of these financial statements.

QUAYSIDE HOLDINGS LIMITED AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2013

	Note	Unaudited Six months Dec 2013 $'000	Unaudited Six months Dec 2012 Restated $'000	Audited Full year June 2013 $'000	Audited Opening July 2012 Restated $'000
EQUITY					
Paid up capital		**200,011**	200,011	200,011	200,011
Reserves		**327,882**	321,529	325,377	319,424
Retained Earnings		**(40,122)**	(67,445)	(53,268)	(104,554)
Total equity attributable to equity holders of the Parent		**487,771**	454,095	472,120	414,881
Non-controlling interest		**361,770**	349,688	357,696	330,620
TOTAL EQUITY		**849,541**	**803,783**	**829,816**	**745,501**

The accompanying notes form part of these financial statements.

QUAYSIDE HOLDINGS LIMITED AND SUBSIDIARY COMPANIES
CONDENSED STATEMENT OF CASHFLOWS
For the six months ended 31 December 2013

	Note	Unaudited Six months Dec 2013 $'000	Unaudited Six months Dec 2012 $'000	Audited Full year June 2013 $'000
Cash flows from operating activities				
Cash inflows		**136,028**	124,483	253,886
Cash outflows		**(101,430)**	(97,403)	(170,654)
Net cash flows from operating activities		**34,598**	27,080	83,232
Cash flows from investing activities				
Cash inflows		**9,821**	78,413	87,455
Cash outflows		**(53,032)**	(35,170)	(113,212)
Net cash flows from investing activities		**(43,211)**	43,243	(25,757)
Cash flows from financing activities				
Cash inflows		**51,088**	413	30,000
Cash outflows		**(63,088)**	(30,213)	(53,613)
Net cash flows from financing activities		**(12,000)**	(29,800)	(23,613)
Net increase/(decrease) in cash and cash equivalents		**(20,613)**	40,523	33,862
Cash and cash equivalents at the beginning of the period		**50,554**	16,692	16,692
Cash and cash equivalents at the end of the period		**29,941**	57,215	50,554

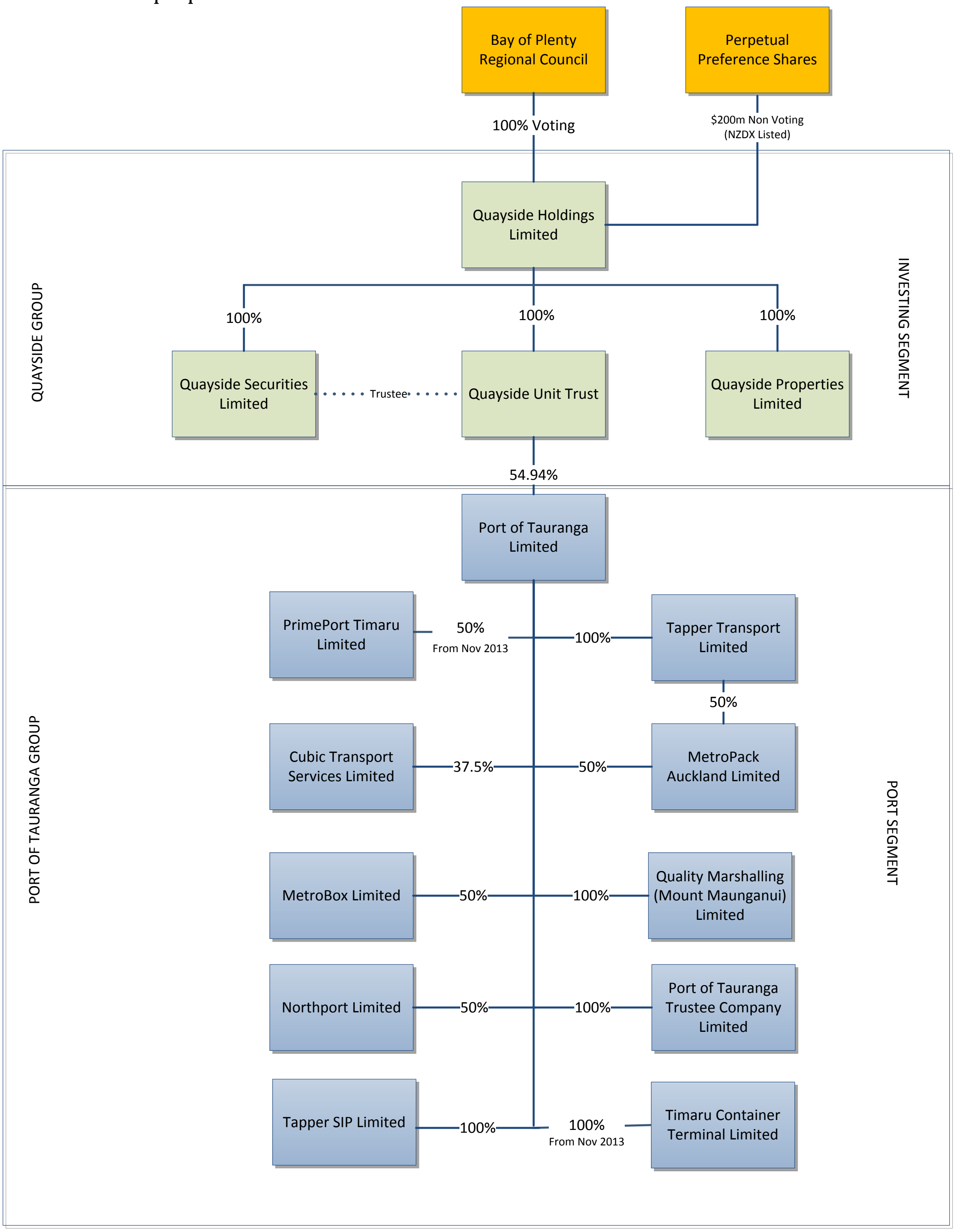
RECONCILIATION OF PROFIT FOR THE PERIOD TO CASH FLOWS FROM OPERATING ACTIVITIES

Profit for the period	**42,064**	80,228	121,530
Add/(subtract) non-cash and non-operating items	**762**	(43,759)	(40,608)
Add/(subtract) movements in working capital	**(8,228)**	(9,389)	2,310
Net cash flows from operating activities	**34,598**	27,080	83,232

The accompanying notes form part of these financial statements.

1 Reporting Entity

Quayside Holdings Limited is a company domiciled in New Zealand. The condensed consolidated interim financial statements of the Company as at and for the six months ended 31 December 2013 comprises the Company and its subsidiaries and the Group's interests in equity accounted investees (together referred to as the 'Group'). The parent and ultimate controlling entity of Quayside Holdings Ltd is the Bay of Plenty Regional Council. These financial statements are prepared in New Zealand dollars.



2 BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and New Zealand International Accounting Standard (NZ IAS) 34 *Interim Financial Reporting.* They do not include all 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 the Quayside Holdings Limited's Annual Report for the year ended 30 June 2013. These condensed consolidated financial statements were approved by the Board of Directors on 26 February 2014.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Group in these condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements as at and for the year ended 30 June 2013. In addition, the following new standards were applied during the period:

NZ IFRS 12 Disclosures of Interests in Other Entities

NZ IFRS 12 sets out the required disclosures for entities reporting under the two new standards, NZ IFRS 10 Consolidated Financial Statements and NZ IFRS 11 Joint Arrangements, and replaces the disclosure requirements previously found in NZ IAS 28 Investments in Associates and Joint Ventures. The Group has applied these three new standards from 1 July 2013; however the changes have had no effect on any of the amounts recognised or the information disclosed in relation to the Group's investments in the interim financial statements.

NZ IFRS 13 Fair Value Measurement

NZ IFRS 13 establishes a single framework for measuring fair value when such measurements are required or permitted by other standards. It also replaces and expands the disclosure requirements about fair value measurement in other standards, including NZ IFRS 7 Financial Instruments: Disclosures. Those disclosures which are specifically required in interim financial statements have been applied by the Group in the current period. Specifically, the Group has included additional disclosures relating to the fair value of financial instruments (refer note 5). In accordance with the transitional provisions of NZ IFRS 13, the Group has applied the new fair value measurement guidance prospectively, and has therefore not provided any comparative information for the new disclosures. Notwithstanding the above, the change has had no significant impact on the measurements of the Group's assets and liabilities.

There are no amendments or revisions to NZ IFRS that have had a material impact on these interim financial statements.

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 2013.

5 FINANCIAL INSTRUMENTS

Financial Instruments Carried at Fair Value

(a) Fair Value Hierarchy

The following table analyses financial instruments classified as either designated at fair value or held for trading through the income statements, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices), or indirectly (ie as derived from prices).

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable outputs).

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
GROUP 2013				
Assets per the statement of financial position				
Other financial assets	73,823	-	-	73,823
Total assets	73,823	-	-	73,823
Liabilities per the statement of financial position				
Derivative financial instruments	-	(3,408)	-	(3,408)
Total liabilities	-	(3,408)	-	(3,408)

There have been no transfers between levels during the period.

The fair value of financial instruments traded in active markets is based upon 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 reporting date.

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

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty where appropriate.

(b) Fair Values

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

6 SEGMENT INFORMATION

At 31 December 2013 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). Both business segments operate in one geographic segment, being New Zealand.

Although the Port of Tauranga Group reports four 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 2013 are as follows:

	Port $'000	Investing $'000	Total $'000
31 December 2013			
Revenue (from external customers)	**137,110**	**356**	**137,466**
Other income	**1**	**25,805**	**25,806**
Inter-segment revenue	**-**	**(19,159)**	**(19,159)**
	137,111	**7,002**	**144,113**
Share of profit from equity accounted investees	**4,059**	**-**	**4,059**
Finance income	**647**	**288**	**935**
Finance costs	**(7,293)**	**(1,211)**	**(8,504)**
Depreciation & amortisation	**(11,138)**	**-**	**(11,138)**
Other expenditure	**(70,367)**	**(3,357)**	**(73,724)**
Income tax expense	**(13,677)**	**-**	**(13,677)**
Profit after income tax	**39,342**	**2,722**	**42,064**
31 December 2012			
Revenue (from external customers)	118,489	38	118,527
Other income	100	28,389	28,489
Inter-segment revenue	-	(19,896)	(19,896)
	118,589	8,531	127,120
Gain on sale of associates	38,335	-	38,335
Share of profit from equity accounted investees	6,367	-	6,367
Finance income	1,358	274	1,632
Finance costs	(11,412)	(1,290)	(12,702)
Depreciation & amortisation	(8,584)	-	(8,584)
Other expenditure	(58,614)	(1,496)	(60,110)
Income tax expense	(11,830)	-	(11,830)
Profit after income tax	74,209	6,019	80,228

7 FINANCE EXPENSES

	Six Months Ended 31 Dec 2013 $000	Six Months Ended 31 Dec 2012 $000
Interest expense on borrowings	**(8,579)**	(8,261)
Less: interest capitalised to property, plant and equipment	**208**	510
	(8,371)	(7,751)
Loss on termination of interest rate swaps	**-**	(4,610)
Interest on finance leases	**(64)**	(40)
Interest on deferred consideration	**(90)**	(35)
Interest on contingent consideration	**-**	(34)
Ineffective portion of changes in fair value of cash flow hedges	**21**	(232)
Total finance expenses	**(8,504)**	(12,702)

8 DIVIDENDS

The following net dividends were paid by the parent company. All dividends paid were fully imputed.

	Six Months Ended 31 Dec 2013 $000	Six Months Ended 31 Dec 2012 $000
Ordinary Shares		
Interim dividend (23/10/13) of $729.55 per share (2012: $596.25 per share)	**7,296**	5,963
Perpetual Preference Shares		
Quarterly dividend (12/9/13) 0.975 cents per share (2012: 0.975 cents per share)	**1,951**	1,951
Quarterly dividend (12/12/13) 0.975 cents per share (2012: 0.975 cents per share)	**1,951**	1,951
	3,902	3,902
Total Dividends Paid	**11,198**	9,865

The dividend cents per share, for the Perpetual Preference Shares, includes resident withholding tax of 5% paid by the Group on behalf of shareholders. The next dividend reset date will be 14 March 2014.

9 BUSINESS COMBINATIONS

During the period the Port of Tauranga Group has made a number of acquisitions. The Port of Tauranga Group has yet to finalise the accounting for these business combinations and at reporting date the amounts reflected below are provisional.

(a) Acquisition of Priority Logistics Group

On 1 July 2013 Tapper Transport Limited purchased Priority Logistics Group (Priority Logistics), a transport and logistics group based in Mount Maunganui.

Priority Logistics has a fleet of 35 trucks and warehouses providing transport and logistical solutions for containers, loose container load freight in the Bay of Plenty, and bulk liquid distribution throughout the North Island.

In the six months to 31 December 2013, Priority Logistics contributed revenue of $5.977 million and profit of $0.507 million.

The following table summarises the major classes of consideration transferred, and the recognised amounts of assets acquired, and liabilities assumed at acquisition date:

	$000
Consideration transferred	
Cash	10,000
Total consideration transferred	**10,000**
Fair value of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	9,239
Employee liabilities	(137)
Total net identifiable assets	**9,102**
Total goodwill	**898**

The Port of Tauranga Group incurred acquisition costs of $26,455 relating to external legal fees. These costs have been included in other expenses in the Income Statement.

Contingent Consideration

The Port of Tauranga Group has agreed to pay the vendors of Priority Logistics additional payments of up to $1,000,000 contingent upon the realisation of certain profit forecasts over a two year period. Upon acquisition, no contingent consideration has been recognised as it is considered unlikely that these earn out targets will be achieved.

9 BUSINESS COMBINATIONS (continued)

(b) Purchase of the Container Terminal Assets of PrimePort Timaru

On 29 November 2013 Timaru Container Terminal Limited, a newly incorporated 100% subsidiary of Port of Tauranga Limited, purchased the container terminal assets of PrimePort Timaru and took over existing terminal operations. The major assets acquired included mobile harbour cranes and the forklift fleet.

Operating the Timaru Container Terminal fits strategically with Port of Tauranga's vision of becoming New Zealand's hub port. It will allow South Island exporters and importers to benefit from the large number of international services that call at Tauranga, share the significant freight savings that will come with the arrival in New Zealand of the next generation of large ships and benefit from Port of Tauranga's container terminal expertise and world class productivity.

In the period since acquisition, Timaru Container Terminal Limited has contributed revenue of $0.418 million and after-tax profit of $0.011 million.

The following table summarises the major classes of consideration transferred to acquire the assets and liabilities assumed at the acquisition date:

	$000
Consideration transferred	
Cash	2,062
Total consideration transferred	**2,062**
Fair value of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	2,072
Employee liabilities	(10)
Total net identifiable assets	**2,062**
Total goodwill	**-**

The Port of Tauranga Group incurred acquisition costs of $16,052 relating to external legal fees. These costs have been included in other expenses in the Income Statement.

Transactions Separate from the Business Combination

Commencing 1 December 2013, Timaru Container Terminal Limited entered into a Lease Agreement with PrimePort Timaru Limited for the lease of the container terminal at the Port of Timaru. The initial lease term is for 15 years, with two ten-year rights of renewal.

9 BUSINESS COMBINATIONS (continued)

(c) Purchase of 50% Interest in PrimePort Timaru Limited

On 29 November 2013 Port of Tauranga Limited acquired a 50% shareholding in PrimePort Timaru Limited, as part of a strategic alliance to facilitate coastal shipping and to promote the development of Port services in Timaru.

The following table summarises the major classes of consideration transferred, and the recognised amounts of assets acquired, and liabilities assumed at acquisition date:

	$000
Consideration transferred	
Purchase of shares for cash	19,611
Legal fees and due diligence expenses	160
Total consideration transferred	**19,771**
Fair value of identifiable assets	**19,501**
Total goodwill	**270**

10 PROPERTY, PLANT AND EQUIPMENT

Acquisitions and Disposals

During the six months ended 31 December 2013, the Group acquired assets with a cost of $28.857 million (2012: $33.534 million). Included in the current year are $11.311 million (2012: nil) of assets acquired as part of business combinations (refer note 9).

During the six months ended 31 December 2013, the Group disposed of assets with a carrying value of $0.389 million (2012: $0.040 million).

11 LOANS AND BORROWINGS

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

	Unaudited Six months Dec 2013 $'000	Unaudited Six months Dec 2012 * Restated $'000	Audited Full year June 2013 $'000	Audited Opening July 2012 * Restated $'000
Current liabilities				
ANZ - Tranche B	-	64,475	-	-
Commercial papers - refer note 11(b)	**110,000**	145,000	146,000	140,000
Standby revolving cash advance facility	-	45,000	-	-
Multi option facility	-	2,000	-	-
Advances from employees	-	-	-	286
Advance from associate	-	-	74	325
Finance lease liabilities	**629**	234	238	350
Total current liabilities	**110,629**	256,709	146,312	140,961
Non-current liabilities				
Westpac - Tranche A	**60,000**	-	60,000	-
ANZ - Tranche B	-	-	-	64,975
Standby revolving cash advance facility	**80,000**	-	79,000	55,000
Advances from employees	**233**	78	71	-
Fixed-rate bond - refer note 11 (a)	**50,000**	-	-	-
Finance lease liabilities	**851**	588	696	77
Total non-current liabilities	**191,084**	666	139,767	120,052
Total loans and borrowings	**301,713**	257,375	286,079	261,013

* Refer note 11(b)

(a) Fixed Rate Bond

On 29 October 2013 the Port of Tauranga Limited issued a six year $50 million fixed rate bond bearing a fixed interest rate of 5.865% per annum. Interest is payable every six months on 29 April and 29 October and the bond has a final maturity in October 2019. The Group incurred costs of $0.109 million in connection with the issuance of the bond, which were capitalised. These costs are being amortised equally over the term of the bond. An amortisation expense of $3,185 has been recognised as part of the interest expense during the period.

(b) Reclassification of Comparatives

In previous years, acting on professional advice, commercial papers have been classified as non-current liabilities on the basis that they are an integral component of the Port of Tauranga Group's standby revolving cash advance facility and are interchangeable with bank borrowings. Commercial paper debt had been treated as a term liability for financial reporting purposes because in the event that commercial papers could not be issued, the Port of Tauranga Limited has the contractual right to draw down on fully committed term banking facilities.

During the period ended 30 June 2013, the Directors received new professional advice that on a strictly technical analysis, commercial papers as an instrument within the facility are current liabilities. As such they have been reclassified as current liabilities. The comparatives have been restated to conform with disclosure requirements at the reporting date. The commercial paper programme is fully backed by committed and undrawn term bank facilities.

12 RELATED PARTY TRANSACTIONS

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. During the six months ended 31 December 2013, the related party transactions and balances with subsidiaries and equity accounted investees were as follows:

	Six Months Ended 31 Dec 2013 $000	Six Months Ended 31 Dec 2012 $000
QUAYSIDE GROUP		
Bay of Plenty Regional Council		
Dividends paid by Quayside Holdings Limited	**7,296**	5,963
Services provided to Quayside Holdings Limited	**15**	8
Accounts payable by Quayside Holdings Limited	**2**	3
Services provided to Quayside Properties Limited	**2**	5
Quayside Properties Limited		
Interest paid to Quayside Holdings Limited	**225**	233
Interest payable to Quayside Holdings Limited	**57**	107
Loan payable to Quayside Holdings Limited	**11,397**	11,697
Quayside Unit Trust		
Interest paid to Quayside Holdings Limited	**719**	706
Interest payable to Quayside Holdings Limited	**196**	135
Loan payable to Quayside Holdings Limited	**36,195**	36,195
Dividend paid to Quayside Holdings Limited	**11,500**	20,600
Quayside Securities Limited		
Subvention payment made to Quayside Holdings Limited	**17**	19
PORT OF TAURANGA GROUP		
Bay of Plenty Regional Council		
Services provided to Port of Tauranga Limited	**10**	15
Accounts payable by Port of Tauranga Limited	**-**	1
Northport Limited		
Services provided by Port of Tauranga Limited	**15**	8
Accounts receivable by Port of Tauranga Limited	**4**	3
MetroBox Limited (previously Metrobox Auckland Limited)		
Advances by Port of Tauranga Limited	**1,785**	1,785
Services provided to Tapper Transport Limited	**18**	24
Accounts payable by Tapper Transport Limited	**3**	6

12 RELATED PARTY TRANSACTIONS (continued)

	Six months ended 31 Dec 2013 $'000	**Six months ended 31 Dec 2013 $'000**
Cubic Transport Services Limited		
Services provided to Tapper Transport Limited	**10**	-
Services provided by Tapper Transport Limited	**321**	511
Accounts receivable by Tapper Transport Limited	**36**	87
Accounts payable by Tapper Transport Limited	**2**	-
PrimePort Timaru Limited		
Services provided to Timaru Container Terminal Limited	**177**	-
Accounts payable by Timaru Container Terminal Limited	**178**	-

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

During the six months ended 31 December 2013, 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 and executive officers in addition to their Directors' fees or salaries.

	Six Months Ended 31 Dec 2013 $000	Six Months Ended 31 Dec 2012 $000
Short term employee benefits		
Directors fees	**431**	402
Executive salaries	**2,286**	1,778

13 COMMITMENTS

	Six Months Ended 31 Dec 2013 $000	Six Months Ended 31 Dec 2012 $000
Capital commitments		
Estimated capital commitments for the Group, contracted for at balance date but not provided for:	**55,629**	53,004

$0.6m of the capital commitments relates to the Quayside Group, for the construction of culverts on industrial land. Other capital commitments relate to the Port of Tauranga Group for the purchase of Gateside Industrial Park in Auckland, two tugs, a container crane, a number of small items of operational plant and a contribution to Nga Matarae Trust.

14 SUBSEQUENT EVENTS

Port of Tauranga Limited has signed a conditional agreement with the Selwyn District Council to purchase 15 hectares of land in the Izone Industrial Park at Rolleston for development as an intermodal freight hub. The Izone development is a 180 hectare industrial park 12 kilometres south of Christchurch, with excellent road and rail connections, which has been established to cater for manufacturing, warehousing and logistics businesses. Port of Tauranga is planning to establish an intermodal freight hub to receive, pack and distribute containerised cargo. The proposed purchase amounts to $15 million.

Port of Tauranga Limited, KiwiRail Limited and Specialised Container Services (Auckland) Limited have signed a heads of agreement to expand the services of MetroBox Limited (previously MetroBox Auckland Limited) to an additional site at Southdown, Auckland. The arrangement will see the restructure of the ownership of MetroBox Limited, which is currently jointly owned by Port of Tauranga Limited and KiwiRail Limited with the parties holding 50% each. The shareholding in the restructured entity is proposed to be 37.5%, 37.5%, and 25.0% owned by Port of Tauranga Limited, Specialised Container Services (Auckland) Limited, and KiwiRail Limited respectively. The changes are expected to take place before 31 March 2014.

QUAYSIDE HOLDINGS LIMITED AND SUBSIDIARY COMPANIES
DIRECTORY
as at 31 December 2013

Directors holding office at 31 December 2013 were:

Quayside Group

M J Smith (Chair)
J M Green QSM
M MacLeod
J M Nees
R B Tait
P J Thompson

Port of Tauranga Group

D A Pilkington (Chair)
A W Baylis
J M Cronin MNZM
K R Ellis
M J Smith
Sir Dryden Spring
K Tempest

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
PO Box 143
Tauranga 3110

Registered Office

Level 4
Regional House
1 Elizabeth Street
Tauranga 3110
Ph: 07 922 3336