Annual Report | **2019**

QUAYSIDE
HOLDINGS

HAMBURG SÜD
MAERSK
YX
VT
R18
R17
MAERSK
MCRU
206 298 3
22R1


TRITON
seaco
ONE
HAMBURG SÜD
HAMBURG

The Quayside Group

Quayside Holdings Limited ("Quayside") is the commercial investment arm of the Bay of Plenty Regional Council ("BOPRC"). BOPRC is the 100% owner of ordinary shares in Quayside, and as such Quayside is a collection of Council Controlled Organisations and Council Controlled Trading Organisations under the Local Government Act 2002.

Quayside was established in 1991, when it acquired from BOPRC, a holding of 55% of the Port of Tauranga Limited ("Port"). This asset of $53 million at the time, has seen significant growth, allowing Quayside to diversify its portfolio to establish an asset base with a market value of $2,302 million at 30 June 2019.

In addition to growing an asset base, Quayside has also been able to provide distributions and capital through share issues worth over $500 million for the benefit of BOPRC, including a $31.2 million distribution for the year ending 30 June 2019.

In 2008, BOPRC issued $200 million of Perpetual Preference Shares in Quayside to investors. The funds provide infrastructure benefit for the region via BOPRC. These investors in turn, receive from Quayside, an annual dividend. The current rate of return is 4.32%.

Our Mandate

Quayside's objective is to effectively and efficiently manage investment assets for commercial return, thereby providing growth and income to regional stakeholders.

In 2015, BOPRC through its Long Term Plan identified a financial strategy that provided for Quayside to retain a portion of its profits to invest, allowing Quayside to enhance regional development and diversify, making the dividend to BOPRC more stable, and establishing a fund to buffer against poor investment returns. BOPRC reaffirmed this role in its 2018 Long Term Plan.

Quayside sets annual performance targets with BOPRC annually through its Statement of Intent, (available on Quayside's website at **www.quaysideholdings.co.nz**). Progress in meeting performance targets and strategic updates, is provided to BOPRC three times a year.

Quayside reports to Perpetual Preference Shareholders via the New Zealand share market ("NZX") twice a year on the financial performance of the Group.

Chair and Chief Executive Report

R McLeod
Chairman

"The Group has delivered against it's mandate, continuing to diversify it's portfolio of assets"

Quayside Holdings Limited and subsidiaries ("the Group") is pleased to report and share with you the highlights of the 28th Annual Report for the year ended 30 June 2019.

The Group has delivered against its mandate, continuing to diversify its portfolio of assets to support shareholder growth and sustained benefits to the Bay of Plenty region. Strong progress has been highlighted by the performance of kiwifruit investment, both in deriving returns on Quayside land and the development of Maori land through our partnership vehicle with Te Tumu Paeroa, Huakiwi Services Limited.

The Port of Tauranga had a superb year, with a record result, providing Quayside a strong base for it to deliver its wider objectives.

The Group was also pleased to provide net distributions of $31.2 million to BOPRC and $6.2 million to Perpetual Preference Shareholders. All dividends were fully imputed.

Group Performance

Quayside's 2019 result is very strong, with a record profit achieved by the Group's main asset, the Port of Tauranga.

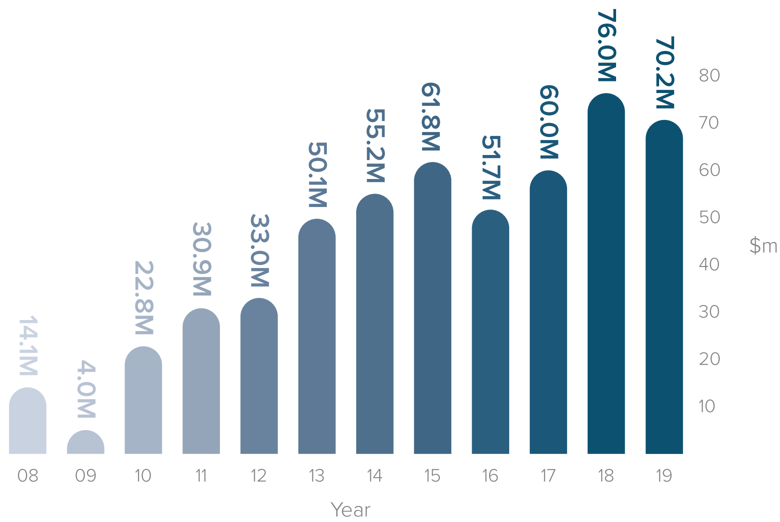
The result of the broader Group is also very strong but reflects a more volatile investment market in which it operates compared with the result achieved in the prior twelve months.

The Port of Tauranga delivered record cargo volumes across the quay, handling more than 26.9 million tonnes of cargo, an increase of 10.2% by volume on the prior year. The Port, when including special dividends distributed more than $100m during the year, more than double that of New Zealand's second biggest port. The Port of Tauranga has definitely established itself as New Zealand's hub port.

Quayside continued to show the benefit of a more diversified portfolio, despite greater volatility in the equity markets. Many of the newer assets of the group are in stages of relatively early development but show good potential for cash flows in future periods.

Quayside was pleased to provide a record dividend to shareholders.

	30 June 2019 $000	30 June 2018 $000	% Change
Port Operations – NPAT	100,577	94,273	6.69
Quayside Operations	18,070	24,282	(25.58)
Subvention Payment	(3,004)	0	(100.00)
Group Profit	115,643	118,555	(2.46)
Less Minority Interest	(45,440)	(42,592)	6.69
Profit Attributable to Quayside	70,203	75,963	(7.58)



Quayside Group Net Profit After Tax

Diversified Investment Assets

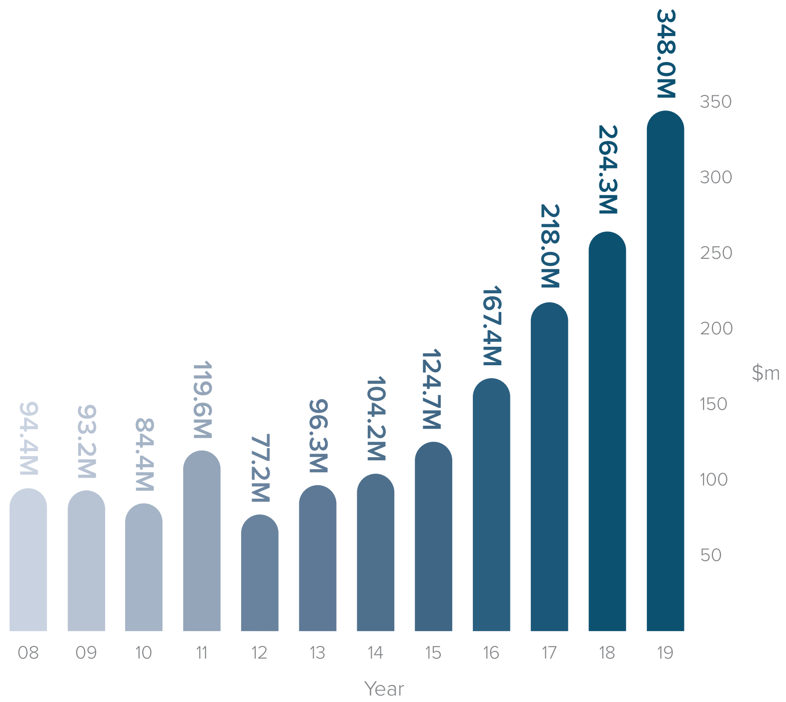
Quayside recognises the importance of the Port investment for the Bay of Plenty economy and its shareholders. The Group is also securing its financial future through diversifying its income earning asset base.

The non-port component of the Quayside balance sheet continues to grow, up 31.7% in the past year, to $348 million. This growth represents a combination of capital growth, income retained, and leverage added to support additional diversified assets. The Group strategically continues to seek alternate investments as it looks to enhance the earning contribution from non-port sources.

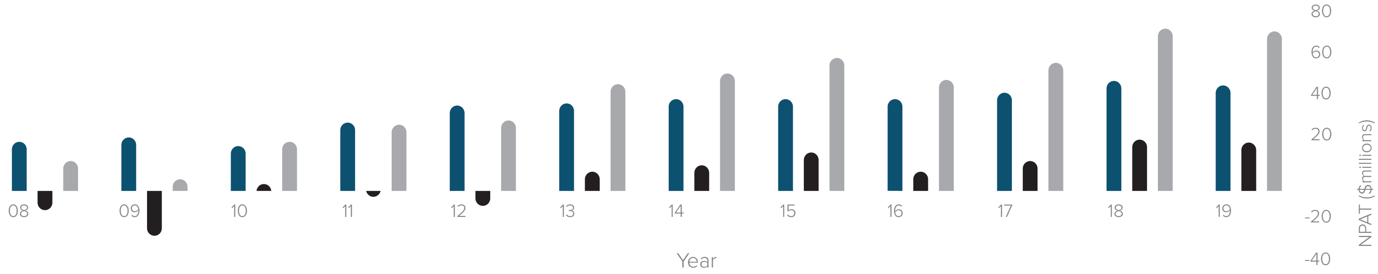
The financial highlight was the record profit of the Port of Tauranga.

Quayside's own operations across the non-port sector delivered another strong result, with a profit from operations of $21.1 million, down 13% on last year's record result. The result was still in excess of our financial target but reflected greater volatility in investment markets.

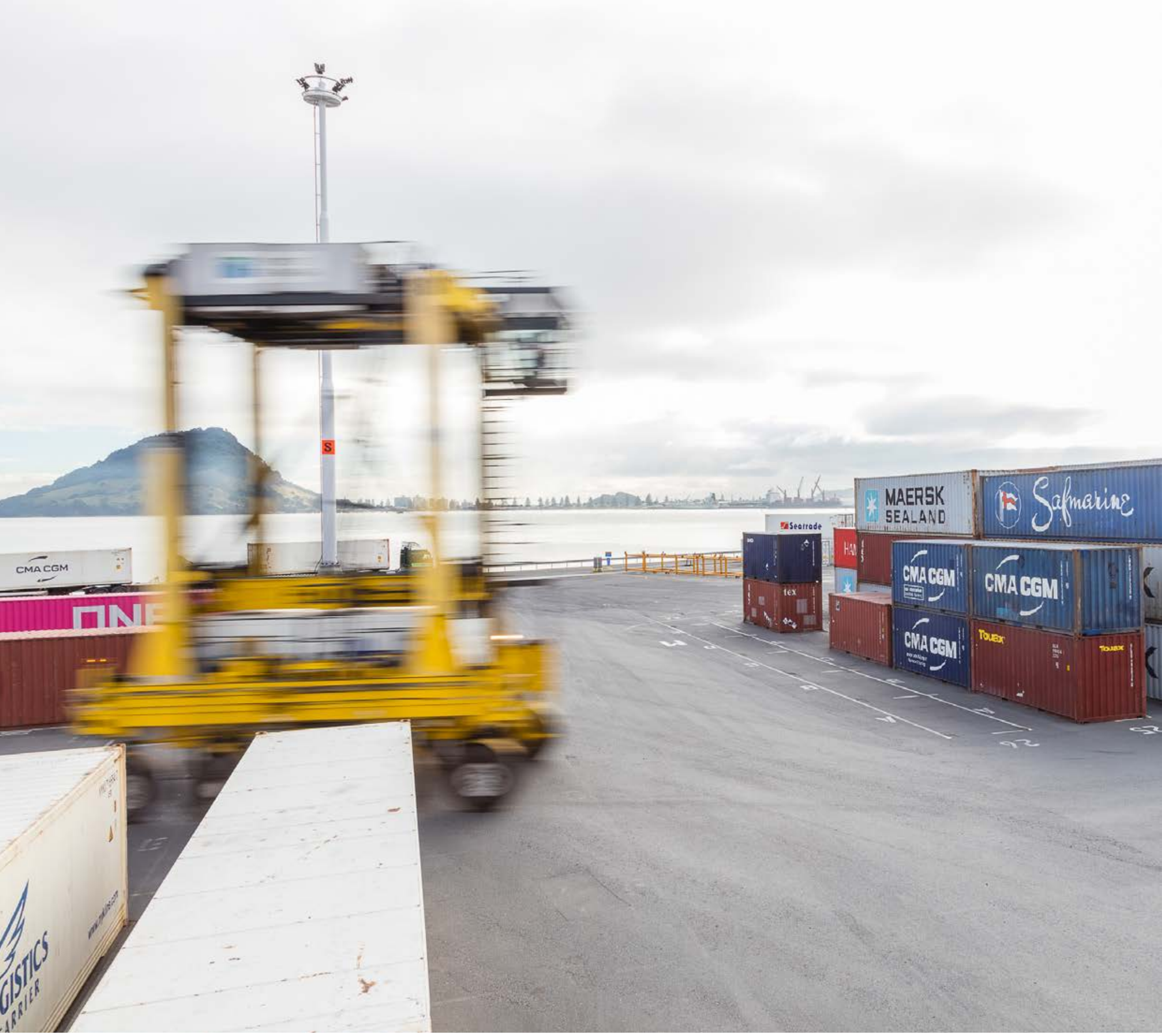
The Group also made a tax subvention payment to the Bay of Plenty Regional Council of $3.0 million during the year, which for accounting purposes is reflected as an expense in the Group's accounts.



Quayside Non-Port Assets



Quayside Group NPAT



Governance

The board of directors ("board") were pleased to report to the Bay of Plenty Regional Council (BOPRC) that its objectives under the 2018-19 Statement of Intent had been fully achieved.

During the term Ms Jane Nees retired from the board after ten years as a director, while Mr Stuart Crosby joined the board.

The board was also pleased to make a total net distribution of $37.4 million to the BOPRC and Perpetual Preference Shareholders during the year, an increase of 17.9%.

We wish to thank the BOPRC and the Perpetual Preference Shareholders for their ongoing support.

R McLeod
Chairman

A S Hamilton
Chief Executive

Port Investment

Port of Tauranga ('The Port') delivered a strong year of financial performance, achieving the first Net Profit After Tax of over $100million for a New Zealand Port.

The Port share price rallied alongside its listed peers during the year, finishing the year at $6.25 per share, a 22.8% increase over last years close of $5.09. The value of the Quayside holding in Port of Tauranga had a market price of $2,302 million at 30 June 2019.

Financial Performance

The Port published their financial performance to the market on 28 August 2019.

The Port Group Net Profit After Tax was up 6.7% to $100.6 million.

For some divisions within the Port business Group, results were down 27.5% to $11.9 million, largely due to underperformance by the logistics company, CODA. Investments in other ports around New Zealand, namely Northport outside Whangarei, and PrimePort in Timaru delivered strong results despite each experiencing a small decline in volume over their respective quays.

The Port land assets were revalued upward by $72.8 million during the year.

As part of its profit announcement the Port noted the last of four years of its 5 cent per share special dividends. The Port has announced a four-year continuation of the special dividend programme at 2.5 cents per share.

Delivering Growth

The Port result shows the benefit of its $350 million capital works programme undertaken over the past decade.

The benefit of being able to attract bigger ships to Tauranga's port is demonstrated through the number of transhipped containers, rising 11.2%. Transhipped containers are shipped to or from domestic New Zealand ports via Tauranga as a hub port. 2019 showed increases in transhipped volumes from Lyttelton, Napier and Nelson.

Overall the number of containers across the quay was up 4.3% to 1,233,177 TEU. The Port now handles 44% more container volume than New Zealand's second largest port.

The Port's strength is its diversity of cargo. Log exports were up 12.5% to 7,063,000 JASM. Growth was also achieved in the kiwifruit sector exports, while dairy and agricultural exports and imports were largely flat.

Licence to Operate

The Port is privileged to operate in a pristine marine environment. Over the reporting year some 116 cruise boats visited Tauranga, providing significant tourism revenue to the local communities.

Regarding its environmental obligations the Port's CEO, Mark Cairns noted:

"We take climate change seriously in our business and we are proud to have one of the lowest carbon emissions per tonne of cargo handled of any port in New Zealand. We are committed to the Paris Agreement target to keep global warming well below two degrees."

Port of Tauranga has gained CEMARS (Certified Measurement and Reduction Scheme) accreditation of its carbon emissions measurement and management.

The Port has set an initial short-term goal of a 5% reduction in Scope 1 emissions per cargo tonne and is targeting net-zero emissions by 2050.

Mr Cairns says the Company will "inset" the potential cost of carbon offsets by investing in sustainability initiatives within the business.

"This year we have set aside $1 million which we are investing in more expensive battery-hybrid straddle carriers. The largest source of our emissions is from diesel-powered straddle carriers at the container terminal," he says.

"We are also replacing light vehicles with electric or hybrid models where available and using biodiesel where we can. Our modern fleet of ship-to-shore gantry cranes now all have sophisticated electric motors that re-generate up to 700 kw of electricity when lowering a container onto the vessel or terminal, which can then be made available to any adjacent cranes lifting containers or fed into the reefer blocks, greatly reducing our electricity consumption," he says.

"We favour rail transport over road because of the lower emissions and are working with our rail partners KiwiRail to reduce train-related emissions through efficiency and technology. We are also working with our partners Pacifica Shipping to promote greater use of coastal shipping where feasible," he says.

The availability of rail and coastal shipping to consolidate cargo at the Port, and the efficiency of the big ship services, means Port of Tauranga is the obvious choice for customers seeking the lowest carbon supply chain. Big ships of 7,500 to 9,500 TEUs have a carbon footprint more than 31% lower than the previous average size vessels calling in New Zealand.

In addition to our response to climate change we are also placing increasing focus on the impact of our growing business on our various communities and stakeholder groups.

"We are very pleased to have secured resource consent for our stormwater network at Mount Maunganui and we have also made significant progress in dust suppression and spill prevention. We encourage the moves to require ships to utilise low sulphur fuel and note the improvement that continues to be made in minimising the release of the log fumigant Methyl Bromide to the atmosphere," says Mr Cairns.

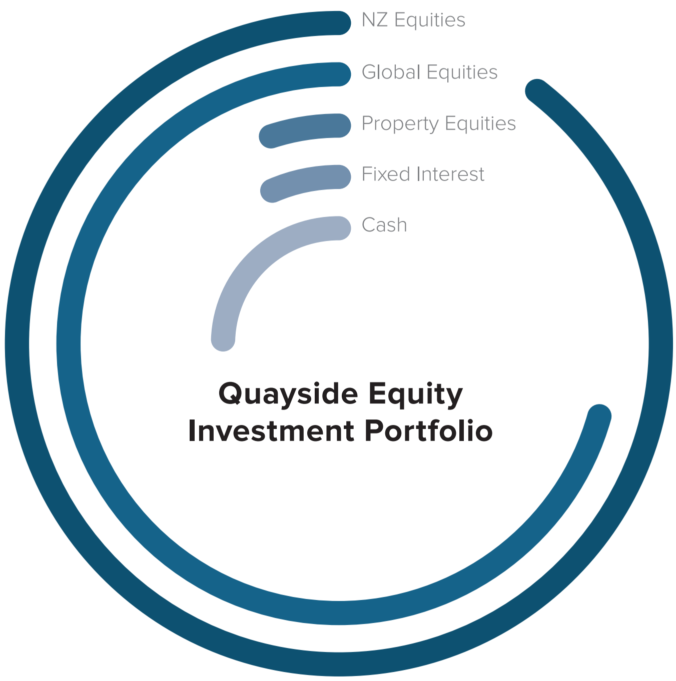
Upper North Island Supply Chain Study

The coalition government has commissioned the Upper North Island Supply Chain Study.

The review will guide the development and delivery of a freight and logistics strategy for the Upper North Island. This includes a feasibility study to explore moving the location of the Ports of Auckland, with serious consideration to be given to Northport. The study is due to report in coming months.

Subsequent to year end, the Provincial Growth Fund has announced an investment to reinstate the rail connection to Whangarei.

Equity Investments



Quayside assesses its non-Port of Tauranga portfolio in three main areas; equity investments, commercial investments and real asset investments.

The equity investments of the Group provide a source of return and liquidity for the Group through the subsidiary Quayside Investment Trust, a portfolio investment entity (PIE).

Equity markets have been more volatile during the past twelve months. Quayside continues to rebalance towards more defensive sectors. Quayside derives returns from both capital movement in the value of the underlying asset and dividend returns.

Under the Group's Statement of Intent for 2018-19, Quayside targets a gross internal rate of return of 7.5% over a rolling 60-month period. The actual gross internal rate of return achieved for the 60-month period was 14.13%, including a 10.99% return for the 12-month period.

From 1 July 2019 Quayside will also act as service provider and investment manager for the long-term investment of the Bay of Plenty Regional Council known as the Toi Moana Fund.

Real Asset Investments

Real asset investments include a range of property annuity, property development, horticulture, forestry and infrastructure assets.

The objective of investment in real assets is to provide long term growth and income streams.

Quayside is headquartered at 53 Spring Street, Tauranga, a purpose-fit refurbished building, which is now fully-tenanted and shared with seven other investment focused tenants.

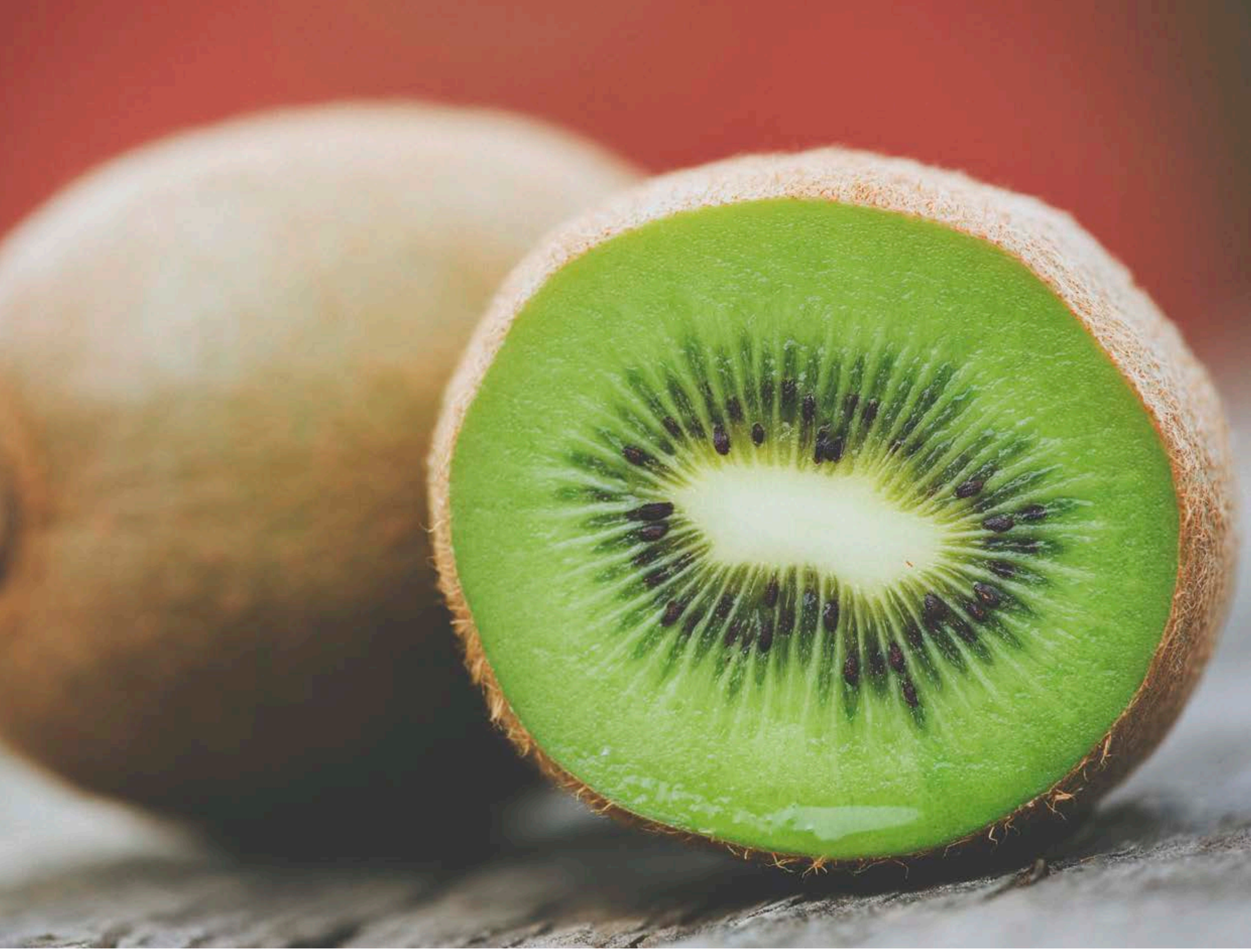
The Group took a 50% stake in Tauranga Commercial Developments Limited for the purpose of future property development in Tauranga. This entity acquired a further 2500m2 of land in the Tauranga CBD for future commercial development.

The Group also established an investment partnership in Rotorua called Lakes Commercial Developments Limited for the same purpose. The first development in Rotorua is the new BOPRC office site on Fenton St. The intention is to develop further sites in Rotorua under this partnership.

Industrial land development is via the Rangiuru Business Park ("Rangiuru"), a 148-hectare industrial park, twenty minutes east of Tauranga on the Tauranga Eastern Link. The Group has continued to work towards development commencement, with an ongoing commitment towards engineering stage one.

Horticulture and forestry investments continue to provide short- and near-term cash flow opportunities for the Group.

The horticulture partnership, Huakiwi Services, has seen a total of 37 hectares of kiwifruit planted and established across the Bay of Plenty. Future developments are subject to achieving kiwifruit licences at commercially viable prices.



Commercial Investments

Quayside targets long term commercial returns and regional growth opportunities through a series of commercial investments.

The focus has seen Quayside as founder and backer of two financial institutions that are now part of the Bay of Plenty investment fabric.

WNT Ventures was established in 2014, with Quayside being a 20% founder stakeholder. WNT was able to raise a second fund in 2017. To date, WNT has been able to support the investment into 14 unique early stage companies from its Tauranga base.

Quayside identified the need for a regionally based Private Equity fund, and underwrote the founding of Oriens Capital, and supported the capital raising for this fund with an investment of almost 20%. Oriens Capital has been successful in investing in five companies to date.

The aforementioned entities, along with Enterprise Angels provide the Bay of Plenty with a unique collective of investment infrastructure.

Quayside as part of a wider portfolio invests in other national and international managers, plus a selection of New Zealand based institutions where it can see both commercial and / or strategic opportunity.

Perpetual Preference Shareholders

In 2008, BOPRC raised $200 million through the issue of Perpetual Preference Shares, in Quayside. These shares continue to be traded on the NZDX, under the ticker QHLHA. The benefit of being a Perpetual Preference shareholder, is shared by over 2,000 individual perpetual shareholders in Quayside.

The Perpetual Preference Share is subject to a private binding ruling with the Department of Inland Revenue. The current ruling is for five years, to 2021.

The shares are subject to a rate reset every three years, at the three-year swap rate, on the day plus a margin of 1.70%. The current rate is 4.32%, which was reset in March 2017. Quayside distributed a gross return of $8.6 million to Perpetual Preference shareholders during the year. The next rate reset of Perpetual Preference Shares will be announced to the market on 12 March 2020.

Bay of Plenty Regional Council's use of the funds is best seen in the 2019 opening of the University of Waikato's Tauranga campus on Durham Street, Tauranga. BOPRC, utilising the funding raised, along with regional partners provided the majority of what was needed to create the iconic Tauranga building.

Ordinary Shares

BOPRC is the sole holder of the ordinary shares of Quayside.

The Group consists of several entities, including:

- **QHL** Quayside Holdings Limited (an investment holdings company)
- **QSL** Quayside Securities Limited (a corporate trustee company)
- **QUT** Quayside Unit Trust (a port holding trust)
- **QPL** Quayside Properties Limited (a property investment company)
- **QIT** Quayside Investment Trust (portfolio investment entity)
- **CTL** Cibus Technologies Limited (a shell company)
- **ACL** Aqua Curo Limited (a shell company)

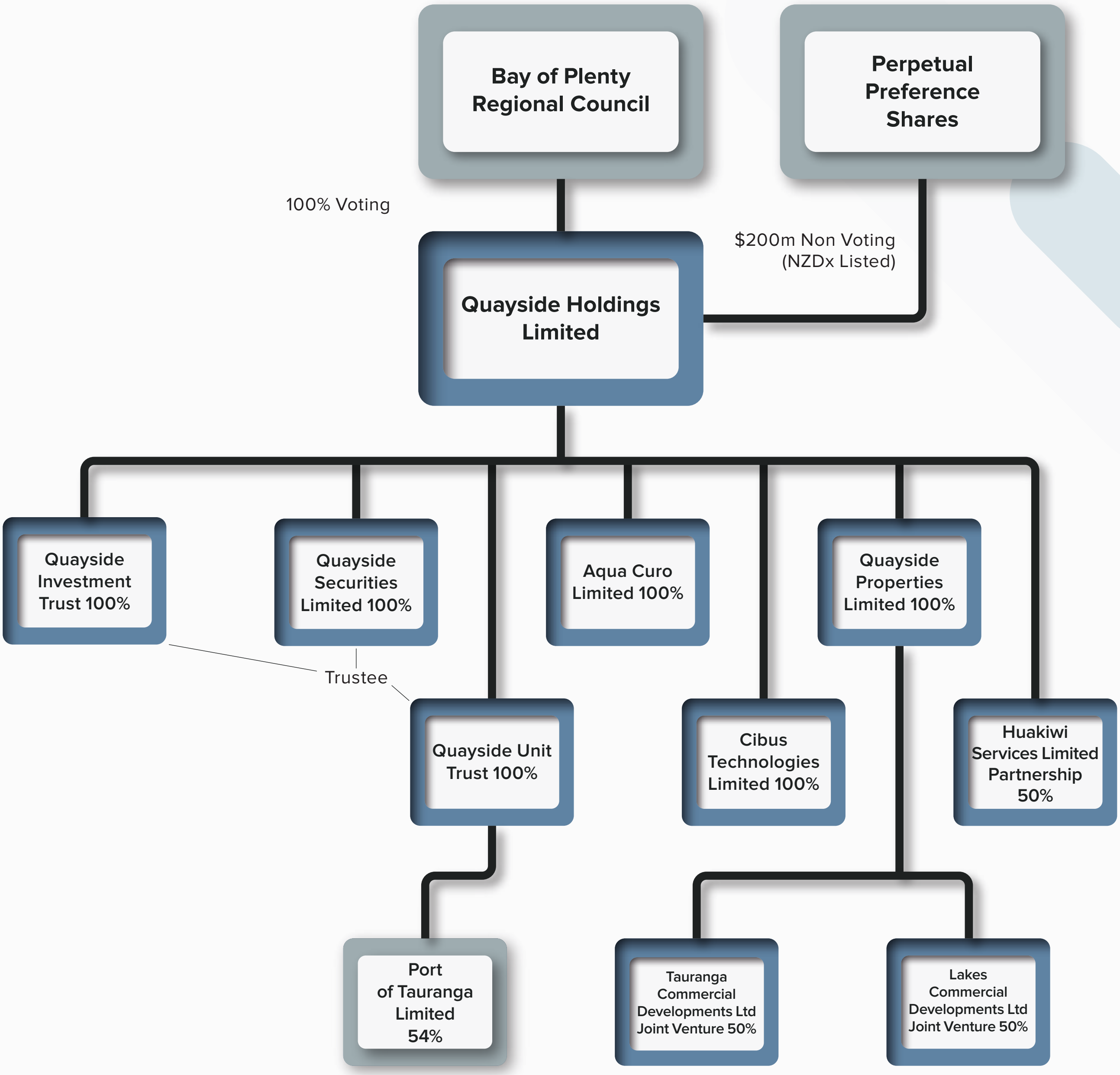
Statement of Intent

Quayside prepares a Statement of Intent for all group entities and this is presented to BOPRC annually. The Group achieved all nine objectives in its 2018-19 Statement of Intent.

The Group has submitted its 2019/2020 Statement of Intent to BOPRC, in accordance with the requirements of the Local Government Act 2002.

A copy of the current year Statement of Intent is available from the Group's website **www.quaysideholdings.co.nz**

Group Structure



Board and Executive Team

Sir Robert McLeod
(Independent Director and Chair)

Rob was appointed to the board in November 2016 and became the Chair in November 2017.

Rob is a tax lawyer and chartered accountant and former CEO and Chair of Ernst & Young (EY) in both Australia and New Zealand. Rob is a current director of Sanford Limited and the Port of Tauranga Limited. He has also been a director of ANZ National Bank, Sky City Entertainment Group and Telecom. He was honoured as a Knight Companion of the New Zealand Order of Merit for services to business and Maori in 2019.

Rob is an ex-officio member of the Audit and Risk and People, Culture and Safety Committees.

Fiona McTavish
(Director)

Fiona was appointed to the board in June 2018.

Fiona was the General Manager of Strategy and Science at the Bay of Plenty Regional Council for over six years before being appointed as the Chief Executive in June 2018.

Fiona is a director of Bay of Plenty Shared Services Limited and Executive Board Member of Priority One.

Brett Hewlett
(Independent Director)

Brett was appointed to the board in November 2017.

Brett is an Independent Director and Chair of BlueLab Corporation Ltd & Priority One.

Brett is former Chief Executive Officer of Comvita, where he is now a Director. Prior to this he has held several senior roles with global packaging firm Tetra Pak.

Brett is a member of the Audit and Risk Committee.

Stuart Crosby
(Director)

Stuart was appointed to the board on 1 November 2018.

Stuart is a Councillor with the Bay of Plenty Regional Council and is also a member of their Audit and Risk Committee and Chair of the Regional Transport Committee.

Stuart was the Deputy Mayor and Mayor of Tauranga between 2004-2016. Stuart is also the Vice President of Local Government New Zealand (LGNZ) and is acting as a trustee for the Elms Foundation and Summerhill's Charitable Trust. He was made an Officer of New Zealand Order of Merit in 2017.

Stuart is a member of the Audit and Risk Committee.

Warren Parker
(Independent Director)

Warren was appointed to the board in 2015.

Warren is the former Chief Executive of Crown research institutes Scion and Landcare Research. He is currently Chair of Landcorp Farming Ltd (Pamu) and director of Farmlands Cooperative Trading Society and Predator Free 2050 Ltd.

Warren chairs the Forestry Ministerial Advisory Group and the Advisory Board for Griffith Enterprises (the Griffith University commercialisation entity), and is a member of the Genomics Aotearoa Advisory Board.

Warren is Chair of the People, Culture and Safety Committee.

Rob Tait
(Independent Director)

Rob was appointed to the board in 2012.

Rob was a public practice accountant in the eastern Bay of Plenty. Rob is a former director of NZX listed Horizon Energy and Comvita Limited. Rob holds several current interests and directorships in the horticultural field.

Rob is Chair of the Audit and Risk Committee.

Paula Thompson
(Director)

Paula was appointed to the Board in 2012.

Paula is a Councillor with the Bay of Plenty Regional Council, for whom she is Chair of the Regional Direction and Delivery Committee. Paula is former CEO of Tauranga City Council. Paula is past Chair of Bay Trust and Sport Bay of Plenty.

Paula is a member of the People, Culture and Safety Committee.

Scott Hamilton
(Chief Executive)

Scott has been Chief Executive of Quayside since 2010.

Scott has led the Group diversification and growth strategy. In this capacity Scott acts as investor director on WNT Ventures, Oriens, Rhondium, OPAC, Lakes Commercial Developments, Tauranga Commercial Developments and Huakiwi Services.

Prior to his time with Quayside, Scott held senior roles in the banking and finance sectors in New Zealand and offshore.

Scott is a qualified Chartered Accountant and Member of the Institute of Directors.

Corporate Governance

Role of the board

The board of Quayside is appointed by the ordinary shareholder, the Bay of Plenty Regional Council (BOPRC).

The board supports the executive in achieving Quayside's objective to effectively and efficiently manage investment assets for commercial return, thereby providing growth and income to regional stakeholders

In achieving this, the role of the board is to:

- monitor and supervise the management of the Company,
- ensure that the shareholder's interests are protected, and
- develop and oversee the Group's strategic objectives and policy framework.

An important objective is to monitor the performance of the Port of which it was a 54.14% shareholder as at 30 June 2019.

Board Composition

The board must have at least five directors, with a minimum of two being independent. At 30 June 2019, the board comprised of seven members, including four independents.

The BOPRC, as voting shareholder, adopted a policy regarding the appointment and reappointment of directors onto the board of Quayside in June 2014.

Ms J M Nees retired from the board as Director and member of the Audit and Risk Committee, in October 2018. Mr S A Crosby was appointed to the board in November 2018.

Sir R A McLeod, W J Parker, R B Tait and B Hewlett are independent directors.

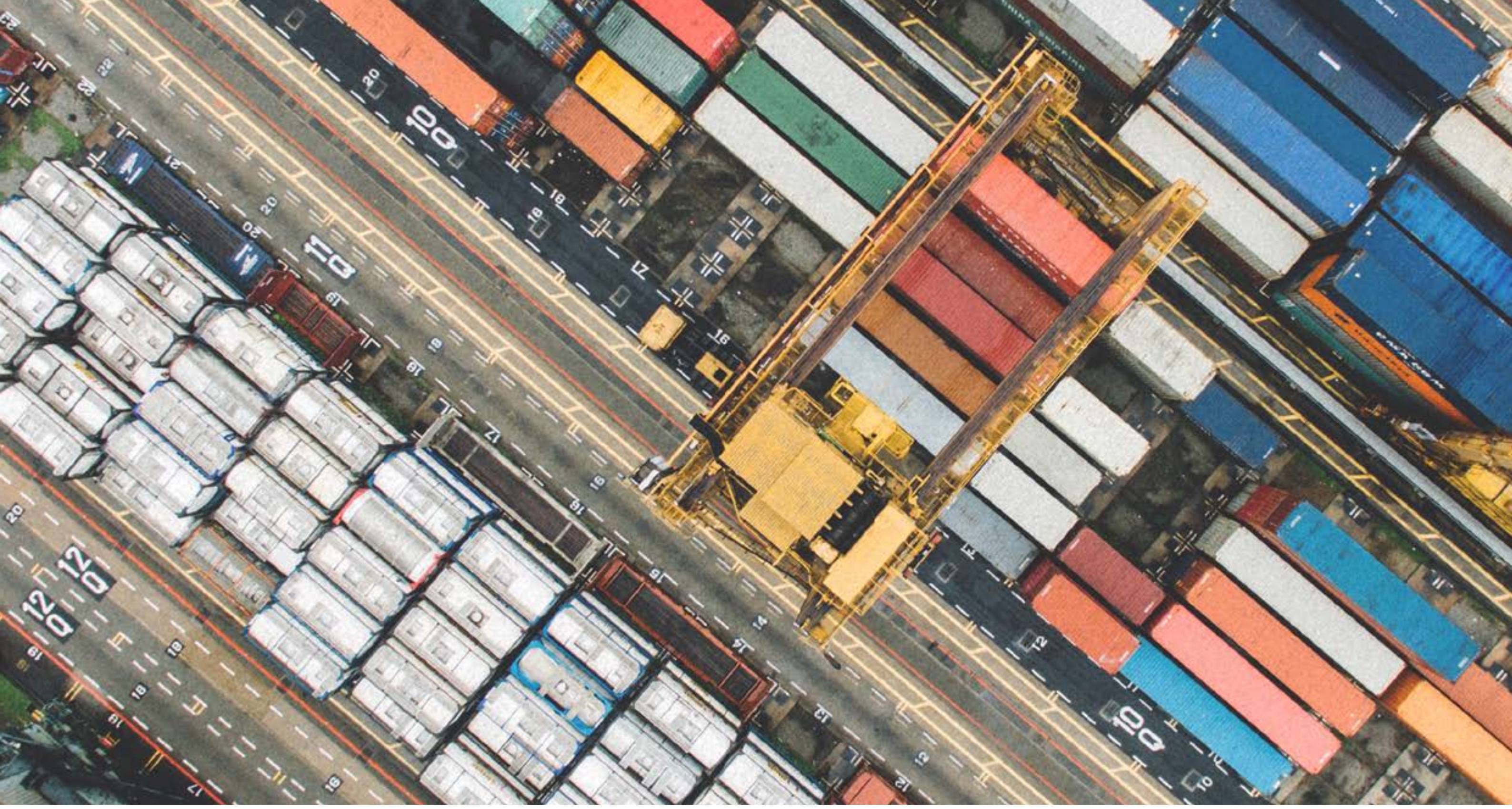
F C McTavish, S A Crosby and P J Thompson are directors of the board.

Sir R A McLeod is the chair of the board.

Director Remuneration

The BOPRC's *"Policy for the Appointment and Remuneration of Directors to the Boards of Council Subsidiaries"* sets the guidelines for setting the pool for director remuneration.

On 27 September 2018, the BOPRC approved a directors' pool of $197,500 (plus GST if any), with an equivalent aggregate sum for remuneration pools for directors divided between subsidiaries Quayside Securities Limited ("QSL") and Quayside Properties Limited ("QPL").



Board and Committees

Quayside's constitution sets out the procedures for the election of a board chair, the convening of board meetings and the establishment of committees.

The directors of Quayside met formally nine times during the year, while the board's committees met as required.

In the period, there were nine formal meetings of the directors of QSL and nine formal meetings of the directors of QPL.

The Annual Report of the Group and the audited financial statements for the prior period ended 30 June 2018, together with an unmodified Audit Certificate, were presented to the voting shareholder in September 2018.

The Annual Report incorporating the audited statements for the year ended 30 June 2019, are presented with this report.

The following table outlines the number of the groups' meetings which were attended by directors during the year.

		Board Committees	
	Full Board	**Audit**	**Remuneration**
Sir R A McLeod	8	5	2
S A Crosby**	6	4	-
B Hewlett	9	5	-
F C McTavish	9	-	-
J M Nees*	3	2	-
W J Parker	9	-	2
R B Tait	7	6	-
P J Thompson	7	-	2
Total Meetings Held	**9**	**6**	**2**

The board of directors established an Audit and Risk Committee and a People, Culture and Safety Committee.

*Retired Oct 2018
**Appointed Nov 2018

Audit and Risk Committee

The board adopted an Audit and Risk Committee Charter setting out the terms of engagement of the committee.

The committee has been established to focus on audit and risk management with respect to accounting practices, policies and controls. To assist the board in meeting its responsibilities under the Companies Act 1993, the Financial Reporting Act 2013, the Port Companies Act 1988, the Financial Markets Conduct Act 2013, the Local Government Act 2002 and the NZDX listing rules.

The Audit and Risk Committee members are R B Tait (Chair), S A Crosby, B Hewlett, and Sir R A McLeod (ex-officio).

The Audit and Risk Committee Charter was updated in July 2019.

People, Culture and Safety Committee

The board also adopted a People, Culture and Safety Committee Charter.

The committee's objective is to assist the board in all aspects of remuneration policy and statutory compliance in respect of both officers and directors.

The committee members at the commencement of the period are W J Parker (Chair), P J Thompson and Sir R A McLeod (ex officio).

The People, Culture and Safety Committee Charter was updated in July 2019.

Board Charter and Code of Ethics

The board has adopted a Board Charter, setting out the vision, role, responsibilities, powers, delegations and membership of the board.

At the same time, the board adopted a Code of Ethics setting out the ethical and behavioural standards expected of directors and officers.

Share Trading

Quayside has a policy on share trading. The policy details times where directors, officers, and staff of the Group cannot transact, or encourage the transacting in, shares issued by the Port or Quayside.

Other Matters

Quayside maintains a register of directors' interests in which details of certain transactions and interests of directors must be recorded.

Quayside maintains both standard Directors' and Officers' liability and defence cost insurance.

During the year Quayside's website **www.quaysideholdings.co.nz** was updated.

The website facilitates communication of annual and interim reports to the Perpetual Preference Shareholders, as well as the Group's Statement of Intent.

Quayside Holdings Limited and Subsidiaries

Annual Financial Statements

For the year ended 30 June 2019

Quayside Holdings Limited and Subsidiaries
For the year ending 30 June 2019

Contents	**Page**

Independent Auditor's Report

To the readers of Quayside Holdings Limited's consolidated financial statements and performance information for the year ended 30 June 2019

The Auditor-General is the auditor of Quayside Holdings Limited and subsidiaries (the group). The Auditor-General has appointed me, B H Halford, using the staff and resources of Audit New Zealand, to carry out the audit of the consolidated financial statements and the performance information of the group, on his behalf.

Opinion

We have audited:

- the consolidated financial statements of the group on pages 5 to 76, that comprise the statement of financial position as at 30 June 2019, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and

- the performance information of the group on pages 77 to 80.

In our opinion:

- the consolidated financial statements present fairly, in all material respects the financial position of the group as at 30 June 2019, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards; and

- the performance information presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the group's objectives for the year ended 30 June 2019.

Basis for opinion

We conducted our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report.

We are independent of the group in accordance with the Auditor-General's Auditing Standards, which incorporate Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than our capacity as auditor we have no relationship with, or interests in, the company and its subsidiaries.

Key audit matters

Key audit matters are those that, in our professional judgement, were of most significance in our audit of the financial statements and the performance information of the current period.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How did the audit address this matter
Property, plant and equipment recorded at fair value (refer note 10 of the financial statements)	
The Group has property, plant and equipment of $1,542 million. The Group has a policy of valuing land, buildings, wharves, hardstanding, harbour improvements and bearer plants (Revalued PPE) at fair value. Independent valuations are obtained at least every 3 years (by an independent valuer), or more frequently if there is an indicator that the fair value has changed significantly. Prior to this financial year the last independent valuation was carried out on these assets at 30 June 2018. In the current year, land and bearer plants have been revalued. The Revalued PPE is considered a key audit matter due to the judgement involved in the assessment of the fair value. The judgement in the current financial year also relates to the assessment of whether the carrying values of assets not revalued materially represent their fair values.	Our procedures focussed on the appropriateness of the Group's assessment as to whether the carrying values of Revalued PPE materially represent their fair values, and if a revaluation of a class of asset was required, that the revalued assets have been accurately reflected in the financial statements. Our procedures by major category included: • For land: o where valuation experts are engaged, considering the competence, objectivity and independence of the valuer; o assessing whether the evidence used by the valuer is based on appropriate comparable properties and benchmarks; and o where increases in value were recognised, we assessed whether the uplift was appropriately reflected in the reported carrying values of respective assets. • For buildings: o assessing the appropriateness of the key assumptions used by management with respect to applicable internal, industry or market data; and o challenging management's assessment of the estimated fair value movements. • For wharves and hardstanding and harbour improvements (assets previously valued using the 'depreciated replacement cost' method): o assessing whether the capital goods price indices or relevant data used by the Group are appropriate and agreeing to observable data points; o testing the accuracy of the Group's calculation of the impact of these changes; and o challenging management's assessment of the estimated fair value movements in each asset class • For bearer plants: o where valuation experts are engaged, considering the competence, objectivity and independence of the valuer; o assessing whether the evidence used by the valuer is based on appropriate comparable orchard gate returns and other market benchmarks; and o where increases in value were recognised, we assessed whether the uplift was appropriately reflected in the reported carrying values of respective assets.

Other information

The directors are responsible on behalf of the company for the other information. The other information comprises the information included in the statutory information and directory (but does not include the financial statements and the performance information and our auditor's report thereon), which we obtained prior to the date of this auditor's report. The other information also includes management commentary, which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the performance information, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements and the performance information or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities

The directors are responsible on behalf of the group for the preparation and fair presentation of the consolidated financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The directors are also responsible for preparing the performance information.

In preparing the consolidated financial statements and the performance information, the directors are responsible on behalf of the group for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

The directors' responsibilities arise from the Financial Markets Conduct Act 2013.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the performance information as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of readers taken on the basis of these consolidated financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Evaluate the appropriateness of the reported performance information within the company's framework for reporting its performance.

- Conclude on the appropriateness of the use of the going concern basis of accounting by the directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the performance information, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements and the performance information of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Our responsibilities arise from the Public Audit Act 2001.

B H Halford
Audit New Zealand
On behalf of the Auditor-General
Tauranga, New Zealand
3 September 2019

Quayside Holdings Limited and Subsidiaries
Income Statement
For the year ended 30 June 2019

		Group		Parent	
	Note	2019 $000	2018 $000	2019 $000	2018 $000
Income					
Trading revenue	4(a)	**317,988**	286,562	**-**	-
Other income	4(b)	**6,259**	5,589	**79,952**	60,298
Other gains	4(c)	**29,851**	26,472	**701**	2,263
Operating income		**354,098**	318,623	**80,653**	62,561
Expenses					
Employee benefit expenses	5	**(39,296)**	(38,545)	**(1,021)**	(765)
Trading and other expenses	6(a)	**(108,989)**	(94,620)	**(1,897)**	(910)
Other losses	6(b)	**(14,724)**	(4,976)	**(1,206)**	(443)
Operating expenses		**(163,009)**	(138,141)	**(4,124)**	(2,118)
Results from operating activities		**191,089**	180,482	**76,529**	60,443
Depreciation and amortisation	10, 12	**(28,270)**	(25,844)	**(35)**	(18)
Impairment of property, plant and equipment		**(499)**	-	**-**	-
Reversal of previous revaluation deficit		**-**	446	**-**	-
Operating profit before finance costs, share of profit from equity accounted investees and taxation		**162,320**	155,084	**76,494**	60,425
Finance income	7(a)	**2,078**	1,258	**1,672**	998
Finance expenses	7(b)	**(20,513)**	(20,017)	**(1,919)**	(1,599)
Net finance costs		**(18,435)**	(18,759)	**(247)**	(601)
Share of profit/(loss) from equity accounted investees	14	**7,075**	15,253	**(1,323)**	112
Profit before income tax		**150,960**	151,578	**74,924**	59,936
Income tax benefit/(expense)	8	**(35,317)**	(33,023)	**(123)**	123
Net profit after tax		**115,643**	118,555	**74,801**	60,059
Attributable to:					
Equity holders of the parent		**70,203**	75,963	**74,801**	60,059
Non controlling interest		**45,440**	42,592	**-**	-
		115,643	118,555	**74,801**	60,059

Quayside Holdings Limited and Subsidiaries
Statement of Comprehensive Income
For the year ended 30 June 2019

		Group		Parent	
	Note	2019 $000	2018 $000	2019 $000	2018 $000
Net profit after tax		**115,643**	118,555	**74,801**	60,059
Other comprehensive income					
Items that will be reclassified to profit or loss when specific conditions are met:					
Investment in subsidiaries revaluation	13	**-**	-	**-**	267,139
Cash flow hedge - changes in fair value*		**(8,942)**	(3,520)	**-**	-
Cash flow hedge - reclassified to profit or loss*		**1,629**	2,226	**-**	-
Share of net change in cash flow hedge reserves of equity accounted investees	14	**(308)**	(71)	**-**	-
		(7,621)	(1,365)	**-**	267,139
Items that will not be reclassified to profit or loss:					
Investment in subsidiaries revaluation	13	**-**	-	**435,839**	-
Bearer plant revaluation, net of tax *		**1,619**	903	**-**	**-**
Kiwifruit licence revaluation, net of tax *		**255**	224	**-**	(47)
Asset revaluation, net of tax*		**72,129**	209,778	**-**	**-**
Share of net change in revaluation reserve of equity accounted investees	14	**591**	1,687	**143**	(24)
		74,594	212,592	**435,982**	(71)
Total other comprehensive income		**66,973**	211,227	**435,982**	267,068
Total comprehensive income for the period		**182,616**	329,782	**510,783**	327,127
Attributable to:					
Equity holders of the parent		**107,829**	192,256	**510,783**	327,127
Non controlling interest		**74,787**	137,526	**-**	-
		182,616	329,782	**510,783**	327,127

* Net of tax effect is disclosed in notes 8 and 9

Quayside Holdings Limited and Subsidiaries
Statement of Changes in Equity
For the year ended 30 June 2019

	Share capital $000	Hedging reserve $000	Revaluation reserve $000	Retained earnings $000	Non controlling interest $000	Total equity $000
GROUP						
Balance at 1 July 2017	200,011	(4,317)	404,147	70,899	420,030	1,090,770
Profit after tax	-	-	-	75,963	42,592	118,555
Net effective portion of changes in fair value of cash flow hedges, net of tax	-	(1,930)	-	-	(1,590)	(3,520)
Net change in fair value of cash flow hedges transferred to profit or loss, net of tax	-	1,220	-	-	1,006	2,226
Net change in share of Equity Accounted Investees' cash flow hedge reserves	-	(39)	-	-	(32)	(71)
Net change in share of Equity Accounted Investee's revaluation reserve	-	-	914	-	773	1,687
Asset revaluation, net of tax	-	-	115,001	-	94,777	209,778
Bearer plant revaluation, net of tax	-	-	903	-	-	903
Kiwifruit licence revaluation, net of tax	-	-	224	-	-	224
Total Comprehensive Income	-	(749)	117,042	75,963	137,526	329,782
Non-controlling interest adjustment	-	-	-	1	(4)	(3)
Decrease in share capital	-	-	-	(800)	(660)	(1,460)
Equity settled share-based payment accrual (Note 16c)	-	-	-	-	2,117	2,117
Adjustment for vesting of equity settled share based payment (Note 16b)	-	-	-	709	(709)	-
Dividends to shareholders (note 16b)	-	-	-	(31,721)	(52,750)	(84,471)
Balance at 30 June 2018	**200,011**	**(5,066)**	**521,189**	**115,051**	**505,550**	**1,336,735**
Balance at 1 July 2018	**200,011**	**(5,066)**	**521,189**	**115,051**	**505,550**	**1,336,735**
Adjustment on adoption of IFRS-9	-	-	-	(150)	(124)	(274)
Profit after tax	-	-	-	70,203	45,440	115,643
Net effective portion of changes in fair value of cash flow hedges, net of tax	-	(4,902)	-	-	(4,040)	(8,942)
Net change in fair value of cash flow hedges transferred to profit or loss, net of tax	-	893	-	-	736	1,629
Net change in share of Equity Accounted Investees' cash flow hedge reserves	-	(169)	-	-	(139)	(308)
Net change in share of Equity Accounted Investees'revaluation reserve	-	-	389	-	202	591
Asset revaluation, net of tax	-	-	39,541	-	32,588	72,129
Bearer plant revaluation, net of tax	-	-	1,619	-	-	1,619
Kiwifruit licence revaluation, net of tax	-	-	255	-	-	255
Total Comprehensive Income	-	(4,178)	41,804	70,203	74,787	182,616
Non-controlling interest adjustment	-	-	-	27	(29)	(2)
Revaluation surplus transferred to retained earnings on asset disposal	-	-	-	25	20	45
Decrease in share capital	-	-	-	(547)	(450)	(997)
Equity settled share-based payment accrual (Note 16c)	-	-	-	-	2,038	2,038
Dividends to shareholders (Note 16b)	-	-	-	(37,421)	(56,122)	(93,543)
Balance at 30 June 2019	**200,011**	**(9,244)**	**562,993**	**147,188**	**525,670**	**1,426,618**

Quayside Holdings Limited and Subsidiaries
Statement of Changes in Equity
For the year ended 30 June 2019

	Share capital $000	Subsidiaries revaluation reserve $000	Revaluation reserve $000	Retained earnings $000	Total equity $000
PARENT					
Balance at 1 July 2017	200,011	1,700,467	171	(105,980)	1,794,669
Profit after tax	-	-	-	60,059	60,059
Investment in subsidiaries revaluation (Note 13)	-	267,139	-	-	267,139
Net change in share of equity accounted investees' revaluation reserve	-	-	(24)	-	(24)
Kiwifruit licence revaluation, net of tax	-	-	(47)	-	(47)
Total comprehensive income	-	267,139	(71)	60,059	327,127
Dividends to shareholders	-	-	-	(31,721)	(31,721)
Balance at 30 June 2018	**200,011**	**1,967,606**	**100**	**(77,642)**	**2,090,075**
Balance at 1 July 2018	**200,011**	**1,967,606**	**100**	**(77,642)**	**2,090,075**
Profit after tax	**-**	**-**	**-**	**74,801**	**74,801**
Investment in subsidiaries revaluation (Note 13)	**-**	**435,839**	**-**	**-**	**435,839**
Net change in share of equity accounted investees' revaluation reserve	**-**	**-**	**143**	**-**	**143**
Total comprehensive income	**-**	**435,839**	**143**	**74,801**	**510,783**
Dividends to shareholders	**-**	**-**	**-**	**(37,421)**	**(37,421)**
Balance at 30 June 2019	**200,011**	**2,403,445**	**243**	**(40,262)**	**2,563,437**

Quayside Holdings Limited and Subsidiaries
Statement of Financial Position
As at 30 June 2019

		Group		Parent	
	Note	2019 $000	2018 $000	2019 $000	2018 $000
ASSETS					
Current assets					
Cash and cash equivalents		**66,987**	41,688	**15,337**	1,769
Receivables and prepayments	15	**64,134**	54,495	**683**	385
Inventories		**1,538**	710	**-**	-
Other financial assets	17	**25,000**	-	**25,000**	
Total current assets		**157,659**	96,893	**41,020**	2,154
Non-current assets					
Intangible assets	12	**21,515**	20,759	**-**	-
Property, plant and equipment	10	**1,542,217**	1,455,575	**112**	115
Investments in subsidiaries	13	**-**	-	**2,520,488**	2,071,649
Investments in equity accounted investees	14	**168,668**	154,636	**31,454**	20,305
Investment property	25	**27,886**	21,918	**-**	-
Biological assets	26	**390**	-	**-**	-
Other financial assets	17	**178,520**	171,513	**51,217**	42,724
Deferred tax asset		**-**	-	**-**	123
Receivables		**12**	25	**-**	-
Total non-current assets		**1,939,208**	1,824,426	**2,603,271**	2,134,916
Total assets		**2,096,867**	1,921,319	**2,644,291**	2,137,070
LIABILITIES					
Current liabilities					
Trade and other payables	21	**39,407**	33,380	**2,752**	485
Revenue received in advance		**260**	279	**-**	-
Loans and borrowings	18	**322,000**	321,845	**-**	46,510
Provisions	22	**2,178**	3,080	**-**	-
Derivative financial instruments	19	**1,138**	-	**-**	-
Current taxation		**10,378**	10,076	**-**	-
Total current liabilities		**375,361**	368,660	**2,752**	46,995
Non-current liabilities					
Loans and Borrowings	18	**202,315**	130,021	**78,102**	-
Provisions	22	**1,783**	1,746	**-**	-
Deferred tax liabilities	9	**69,895**	72,370	**-**	-
Derivative financial instruments	19	**20,895**	11,787	**-**	-
Total non-current liabilities		**294,888**	215,924	**78,102**	-
Total liabilities		**670,249**	584,584	**80,854**	46,995
NET ASSETS		**1,426,618**	1,336,735	**2,563,437**	2,090,075

Quayside Holdings Limited and Subsidiaries
Statement of Financial Position
For the year ended 30 June 2019

		Group		Parent	
	Note	2019 $000	2018 $000	2019 $000	2018 $000
EQUITY					
Paid up capital	16(a)	**200,011**	200,011	**200,011**	200,011
Reserves	16(c)	**553,749**	516,123	**2,403,688**	1,967,706
Retained earnings		**147,188**	115,051	**(40,262)**	(77,642)
Total equity attributable to equity holders of the parent		**900,948**	831,185	**2,563,437**	2,090,075
Non controlling interest	16(e)	**525,670**	505,550	-	-
TOTAL EQUITY		**1,426,618**	1,336,735	**2,563,437**	2,090,075

These financial statements have been authorised for issue by the Board of Directors on 3rd September 2019.

Director

Director

Quayside Holdings Limited and Subsidiaries
Statement of Cash Flows
For the year ended 30 June 2019

	Note	Group 2019 $000	Group 2018 $000	Parent 2019 $000	Parent 2018 $000
Cash flows from operating activities					
Receipts from customers		**320,373**	287,745	**-**	-
Dividends received		**5,975**	5,042	**79,443**	60,004
Interest received		**1,724**	1,375	**1,416**	1,060
Other income		**81**	84	**268**	268
Payments to suppliers and employees		**(156,148)**	(138,851)	**(2,445)**	(1,640)
Taxes refunded		**9**	-	**9**	-
Taxes paid		**(35,147)**	(32,030)	**-**	-
Interest paid		**(19,751)**	(19,876)	**(1,529)**	(1,606)
Net cash flow from operating activities		**117,116**	103,489	**77,162**	58,086
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		**58**	7	**-**	-
Proceeds from sale of investments		**42,289**	17,265	**2,003**	1,103
Finance lease payments received, including interest		**13**	13	**-**	-
Repayment of advances from equity accounted investees		**1,000**	350	**-**	-
Investment in subsidiaries		**-**	-	**(13,000)**	(20,250)
Investment in equity accounted investees		**(15,401)**	(9,654)	**(11,216)**	(9,654)
Dividends/Distributions from Equity Accounted Investees		**10,113**	10,146	**273**	113
Advances of Intercompany loans		**-**	-	**(6,264)**	-
Repayment of Intercompany loans		**-**	-	**2,000**	8,000
Purchase of biological assets		**(485)**	-	**-**	-
Purchase of intangible assets		**(1,058)**	(137)	**-**	-
Purchase of investment property		**(2,415)**	-	**-**	-
Improvements to investment property		**(66)**	(1,689)	**-**	-
Purchase of property, plant and equipment		**(41,157)**	(17,531)	**(32)**	(122)
Purchase of investments/financial assets		**(62,204)**	(33,247)	**(31,531)**	(1,350)
Interest capitalised on property, plant and equipment		**(274)**	(175)	**-**	-
Net cash flow from investing activities		**(69,587)**	(34,652)	**(57,767)**	(22,160)
Cash flows from financing activities					
Proceeds from borrowings		**94,250**	30,167	**50,000**	-
Repurchase of shares		**(1,386)**	(1,614)	**-**	-
Repayment of borrowings		**(21,408)**	(15,007)	**(18,408)**	(10,000)
Dividends paid	16	**(93,543)**	(84,471)	**(37,421)**	(31,721)
Net cash flow from financing activities		**(22,087)**	(70,925)	**(5,829)**	(41,721)
Effects of exchange rate changes on cash and cash Equivalents		**(143)**	142	**2**	25
Net increase/(decrease) in cash and cash equivalents		**25,299**	(1,946)	**13,568**	(5,770)
Cash and cash equivalents at the beginning of the year		**41,688**	43,634	**1,769**	7,539
Cash and cash equivalents at the end of the year		**66,987**	41,688	**15,337**	1,769

Quayside Holdings Limited and Subsidiaries
Statement of Cash Flows
For the year ended 30 June 2019

		Group		Parent	
	Note	2019 $000	2018 $000	2019 $000	2018 $000
RECONCILIATION OF PROFIT FOR THE PERIOD TO CASH FLOWS FROM OPERATING ACTIVITIES					
Profit for the period		**115,643**	118,555	**74,801**	60,059
Items classified as investing/financing activities:					
Finance lease interest revenue	7(a)	**(2)**	(3)	**-**	-
Net (gain)/loss on investments		**(15,278)**	(21,354)	**507**	(1,795)
Loss/(gain) on sale of property, plant and equipment		**40**	(463)	**-**	-
		(15,240)	(21,820)	**507**	(1,795)
Non cash and non operating items:					
Depreciation and amortisation	10, 12	**28,270**	25,844	**35**	18
Impairment of property, plant and equipment	10	**499**	-	**-**	-
(Decrease)/Increase in deferred taxation expense	9	**(126)**	(682)	**123**	(123)
Ineffective portion of change in fair value of cash flow hedge		**1**	26	**-**	-
Amortisation of interest rate collar premium		**86**	64	**-**	-
Reversal of previous revaluation deficit		**-**	(446)	**-**	-
Share of net profit after tax retained by Equity Accounted Investees	14	**(7,075)**	(15,253)	**1,323**	(112)
Equity investments - share rights issued for no consideration		**(208)**	-	**(208)**	-
Share based payment reserve		**2,038**	2,117	**-**	-
		23,485	11,670	**1,273**	(217)
Movements in working capital:					
Change in trade receivables and prepayments		**(11,309)**	(7,411)	**(285)**	43
Change in inventories		**(828)**	(573)	**-**	-
Change in taxation payable		**296**	1,677	**-**	-
Change in trade, other payables and revenue received in advance		**4,926**	1,533	**868**	21
Changes in foreign cash deposits		**143**	(142)	**(2)**	(25)
		(6,772)	(4,916)	**581**	39
Net cash flow from operating activities		**117,116**	103,489	**77,162**	58,086

Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements
For the year ended 30 June 2019

1 Company Information

Reporting Entity

Quayside Holdings Limited (referred to as the "Parent" company) 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, and 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.

Financial statements for the Parent and consolidated financial statements are presented. The consolidated financial statements comprise the Parent, its wholly owned subsidiaries (Quayside Properties Limited, Quayside Securities Limited, Quayside Investment Trust, Quayside Unit Trust, Aqua Curo Limited and Cibus Technologies Limited), its interests in Equity Accounted Investees, Port of Tauranga Limited (54.14% owned) and the Port's subsidiaries and interests in Equity Accounted Investees (together referred to as "the Group"). These financial statements often reference the two governance structures being:

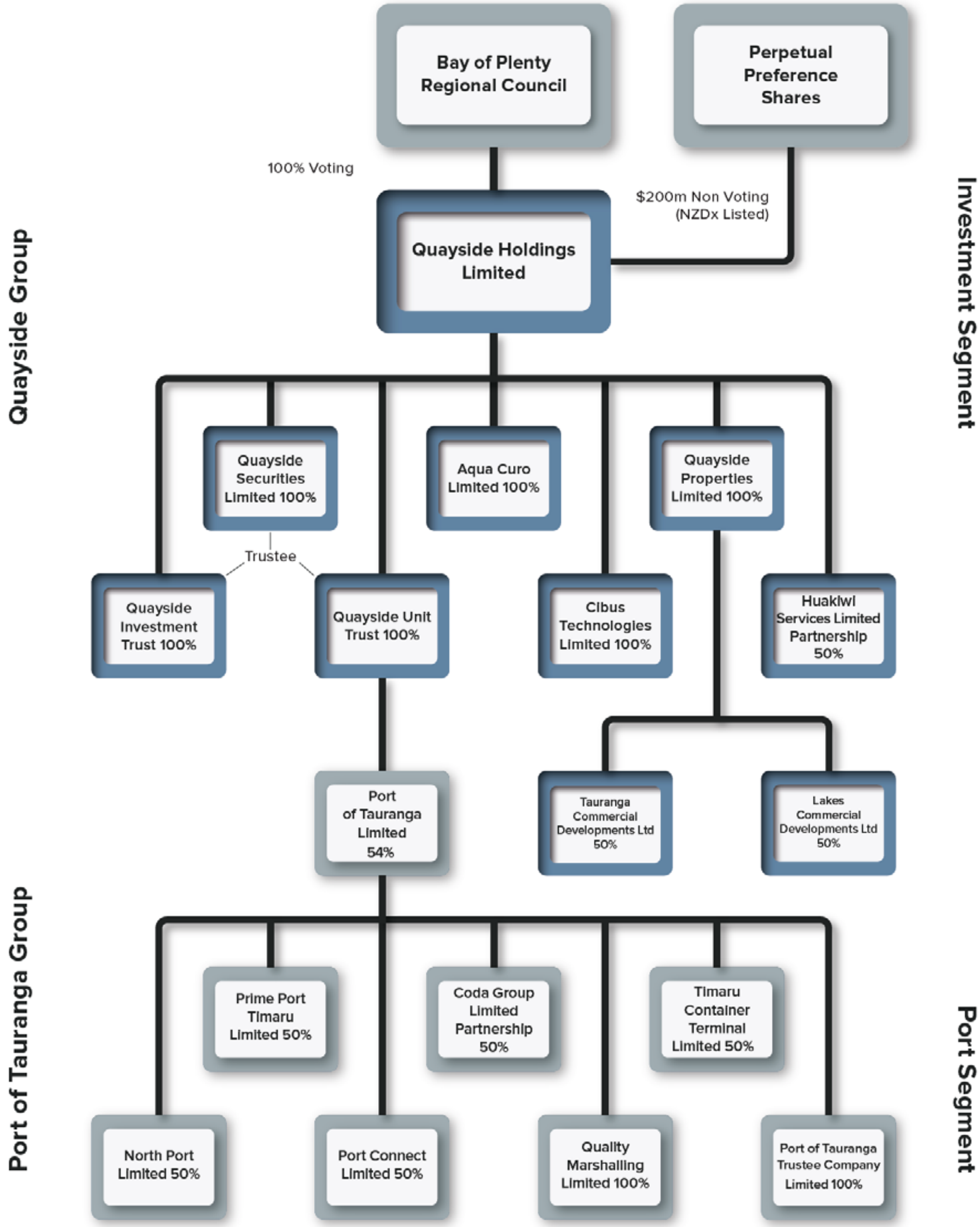
- *Quayside Group* – comprising Quayside Holdings Limited (Parent company) and its directly controlled subsidiaries: Quayside Securities Limited, Quayside Unit Trust, Quayside Investment Trust, Quayside Properties Limited, Aqua Curo Limited, Cibus Technologies Limited and its equity accounted investees. Quayside Group has investments in equities, shares and other assets.

- *Port of Tauranga Group* – comprising the Port of Tauranga Limited and its subsidiaries and its equity accounted investees. The Port group is owned 54.14% (2018: 54.14%) by the Quayside Group.

Port of Tauranga Limited is a port company. It carries out business through the provision of wharf facilities, land and buildings, for the storage and transit of import and export cargo, berthage, cranes, tugs and pilot services for customers. Port of Tauranga Limited holds investments in other New Zealand ports and logistics companies.

Both the Parent and the Group are classified as for-profit entities. The diagram on the following page illustrates the two subsets of the Group: Quayside Group and Port of Tauranga Group.

Group Structure



2 Basis of Preparation

Statement of compliance and 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).

The financial statements comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards as appropriate to Tier 1 for-profit entities. The financial statements also comply with International Financial Reporting Standards (IFRS) and the NZX Listing Rules.

The Company applies External Reporting Board Standard A1 'Accounting Standards Framework (For-profit Entities)' ('XRB A1'). Under the framework, the Group is a Tier 1 entity, required to apply NZ IFRS, on the basis that it does have public accountability and is a large for-profit public sector entity.

The financial statements are prepared on the historical cost basis except for the following assets and liabilities which are stated at their fair value: investment in subsidiaries, other financial assets and liabilities (including derivatives) at fair value through the income statement, land, buildings, harbour improvements, wharves and hardstanding, kiwifruit licences, investment properties, bearer plants and biological assets.

These financial statements are presented in New Zealand dollars ($), which is the Group's functional currency. All financial information presented in New Zealand dollars has been rounded to the nearest thousand.

Significant accounting policies that are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

Other significant accounting policies not disclosed elsewhere are as follows:

Cash and Cash Equivalents: Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cashflows.

The financial statements were authorised for issue by the Board of Directors on 3 September 2019.

Accounting estimates and judgements

The preparation of financial statements 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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

2 Basis of Preparation (continued)

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have a significant effect on the amount recognised in the financial statements, are detailed below:

- valuation of land, buildings, harbour improvements, and wharves and hardstanding (refer to note 10);
- assessment of significant influence or joint control in relation to Equity Accounted Investees (refer to note 14);
- valuation of derivative financial instruments (refer to note 19);
- trade receivables includes an estimated sale price for kiwifruit sold (note 15);
- valuation of bearer plants (note 10);
- valuation of biological assets (note 26);
- impairment assessment of intangible assets (refer note 12);
- valuation of provisions (refer to note 22);
- valuation of share rights granted (refer to note 24); and
- valuation of investment properties (refer to note 25).

Classification of property

The Group owns a number of properties, which have been purchased for long term capital appreciation or rental rather than for short term sale in the ordinary course of business. The receipt of market based rental and the sale of biological produce from these properties is incidental to holding these properties.

The directors in applying their judgement have classified these properties as investment property according to NZ IAS 40.

Classification of Perpetual Preference Shares as equity

The directors have considered the terms and conditions of Perpetual Preference Shares and have classified these shares as equity. Note 16 explains the terms and conditions of the Perpetual Preference Shares and why they are classified as equity.

Fair value hierarchy

A number of the Group's accounting policies and disclosures require the determination of fair value, being market value, for both financial and non financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Assets and liabilities measured at fair value are classified according to the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

2 Basis of Preparation (continued)

New and amended accounting standards adopted

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 NZ IFRS 9 are:

- new financial assets classification requirements for determining whether an asset is measured at fair value or amortised cost (refer to note 20). A summary of the classification changes is as follows:

Old Classification (IAS-39)	New Classification (IFRS-9)
Loans & receivables	Amortised Cost
Available-for-sale	Designated at Fair Value through Other Comprehensive Income
Designated at Fair Value (Financial Assets)	Mandatorily measured at Fair Value through profit and loss
Designated at Fair Value (Derivatives)	Hedge accounted derivatives

The change in classification categories did not result in any change in the measurement base of the assets.

- a new impairment model for financial assets based on expected losses, which may result in the earlier recognition of impairment losses (refer to note 20); and

- revised hedge accounting requirements to better reflect the management of risks.

To give effect to the adoption of NZ IFRS 9, at 1 July 2018 an amount of $0.274 million has been transferred from retained earnings to provision for doubtful debts. This amount represents the impact of the new impairment model for financial assets. A full restatement of financial statements is not required as the impact of doing so is not considered to be material. Hedging relationships continue to be effective.

New accounting standards and interpretations not yet adopted

The following standards and interpretations which are considered relevant to the Group but not yet effective for the year ended 30 June 2019, have not been applied 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 estimated impact of the adoption of NZ IFRS 16, based on the current leases and terms, in the Group's 2020 consolidated financial statements is forecast to increase total assets and liabilities by $24.2 million and is forecast to decrease net profit after tax by $0.3 million. The Group is required to adopt this standard from 1 July 2019.

3 Segmental Reporting

At 30 June 2019 the Group comprises two main operating segments: The first being the business of facilitating export and import activities (Port), and the second being the business of investment (Investing). Both operating segments operate in one geographic segment, being New Zealand, are managed separately as they provide different services to customers and have their own operational and marketing requirements. The only transaction during the year between these two operating segments was the payment and recording of a dividend by the Port segment to the Investing segment.

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

	Port $000	Investing $000	Total $000
30 June 2019			
Total segment revenue	**313,263**	**71,043**	**384,306**
Inter-segment revenue	-	**(66,318)**	**(66,318)**
Revenue (from external customers)	**313,263**	**4,725**	**317,988**
Other income/gains	-	**36,110**	**36,110**
Finance income	**417**	**1,661**	**2,078**
Finance costs	**(18,594)**	**(1,919)**	**(20,513)**
Depreciation & amortisation	**(27,585)**	**(685)**	**(28,270)**
Impairment of property, plant and equipment	**(499)**	-	**(499)**
Other expenditure/losses	**(140,093)**	**(22,916)**	**(163,009)**
Income tax expense	**(34,432)**	**(885)**	**(35,317)**
Share of profit of Equity Accounted Investees	**8,100**	**(1,025)**	**7,075**
Net profit after tax	**100,577**	**15,066**	**115,643**
30 June 2018			
Total segment revenue	283,263	65,566	348,829
Inter-segment revenue	-	(62,267)	(62,267)
Revenue (from external customers)	283,263	3,299	286,562
Other income/gains	463	31,598	32,061
Finance income	391	867	1,258
Finance costs	(18,418)	(1,599)	(20,017)
Depreciation & amortisation	(25,269)	(575)	(25,844)
Reversal of previous revaluation deficit	446	-	446
Other expenditure/losses	(129,631)	(8,510)	(138,141)
Income tax expense	(32,113)	(910)	(33,023)
Share of profit of Equity Accounted Investees	15,141	112	15,253
Net profit after tax	94,273	24,282	118,555

3 Segmental Reporting (continued)

The segment assets at 30 June are:

	Port $000	Investing $000	Total $000
30 June 2019	**1,748,861**	**348,006**	**2,096,867**
30 June 2018	1,657,031	264,288	1,921,319

Policies

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

4 Operating Revenue

	Group		Parent	
	2019 $000	2018 $000	2019 $000	2018 $000
(a) Trading revenue				
Port services income	**276,819**	251,388	-	-
Rental income	**29,226**	27,249	-	-
Marshalling services income	**4,855**	4,929	-	-
Sale of goods – kiwifruit	**4,268**	2,996	-	-
Other	**2,820**	-	-	-
Total trading revenue	**317,988**	286,562	-	-
(b) Other Income				
Dividends (Quayside Unit Trust)	-	-	**78,900**	59,500
Foreign dividends	**2,416**	1,789	**498**	285
New Zealand dividends	**3,707**	3,223	**247**	227
Management fees	-	-	**187**	184
Other	**136**	577	**120**	102
Total other income	**6,259**	5,589	**79,952**	60,298
(c) Other gains				
Change in fair value of investment property	**3,487**	2,824	-	-
Realised foreign exchange gains	**88**	84	**1**	3
Realised gain on equity investments	**3,151**	4,237	**201**	322
Unrealised foreign exchange gain on equity investments	**2**	44	**1**	5
Unrealised gain on equity investments	**23,123**	19,283	**498**	1,933
Total other gains	**29,851**	26,472	**701**	2,263

The Group has two kiwifruit orchards. Both orchards are managed by post-harvest provider Seeka Kiwifruit Industries Limited, and all kiwifruit is sold to Zespri under a supply agreement. All income from trays of kiwifruit are net of the point of sale and cool store costs. Kiwifruit income this year has been derived from 29.21 canopy hectares of kiwifruit orchards (2018: 29.21 hectares). Kiwifruit income this year includes an upward adjustment of $95,696 in relation to the prior year crop (2018: $185,930 increase on prior year crop income). This was due to a revision during the year in the estimate of income receivable shown in the accounts at 30 June 2018.

4 Operating Revenue (continued)

Policies

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Standard credit terms are a month following invoice with any rebate variable component calculated at the client's financial year end. Rebateable sales are eligible for sales volume rebates. When the rebate is accrued, it is accrued as a current liability (rebate payable) based on contracted rates and estimated volumes, and will be paid out in cash. For financial reporting purposes rebates are treated as a reduction in profit or loss. Revenue is shown, net of GST, rebates and discounts. Revenue is recognised as follows:

- *Port Services and marshalling services revenues*: are recognised when the related service is performed. If at reporting date, the service is in progress, then the portion performed, determined using the percentage of completion method, is recognised in the current year.

- *Rail revenue*: this includes providing rail transport services, for which revenue is recognised at a point in time on when the delivery service is completed and goods have been delivered to destination.

- *Dividend Income*: is recognised on the date that the Group's right to receive payment is established, being the ex-dividend date.

- *Rental Income*: from property leased under operating leases is recognised in the income statement on a straight line basis over the term of the lease. Lease incentives provided are recognised as an integral part of the total lease income, over the term of the lease.

- *Kiwifruit Income*: Revenue from the sale of kiwifruit is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer i.e. Zespri. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods, or where there is continuing management involvement with the goods. Income at year-end is based on the highly probable income per tray to be received, based on the latest forecast from Zespri. Any revision of the income recognised during the year will be recognised in the income statement.

- *Foreign Currency gains/losses*: Transactions in foreign currencies are translated into the functional currency of Group entities at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges.

- *Gain/loss on equity investments*: Equity securities designated at fair value through profit and loss are revalued to fair value based on quoted market prices at the reporting date. Gains and losses on individual equities securities are shown separately in the income statement and are not netted off.

5 Employee Benefit Expenses

	Group		Parent	
	2019 $000	2018 $000	2019 $000	2018 $000
Wages and salaries	**(37,298)**	(36,699)	**(964)**	(738)
ACC Levy	**(262)**	(191)	**(1)**	(1)
Kiwisaver contribution	**(1,434)**	(1,242)	**(13)**	(9)
Medical subsidy	**(259)**	(396)	**-**	-
Other	**(43)**	(17)	**(43)**	(17)
Total employee benefit expenses	**(39,296)**	(38,545)	**(1,021)**	(765)

6 Other Expenses

The following items of expenditure are included in other expenses:

	Group		Parent	
	2019 $000	2018 $000	2019 $000	2018 $000
(a) Trading and other expenses				
Audit Fees for the audit and review of the financial statements:				
Audit NZ – audit fees paid to principal auditor	**(109)**	(102)	**(67)**	(65)
Audit NZ – audit fees paid for other group entities	**-**	-	**(4)**	-
KPMG - audit fees paid to principal auditor of the *Port of Tauranga Group*	**(153)**	(163)	**-**	-
KPMG - review of half year financial statements	**(12)**	(12)	**-**	-
Fees paid for other services provided by the principal auditor of the Port of Tauranga Group:				
KPMG – Payments data analysis review	**-**	(22)	**-**	-
KPMG – Treasury function review	**(33)**	-	**-**	-
KPMG – Data insights risk review of GST and tax fixed asset register	**(12)**	-	**-**	-
KPMG – Hedge accounting policy review	**(7)**	-	**-**	-
Contracted services for Port operations	**(63,775)**	(58,797)	**-**	-
Direct fuel and power expenses	**(9,346)**	(9,230)	**-**	-
Maintenance of property, plant and equipment	**(11,979)**	(9,346)	**-**	-
Operating lease payments	**(1,712)**	(1,339)	**-**	-
Orchard expenses	**(1,363)**	(794)	**-**	-
Directors' fees	**(1,104)**	(1,059)	**(181)**	(178)
Subvention expense	**(3,004)**	-	**(408)**	-
Other	**(16,380)**	(13,756)	**(1,237)**	(667)
Total trading and other expenses	**(108,989)**	(94,620)	**(1,897)**	(910)
(b) Other losses				
Loss on revaluation of biological assets	**(95)**	-	**-**	-
Realised foreign exchange losses	**(132)**	(1)	**(1)**	-
Realised loss on equity investments	**(1,381)**	-	**(40)**	-
Unrealised foreign exchange losses	**(102)**	-	**-**	-
Unrealised loss on equity investments	**(13,014)**	(4,975)	**(1,165)**	(443)
Total other losses	**(14,724)**	(4,976)	**(1,206)**	(443)

7 Finance Income and Expenses

	Group		Parent	
	2019 $000	2018 $000	2019 $000	2018 $000
(a) Finance income				
Interest income on bank deposits	**1,567**	994	**729**	121
Interest on Fixed interest investments	**186**	-	**-**	-
Interest - Intercompany	**-**	-	**912**	877
Interest on advances to equity accounted investees	**292**	261	**-**	-
Interest on convertible notes	**31**	-	**31**	-
Interest on finance lease	**2**	3	**-**	-
Total finance income	**2,078**	1,258	**1,672**	998
(b) Finance expense				
Interest expense on borrowings	**(20,656)**	(20,102)	**(1,919)**	(1,599)
Less: interest capitalised to property, plant and equipment	**274**	175	**-**	-
	(20,382)	(19,927)	**(1,919)**	(1,599)
Ineffective portion of changes in fair value of cash flow hedges	**(1)**	(26)	**-**	-
Currency option expense	**(44)**	-	**-**	-
Amortisation of interest rate collar premium	**(86)**	(64)	**-**	-
Total finance expense	**(20,513)**	(20,017)	**(1,919)**	(1,599)
Net finance cost	**(18,435)**	(18,759)	**(247)**	(601)

Capitalised interest

The average weighted interest rate for interest capitalised to property, plant and equipment, was 3.83% for the current period (2018: 4.12%).

Total interest capitalised to property, plant and equipment was $0.27 million for the current period (2018: $0.18m).

Policies

Finance income comprises interest income on bank deposits, finance lease interest and gains on hedging instruments that are recognised in the income statement. Interest income is recognised as it accrues, using the effective interest method. Finance lease interest is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Finance expenses comprise interest expense on borrowings, finance lease interest expense, unwinding of the discount of provisions and losses on hedging instruments that are recognised in the income statement. Except for interest that is capitalised directly attributable to the purchase or construction of qualifying assets, all borrowing costs are recognised in the income statement using the effective interest method.

8 Income Tax

	Group		Parent	
	2019 $000	2018 $000	2019 $000	2018 $000
Components of tax expense				
Profit before income tax for the period	**150,960**	151,578	**74,924**	59,936
Income tax on surplus at 28% (2018: 28%)	**(42,269)**	(42,442)	**(20,979)**	(16,782)
Tax effect of amounts which are non deductible/(taxable):				
Gain/(loss) on investments	**3,224**	5,179	**(142)**	503
Fair value (loss)/gain on investment property	**976**	791	**-**	-
Fair value (loss)/gain on biological assets	**(27)**	-	**-**	-
Foreign dividend regime	**(350)**	(243)	**-**	-
Share of equity accounted investees after tax income, excluding Coda Group	**2,972**	3,210	**(370)**	31
Dividend imputation credits	**728**	827	**22,167**	16,764
PIE attributed (income)/loss	**-**	-	**(1,049)**	(571)
Other attributed (income)/loss	**256**	123	**256**	123
Tax losses utilised	**41**	262	**-**	89
Non assessable (income)/expenditure	**(91)**	(67)	**(6)**	1
Temporary differences	**(902)**	(725)	**-**	-
Other	**125**	62	**-**	(35)
Income tax benefit/(expense)	**(35,317)**	(33,023)	**(123)**	123
The income tax benefit/(expense) is represented by:				
Current tax expense				
Tax payable in respect of the current period	**(35,736)**	(33,707)	**-**	-
Adjustment for prior period	**293**	2	**-**	-
Total current tax expense	**(35,443)**	(33,705)	**-**	-
Deferred tax expense				
Origination/reversal of temporary differences	**44**	683	**(123)**	123
Adjustment for prior period	**82**	(1)	**-**	-
Total deferred tax expense (note 9)	**126**	682	**(123)**	123
Income tax benefit/(expense)	**(35,317)**	(33,023)	**(123)**	123
Income tax recognised in other comprehensive income:				
Revaluation of property, plant and equipment	**395**	16,088	**-**	-
Revaluation of intangibles	**100**	106	**-**	-
Cash flow hedges	**(2,844)**	(504)	**-**	-
Total (note 9)	**(2,349)**	15,690	**-**	-
Imputation credit account				
Imputation credits available for use in subsequent periods	**103,098**	96,140	**58,344**	41,350

8 Income Tax (continued)

Policies

Income tax expense includes components relating to current tax and deferred tax. Current tax is the amount of income tax payable based on the taxable profit for the current year, and any adjustments to income tax payable in respect of prior years. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or equity.

9 Deferred Taxation

	Assets		Liabilities		Net	
Group	**2019 $000**	**2018 $000**	**2019 $000**	**2018 $000**	**2019 $000**	**2018 $000**
Deferred tax (asset)/liability						
Tax losses	**-**	(123)	**-**	-	**-**	(123)
Biological assets	**(27)**	-	**-**	-	**(27)**	-
Property, plant and equipment	**-**	-	**76,799**	77,566	**76,799**	77,566
Investment property	**-**	(838)	**118**	-	**118**	(838)
Intangible assets	**-**	-	**1,237**	1,028	**1,237**	1,028
Finance lease receivables	**-**	-	**7**	10	**7**	10
Derivatives	**(6,246)**	(3,402)	**-**	-	**(6,246)**	(3,402)
Provisions and accruals	**(1,993)**	(1,871)	**-**	-	**(1,993)**	(1,871)
Total	**(8,266)**	(6,234)	**78,161**	78,604	**69,895**	72,370

	Recognised in the Income Statement		Recognised in Comprehensive Income	
Group	**2019 $000**	**2018 $000**	**2019 $000**	**2018 $000**
Tax benefit	**123**	(123)	**-**	-
Property, plant and equipment	**(1,163)**	(1,266)	**395**	16,088
Biological assets	**(27)**	-	**-**	-
Investment property	**956**	752	**-**	-
Intangible assets	**110**	(32)	**100**	106
Finance lease receivables	**(3)**	(3)	**-**	-
Derivatives	**-**	-	**(2,844)**	(504)
Provisions and accruals	**(122)**	(10)	**-**	-
Total	**(126)**	(682)	**(2,349)**	15,690

9 Deferred Taxation (continued)

Parent	Assets 2019 $000	Assets 2018 $000	Liabilities 2019 $000	Liabilities 2018 $000	Net 2019 $000	Net 2018 $000
Deferred tax (asset)/liability						
Tax losses	**-**	(123)	**-**	-	**-**	(123)

Parent	Recognised in the Income Statement 2019 $000	Recognised in the Income Statement 2018 $000	Recognised in Comprehensive Income 2019 $000	Recognised in Comprehensive Income 2018 $000
Tax benefit	**123**	(123)	**-**	-

Unrecognised tax losses or temporary differences

A deferred tax asset of $40,971 was not recognised in the prior year for excess imputation credits converting to tax losses of $146,327 in relation to Quayside Unit Trust – this loss was utilised in the current period. There are no material unrecognised temporary differences in the Group.

Policies

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised. Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that affects neither accounting profit nor taxable profit.

Current and deferred tax is recognised against the profit or loss for the period, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. Current tax and deferred tax are measured using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

10 Property, Plant and Equipment

	Freehold Land $000	Freehold Buildings $000	Wharves and Hardstanding $000	Harbour Improvements $000	Bearer Plants $000	Plant and Equipment $000	Work in Progress $000	Total $000
Group								
Gross carrying amount:								
Balance at 1 July 2017	580,318	96,874	272,936	157,838	8,378	214,058	10,133	1,340,535
Additions	-	9,965	8,310	619	-	4,799	(4,560)	19,133
Disposals	-	-	-	-	-	(1,548)	-	(1,548)
Transfers from work in progress	-	(939)	548	391	-	-	-	-
Revaluation	150,088	91	19,785	14,436	789	-	-	185,189
Balance at 30 June 2018	730,406	105,991	301,579	173,284	9,167	217,309	5,573	1,543,309
Balance at 1 July 2018	**730,406**	**105,991**	**301,579**	**173,284**	**9,167**	**217,309**	**5,573**	**1,543,309**
Additions	**22**	**10,237**	**17,233**	**1,183**	**-**	**2,909**	**9,083**	**40,667**
Disposals	**-**	**(1,300)**	**-**	**-**	**-**	**(1,036)**	**-**	**(2,336)**
Revaluation	**72,776**	**-**	**-**	**-**	**1,709**	**-**	**-**	**74,485**
Balance at 30 June 2019	**803,204**	**114,928**	**318,812**	**174,467**	**10,876**	**219,182**	**14,656**	**1,656,125**
Accumulated depreciation and impairment:								
Balance at 1 July 2017	-	(6,291)	(18,213)	(2,679)	-	(77,715)	-	(104,898)
Depreciation expense	-	(3,478)	(9,806)	(1,132)	(465)	(10,398)	-	(25,279)
Disposals	-	-	-	-	-	417	-	417
Transfers between asset classes	-	84	(84)	-	-	-	-	-
Disposals	-	9,647	28,103	3,811	465	-	-	42,026
Balance at 30 June 2018	-	(38)	-	-	-	(87,696)	-	(87,734)
Balance at 1 July 2018	**-**	**(38)**	**-**	**-**	**-**	**(87,696)**	**-**	**(87,734)**
Depreciation expense	**-**	**(4,170)**	**(11,147)**	**(1,291)**	**(539)**	**(10,471)**	**-**	**(27,618)**
Disposals	**-**	**466**	**-**	**-**	**-**	**938**	**-**	**1,404**
Impairment	**-**	**(463)**	**-**	**-**	**-**	**(36)**	**-**	**(499)**
Revaluation	**-**	**-**	**-**	**-**	**539**	**-**	**-**	**539**
Balance at 30 June 2019	**-**	**(4,205)**	**(11,147)**	**(1,291)**	**-**	**(97,265)**	**-**	**(113,908)**
Carrying amounts:								
Net book value as at 30 June 2018	730,406	105,953	301,579	173,284	9,167	129,613	5,573	1,455,575
Net book value as at 30 June 2019	**803,204**	**110,723**	**307,665**	**173,176**	**10,876**	**121,917**	**14,656**	**1,542,217**

10 Property, Plant and Equipment (continued)

Parent	Plant and equipment $000
Gross carrying amount:	
Balance at 1 July 2017	36
Additions	122
Balance at 30 June 2018	158
Balance at 1 July 2018	**158**
Additions	**32**
Balance at 30 June 2019	**190**
Accumulated depreciation and impairment:	
Balance at 1 July 2017	(17)
Depreciation expense	(26)
Balance at 30 June 2018	(43)
Balance at 1 July 2018	**(43)**
Depreciation expense	**(35)**
Balance at 30 June 2019	**(78)**
Net book value at 30 June 2018	115
Net book value at 30 June 2019	**112**

Notional carrying amounts

For each revalued class of property, plant and equipment, the notional carrying amount that would have been recognised, had the assets been carried under the cost model, would be:

	Group	
	2019 Notional carrying amount $000	2018 Notional carrying amount $000
Freehold land	**117,601**	117,579
Freehold buildings	**81,329**	75,125
Wharves and hardstanding	**116,739**	105,174
Harbour improvements	**61,118**	62,393
Bearer plants	**1,052**	1,117
Total notional carrying amount	**377,839**	361,388

10 Property, Plant and Equipment (continued)

Restriction on title

An area of 8,000 square metres of land located between the Sulphur Point wharves and the Parliamentary approved reclamation does not have formal title. Actions are being taken to resolve the issue and obtain title. The resolution lies with the Government.

Security

Certain items of property, plant and equipment have been pledged as security against certain loans and borrowings of *Port of Tauranga Group* (refer to note 18).

Occupation of foreshore

Port of Tauranga Limited holds consent to occupy areas of the Coastal Marine Area to enable the management and operation of port related commercial undertakings that it acquired under the Port Companies Act 1988. The consented area includes a 10 metre radius around navigation aids and a strip from 30 to 60 metres wide along the extent of the wharf areas at both Sulphur Point and Mount Maunganui.

Capital commitments

The estimated capital expenditure for property, plant and equipment contracted for at balance date but not provided for is $19.6m (2018: $13.9m).

Judgements

Fair values

Land, buildings, harbour improvements, and wharves and hardstanding assets

Judgement is required to determine whether the fair value of land, buildings, wharves and hardstanding, and harbour improvements assets have changed materially since the last revaluation. The determination of fair value at the time of the revaluation requires estimates and assumptions based on market conditions at that time. Changes to estimates, assumptions or market conditions subsequent to a revaluation will result in changes to the fair value of property, plant and equipment.

Remaining useful lives and residual values are estimated based on Management's judgement, previous experience and guidance from registered valuers. Changes in those estimates affect the carrying value and the depreciation expense in the income statement.

At the end of each reporting period, the Group makes an assessment whether the carrying amounts differ materially from the fair value and whether a revaluation is required. The assessment considers movements in the capital goods price indices and other market indicators since the previous valuations.

The *Port of Tauranga Group* revalued land assets at 30 June 2019, due to indicators of potential material movement in the fair value of the asset class. At 30 June 2019, the assessment is that there is no material change compared with carrying value in the fair value of buildings, wharves and hardstanding, and harbour improvements.

The fair value measurement has been categorised as a Level 3 fair value based on the inputs for the assets which are not based on observable market data (unobservable inputs), (refer to note 2 for fair value measurement hierarchy).

Bearer plants

Fair value of the bearer plants (kiwifruit vines) has been determined by independent registered valuation at 30 June 2019 undertaken by Telfer Young. The fair value measurement has been categorised as a level 2 fair value based on the inputs to the valuation technique. Fair value has been determined with reference to comparative orchard sales in the region, taking in to account the quality of the orchard, potential production and orchard gate return. The increases in fair value reflect the strong returns of the orchards growing Green variety kiwifruit, and the production returns of the new G3 variety.

10 Property, Plant and Equipment (continued)

Land valuation

The valuation of land assets was carried out by Colliers International New Zealand Limited. The valuation increased the carrying amount of land by $72.8 million.

Land assets are valued using the direct sales comparison approach which analyses direct sales of comparable properties on the basis of the sale price per square metre which are then adjusted to reflect stronger and weaker fundamentals relative to the subject property.

The interim valuation was performed on a desk top basis with no physical inspection of the sites or review of land titles for each property. Therefore the work performed is less than that which would be undertaken at the full revaluation cycle.

The significant assumptions applied in the valuation of these assets are:

Asset valuation method	Key valuation assumptions	Hectares	2019		2018	
			Range of significant assumptions	Weighted average	Range of significant assumptions	Weighted average
Direct sales comparison	Tauranga (Sulphur Point) / Mount Maunganui – wharf and industrial land per square metre	181.7	$330 - $770	$411	$300-700	$374
	Auckland land – land adjacent to MetroPort Auckland per square metre	6.8	$568 - $596	$592	$500-525	$522
	Rolleston land – MetroPort Christchurch per square metre	15.0	$100	$100	$100	$100

- *Waterfront Access Premium:* A premium of approximately 25% has been applied to the main wharf land areas reflecting the locational benefits this land asset gains from direct waterfront access.
- *No Restriction of Title*: Valuation is made on the assumption that having no legal title to the Tauranga harbour foreshore will not detrimentally influence the value of land assets.
- *Highest and Best Use of Land: Subject to relevant local authority's zoning regulations.*
  - *Tauranga and Mount Maunganui:* The majority of land is zoned "Port Industry" under the Tauranga City Plan and a small portion of land at both Sulphur Point and Mount Maunganui has "Industry" zoning.
  - *Auckland:* The land is zoned "Heavy Industry Zone" under the Auckland Unitary Plan.
  - *Rolleston:* The land is zoned "Business 2A" under the Selwyn District Plan.

Building valuations

The last valuation was carried out at 30 June 2018 by Colliers International New Zealand Limited. The majority of assets are valued on a combined land and building basis using a Capitalised Income Model with either contract income or market income. A small number of specialised assets, such as gatehouses and toilet blocks, are valued on a Depreciated Replacement Cost basis due to their specialised nature and the lack of existing market.

The Capitalised Income Model uses either the contracted rental income or an assessed market rental income of a property and then capitalises the valuation of the property using an appropriate yield. Contracted rental income is used when the contracted income is receivable for a reasonable term from secured tenants. Market income is used when the current contract rent varies from the assessed market rent due to over or under renting, vacant space and a number of other factors.

10 Property, Plant and Equipment (continued)

The value of land is deducted from the overall property valuation to give rise to a building valuation.

The significant assumptions applied in the valuation of these building assets are:

Asset valuation method	Key valuation assumptions	2019		2018	
		Range of significant assumptions	Weighted average	Range of significant assumptions	Weighted average
Capitalised income model	Market capitalisation rate	5.00 - 8.00%	5.47%	5.00 - 8.00%	5.47%

Wharves and Hardstanding, and Harbour Improvements

The last valuation of wharves and hardstanding, and harbour improvements assets was carried out at 30 June 2018 by WSP Opus. Wharves and hardstanding, and harbour improvements assets are classified as specialised assets and have accordingly been valued on a Depreciated Replacement Cost basis.

The significant assumptions applied in the valuation of these assets are:

- Replacement Unit Costs of Construction Rates – Cost Rates are Calculated Taking into Account:
    - The Port of Tauranga Limited's historic cost data, including any recent competitively tendered construction works.
    - Published cost information.
    - The WSP Opus construction cost database.
    - Long run price trends.
    - Historic costs adjusted for changes in price levels.
    - An allowance is included for costs directly attributable to bringing assets into working condition, management costs and the financing cost of capital held over construction period.
- Depreciation – the Calculated Remaining Lives of Assets Were Reviewed, Taking Into Account:
    - Observed and reported condition, performance and utilisation of the asset.
    - Expected changes in technology.
    - Consideration of current use, age and operational demand.
    - Discussions with the Port of Tauranga Limited's operational officers.
    - Opus Consultants' in-house experience from other infrastructure valuations.
    - Residual values.

10 Property, Plant and Equipment (continued)

The significant assumptions applied in the valuation of these wharves and hardstanding, and harbour improvements assets are:

Asset valuation method	Key valuation assumptions	2019 Range of significant assumptions	2019 Weighted average	2018 Range of significant assumptions	2018 Weighted average
Depreciated replacement cost basis	Wharf construction replacement unit cost rates per square metre – high performance wharves	$5,000 - $7,000	$6,446	$5,000 - $7,000	$6,446
	Earthworks construction replacement unit cost rates per square metre	$9	$9	$9	$9
	Basecourse construction replacement unit cost rates per square metre	$20 - $40	$31	$20 - $40	$31
	Asphalt construction replacement unit cost rates per square metre	$23 - $50	$44	$23 - $50	$44
	Capital dredging replacement unit cost rates per square metre	$4 - $75	*	$4 - $75	*
	Depreciation method	Straight line basis	Not applicable	Straight line basis	Not applicable
	Channel assets (capital dredging) useful life	Indefinite	Not applicable	Indefinite	Not applicable
	Pavement – remaining useful lives	2-32 years	14 years	2-32 years	14 years
	Wharves remaining useful lives	0-65 years	24 years	0-65 years	24 years

* Weighted average unit cost rates are not presented due to the complexity in measuring the types and locations of removed quantities.

Sensitivities to changes in key valuation assumptions for land, buildings, wharves and hardstanding, and harbour improvements

The following table shows the impact on the fair value due to a change in significant unobservable input:

		Fair value measurement sensitivity to significant: Increase in input	Decrease in input
Unobservable inputs within the direct sales comparison approach for land			
Rate per square metre	The rate per square metre assessed from recently sold properties of a similar nature	Increase	Decrease
Unobservable inputs within the income capitalisation approach for buildings			
Market rent	The valuer's assessment of the net market income attributable to the property	Increase	Decrease
Market capitalisation rate	The rate of return, determined through analysis of comparable market related sales transactions, that is applied to a market rent to assess a property's value	Decrease	Increase
Unobservable inputs within depreciated replacement cost analysis for buildings, wharves and hardstanding, and harbour improvements			
Unit costs of construction	The cost of constructing various asset types based on a variety of sources	Increase	Decrease
Remaining useful lives	The remaining useful life on an asset	Increase	Decrease

10 Property, Plant and Equipment (continued)

Policies

Property, plant and equipment is initially measured at cost, and subsequently stated at either fair value or cost, less depreciation and any impairment losses. Subsequent expenditure that increases the economic benefits derived from the asset is capitalised.

Land, buildings, harbour improvements, and wharves and hardstanding are measured at fair value, based upon periodic valuations by external independent valuers. The Group undertakes a three yearly revaluation cycle to ensure the carrying value of these assets do not differ materially from their fair value. If during the three year revaluation cycle there are indicators that fair value of a particular asset class may differ materially from its carrying value, an interim revaluation of that asset class is undertaken.

Bearer plants are accounted for using the revaluation method and are revalued annually. The revaluation method requires a revaluation to fair value. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

Any increase in carrying value from revaluation shall be recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. If an asset's carrying amount is decreased as a result of revaluation, the decrease shall be recognised in profit or loss unless there is a credit balance existing in the revaluation reserve in respect of that asset – in which case the reserve should be offset first.

Depreciation of property, plant and equipment, other than freehold land and capital dredging (included within harbour improvements), is calculated on a straight line basis and expensed over their estimated useful lives.

Major useful lives are:

Bearer plants	20 years
Freehold buildings	33 to 85 years
Maintenance dredging	3 years
Wharves	44 to 70 years
Basecourse	50 years
Asphalt	15 years
Gantry cranes	10 to 40 years
Floating plant	10 to 25 years
Other plant and equipment	5 to 25 years
Electronic equipment	3 to 5 years

Capital and maintenance dredging are held as harbour improvements. Capital dredging has an indefinite useful life and is not depreciated as the channel is maintained via maintenance dredging to its original depth and contours. Maintenance dredging is depreciated over three years.

Work in progress relates to self constructed assets or assets that are being acquired which are under construction at balance date. Once the asset is fit for intended service, it is transferred to the appropriate asset class and depreciation commences. Software developed undertaken as part of a project is transferred to intangibles on completion.

An item of property, plant and equipment is derecognised when it is sold or otherwise disposed of, or when its use is expected to bring no future economic benefit. Upon disposal or derecognition, any revaluation reserve relating to the particular asset being disposed or derecognised is transferred to retained earnings.

11 Operating Leases

Operating leases where the Group is the lessor

There are no operating leases as lessor for the Parent – this note relates to the Group only.

Included in the financial statements are land and buildings and investment property leased to customers under operating leases.

	Group			
	2019 Cost/valuation $000	2019 Accumulated depreciation $000	2018 Cost/valuation $000	2018 Accumulated depreciation $000
Investment property	**8,725**	**-**	5,150	-
Land	**378,642**	**-**	378,626	-
Buildings	**84,273**	**2,495**	74,467	-
Total	**471,640**	**2,495**	458,243	-

Future minimum lease receivables from non cancellable operating leases where the Group is the lessor are as follows:

	Group	
	2019 $000	2018 $000
Within one year	**18,491**	14,879
One year to two years	**14,789**	7,578
Two years to five years	**26,248**	13,321
Greater than five years	**39,721**	33,007
Total	**99,249**	68,785

Policies

Where the Group is the Lessor, assets leased under operating leases are included in property, plant and equipment or investment property in the statement of financial position as appropriate.

Payments and receivables made under operating leases are recognised in the income statement on a straight line basis over the term of the lease.

Lease incentives are recognised as an integral part of the total lease expense/revenue, over the term of the lease.

12 Intangible Assets

Group	Kiwifruit G3 Licences $000	Goodwill $000	Computer Software $000	Consents and Contracts $000	Total $000
Cost					
Balance at 1 July 2017	3,125	15,490	3,167	10,000	31,782
Additions	-	-	987	-	987
Revaluation	289	-	-	-	289
Transfers out - reclassification	(1,176)	-	-	-	(1,176)
Balance at 30 June 2018	2,238	15,490	4,154	10,000	31,882
Balance at 1 July 2018	**2,238**	**15,490**	**4,154**	**10,000**	**31,882**
Additions	**-**	**-**	**486**	**567**	**1,053**
Revaluation	**249**	**-**	**-**	**-**	**249**
Balance at 30 June 2019	**2,487**	**15,490**	**4,640**	**10,567**	**33,184**
Accumulated amortisation and impairment					
Balance at 1 July 2017	-	-	(1,374)	(9,264)	(10,638)
Amortisation expense	(80)	-	(362)	(123)	(565)
Revaluation	88	-	-	-	88
Transfer out - reclassification	(8)	-	-	-	(8)
Balance at 30 June 2018	-	-	(1,736)	(9,387)	(11,123)
Balance at 1 July 2018	**-**	**-**	**(1,736)**	**(9,387)**	**(11,123)**
Amortisation expense	**(106)**	**-**	**(422)**	**(124)**	**(652)**
Revaluation	**106**	**-**	**-**	**-**	**106**
Balance at 30 June 2019	**-**	**-**	**(2,158)**	**(9,511)**	**(11,669)**
Carrying amounts					
Net book value 30 June 2018	2,238	15,490	2,418	613	20,759
Net book value 30 June 2019	**2,487**	**15,490**	**2,482**	**1,056**	**21,515**

	Group		Parent	
	2019 $000	2018 $000	2019 $000	2018 $000
Kiwifruit Licence Revaluation Reserve				
Opening balance	**1,670**	1,446	**-**	47
Revaluation reversal	**-**	(47)	**-**	(47)
Revaluation, net of tax	**255**	271	**-**	-
Closing balance	**1,925**	1,670	**-**	-

12 Intangible Assets (continued)

G3 licences

The G3 licences held are for a total of 8.29 hectares (2018: 8.29 hectares). The 2014 to 2019 harvest returns has increased the value of G3 licences. A registered valuer at 30 June 2019 has determined that the fair value for licences held by the Quayside Group is $2,487,000. The original cost of the licences is $57,649. The fair value measurement for these assets is categorised as a level 1 fair value. The notional carrying amount that would have been recognised, had the licences been carried under the cost model, would be $50,129 (2018: $52,636).

Judgements

Goodwill relates to goodwill arising on the acquisition of Quality Marshalling (Mount Maunganui) Limited.

Goodwill was tested for impairment at 30 June 2019 and confirmed that no adjustment was required. For impairment testing the calculation of value in use was based upon the following key assumptions:

- Cash flows were projected using management forecasts over the five-year period.
- Terminal cash flows were estimated using a constant growth rate of 2% after year five.
- A pre-tax discount rate of 12% was used.

Restrictions

There are no restrictions over the title of the intangible assets.

Security

No intangible assets are pledged as security for liabilities.

Policies

Kiwifruit licences

Kiwifruit licences are initially measured at cost and are then subsequently revalued each year. Previously kiwifruit licences were not amortised as the useful life of the Plant Variety Rights was undetermined. In September 2016, Zespri issued a statement that Plant Variety Rights had been granted for the Gold3 (G3) variety and that these rights have an expiration date of 6 September 2039. Amortisation has been calculated on the licences from September 2016 based on this licence period.

After initial recognition, licences are carried at a revalued amount, being fair value at the date of revaluation less any subsequent accumulated impairment losses. Increases in the carrying amount arising on revaluation are credited to the revaluation reserve in other comprehensive income. To the extent that the increase reverses a decrease previously recognised in the Income Statement, the increase is recognised in the Income Statement. If the carrying amount is decreased as a result of revaluation, the decrease shall be recognised in the Income Statement unless there is a credit balance existing in the revaluation reserve in respect of that asset – in which case the reserve should be offset first.

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. The Group measures goodwill as the fair value of consideration transferred, less the fair value of the net identifiable assets and liabilities assumed at acquisition date.

Goodwill is measured at cost less accumulated impairment losses.

Other intangible assets acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

The estimated useful lives for the current and comparative periods are as follows:

Consents and contracts	10 to 35 years
Computer software	1 to 10 years

Goodwill is tested for impairment annually, based upon the value in use of the cash generating unit to which the goodwill relates. The cash flow projections include specific estimates for five years and a terminal growth rate thereafter.

The carrying amounts of the Group's intangibles other than goodwill are reviewed at each reporting date to determine whether there is any objective evidence of impairment.

13 Investment in Subsidiaries

Investments in subsidiaries comprise:

Name of entity	Principal activity	2019 %	2018 %	Balance Date
Subsidiaries of Quayside Holdings Limited				
Quayside Unit Trust (QUT)	Majority shareholder in POT	**100.00**	100.00	30 June
Quayside Investment Trust (QIT)	Holds equity investments	**100.00**	100.00	30 June
Quayside Securities Limited (QSL)	Trustee for QUT and QIT	**100.00**	100.00	30 June
Quayside Properties Limited (QPL)	Holds investment properties	**100.00**	100.00	30 June
Cibus Technologies Limited (CTL)	Shell company	**100.00**	-	30 June
Aqua Curo Limited (ACL)	Shell company	**100.00**	-	30 June
Port of Tauranga Limited (POT)	Port company	**54.14**	54.14	30 June
Subsidiaries of Port of Tauranga Limited				
Port of Tauranga Trustee Company Limited	Holding company for employee share scheme	**100.00**	100.00	30 June
Quality Marshalling (Mount Maunganui) Limited	Marshalling and terminal operations services	**100.00**	100.00	30 June

The subsidiaries of the Group are incorporated / established in New Zealand and have their place of business in New Zealand.

The principal place of business of Quayside Holdings Limited's wholly owned subsidiaries is Tauranga, New Zealand.

Port of Tauranga Limited facilitates export and import activities through the Port of Tauranga, located in Mount Maunganui in the Bay of Plenty, New Zealand.

13 Investment in Subsidiaries (continued)

	Parent	
	2019 $000	2018 $000
Investment in Quayside Properties Limited		
Ordinary shares at cost	**10,500**	10,500
Revaluation	**11,918**	7,480
Ordinary shares at fair value	**22,418**	17,980
Investment in Quayside Securities Limited as Trustee for Quayside Unit Trust (incorporating Port of Tauranga Limited)		
Ordinary units at cost	**7,525**	7,525
Revaluation	**2,333,286**	1,914,448
Ordinary units at fair value	**2,340,811**	1,921,973
Investment in Quayside Securities Limited		
Ordinary units at cost	**-**	-
Revaluation	**38**	38
Ordinary units at fair value	**38**	38
Investment in Quayside Securities Limited as Trustee for Quayside Investment Trust		
Ordinary units at cost	**109,517**	96,517
Revaluation	**47,704**	35,141
Ordinary units at fair value	**157,221**	131,658
Total investment in subsidiaries at cost	**127,542**	114,542
Total revaluation *	**2,392,946**	1,957,107
Total investment in subsidiaries at fair value	**2,520,488**	2,071,649

* The investment in subsidiaries revaluation reserve amount of $435,839 (2018: $267,139) is comprised of the movement in the total revaluation of investment in subsidiaries for the year.

The fair value of subsidiaries with unlisted shares is based on the entity's net assets recorded in the financial statements and are categorised under the Level 2 fair value hierarchy. Quayside Securities Limited as Trustee for the Quayside Unit Trust holds the shares in Port of Tauranga Group through its 54.14% (2018: 54.14%) investment in the Port of Tauranga Limited. 45.86% (2018: 45.86%) of the Port of Tauranga Limited is held by non-controlling interests.

Listed shares held in the Port of Tauranga Limited are stated at fair value as determined by reference to published current bid price quotations in an active market, and are categorised under the Level 1 fair value hierarchy. The last bid price for Port of Tauranga shares at 30 June 2019 was $6.25 (2018: $5.09) which has resulted in an increase in the fair value of the investment in Port of Tauranga Limited of $427,387,709 (2018: $239,484,492).

13 Investment in Subsidiaries (continued)

	2019 $000	2018 $000
Ownership Interest in Port of Tauranga Limited		
Non current assets	**1,682,982**	1,599,147
Current assets	**65,879**	57,884
Non current liabilities	**(213,280)**	(214,038)
Current liabilities	**(369,696)**	(321,013)
Net assets (100%)	**1,165,885**	1,121,980
Group's share of net assets - 54.14% (2018: 54.14%)	**631,210**	607,440
Non Controlling Interest - 45.86 %(2018: 45.86%)	**534,675**	514,540
Accounting adjustment to non-controlling interest (refer note 16(e))	**(9,005)**	(8,990)
	525,670	505,550
Port of Tauranga Group – summary of financial performance and cash flow		
Operating revenue	**313,263**	283,726
Profit after income tax	**100,577**	94,273
Total comprehensive income	**165,533**	304,397
Net cash inflow from operating activities	**112,189**	99,431
Ending cash and cash equivalents	**3,903**	5,836

Policies

Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In assessing control, potential voting rights that presently are exercisable, are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Non-Controlling Interest
The share of the net assets of controlled entities attributable to non controlling interests is disclosed separately on the statements of financial position. In the income statements, the profit or loss of the Group is allocated between profit or loss attributable to non controlling interest and profit or loss attributable to owners of the Parent Company.

Financial assets at fair value through other comprehensive income
In respect of the Parent accounts, the accounting policy is to account for subsidiary investments at fair value through other comprehensive income. The fair value of investments in subsidiaries is based on the entity's net assets recorded in the financial statements and are categorised under the level 2 fair value hierarchy

Financial assets at fair value through other comprehensive income are non-derivative assets that are designated as financial assets at fair value through other comprehensive income on initial recognition and are not held for trading. These financial assets are recognised initially at fair value plus any directly attributable transaction costs.

They are subsequently measured at their fair value with gains and losses recognised in other comprehensive revenue and expense. When sold, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is transferred within equity to retained earnings. Dividends from these financial assets are recognised in profit and loss.

Accounting policy for the comparative year under NZ IAS 39

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognised in other comprehensive income and presented in the revaluation reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

14 Investments in Equity Accounted Investees

Investments in Equity Accounted Investees are comprised as follows. (A) denotes an 'associate' and (JV) 'Joint Venture':

Name of entity	Principal activity	2019 %	2018 %	Balance Date
Quayside Holdings Limited				
Huakiwi Developments Limited Partnership (JV)	Orchard development	**50.00**	50.00	31 Mar*
WNT Ventures (A)	Technology incubator	**20.00**	20.00	30 June
Ōpōtiki Packing & Coolstorage Limited (A)	Kiwifruit packhouse	**10.10**	10.10	31 Dec*
HoneyLab Limited (A)	Honey products	**18.79**	18.84	31 Mar*
Rhondium Limited (A)	Dental technology	**10.60**	10.13	31 Dec*
Techion Holdings Limited (A)	Diagnostic technology	**20.82**	20.82	30 June
Oriens Capital (A)	Private Equity Fund	**19.77**	19.77	31 Mar*
Quayside Properties Limited				
Lakes Commercial Developments Limited (JV)	Commercial property development	**50.00**	-	30 June
Tauranga Commercial Developments Limited (JV)	Commercial property development	**50.00**	-	30 June
Port of Tauranga Limited				
Coda Group Limited Partnership (JV)	Freight logistics and warehousing	**50.00**	50.00	30 June
NorthPort Limited (JV)	Sea port	**50.00**	50.00	30 June
PrimePort Timaru Limited (JV)	Sea port	**50.00**	50.00	30 June
PortConnect Limited (JV)	On line cargo management	**50.00**	50.00	30 June
Timaru Container Terminal Limited (JV)	Sea port	**50.10**	50.10	30 June

* Non-standard balance dates of Parent equity accounted investees are aligned to their business cycle and accepted on the basis they are not material to the Group.

The Equity Accounted Investees of the Group are all incorporated / established in New Zealand.

14 Investments in Equity Accounted Investees (continued)

Carrying value of investments in Equity Accounted Investees:

	Group		Parent	
	2019 $000	2018 $000	2019 $000	2018 $000
Associates				
Balance at 1 July	**14,471**	10,431	**14,471**	10,431
Share of after net profit after tax	**(673)**	276	**(673)**	276
Share of revaluation reserve	**143**	(24)	**143**	(24)
Share of total comprehensive income	**(530)**	252	**(530)**	252
New investment during the year	**5,966**	3,909	**5,966**	3,909
Distributions received	**(277)**	(121)	**(277)**	(121)
Balance at 30 June	**19,630**	14,471	**19,630**	14,471
Joint Ventures				
Balance at 1 July	**140,165**	127,583	**5,834**	-
Share of after net profit after tax	**7,748**	14,977	**(650)**	(164)
Share of hedging reserve	**(308)**	(71)	-	-
Share of revaluation reserve	**448**	1,711	-	-
Share of total comprehensive income	**7,888**	16,617	**(650)**	(164)
New investment during the year	**10,835**	6,000	**6,650**	6,000
Distributions received	**(9,850)**	(10,035)	**(10)**	(2)
Balance at 30 June	**149,038**	140,165	**11,824**	5,834
Total equity accounted investees	**168,668**	154,636	**31,454**	20,305

Quayside Group

The Parent has committed uncalled capital in its equity accounted investees of $12.2m (2018: $9.7m).

There are no contingent liabilities relating to the Parent's interests in its equity accounted investees.

The following table summarises the financial information of individually immaterial Equity Accounted interests in associates, as included in their own financial statements, adjusted for fair value adjustments at acquisition and differences in accounting policies. These Equity Accounted Investees relate to the Parent only, as the *Port of Tauranga Group* only has Equity Accounted Investee interests in Joint Ventures – shown separately below.

14 Investments in Equity Accounted Investees (continued)

Summarised financial information of immaterial equity accounted investees - Associates:

Parent and Group	2019 $000	2018 $000
Cash and cash equivalents	**2,257**	2,501
Total current assets	**28,024**	22,138
Total non current assets	**82,498**	60,262
Total assets	**110,522**	82,400
Current financial liabilities excluding trade and other payables and provisions	**11,173**	11,392
Total current liabilities	**22,105**	19,389
Non current financial liabilities excluding trade and other payables and provisions	**29,308**	22,340
Total non current liabilities	**29,308**	22,340
Total liabilities	**51,413**	41,729
Net assets	**59,109**	40,671
Group's share of net assets	**8,834**	5,067
Goodwill acquired on acquisition of Equity Accounted Investees	**10,796**	9,404
Carrying amount of Equity Accounted Investees	**19,630**	14,471
Revenues	**61,228**	61,227
Depreciation and amortisation	**(3,896)**	(3,069)
Interest expense	**(1,043)**	(731)
Net profit before tax	**(4,161)**	3,785
Tax expense	**(397)**	(757)
Net profit after tax	**(4,558)**	3,028
Other comprehensive income	**1,416**	(350)
Total comprehensive income	**(3,142)**	2,678
Group's share of net profit after tax	**(673)**	300
Group's share of total comprehensive income	**(530)**	253
Group's share of dividends/distributions	**277**	121

14 Investments in Equity Accounted Investees (continued)

The following table summarise the financial information of Northport Limited, Coda Group Limited Partnership and the combined value of other Joint Venture Equity Accounted Investees as included in their own financial statements, adjusted for fair value adjustments at acquisition and differences in accounting policies.

Summarised financial information of equity accounted investees – Joint Ventures:

Group 2019	Northport Limited NZ$000	Coda Group Limited Partnership NZ$000	Other Equity Accounted Investees NZ$000	Total NZ$000
Cash and cash equivalents	386	3,748	5,549	9,683
Total current assets	4,766	26,091	11,738	42,595
Total non current assets	131,515	40,053	123,565	295,133
Total assets	136,281	66,144	135,303	337,728
Current financial liabilities excluding trade and other payables and provisions	-	(2,749)	(6,738)	(9,487)
Total current liabilities	(4,812)	(20,101)	(12,414)	(37,327)
Non current financial liabilities excluding trade and other payables and provisions	(35,341)	(7,417)	(28,384)	(71,142)
Total non current liabilities	(35,341)	(7,417)	(28,384)	(71,142)
Total liabilities	(40,153)	(27,518)	(40,798)	(108,469)
Net assets	96,128	38,626	94,505	229,259
Group's share of net assets	48,064	19,313	47,260	114,637
Goodwill acquired on acquisition of Equity Accounted Investees	-	29,414	4,987	34,401
Carrying amount of Equity Accounted Investees	48,064	48,727	52,247	149,038
Revenues	42,622	215,844	36,908	295,374
Depreciation and amortisation	(3,818)	(1,799)	(2,547)	(8,164)
Interest expense	(1,813)	(18)	(1,246)	(3,077)
Net profit before tax	24,028	(7,072)	6,584	23,450
Tax expense	(6,038)	-	(2,010)	(8,048)
Net profit after tax	17,990	(7,072)	4,574	15,492
Other comprehensive income	(296)	-	576	280
Total comprehensive income	17,694	(7,072)	5,150	15,772
Group's share of net profit after tax	8,995	(3,536)	2,289	7,748
Group's share of total comprehensive income	8,847	(3,536)	2,577	7,888
Group's share of dividends/distributions	9,190	-	650	9,850

14 Investments in Equity Accounted Investees (continued)

Summarised financial information of equity accounted investees – Joint Ventures:

Group 2018	Northport Limited NZ$000	Coda Group Limited Partnership NZ$000	Other Equity Accounted Investees NZ$000	Total NZ$000
Cash and cash equivalents	196	4,841	5,322	10,359
Total current assets	4,644	29,831	12,186	46,661
Total non current assets	132,243	37,972	92,185	262,400
Total assets	136,887	67,803	104,371	309,061
Current financial liabilities excluding trade and other payables and provisions	-	(1,145)	(7,843)	(8,988)
Total current liabilities	(4,537)	(15,692)	(11,914)	(32,143)
Non current financial liabilities excluding trade and other payables and provisions	(33,850)	(6,413)	(23,000)	(63,263)
Total non current liabilities	(35,536)	(6,413)	(23,204)	(65,153)
Total liabilities	(40,073)	(22,105)	(35,118)	(97,296)
Net assets	96,814	45,698	69,253	211,765
Group's share of net assets	48,407	22,849	34,633	105,889
Goodwill acquired on acquisition of Equity Accounted Investees	-	29,414	4,862	34,276
Carrying amount of Equity Accounted Investees	48,407	52,263	39,495	140,165
Revenues	42,172	201,702	36,555	280,429
Depreciation and amortisation	(4,148)	(2,021)	(2,517)	(8,686)
Interest expense	(1,809)	(70)	(1,238)	(3,117)
Net profit before tax	24,589	7,660	5,490	37,739
Tax expense	(6,208)	-	(1,581)	(7,789)
Net profit after tax	18,381	7,660	3,909	29,950
Other comprehensive income	1,928	-	1,352	3,280
Total comprehensive income	20,309	7,660	5,261	33,230
Group's share of net profit after tax	9,191	3,830	1,956	14,977
Group's share of total comprehensive income	10,155	3,830	2,632	16,617
Group's share of dividends/distributions	9,333	-	702	10,035

14 Investments in Equity Accounted Investees (continued)

Summarised financial information of equity accounted investees – Joint Ventures:

Parent	2019 Other Equity Accounted Investees NZ$000	2018 Other Equity Accounted Investees NZ$000
Cash and cash equivalents	**2,796**	2,211
Total current assets	**3,652**	2,413
Total non current assets	**20,682**	9,255
Total assets	**24,334**	11,668
Current financial liabilities excluding trade and other payables and provisions	**-**	(1)
Total current liabilities	**(686)**	(1)
Non current financial liabilities excluding trade and other payables and provisions	**-**	-
Total non current liabilities	**-**	-
Total liabilities	**(686)**	(1)
Net assets	**23,648**	11,667
Group's share of net assets	**11,824**	5,834
Goodwill acquired on acquisition of Equity Accounted Investees	**-**	-
Carrying amount of Equity Accounted Investees	**11,824**	5,834
Revenues	**100**	-
Depreciation and amortisation	**(275)**	(275)
Interest expense	**-**	-
Net profit before tax	**(1,300)**	(328)
Tax expense	**-**	-
Net profit after tax	**(1,300)**	(328)
Other comprehensive income	**-**	-
Total comprehensive income	**(1,300)**	(328)
Group's share of net profit after tax	**(650)**	(164)
Group's share of total comprehensive income	**(650)**	(164)
Group's share of dividends/distributions	**10**	2

14 Investments in Equity Accounted Investees (continued)

Tax Treatment of Coda Group

Coda Group is treated as a partnership for tax purposes and is not taxed at the partnership level. 50% of the income and expenses flow through the limited partnership to the Port of Tauranga Limited who is then taxed.

Judgements

Quayside Holdings Limited

As at 30 June 2019 the Parent had either appointed a director to the board or was entitled to appoint a director to the board of its associates. The entitlement to appoint a director and appointment of a director permits Quayside Holdings to participate in the financial and operating policy decisions of the companies. Despite holding less than 20% of the voting rights of the entities, an entitlement and appointment of a director is considered “significant influence” and allows the accounting for each investment as an equity accounted investee.

Port of Tauranga Group

Port of Tauranga Group has joint control over its investees, due to the existence of contractual agreements which require the unanimous consent of the parties sharing control over relevant business activities.

The investment in Coda Group was tested for impairment at 30 June 2019 and confirmed that no adjustment was required.

Policies

The Group’s interests in Equity Accounted Investees comprise interests in associates and joint ventures.

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Associates, are those entities in which the Group has significant influence, but not control or joint control over the financial and operating policies.

Equity Accounted Investees are accounted for using the equity method. The consolidated financial statements include the Group’s share of the income and expenses of Equity Accounted Investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences, until the date that significant influence or joint control ceases. When the Group’s share of losses exceeds its interest in an equity investee, the carrying amount of that interest (including any long term investments) is reduced to nil and the recognition of further losses is discontinued, except to the extent that the Group has an obligation or has made payments on behalf of the investee.

In respect of Equity Accounted Investees, the carrying amount of goodwill is included in the carrying amount of the investment and not tested for impairment separately.

15 Receivables and Prepayments

	Group 2019 $000	Group 2018 $000	Parent 2019 $000	Parent 2018 $000
Trade receivables	**51,712**	42,108	**-**	-
Trade receivables from Equity Accounted Investees, subsidiaries and related parties	**616**	746	**245**	159
	52,328	42,854	**245**	159
Kiwifruit income receivable	**2,844**	2,162	**-**	-
Advances to Equity Accounted Investees (refer note 23)	**5,319**	6,319	**-**	-
Taxation receivable	**19**	-	**13**	-
Prepayments and sundry receivables	**3,624**	3,160	**425**	226
Total receivables and prepayments	**64,134**	54,495	**683**	385
Aging of trade receivables				
Not past due	**35,368**	24,971	**-**	-
Past due 0 – 30 days	**14,400**	16,031	**-**	-
Past due 30 – 60 days	**1,339**	891	**-**	-
Past due 60 – 90 days	**601**	21	**-**	-
More than 90 days	**4**	194	**-**	-
	51,712	42,108	**-**	-

Advances to equity accounted investees

Port of Tauranga makes advances to its Equity Accounted Investees for short term funding purposes. These advances are repayable on demand and interest rates charged on these advances are varied.

Kiwifruit income receivable

The kiwifruit income receivable is based on a forecast of proceeds to be received from Zespri on the harvest of the 2019 crop. This is based on the actual number of trays supplied to Zespri and latest forecast information from Zespri on the $ per tray expected to be received. Revisions of income receivable during the year are recorded against profit and loss.

Fair values

The nominal value less impairment provision of trade receivables are assumed to approximate their fair values due to their short term nature.

Judgements

A provision for doubtful receivables is established when the assessment under NZ IFRS 9 deems a provision is required (refer to note 20).

Policies

Receivables and prepayments are initially recognised at fair value. They are subsequently measured at amortised cost and adjusted for impairment losses.

Receivables with a short duration are not discounted.

16 Equity

(a) Share Capital

	Parent and Group	
	2019	2018
Number of shares held	No.	No.
Ordinary share capital		
Balance as at 1 July	10,000	10,000
Balance as at 30 June	10,000	10,000
Redeemable preference shares		
Balance as at 1 July	2,003,190,217	2,003,190,217
Balance as at 30 June	2,003,190,217	2,003,190,217
Perpetual preference shares		
Balance as at 1 July	200,000,783	200,000,783
Balance as at 30 June	200,000,783	200,000,783

	2019	2018	2019	2018
Paid up and uncalled	$ paid up	$ paid up	$ uncalled	$ uncalled
Ordinary Share capital				
Balance as at 1 July	**10,000**	10,000	**-**	-
Balance as at 30 June	**10,000**	10,000	**-**	-
Redeemable preference shares				
Balance as at 1 July	**82**	82	**81,829,918**	81,829,918
Balance as at 30 June	**82**	82	**81,829,918**	81,829,918
Perpetual preference shares				
Balance as at 1 July	**200,000,783**	200,000,783	**-**	-
Balance as at 30 June	**200,000,783**	200,000,783	**-**	-

Share capital

The holders of the ordinary shares are entitled to dividends as declared from time to time and all shares have equal voting rights at meetings of the Parent, and rank equally with regard to the Parent's residual assets on wind up. The shares were issued for $1 and are fully paid up.

16 Equity (continued)

Redeemable Preference Shares

On or about 28 July 1991, capital of 9,000 redeemable preference shares of $1 each (issued at a premium of $9,999 per share) were issued to the Council. On the same date the Council subscribed $0.01 each for these 9,000 Redeemable Preference Shares (total paid $90). As at 30 June 2007, 817 shares had been fully paid.

On 31 January 2008 the Redeemable Preference Shares were subdivided at a ratio of 1:244,799. Accordingly, the 817 fully paid Redeemable Preference Shares were split and reclassified into 200,000,783 Perpetual Preference Shares. The 8,183 Redeemable Preference Shares (paid to 1 cent) were split into 2,003,190,217 Redeemable Preference Shares (paid to .000004 cents).

The Redeemable Preference Shares have no voting rights. The constitution provides that dividends are payable on these shares from time to time and in such amount as determined by the directors. The Redeemable Preference Shares have no fixed maturity date but are redeemable 60 days after a request from the holder. The unpaid issue price can be called by the Board of Directors of the Parent. As at 30 June 2019, the amount uncalled is $81,829,918 (2018: $81,829,918). The Parent has no current intention of making a call on the uncalled redeemable preference shares.

Perpetual Preference Shares

Quayside Holdings Limited issued a registered prospectus in which Council offered 200,000,000 Perpetual Preference shares in Quayside Holdings Limited to the public at $1 per share. On 12 March 2008 200,000,000 Perpetual Preference Shares were transferred to the successful applicants for Perpetual Preference Shares under the prospectus. The proceeds from the sale of shares are available to the Council to invest in infrastructure projects in the Bay of Plenty region.

The Perpetual Preference Shares have no fixed term, and are not redeemable. Holders of Perpetual Preference Shares are entitled to receive Dividends which are fully imputed (or “grossed up” to the extent they are not fully imputed), quarterly in arrears. These dividends are at the discretion of the board of directors. On a liquidation of Quayside Holdings Limited, the Holder of a Perpetual Preference Share will be entitled to receive the Liquidation Preference in priority to the holders of its Uncalled Capital, its Ordinary Shares, its Redeemable Preference Shares and any other shares ranking behind the Perpetual Preference Shares.

Holders of Perpetual Preference Shares will not be entitled to receive notice of, attend, vote or speak at any meetings of Quayside Holdings (or its shareholders), but will be entitled to attend any meetings of, and vote on any resolutions of Holders (for example, in relation to exercise of the Put Option, or as required by the Companies Act in relation to any action affecting the rights attached to Perpetual Preference Shares held by members of any “interest group” of Holders).

The Council may, at any time after 12 March 2010, call all or part (pro rata across all Holders, and if in part, subject to a minimum number of Perpetual Preference Shares left uncalled) of the Perpetual Preference Shares. No call or part call has been exercised. In certain circumstances (including Quayside Holdings becoming insolvent, electing not to pay a Dividend or ceasing to have a majority shareholding (directly or indirectly) in Port of Tauranga), the Put Option, as defined by the prospectus dated 12 March 2008, will be triggered.

Depending on the event which has triggered the Put Option, the Administrative Agent will either be automatically required (on receipt of notice), or may by a Special Resolution of Holders (or by Special Approval Notice) be required, on behalf of all Holders of Perpetual Preference Shares, to require the Council to purchase all the Perpetual Preference Shares.

16 Equity (continued)

Perpetual Preference Shares Put Option trigger events

There are a number of the factors which could result in Quayside Holdings being unwilling or unable to pay a Dividend on the Perpetual Preference Shares. Such factors could conceivably give rise to other circumstances under which the Put Option would be exercisable, such as the insolvency of Quayside Holdings. In addition, the Put Option could become exercisable if Quayside Holdings ceases to have a majority shareholding (directly or indirectly) in Port of Tauranga or if the liability to it of the holder/s of its Uncalled Capital is reduced (other than by payment of calls).

Quayside Holdings has no present intention of reducing its (indirect) majority shareholding in Port of Tauranga or reducing the liability to it of holders of Uncalled Capital. However, its (indirect) majority shareholding in Port of Tauranga could be lost as a result of actions outside its control, such as a non pro rata share issue by Port of Tauranga. If the Administrative Agent (Guardian Trust) exercised the Put Option, Perpetual Preference Shareholders would be entitled to receive $1.00 plus any Unpaid Amount plus (unless Quayside Holdings has elected to pay a Dividend prior to and in anticipation of the transfer of all the Perpetual Preference Shares following the exercise of the Put Option) an amount representing a return on their Perpetual Preference Shares at the prevailing Dividend Rate from (and including) the last Dividend Payment Date to (but excluding) the Transfer Date but, from the Transfer Date, would no longer have any entitlement to further Dividends.

Perpetual Preference Shares are transferable and listed on the NZDX under the symbol QHLHA.

Quayside Holdings Limited has classified the Perpetual Preference Shares as equity for the following reasons:

- The Perpetual Preference Shares have no fixed term, and are not redeemable.
- The quarterly payment of dividends by Quayside Holdings Limited to Perpetual Preference shareholders is optional and resolved on by the Board of Quayside Holdings Limited.
- Dividends on the Perpetual Preference Shares may be imputed, and as such are equity instruments.
- PUT or CALL options, if exercised are payable by Council, the ordinary shareholder of Quayside Holdings Limited.

Quayside Holdings may issue further securities (including further perpetual preference shares) ranking equally with, or behind, the Perpetual Preference Shares without the consent of any Holder. However, it may not issue any other shares ranking in priority to the Perpetual Preference Shares as to distributions without the approval of the Holders by way of a Special Resolution or pursuant to a Special Approval Notice.

The arrangement has had the benefit of consecutive three year private rulings issued by Inland Revenue from 17 September 2007. A binding ruling retaining the existing tax treatment was recently issued by Inland Revenue for five years to 16 September 2021.

16 Equity (continued)

(b) Dividends

The following dividends were declared and paid during the period by Quayside Holdings Limited:

	2019 $000	2018 $000
Ordinary shares		
Total dividends paid of $3,120 per share (2018: $2,550)	**31,200**	25,500
Perpetual preference shares		
Total quarterly dividends paid of 0.3112 cents per share (2018: 0.3112)	**6,221**	6,221
Total dividends paid	**37,421**	31,721

The dividends are fully imputed. Dividends paid by the Port of Tauranga Limited to non-controlling interests were $56.1m (2018: $52.8)

The Perpetual Preference Shares are subject to a fixed Dividend Rate reset every three years at the Dividend Rate Reset Date. This date 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.

On 30th July 2019 a net dividend of $1,605 per share ($16,050,000) was declared to ordinary shareholders, payable on 2nd August 2019.

(c) Reserves

Subsidiaries revaluation reserve

The Parent's subsidiaries revaluation reserve relates to the net change in fair value of financial assets designated at fair value through other comprehensive income for the year.

Revaluation reserve

The Group's revaluation reserve relates to the revaluation of land, buildings, wharves and hardstanding, harbour improvements, bearer plants and kiwifruit licences.

Hedging reserve

The Group's hedging reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedging instruments, related to hedged transactions that have not yet occurred.

16 Equity (continued)

Share Based Payment Reserve – Container Volume Commitment Agreement

On 1 August 2014 the Port of Tauranga Limited issued 2,000,000 shares as a volume rebate to Kotahi Logistics Limited Partnership ("Kotahi") as part of a 10 year freight alliance. Due to the Port of Tauranga Limited completing a 5:1 share split on 17 October 2016, the number of shares originally issued to Kotahi increased to 10,000,000. Of these shares, 8,500,000 are subject to a call option allowing the Port of Tauranga Limited to "call" shares back at zero cost if Kotahi fails to meet the volume commitments specified in the 10 year Container Volume Commitment Agreement. In the prior year 1,500,000 shares were vested in accordance with the volume commitment agreement, which resulted in an adjustment to non-controlling interest. Refer to further information below in (e) below.

The increase in the reserve of $1.3m (2018: $1.2m) recognises the shares earned based on containers delivered during the period.

Equity Settled Share Based Payments

The grant-date fair value of equity settled share based payments is recognised as a rebate against revenue, with a corresponding increase in equity, over the vesting period. The amount recognised as a rebate is adjusted to reflect the number of awards for which the related service is expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service conditions at the vesting date. As at 30 June 2019 the balance of the equity settled share-based payment reserve was $2.4m (2018: $1.1m). This amount is recorded in the Statement of Changes in Equity under the column 'Non controlling interest'.

Share Based Payment Reserve – Management Long Term Incentive

Share rights are granted to employees in accordance with the Port of Tauranga Limited's Management Long Term Incentive Plan. The fair value of share rights granted under the plan are measured at grant date and recognised as an employee expense over the vesting period with a corresponding increase in equity. The fair value at grant date of the share rights are independently determined using an appropriate valuation model that takes into account the terms and conditions upon which they were granted (refer to note 24).

This reserve is used to record the accumulated value of the unvested shares rights, which have been recognised as an expense in the income statement. Upon the vesting of share rights, the balance of the reserve relating to the share rights is offset against the cost of treasury stock allotted to settle the obligation, with any difference in the cost of settling the commitment transferred to retained earnings.

(d) Employee Share Ownership Plan

The Port of Tauranga Limited has an Employee Share Ownership Plan (ESOP). During the year 128,820 shares at $3.02 per share were issued to employees from Port of Tauranga Trustee Company Limited as part of the Employee Share Ownership Plan (2018: 53,400 shares at $2.88 per share).

During the year 194,200 shares were repurchased on market and transferred to the Port of Tauranga Trustee Company Limited as part of the Employee Share Ownership Plan (2018: 18,450).

16 Equity (continued)

(e) Non-controlling interest

Non controlling interest of 45.86% (2018: 45.86%) is the existing share of Port of Tauranga Limited's consolidated equity which is not owned by *Quayside Group*. A change in non controlling interest in prior years arose from Port of Tauranga Limited's freight alliance with Kotahi involving the issue of ordinary shares to Kotahi, subject to meeting certain freight volume commitments over a 10 year period, as disclosed in (c) above.

Policies

The Group's capital is its equity, which comprises paid up capital, retaining earnings and reserves. Equity is represented by net assets less non controlling interest.

Quayside Group

Quayside Group's objectives when managing capital are to safeguard *Quayside Group's* ability to continue as a going concern in order to provide a long-run risk-adjusted commercial rate of return to the holder of the ordinary shares and to provide fixed dividends to the holders of issued Perpetual Preference shares. Capital is structured to minimise the cost of capital.

Quayside Group's Statement of Intent requires that it retain a majority shareholding in the Port of Tauranga Limited, currently 54.14%; complementing that, the policy of the Board is to provide the best possible management of all other investments by diversifying across sectors away from the port/transport sector, both within Australasia and internationally. To provide for a growing and sustainable flow of dividends to the ordinary shareholder, *Quayside Group* has adopted a distribution policy which will ensure that dividends are maintained with regard to retentions for regional growth and inflation, and can be maintained through periods of income fluctuation.

Quayside Group is required to comply with certain financial covenants in respect of external borrowings, namely security over shares in Port of Tauranga Limited owned by Quayside Securities Limited as trustee for the Quayside Unit Trust.

There have been no changes in *Quayside Group's* approach to capital management during the year. Quayside Holdings Limited has complied with all capital management policies and covenants during the reporting period.

Port of Tauranga Group

The Board's policy is to maintain a strong capital base, which the *Port of Tauranga Group* defines as total shareholders' equity, so as to maintain investor, creditor and market confidence, and to sustain the future business development of the *Port of Tauranga Group*. The *Port of Tauranga Group* has established policies in capital management, including the specific requirements that interest cover is to be maintained at a minimum of three times and that the [debt/ (debt + equity)] ratio is to be maintained at a 40% maximum. It is also *Port of Tauranga Group* policy that the ordinary dividend payout is maintained between a level of between 70% and 100% of profit after tax for the period.

Port of Tauranga Group has complied with all capital management policies and covenants during the reporting period.

17 Other Financial Assets

	Group		Parent	
	2019	2018	2019	2018
Non-current	$000	$000	$000	$000
Loan from Quayside Holdings to Quayside Unit Trust				
Opening balance	**-**	-	**10,331**	18,331
Payments	**-**	-	**(2,271)**	(8,356)
Interest charged	**-**	-	**271**	356
Closing balance	**-**	-	**8,331**	10,331
Loan from Quayside Holdings to Quayside Properties				
Opening balance	**-**	-	**17,157**	17,157
Payments	**-**	-	**(641)**	(522)
Loan advance	**-**	-	**6,264**	-
Interest charged	**-**	-	**641**	522
Closing balance	**-**	-	**23,421**	17,157
Mandatorily measured at fair value through income statement				
Other equity investments	**178,520**	171,513	**19,465**	15,236
Total non current	**178,520**	171,513	**51,217**	42,724
Current				
Term Deposit	**25,000**	-	**25,000**	-
	203,520	171,513	**76,217**	42,724

Intercompany loans are made via funds drawdown by Quayside Holdings Limited from the Westpac Tranche Lines and Bay of Plenty Regional Council loan facility. This facility has interest on charged at the rate charged on the Tranche Line from the Westpac Banking Corporation and Bay of Plenty Regional Council. The loans are repayable on demand, however the directors of Quayside Holdings Limited have undertaken that the loans will not be demanded within 12 months of balance date.

Other financial assets represent the diversified equity portfolio of the Group that are traded in active markets and investments in managed funds. Current other financial assets comprise a $25m (2018: nil) term deposit held by the Parent Company.

The Parent company has uncalled capital commitments of $22.8m (2018: $8.9m) in relation to equity managed fund investments.

Policies

The fair value of equity investments measured at fair value through the income statement is based on quoted market prices at the reporting date and are categorised under the level 1 fair value hierarchy.

A financial asset is mandatorily measured at fair value through profit or loss if it is not measured at amortised cost or designated at fair value through comprehensive income upon initial recognition. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets mandatorily measured at fair value through profit or loss are measured at fair value and changes therein, which takes in to account any dividend income, are recognised in profit or loss.

Financial assets mandatorily measured at fair value through profit or loss include: equity securities.

Intercompany loans are initially recognised at fair value. They are subsequently measured at amortised cost and adjusted for impairment losses. An impairment gain or loss is recognised in profit or loss, and is the amount of expected credit losses (or reversal).

18 Loans and Borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For additional information about the Group's exposure and sensitivity to interest rate risk, refer to note 20.

	Group		Parent	
	2019 $000	2018 $000	2019 $000	2018 $000
Current				
Westpac debt facility	-	46,510	-	46,510
Commercial papers	**220,000**	220,000	-	-
Fixed Rate Bond - 1st issue	**50,000**	-	-	-
Advances from employees	-	335	-	-
Multi option facility	**2,000**	5,000	-	-
Standby revolving cash advance facility	**50,000**	50,000	-	-
Total current	**322,000**	321,845	-	46,510
Non current				
Westpac debt facility	**28,102**	-	**28,102**	-
Bay of Plenty Regional Council	**50,000**	-	**50,000**	-
Fixed Rate Bond - 1st issue	-	50,000	-	-
Fixed Rate Bond – 2nd issue	**75,000**	75,000	-	-
Standby revolving cash advance facility	**49,000**	5,000	-	-
Advances from employees	**213**	21	-	-
Total non current	**202,315**	130,021	**78,102**	-

Term and debt repayment schedule

2019	Maturity	Coupon	Committed facilities NZ$000	Undrawn facilities NZ$000	Carrying value NZ$000
Non current					
Westpac borrowings (Parent entity)	2021	Floating	**55,000**	**26,898**	**28,102**
Bay of Plenty Regional Council (Parent entity)	2021	Floating	**50,000**	-	**50,000**
Standby revolving cash advance facility	2023	Floating	**200,000**	**151,000**	**49,000**
Fixed rate bond – 2nd issue	2021	4.792%	**75,000**	-	**75,000**
Standby revolving cash advance facility	2022	Floating	**180,000**	**180,000**	-
Advances from employees	Various	0%	-	-	**213**
Total non current			**560,000**	**357,898**	**202,315**
Current					
Fixed rate bond – 1st issue	2019	5.865%	**50,000**	-	**50,000**
Standby revolving cash advance facility	2019	Floating	**50,000**	-	**50,000**
Multi option facility	2019	Floating	**5,000**	**3,000**	**2,000**
Commercial papers	<3 months	Floating	-	-	**220,000**
Total current			**105,000**	**3,000**	**322,000**
Total			**665,000**	**360,898**	**524,315**

18 Loans and Borrowings (continued)

2018	Maturity	Coupon	Committed Facilities NZ$000	Undrawn Facilities NZ$000	Carrying Value NZ$000
Non current					
Standby revolving cash advance facility	2022	Floating	100,000	100,000	-
Fixed rate bond – 2nd issue	2021	4.792%	75,000	-	75,000
Standby revolving cash advance facility	2021	Floating	100,000	100,000	-
Standby revolving cash advance facility	2020	Floating	80,000	75,000	5,000
Fixed rate bond – 1st issue	2019	5.865%	50,000	-	50,000
Advances from employees	Various	0%	-	-	21
Total non current			405,000	275,000	130,021
Current					
Westpac borrowings (Parent entity)	2018	Floating	70,000	23,490	46,510
Standby revolving cash advance facility	2019	Floating	100,000	50,000	50,000
Multi option facility	2018	Floating	5,000	-	5,000
Commercial papers	<3 months	Floating	-	-	220,000
Advances from employees	Various	0%	-	-	335
Total current			175,000	73,490	321,845
Total			580,000	348,490	451,866

Westpac banking corporation

Quayside Holdings Limited has a $55.0 million (2018: $70.0 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 is for a term of 3 years expiring 20 October 2021.

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.

18 Loans and Borrowings (continued)

Fixed rate bonds

The Port of Tauranga Limited has issued two six-year fixed rate bonds, a $50.0 million fixed rate bond with a final maturity on 29 October 2019 and a $75.0 million fixed rate bond with final maturity on 29 January 2021. The Port of Tauranga Limited incurred costs of $0.2 million in connection with the issuance of bonds which is being amortised over the term of the bonds.

Commercial papers

Commercial papers are secured, short term discounted debt instruments issued by the Port of Tauranga Limited for funding requirements as a component of its banking arrangements. The commercial paper programme is fully backed by committed term bank facilities. At 30 June 2019 the Port of Tauranga Group had $220.0 million of commercial paper debt that is classified within current liabilities (2018: $220.0 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 the commercial paper debt being interchangeable with direct borrowings within the standby revolving cash advance facility which is a term facility.

Standby revolving cash advance facility agreement

The Port of Tauranga Limited has a $430.0 million financing arrangement with ANZ Bank New Zealand Limited, Bank of New Zealand Limited, Commonwealth Bank of Australia, New Zealand branch and MUFG Bank Limited, Auckland Branch (2018: $380.0 million financing arrangement with ANZ Bank New Zealand Limited, Bank of New Zealand Limited, Commonwealth Bank of Australia, New Zealand branch and MUFG Bank Limited, Auckland Branch). The facility, which is secured, provides for both direct borrowings and support for issuance of commercial papers. The facility was refinanced on 29 July 2019 (refer note 28).

Multi option facility

The Port of Tauranga Limited has a $5.0 million multi option facility with Bank of New Zealand Limited, used for short term working capital requirements (2018: $5.0 million).

Security

Bank facilities and fixed rate bonds of *Port of Tauranga Group* are secured by way of a security interest over certain floating plant assets ($17.3 million, 2018: $17.9 million), mortgages over the land and building assets ($913.8 million, 2018: $836.2 million), and by a general security agreement over the assets of the Port of Tauranga Limited ($1,631.6 million, 2018: $1,611.9 million).

Covenants

The Group has complied with all covenants during the reporting periods.

Fair values

The fair value of fixed rate loans and borrowings is calculated by discounting the future contractual cash flows at current market interest rates that are available for similar financial instruments. The amortised cost of variable rate loans and borrowings is assumed to closely approximate fair value as debt facilities are repriced every 90 days.

Interest rates

The weighted average interest rate of interest bearing loans was 3.75% at 30 June 2019 (2018: 3.26%) for the Group and 3.08% (2018: 3.10%) for the Parent.

Policies

Loans and borrowings are recognised at fair value, plus any directly attributable transaction costs, if the Group becomes a party to the contractual provisions of the instrument. Loans and borrowings are derecognised if the Group's obligations as specified in the contract expire or are discharged or cancelled.

Subsequent to initial recognition, loans and borrowings are measured at amortised cost using the effective interest method.

19 Derivative Financial Instruments

The Parent has no derivative financial instruments. This note is for the Group only.

	2019 $000	2018 $000
Current liabilities		
Foreign exchange derivatives – cash flow hedges	**(266)**	-
Interest rate derivatives – cash flow hedges	**(872)**	-
Total current liabilities	**(1,138)**	**-**
Non current liabilities		
Interest rate derivatives – cash flow hedges	**(20,895)**	(11,787)
Total non current liabilities	**(20,895)**	(11,787)
Total liabilities	**(22,033)**	(11,787)

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in the cash flow hedge reserve to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the income statement.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows. The Group assesses whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

The notional amount of the hedging instrument must match the designated amount of the hedged item for the hedge to be effective.

Sources of hedge ineffectiveness are:

- Material changes in credit risk that affect the hedging instrument but do not affect the hedged item.
- Drawn liabilities that fall below the hedging amount, causing the hedge ratio to exceed 100%.

If the hedging instrument no longer meets the criteria for hedge accounting, expires, or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in the hedging reserve remains there until the highly probable forecast transaction, upon which the hedging was based, occurs. When the hedged item is a non financial asset, the amount recognised in the hedging reserve is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in the hedging reserve is transferred to the income statement in the same period that the hedged item affects the income statement.

Fair values

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

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

19 Derivative Financial Instruments (continued)

Valuation inputs for valuing derivatives are as follows:

Valuation input	Source
Interest rate forward price curve	Published market swap rates.
Discount rate for valuing interest rate and foreign exchange derivatives	Published market interest rates as applicable to the remaining life of the instrument adjusted for the credit risk of the counterparty for assets and the credit risk of the Group for liabilities.
Foreign exchange forward prices	Published spot foreign rates and interest rate differentials.

All financial instruments held by the Group and designated fair value are classified as level 2 under the fair value measurement hierarchy (refer to note 2).

Policies

The Group uses derivative financial instruments to hedge its exposure to foreign exchange, commodity and interest rate risks arising from operational, financing and investment activities. In accordance with its Treasury Policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments qualifying for hedge accounting are classified as non current if the maturity of the instrument is greater than 12 months from reporting date and current if the instrument matures within 12 months from reporting date. Derivatives accounted for as trading instruments are classified as current.

Derivative financial instruments are recognised initially at fair value and transaction costs are expensed immediately. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the income statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the hedging relationship.

The Group's hedging policy parameters are:

Interest Rate Derivatives

Debt Maturity	*Minimum Hedging %*	*Maximum Hedging %*
0-1 year	45	100
1-3 years	30	85
3-5 years	15	65
5-10 years	0	50

Foreign Exchange Derivatives

Expenditure	*Minimum Hedging %*	*Maximum Hedging %*
Upon Board approval of capital expenditure denominated in a foreign currency	0	50
Upon signing of contract with supplier for capital expenditure denominated in a foreign currency	75	100

20 Financial Instruments

Financial risk management

The Group's overall financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. For the purposes of this note, the Group comprises two governance structures:

- *Quayside Group* – comprising Quayside Holdings Limited (Parent company) and its directly controlled subsidiaries: Quayside Securities Limited, Quayside Unit Trust, Quayside Investment Trust, Quayside Properties Limited, Aqua Curo Limited and Cibus Technologies Limited and its equity accounted investees.

- *Port of Tauranga Group* – comprising the Port of Tauranga Limited and its subsidiaries and its equity accounted investees. This group is owned 54.14% (2018: 54.14%) by the Quayside Group.

The Board of Directors of each Group has overall responsibility for the establishment and oversight of the Group's financial risk management framework; however each of the Groups described above has its own Audit Committee appointed by its Board of Directors. Each Audit Committee is established on 'best practice' principles and is responsible for developing and monitoring risk management policies, and reports regularly to their respective Board of Directors on its activities. The Group's financial risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Financial risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

Each Board ultimately oversees how management monitors compliance with the Group's financial risk management policies and procedures and reviews the adequacy of the financial risk management framework in relation to the risks faced by the Group.

20 Financial Instruments (continued)

The following tables show the classification, fair value and carrying amount of financial instruments held by the Group at reporting date:

Group 2019	Mandatorily at Fair Value through Profit and Loss $000	Hedge accounted derivatives $000	Other Amortised Cost $000	Total Carrying Amount $000	Fair Value $000
Assets					
Cash and cash equivalents	-	-	66,987	66,987	66,987
Other financial assets	-	-	25,000	25,000	25,000
Receivables	-	-	60,956	60,956	60,956
Total current assets	-	-	152,943	152,943	152,943
Other financial assets	178,520	-	-	178,520	178,520
Receivables	-	-	12	12	12
Total non current assets	178,520	-	12	178,532	178,532
Total assets	178,520	-	152,955	331,475	331,475
Liabilities					
Loans and borrowings	-	-	322,000	322,000	322,609
Trade and other payables	-	-	17,865	17,865	17,865
Derivative instruments	-	1,138	-	1,138	1,138
Total current liabilities	-	1,138	339,865	341,003	341,612
Loans and borrowings	-	-	202,315	202,315	205,179
Derivative instruments	-	20,895	-	20,895	20,895
Total non current liabilities	-	20,895	202,315	223,210	226,074
Total liabilities	-	22,033	542,180	564,213	567,686
Group 2018					
Assets					
Cash and cash equivalents	-	-	41,688	41,688	41,688
Receivables	-	-	51,582	51,582	51,582
Total current assets	-	-	93,270	93,270	93,270
Other financial assets	171,513	-	-	171,513	171,513
Receivables	-	-	25	25	25
Total non current assets	171,513	-	25	171,538	171,538
Total assets	171,513	-	93,295	264,808	264,808
Liabilities					
Loans and borrowings	-	-	321,845	321,845	321,845
Trade and other payables	-	-	12,061	12,061	12,061
Total current liabilities	-	-	333,906	333,906	333,906
Loans and borrowings	-	-	130,021	130,021	134,714
Derivative instruments	-	11,787	-	11,787	11,787
Total non current liabilities	-	-	130,021	141,808	146,501
Total liabilities	-	11,787	463,927	475,714	480,407

20 Financial Instruments (continued)

	Mandatorily at Fair Value through Profit and Loss $000	Designated at Fair Value through Other Comprehensive Income * $000	Other Amortised Cost $000	Total Carrying Amount $000	Fair Value $000
Parent 2019					
Assets					
Cash and cash equivalents	-	-	**15,337**	**15,337**	**15,337**
Other financial assets	-	-	**25,000**	**25,000**	**25,000**
Receivables	-	-	**564**	**564**	**564**
Total current assets	-	-	**40,901**	**40,901**	**40,901**
Other financial assets	**19,465**	-	**31,752**	**51,217**	**51,217**
Investment in subsidiaries	-	**2,520,437**	-	**2,520,437**	**2,520,437**
Total non current assets	**19,465**	**2,520,437**	**31,752**	**2,571,654**	**2,571,654**
Total assets	**19,465**	**2,520,437**	**72,653**	**2,612,555**	**2,612,555**
Liabilities					
Trade and other payables	-	-	**2,727**	**2,727**	**2,727**
Total current liabilities	-	-	**2,727**	**2,727**	**2,727**
Loans and borrowings	-	-	**78,102**	**78,102**	**78,102**
Total non current liabilities	-	-	**78,102**	**78,102**	**78,102**
Total liabilities	-	-	**80,829**	**80,829**	**80,829**
Parent 2018					
Assets					
Cash and cash equivalents	-	-	1,769	1,769	1,769
Receivables	-	-	276	276	276
Total current assets	-	-	2,045	2,045	2,0145
Other financial assets	15,236		27,488	42,724	42,724
Investment in subsidiaries	-	2,071,649	-	2,071,649	2,071649
Total non current assets	15,236	2,071,649	27,488	2,114,373	2,114,373
Total assets	15,236	2,071,649	29,533	2,116,418	2,116,418
Liabilities					
Loans and borrowings	-	-	46,510	46,510	46,510
Trade and other payables	-	-	465	465	465
Total current liabilities	-	-	46,975	46,975	46,975
Total liabilities	-	-	46,975	46,975	46,975

* *Designated on initial recognition*

20 Financial Instruments (continued)

Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at reporting date was:

	Group		Parent	
	2019 $000	2018 $000	2019 $000	2018 $000
Credit risk				
Trade and other receivables	**60,956**	51,582	**564**	276
Other financial assets – Intercompany loans	**-**	-	**31,752**	27,488
Other financial assets – term deposits	**25,000**	-	**25,000**	-
Cash and cash equivalents	**66,987**	41,688	**15,337**	1,769
Total	**152,943**	93,270	**72,653**	29,533

The Group recognises an allowance for expected credit losses (ECLs) for all financial assets. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

For advances to Equity Accounted Investees, which have not had a significant increase in credit risk since initial recognition, ECLs are calculated based on the probability of a default event occurring within the next 12 months. An industry-accepted probability of default has been obtained for use in this calculation.

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead, recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience.

On that basis, the following table details loss allowance for trade receivables:

Group 2019	Not past due	Past due 0-30 days	Past due 30-60 days	More than 60 days	Total
Expected loss rate (%)	**0.014**	**0.031**	**0.283**	**1.488**	**-**
Gross carrying amount – trade receivables (NZ$000)	**35,368**	**14,400**	**1,339**	**605**	**51,712**
Loss allowance on trade receivables (NZ$000)	**5**	**4**	**4**	**9**	**22**

Movements in provision and impairment of financial assets are as follows:

	2019 $000	2018 $000
Adjustment to opening balance on adoption of NZ IFRS 9	**274**	-
Provision for trade receivables	**10**	-
Provision for advances to Equity Accounted Investees	**10**	-
Bad debts written off	**(3)**	-
Closing balance	**291**	-

There are no provisions or impairment of financial assets for the Parent.

20 Financial Instruments (continued)

Credit risk management policies

Quayside Group

Counterparty credit risk is the risk of losses (realised or unrealised) arising from a counterparty failing to meet its contractual obligations. Financial instruments which potentially subject the *Quayside Group* to credit risk, principally consist of bank balances. Unless otherwise approved by the Board, New Zealand cash deposits are required to be with institutions with a credit rating of B or above. Foreign cash deposits are required to be with institutions with a credit rating of A or above.

Port of Tauranga Group

Counterparty credit risk is the risk of losses (realised or unrealised) arising from a counterparty failing to meet its contractual obligations. Financial instruments which potentially subject the *Port of Tauranga Group* to credit risk, principally consist of bank balances, trade receivables, advances to Equity Accounted Investees and derivative financial instruments.

The *Port of Tauranga Group* only transacts in treasury activity (including investment, borrowing and derivative transactions) with Board approved counterparties. Unless otherwise approved by the Board, counterparties are required to be New Zealand registered banks with a Standard & Poor's credit rating of A or above. The *Port of Tauranga Group* continuously monitors the credit quality of the financial institutions that are counterparties and does not anticipate any non performance.

The *Port of Tauranga Group* adheres to a credit policy that requires that each new customer to be analysed individually for credit worthiness before *Port of Tauranga Group's* standard payment terms and conditions are offered. Customer payment performance is constantly monitored with customers not meeting credit worthiness being required to transact with *Port of Tauranga Group* on cash terms. The *Port of Tauranga Group* generally does not require collateral.

Default

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as security (if any is held).

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Concentration of credit risk

The only significant concentration of credit risk at reporting date relates to bank balances and advances to Equity Accounted Investees. The nature of the *Port of Tauranga Group's* business means that the top ten customers account for 62.7% of total Group revenue (2018: 65.9%). The *Port of Tauranga Group* is satisfied with the credit quality of these debtors and does not anticipate any non performance.

There are no significant concentrations of credit risk for the *Quayside Group*.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient cash and borrowing facilities available to meet its liabilities when due, under both normal and adverse conditions. The Group's cash flow requirements and the utilisation of borrowing facilities are continuously monitored. The *Port of Tauranga Group's* committed bank facilities are required to be always maintained at a minimum of 10% above maximum forecast usage.

Funding risk is the risk that arises when either the size of borrowing facilities or the pricing thereof is not able to be replaced on similar terms, at the time of review with the Groups banks. To minimise funding risk it is Board policy to spread the facilities' renewal dates and the maturity of individual loans. Where this is not possible, extensions to, or the replacement of, borrowing facilities are required to be arranged at least six months prior to each facility's expiry.

20 Financial Instruments (continued)

The following table sets out the contractual cash outflows for all financial liabilities (including estimated interest payments) and derivatives:

Funding risk	Statement of Financial Position $000	Contractual Cash Flows $000	6 Months or Less $000	6 – 12 Months $000	1 – 2 Years $000	2 – 5 Years $000	More Than 5 Years $000
Group 2019							
Non derivative financial liabilities							
Loans and borrowings	**(524,315)**	**(544,380)**	**(377,140)**	**(3,767)**	**(132,265)**	**(31,208)**	**-**
Trade and other payables	**(17,865)**	**(17,865)**	**(17,865)**	**-**	**-**	**-**	**-**
Total non derivative liabilities	**(542,180)**	**(562,245)**	**(395,005)**	**(3,767)**	**(132,265)**	**(31,208)**	**-**
Derivatives							
Interest rate derivatives							
- Cash flow hedges outflow	**(21,767)**	**(23,656)**	**(1,643)**	**(2,159)**	**(9,804)**	**(7,053)**	**(2,997)**
Foreign currency derivatives							
- Cash flow hedges outflow	**(294)**	**(295)**	**(295)**	**-**	**-**	**-**	**-**
- Cash flow hedges inflow	**28**	**28**	**28**	**-**	**-**	**-**	**-**
Total derivatives	**(22,033)**	**(23,923)**	**(1,910)**	**(2,159)**	**(9,804)**	**(7,053)**	**(2,997)**
Total	**(564,213)**	**(586,168)**	**(396,915)**	**(5,926)**	**(142,069)**	**(38,261)**	**(2,997)**
Group 2018							
Non derivative financial liabilities							
Loans and borrowings	(451,866)	(471,675)	(331,772)	(3,966)	(56,064)	(79,873)	-
Trade and other payables	(12,061)	(12,061)	(12,061)	-	-	-	-
Total non derivative liabilities	(463,927)	(483,736)	(343,833)	(3,966)	(56,064)	(79,873)	-
Derivatives							
Interest rate derivatives							
- Cash flows hedges - Outflow	(11,787)	(13,139)	(1,365)	(1,329)	(2,839)	(6,481)	(1,125)
Total derivatives	(11,787)	(13,139)	(1,365)	(1,329)	(2,839)	(6,481)	(1,125)
Total	(475,714)	(496,875)	(345,198)	(5,295)	(58,903)	(86,354)	(1,125)

20 Financial Instruments (continued)

Funding risk	Statement of Financial Position $000	Contractual Cash Flows $000	6 Months or Less $000	6 – 12 Months $000	1 – 2 Years $000	2 – 5 Years $000	More Than 5 Years $000
Parent 2019							
Non derivative financial liabilities							
Loans and borrowings	**(78,102)**	**(82,750)**	**(1,089)**	**(1,089)**	**(52,178)**	**(28,394)**	**-**
Trade and other payables	**(2,727)**	**(2,727)**	**(2,727)**	**-**	**-**	**-**	**-**
Total non derivative liabilities	**(80,829)**	**(85,477)**	**(3,816)**	**(1,089)**	**(52,178)**	**(28,394)**	**-**
Parent 2018							
Non derivative financial liabilities							
Loans and borrowings	(46,510)	(46,910)	(46,910)	-	-	-	-
Trade and other payables	(465)	(465)	(465)	-	-	-	-
Total non derivative liabilities	(46,975)	(47,375)	(47,375)	-	-	-	-

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, commodity prices and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The *Quayside Group* is exposed to equity securities price risk because of investments held by the Group. This risk is managed through diversification of the portfolio. Refer to further information in Note 20 (iii). The *Quayside Group* has no exposure to commodity price risk.

The *Port of Tauranga Group* uses derivative financial instruments such as interest rate swaps and foreign currency options to hedge certain risk exposures. All derivative transactions are carried out within the guidelines set out in The *Port of Tauranga Group's* Treasury Policy which have been approved by the Board of Directors. Generally the *Port of Tauranga Group* seeks to apply hedge accounting in order to manage volatility in the income statement.

(i) Interest rate risk

Interest rate risk is the risk of financial loss, or impairment to cash flows in current or future periods, due to adverse movements in interest rates on borrowings or investments. The *Port of Tauranga Group* uses interest rate derivatives to manage its exposure to variable interest rate risk by converting variable rate debt to fixed rate debt.

The total nominal value of interest rate derivatives outstanding is $125m.

The average interest rate on interest rate derivatives is 3.9%.

The *Quayside Group* has deposits and borrowings that are subject to movements in interest rates.

20 Financial Instruments (continued)

At reporting date, the interest rate profile of the Group's interest-bearing financial assets /(liabilities) were:

	Group		Parent	
	2019 $000	2018 $000	2019 $000	2018 $000
Carrying amount				
Fixed rate instruments				
Fixed rate bond	**(125,000)**	(125,000)	**-**	-
Term Deposit – Other financial assets	**25,000**	-	**25,000**	-
Total	**(100,000)**	(125,000)	**25,000**	-
Variable rate instruments				
Commercial papers	**(220,000)**	(220,000)	**-**	-
Standby revolving cash advance facility	**(99,000)**	(55,000)	**-**	-
Interest rate derivatives	**(21,767)**	(11,787)	**-**	-
Westpac borrowings	**(28,102)**	(46,510)	**(28,102)**	(46,510)
Bay of Plenty Regional Council Borrowings	**(50,000)**	-	**(50,000)**	-
Multi option facility	**(2,000)**	(5,000)	**-**	-
Cash balances	**66,987**	41,688	**15,337**	1,769
Total	**(353,882)**	(296,609)	**(62,765)**	(44,741)

Sensitivity analysis

If, at reporting date, bank interest rates had been 100 basis points higher/lower, with all other variables held constant, the result would increase/(decrease) post tax profit or loss and the hedging reserve by the amounts shown below. The analysis is performed on the same basis for 2018.

	Profit or Loss		Cash Flow Hedge Reserve	
	100 bp Increase $000	100 bp Decrease $000	100 bp Increase $000	100 bp Decrease $000
Group 2019				
Variable rate instruments	**(2,389)**	**2,419**	**-**	**-**
Interest rate derivatives	**1,135**	**(1,135)**	**7,337**	**(7,774)**
Total	**(1,254)**	**1,284**	**7,337**	**(7,774)**
Group 2018				
Variable rate instruments	(2,037)	2,067	-	-
Interest rate derivatives	832	(832)	6,271	(7,080)
Total	(1,205)	1,235	6,271	(7,080)
Parent 2019				
Variable rate instruments	**(628)**	**628**	**-**	**-**
Parent 2018				
Variable rate instruments	(447)	447	-	-

20 Financial Instruments (continued)

(ii) Currency risk

Foreign currency risk is the risk arising from the variability of the NZD currency values of the Group's assets, liabilities and operating cash flows, caused by changes to foreign exchange rates. The Group held the following foreign equities and cash balances at balance date:

	Group		Parent	
	2019 $000	2018 $000	2019 $000	2018 $000
Cash – AUD	**6,704**	2,571	**1,025**	329
Cash – USD, EUR, GBP, CAD	**8,182**	531	**-**	-
Equities – AUD	**27,404**	33,333	**4,184**	5,147
Equities – USD, EUR, GBP, CAD, SGD	**45,561**	48,867	**-**	-
	87,851	85,302	**5,209**	5,476

Sensitivity analysis

If at reporting date, a 10% strengthening/weakening of the above currencies against the New Zealand dollar occurred with all other variables held constant, it would increase/(decrease) post tax profit or loss and the cash flow hedges reserve by the amounts shown below. The analysis is performed on the same basis for 2018.

	Profit or Loss		Reserves	
	10% Increase $000	10% Decrease $000	10% Increase $000	10% Decrease $000
Group				
Cash – AUD	**670**	**(670)**	**-**	**-**
Cash – USD, EUR, GBP	**818**	**(818)**	**-**	**-**
Equities – AUD	**2,740**	**(2,740)**	**-**	**-**
Equities – USD, EUR, GBP, CAD, SGD	**4,556**	**(4,556)**	**-**	**-**
30 June 2019	**8,784**	**(8,784)**	**-**	**-**
Cash – AUD	257	(257)	-	-
Cash – USD, EUR, GBP	53	(53)	-	-
Equities – AUD	3,333	(3,333)	-	-
Equities – USD, EUR, GBP	4,887	(4,887)	-	-
30 June 2018	8,530	(8,530)	-	-
Parent				
Cash – AUD	**103**	**(103)**	**-**	**-**
Equities – AUD	**418**	**(418)**	**-**	**-**
30 June 2019	**521**	**(521)**	**-**	**-**
Cash – AUD	33	(33)	-	-
Equities – AUD	515	(515)	-	-
30 June 2018	548	(548)	-	-

20 Financial Instruments (continued)

(iii) Other price risk

Quayside Group is exposed to equity securities price risk because of investments and classified as fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group's Statement of Investment Policy Objectives. The Group's investments are in both listed and unlisted equities. Equities by nature are subject to volatility. The Group holds equities in a number of markets. The Group held the following equities at balance date:

	Group		Parent	
	2019 $000	2018 $000	2019 $000	2018 $000
Equities - NZD	**97,897**	89,313	**7,623**	10,089
Equities - AUD	**27,404**	33,333	**4,184**	5,147
Equities – USD, EUR, GBP, CAD, SGD	**45,561**	48,867	**-**	-
	170,862	171,513	**11,807**	15,236

Sensitivity analysis

The table below summarises the impact of increases/decreases in the equity prices on the Group's pre-tax profit for the year – all movements in equity prices are reflected through profit or loss. The analysis is based on the assumption that the equity prices had increased/decreased by 10% with all other variables held constant and all the Group's equity instruments moved according to the historical correlation with the index.

	Group		Parent	
	10% Increase $000	10% Decrease $000	10% Increase $000	10% Decrease $000
Equities – NZD	**9,790**	**(9,790)**	**762**	**(762)**
Equities – AUD	**2,740**	**(2,740)**	**418**	**(418)**
Equities – USD, EUR, GBP, CAD, SGD	**4,556**	**(4,556)**	**-**	**-**
30 June 2019	**17,086**	**(17,086)**	**1,180**	**(1,180)**
Equities – NZD	8,931	(8,931)	1,009	(1,009)
Equities – AUD	3,333	(3,333)	515	(515)
Equities – USD, EUR, GBP, CAD	4,887	(4,887)	-	-
30 June 2018	17,151	(17,151)	1,524	(1,524)

The Group is also exposed to other price risk arising from the variability of kiwifruit prices which impact on the valuation of the Group's income and receivables. The Parent has no exposure to this price risk. The Group's Kiwifruit income and related receivable at year-end are based on forecast revenue per tray, made at the beginning of the season.

Sensitivity analysis

At 30 June 2019, if the forecast revenue per tray had been 10% higher/lower with all other variables held constant, the Group's post tax profit for the year would increase/decrease by $367,887 (2018: $352,632).

21 Trade and Other Payables

	Group		Parent	
	2019 $000	2018 $000	2019 $000	2018 $000
Accounts payable	**12,302**	11,480	**125**	85
Accrued employee benefit liabilities	**4,752**	4,397	**152**	113
Accruals	**17,340**	17,458	**186**	272
Payables to Equity Accounted Investees and related parties	**5,013**	45	**2,289**	15
Total trade and other payables	**39,407**	33,380	**2,752**	485

Payables denominated in currencies other than the functional currency are nil (2018: nil). Trade and other payables are non interest-bearing and are normally settled on 30 day terms; therefore the carrying value of trade and other payables approximates their fair value.

Policies

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost.

22 Provisions

The Parent has no provisions. This note is for the Group only.

	Long Service Leave $000	Management Long Term Incentive Plan $000	Profit Sharing and Bonuses $000	Total $000
Balance at 30 June 2018	1,746	818	2,262	4,826
Additional provision	**194**	**140**	**2,698**	**3,032**
Unused amounts reversed	**(75)**	**-**	**-**	**(75)**
Utilised during the period	**(82)**	**(958)**	**(2,782)**	**(3,822)**
Balance at 30 June 2019	**1,783**	**-**	**2,178**	**3,961**
Total current provisions	**-**	**-**	**2,178**	**2,178**
Total non current provisions	**1,783**	**-**	**-**	**1,783**

Employee benefits - Long service leave provision

Underlying assumptions for provisions relate to the probabilities of employees reaching the required vesting period to qualify for long service leave. Probability factors for reaching long service leave entitlements are based on historic employee retention information.

Employee benefits – Management long term incentive plan

Members of Port of Tauranga Limited's Executive Management Team are eligible to receive payment under the Management Long Term Incentive Plan. The plan is classified as a cash settled share based payment plan and is based upon a combination of total shareholder return versus an index and earnings per share growth, both over a three year period. The amount recognised in the income statement during the period is $0.14m (2018: $0.39m)

The current cash settled share based payment plan has been replaced and vested for the last time in the 2018 financial year with payment made in August 2018 (refer to note 24).

22 Provisions (continued)

Employee benefits – Profit sharing and bonuses

The Profit Sharing and Bonus Scheme rewards eligible employees based on a combination of company performance against budget and personal performance. The incentive is generally paid biannually.

Policies

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

23 Related Party Transactions

Parent and ultimate controlling entity

The Parent is 100% owned by the Bay of Plenty Regional Council – refer Note 1.

Transactions with key management personnel

The Group does not provide any non cash benefits to Directors in addition to their Directors' fees. Key management personnel compensation comprised the following:

	Group		Parent	
	2019 $000	2018 $000	2019 $000	2018 $000
Directors				
Directors' fees recognised during the period	**1,104**	1,059	**181**	178
Executive Officers				
Executive officers salaries and other short-term employee benefits recognised during the period	**3,945**	4,402	**352**	316
Executive officers share based payments (cash and equity settled) recognised during the period	**920**	1,289	**-**	-
Total	**5,969**	6,750	**533**	494

All *Port of Tauranga Group* Executive Management Team participate in the Management Long Term Incentive Plans and may receive cash or non cash benefits as a result of these plans (refer note 24).

23 Related Party Transactions (continued)

Other related entities

Other related parties include subsidiaries in the Group – refer Note 1. During the year, the Group entered into transactions with companies in which directors hold directorships. These directorships have not resulted in the Group having a significant influence over the operations, policies or key decisions of these companies.

	2019	2018
Quayside Group **transactions with related parties:**	**$000**	**$000**
Transactions with Ultimate Controlling Entity		
Bay of Plenty Regional Council		
Services provided to Quayside Properties Limited	**5**	2
Interest paid by Quayside Holdings Limited	**867**	-
Interest payable by Quayside Holdings Limited	**481**	-
Dividends paid by Quayside Holdings Limited	**31,200**	25,500
Loan drawn down by Quayside Holdings Limited	**50,000**	-
Loan payable by Quayside Holdings Limited	**50,000**	-
Subvention payable by Quayside Holdings Limited	**408**	-
Subvention payable by Quayside Unit Trust	**649**	-
Subvention payable by Quayside Properties Limited	**1,945**	-
Subvention payable by Quayside Securities Limited	**2**	-
Transactions with Other Related Entities		
Quayside Unit Trust		
Dividends paid to Quayside Holdings Limited	**78,900**	59,500
Interest received by Quayside Holdings Limited	**271**	356
Interest receivable by Quayside Holdings Limited	**13**	60
Loan receivable by Quayside Holdings Limited	**8,331**	10,331
Loan repayment received by Quayside Holdings Limited	**2,000**	8,000
Dividends received from Port of Tauranga Limited	**66,318**	62,267
Quayside Properties Limited		
Interest received by Quayside Holdings Limited	**641**	522
Interest receivable by Quayside Holdings Limited	**167**	72
Loan advanced by Quayside Holdings Limited	**6,264**	-
Loan receivable by Quayside Holdings Limited	**23,421**	17,157
Office lease provided to Quayside Holdings Limited	**38**	18
Accounts payable by Quayside Holdings Limited	**-**	15
Accounts receivable by Quayside Holdings Limited	**33**	21
Management fees paid to Quayside Holdings Limited	**111**	110
Quayside Investment Trust		
Consideration for units purchased by Quayside Holdings Limited	**13,000**	20,250
Quayside Securities Limited		
Management fees paid to Quayside Holdings Limited	**76**	74
Transactions with Equity Accounted Investees		
Services provided by Quayside Holdings Limited	**112**	144
Accounts payable by Quayside Holdings Limited	**1,400**	-
Accounts receivable by Quayside Holdings Limited	**31**	5

In the *Quayside Group*, interest is on charged on intercompany loans at the actual rate of interest incurred by Quayside Holdings Limited. No related party debts have been written off, forgiven or provided for as doubtful during the year.

23 Related Party Transactions (continued)

The Parent has issued Perpetual Preference Shares on the NZX. The following transactions were recorded by directors:

	2019 No	2018 No
R A McLeod (a director) as Trustee	**100,000**	100,000

Port of Tauranga Group transactions with related parties:	2019 $000	2018 $000
Transactions with ultimate controlling entity: Bay of Plenty Regional Council		
Services provided to Port of Tauranga Limited	**76**	29
Transactions with equity accounted investees		
Services provided to Port of Tauranga Limited	**556**	441
Services provided by Port of Tauranga Limited	**3,824**	2,743
Accounts receivable by Port of Tauranga Limited	**239**	285
Accounts payable by Port of Tauranga Limited	**125**	45
Advances by Port of Tauranga Limited	**5,319**	6,319
Services provided to Quality Marshalling (Mount Maunganui) Limited	**3**	-
Services provided by Quality Marshalling (Mount Maunganui) Limited	**3,913**	3,973
Accounts receivable by Quality Marshalling (Mount Maunganui) Limited	**345**	455
Accounts payable by Quality Marshalling (Mount Maunganui) Limited	**3**	-

In March 2013, the Ultimate Controlling Party granted Port of Tauranga Limited a resource consent to widen and deepen the shipping channels. As a condition of this consent, an environmental bond to the value of $1.0 million is to be held in escrow in favour of the Ultimate Controlling Party. The bond is to ensure the remedy of any unforeseen adverse effects on the environment arising from the dredging. The resource consent expires on 6 June 2027.

24 Management Long Term Incentive Plan

In December 2016, the Port of Tauranga Group introduced an equity settled long term incentive (LTI) plan that will vest from financial year 2019 onwards. Under this LTI plan, share rights are issued to participating executives and have a three year vesting period. The first granting of share rights under this LTI plan occurred in the 2018 year and this LTI plan replaces the former cash settled plan.

The vesting of share rights, which entitles the executive to the receipt of one Port of Tauranga Limited ordinary share at nil cost, is subject to the executive remaining employed by Port of Tauranga Limited during the vesting period and the achievement of certain earnings per share (EPS) and total shareholder return (TSR) targets.

For EPS share rights granted, the proportion of share rights that vest depends on the Port of Tauranga Group achieving EPS growth targets.

For TSR share rights granted, the proportion of share rights that vests depends on the *Port of Tauranga Groups* TSR performance ranking relative to the NZX50 index less Australian listed stocks.

To the extent that performance hurdles are not met or executives leave Port of Tauranga Limited prior to vesting, the share rights are forfeited.

The share based payment expense relating to the LTI plan for the year ended 30 June 2019 is $0.8 million (2018: $0.9 million) with a corresponding increase in the share based payments reserve (refer note 16).

24 Management Long Term Incentive plan (continued)

Number of Share Rights Issued to Executives:

Grant Date	Scheme End Date	Right Type	Balance at 30 June 2018	Granted During the Year	Balance at 30 June 2019
1 March 2018	30 June 2019	EPS	127,470	-	127,470
1 March 2018	30 June 2019	TSR	106,225	-	106,225
1 March 2018	30 June 2020	EPS	121,934	-	121,934
1 March 2018	30 June 2020	TSR	101,612	-	101,612
1 July 2018	30 June 2021	EPS	-	108,500	108,500
1 July 2018	30 June 2021	TSR	-	90,417	90,417
Total LTI Plan			**457,241**	**198,917**	**656,158**

Fair Value of Share Rights Granted

Share rights are valued as zero cost in-substance options at the day at which they are granted, using the Black-Scholes-Merton model. The following table lists the key inputs into the valuation:

Grant Date	Scheme End Date	Right Type	Grant Date Share Price	Risk Free Interest Rate	Expected Volatility of Share Price	Valuation per Share Right
			$	%	%	$
1 March 2018	30 June 2019	EPS	5.09	1.79	15.10	4.92
1 March 2018	30 June 2019	TSR	5.09	1.79	15.10	4.48
1 March 2018	30 June 2020	EPS	5.09	1.96	15.10	4.81
1 March 2018	30 June 2020	TSR	5.09	1.96	15.10	2.26
1 July 2018	30 June 2021	EPS	5.10	1.72	16.30	4.64
1 July 2018	30 June 2021	TSR	5.10	1.72	16.30	2.00

Management Long Term Incentive Plan – Cash Settled

Prior to the introduction of the equity settled LTI plan, members of the Port of Tauranga Limited's executive team were eligible to receive payment under a cash settled LTI plan. This plan vested for the last time in the 2018 financial year with payment made in August 2018 (refer note 22).

Policies

The Group provides benefits to the Port of Tauranga Limited's Executive Management Team in the form of share based payment transactions, whereby executives render services in exchange for rights over shares (equity settled transactions) or cash settlements based on the price of the Port of Tauranga Limited's shares (cash settled transactions). The cost of the transactions is spread over the period in which the employees provide services and become entitled to the awards.

Equity Settled Transactions

The cost of the equity settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The cost of equity settled transactions is recognised in the income statement, together with a corresponding increase in the share based payment reserve in equity.

Cash Settled Transactions

The fair value of cash settled transactions is determined at each reporting date, and the change in fair value is recognised in the income statement with a corresponding change recognised in the provisions' liability.

25 Investment Properties

The Parent has no investment property. This note is for the Group only.

	2019 $000	2018 $000
Balance at 1 July	**21,918**	17,405
Additions – Work in progress (at cost)	**66**	362
Additions – Subsequent expenditure (at cost)	**-**	1,327
Additions – Acquisitions (at cost)	**2,415**	-
Fair value gains on valuation	**3,487**	2,824
Balance at 30 June	**27,886**	21,918
Rental Income from investment properties	**457**	303
Expenses from investment property generating income	**113**	37

Investment properties are valued annually to fair value. The fair value measurement has been categorised as a level 2 fair value based on the inputs to the valuation technique. The properties located at the Rangiuru Business Park are designated industrial under the Western Bay of Plenty District Council District Plan. These properties include land, buildings, and improvements and are currently being operated as kiwifruit orchards, leased dairy grazing land and residential rentals.

Work in progress includes the costs incurred to date in drilling of an exploratory water bore for the Rangiuru Business Park. The value of this work was not included in the independent registered valuations, as the bore is not yet operational.

During the year a new investment property was purchased in Paengaroa. This property consists of horticultural land, a forestry block and a residential rental.

The valuation of all investment property was carried out by independent registered valuers. The valuers are experienced valuers with extensive market knowledge in the type of investment properties owned by Quayside Properties Limited. All investment properties were valued based on open market evidence and 'highest and best use' currently for the land. The significant assumptions applied in the valuation of these assets are:

- Most of the land owned by Quayside Properties Limited is located in the Western Bay of Plenty and has a dual zoning of rural and industrial. Further property owned in the Tauranga City Council is zoned rural and city centre.
- Under normal current market valuation, the value of the dairy and orchard land would be determined by the value of the land for future business park development. However, current highest and best use of the dairy land has been determined for separate lots as either dairy grazing or for the kiwifruit orchard. It has been determined that the highest and best use for the kiwifruit orchard properties is still as operating orchards.
- Improvement values have been assessed with regard to their income producing capacity, depreciated replacement cost and an analysis of sales where properties have included similar asset types.

25 Investment Properties (continued)

Commitments

At balance date the Group had no contractual commitments in relation to settlement of investment property (2018: $5.7m)

Policies

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss. Cost includes any expenditure that is directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs. Properties leased to third parties under operating leases are generally classified as investment property unless:

- the occupants provide services that are integral to the operation of the Group's business and those services could not be provided efficiently and effectively by the lessee in another location;
- the property is being held for future delivery of services by the Group; or
- the lessee uses services of the Group and those services are integral to the reasons for the lessee's occupancy of the property.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its costs for subsequent accounting.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

Any improvements in investment property will be recognised initially at cost whilst the work is in progress, and will subsequently be included in the fair value revaluation once the work is complete.

26 Biological Assets

Forestry	2019 $000	2018 $000
Balance at 1 July	-	-
Additions	485	-
Change in fair value less estimated costs to sell	(95)	-
Balance at 30 June	**390**	-

During the year an investment property was purchased in Paengaroa, which included a 113.6ha radiata pine forestry block. Fair value of the forestry block has been determined by independent registered valuation at 30 June 2019 as $404,000 less costs to sell. Fair value has been determined by using the income approach (Discounted Cash Flow) by assessing the net present value of estimated future costs and revenues pertaining to the standing tree crop, using a discount rate of 7.5%. The fair value measurement is categorised as a Level 3 fair value based on the inputs for the assets which are not based on observable market data (unobservable inputs) – refer to Note 2 for fair value measurement hierarchy. The significant assumptions applied in the valuation of these assets are:

1. Discounted Cash Flow (DCF) Approach has been applied to the anticipated pre-tax cash flows (future revenues and costs) for the current tree crop rotation.
2. A notional freehold land rental of NZ$360/ha p.a.
3. A pre-tax implied discount rate of 7.5% p.a. which was derived from the recent market transactions.

26 Biological Assets (continued)

Sensitivity of tree crop value to discount rate Tree Crop Value Discount Rate (pre-tax) (NZ$000)	
6.0%	805
6.5%	654
7.0%	521
7.5%	**404**
8.0%	301
8.5%	210
9.0%	130

Implied discount rates (IDR) on pre-tax cash flows - Analysis Implied Discount Rate	
Recent transaction range	3.7% - 10.8%
Average last 6 years	7.50%
Area-weighted average last 6 years	6.70%

Sensitivity of tree crop value to log prices and production costs Discount Rate (pre-tax) (NZ$000)					
(NZ$000)	Log Prices				
Production Costs	-10%	-5%	Base	+5%	+10%
+10%	125	228	331	434	537
+5%	161	264	368	471	574
Base	**198**	**301**	**404**	**507**	**610**
-5%	235	338	441	544	647
-10%	271	374	478	581	684

Kiwifruit Crop

Harvesting of the kiwifruit crop takes place in April to June each year. At 30 June the crop is measured at fair value which is nil (2018: nil). The fair value is deemed to be cost as insufficient biological transformation has occurred.

27 Contingencies

At 30 June 2019 for the Group and Parent Company there were no contingent assets or liabilities (2018: nil).

28 Subsequent Events

The financial statements were approved by the Board of Directors on 3rd September 2019.

On 29 July 2019, the Port of Tauranga Limited refinanced a tranche of its $430m Standby Revolving Cash Advance Facility, increasing the facility size by $50m to $480m. The Tranche 1 $50m facility was increased by $50m to $100m and the maturity date of this tranche was extended from 1 October 2019 to 29 January 2021.

On 1st July 2019, Quayside Holdings Limited established a new PIE Trust the 'Toi Moana Trust'. The Trustee of this Trust will be Quayside Securities Limited and the majority of units in the new Trust will be issued to Bay of Plenty Regional Council.

29 Quayside Group Statement of Service Performance

The Company is a member of *Quayside Group*. The *Quayside Group* is required to prepare a Statement of Service Performance reporting on performance measures and results. Recorded below are nine targets and results of the *Quayside Group's* Statement of Intent categorised under five portfolio activities.

(a) Port portfolio

The *Quayside Group* has a majority shareholding in Port of Tauranga.

Performance measure	Performance target	2019 Result
1. Maintain majority holding in the Port of Tauranga Limited	Holding of greater than 51%	Quayside held 54.14% of Port of Tauranga shares as at 30 June 2019

Target met: **Yes**

The *Quayside Group* has a majority shareholding in the Port of Tauranga. The *Quayside Group* and Council deem maintaining a majority shareholding in the Port of Tauranga as strategically important, as well as providing long term financial security. The Port of Tauranga continues to be one of the outstanding performers of the New Zealand infrastructure market and the NZX, providing the *Quayside Group* and Council with dividend returns and strong capital growth. The *Quayside Group* is a long term investor in Port of Tauranga and must maintain a majority shareholding in accordance with Council policy. The *Quayside Group* cannot go below a majority shareholding without the consent of Council.

Port of Tauranga financial highlights are tabled below:

	30 June 2019	30 June 2018
Quayside shareholding	54.14%	54.14%
Net profit after tax	$100.6m	$94.3m
Ordinary dividend to Quayside	$47.9m	$43.8m
Special dividend to Quayside	$18.4m	$18.4m
Share price	$6.25	$5.09
Net tangible assets per share (dollars per share)	$1.71	$1.64

(b) Investment portfolio

Performance measure	Performance target	2019 Result
2. Generate commercial returns across the Investment portfolio.	Five year rolling gross return of >= 7.5% p.a.	Five year rolling gross return of 14.13% achieved at 30 June 2019.
3. Adherence to industry standards including responsible investing.	Management and monitoring of investment portfolio against Quayside SIPO and Responsible Investment frameworks.	Monthly monitoring reported to the Board. No instances of non-compliance.

Target met: **Yes**

29 Quayside Group Statement of Service Performance (continued)

(b) Investment portfolio

The *Quayside Group* manages a diversified investment portfolio with a market value of $194m at 30 June 2019. These investments include domestic and foreign equities, and cash. Quayside holds equity investments as part of a portfolio of non-port assets, to support increasing sustainable shareholder returns over time.

The 7.5% p.a. five year rolling gross return target is based on current industry and analyst expectation of long term performance of equity markets. This target is reviewed annually.

Quayside's Statement of Investment Policy and Objectives (SIPO), sets out the investment governance and management framework that ensures Quayside invests in a manner that is complementary to the policies and objectives of the Bay of Plenty Regional Council and is a responsible and commercially focused investor. The primary objectives underlying the strategic investment policies for the portfolio, are to ensure that the value of the assets are protected long term and grown appropriately, while generating income opportunities that could be distributed to the shareholder as required.

Quayside Group Investment Portfolio financial highlights are tabled below:

	30 June 2019	30 June 2018
Investment portfolio value	$194m	$175m
1 year gross return	10.99%	17.21%
5 year rolling gross return	14.13%	14.74%

(c) Infrastructure portfolio

Performance measure	Performance target	2019 Result
4. Generate long term commercial returns and / or regional benefit through a portfolio of infrastructure assets.	Annual Board assessment of benefit of each asset holding.	Annual board assessment completed, noting short term performance and reaffirming long term objectives.

Target met: **Yes**

The infrastructure portfolio refers to direct investment in commercial return regional infrastructure including (but not exclusively) water, energy, communications, transport, land and buildings.

The *Quayside Group* infrastructure portfolio currently comprises Rangiuru Business Park, a 148 hectare industrial business park development, residential land in Tauriko, commercial building developments in the Tauranga and Rotorua CBD and a forestry/horticultural block at Paengaroa. An annual board assessment of each of these assets has determined that they continue to provide short-term benefit in the form of cash returns to the group and remain strong long-term assets for future growth.

Rangiuru business park continues to be progressed for future development, whilst still providing positive short-term returns from operating the land as dairy grazing and kiwifruit orchards. The return from these operations delivered a gross profit to the group of over $2 million this year. The business park once completed will provide much needed industrial development for the region and indicative employment of 3000-4000 employees.

The commercial office at 53 Spring Street, Tauranga, which was refurbished in the prior year, provides a commercial return for the *Quayside Group* whilst also providing offices to support Bay of Plenty entities.

New joint ventures entered in to during the year to develop commercial property in the Tauranga and Rotorua CBD will provide long-term commercial yields for the *Quayside Group* and provide high end commercial and retail tenant space

29 Quayside Group Statement of Service Performance (continued)

(c) Infrastructure portfolio

Infrastructure (real asset) portfolio financial highlights are tabled below.

	30 June 2019	30 June 2018
Invested	$46.1m	$35.7m
Committed	$0m	$5.7m

(d) Commercial ventures

Performance measure	Performance target	2019 Result
5. Generate long term commercial returns and / or regional benefit through a portfolio of commercial assets.	Annual Board assessment of each asset holding, considering long term commercial return and any regional benefit factors.	Annual board assessment completed, noting short term performance and reaffirming long term objectives.

Target met: **Yes**

The *Quayside Group* has created a commercial portfolio of investments deriving long term growth and income performance with targeted regional benefits where possible. This portfolio is part of a financial strategy to reinvest retained profits for the purpose of enhancing regional development and diversifying investments to make the dividend to council more stable.

Quayside currently has commercial investment in a number of private equity entities both through direct holdings and third party management, including Oriens Capital Ltd, WNT Ventures, Honeylab Ltd, Techion Ltd, Opotiki Packing and Coolstorage Ltd and Rhondium Ltd. These investments continue to provide promising returns for the group and region and further capital has been invested in to these entities during the year.

Quayside also has a Joint Venture interest in Huakiwi Developments Ltd, developing kiwifruit orchards on prime horticultural Maori Land. This investment provides governance and employment opportunities and significant GDP opportunity for these areas.

Commercial ventures (private equity) portfolio financial highlights are tabled below.

	30 June 2019	30 June 2018
Invested	$39.7m	$21.7m
Committed	$35.1m	$18.6m

29 Quayside Group Statement of Service Performance (continued)

(e) Governance

This activity relates to the policies and procedures the *Quayside Group* will adopt to satisfy governance requirements and expectations and ensures that open dialogue exists between the *Quayside Group* and Council, so that Council are kept informed of all significant matters relating to the *Quayside Group* at the earliest opportunity.

Performance measure	Performance target	2019 Result
6. Keep Council informed on a 'no surprises' basis, providing quality and timely information.	A minimum of four presentations to Council per annum plus timely advice and support as required.	Presentations to Council in September 2018, December 2018, March 2019 and June 2019. Open communication with Council maintained throughout the year through regular meetings with Quayside CEO and Council management.
7. Ensure Group policies and procedures are current and appropriate.	All policies and procedures to be reviewed no less than biennially.	Policies were reviewed at Board meetings in accordance with a policy review schedule.
8. Meet shareholder distribution expectations as outlined in SOI or otherwise agreed.	Distributions paid to agreed values per Statement of Intent (SOI).	Cash dividends paid to agreed levels of $31.2m paid to Council and gross dividend of $8.6m (net $6.2m) paid to PPS holders.
9. Compliance with NZX listing requirements for PPS holders.	No open issues.	Filing of interim and annual financial statements achieved within 60 day deadline. Internal audit compliance systems show no open issues or instances of non-compliance with NZX requirements.

Target met: **Yes**

Quayside Holdings Limited and Subsidiaries
Statutory Information
For the year ended 30 June 2019

Interest register

The company is required to maintain an Interests Register in which the particulars of certain transactions and matters involving the directors must be recorded. The interest register for Quayside Holdings Limited is available for inspection at the registered office. The directors of the Parent Company have made general disclosures of interest in accordance with S140(2) of the Companies Act. Current interests and those which ceased during the year, are tabulated below. New disclosures advised since 1 July 2018 are italicised.

Director	Entity	Position
R McLeod	E Tipu E Rea Limited	Director
	E Tipu E Rea Trustee Limited	Chair I Director I Shareholder
	Ionian Holdings Limited	Shareholder
	McLeod Custodian Limited	Director I Shareholder
	Port of Tauranga Limited	Director
	Preservation Investments Limited	Shareholder
	Quayside Holdings Limited Perpetual Preference Shares	Shareholder *
	Quayside Holdings Limited	Chair I Director
	Quayside Properties Limited	Chair I Director
	Quayside Securities Limited	Chair I Director
	RAM Custodian Limited	Director I Shareholder
	Robert A McLeod Limited	Director I Shareholder
	Sanford Limited	Director
	Tax Management NZ Limited – *resignation advised July 2018*	Director
	** Shares are held by McLeod Custodian Limited as Trustee*	
S Crosby	*Bay of Plenty Regional Council*	*Councillor*
	Quayside Holdings Limited	*Director*
	Quayside Securities Limited	*Director*
	Quayside Properties Limited	*Director*
	Rotorua Regional Airport Limited	*Director*
	Equip GP Limited	*Director*
	Crosby Motorsport Limited	*Director / Shareholder*
	Templogger NZ Limited	*Director / Shareholder*
	Summerhill Charitable Trust	*Trustee*
	Elm's Foundation	*Trustee*
	SmartGrowth Leadership Group	*Member*
	Local Government New Zealand Board	*Vice-President / Member*

Director	Entity	Position
B Hewlett	Bluelab Corporation Limited	Chair I Director
	Bluelab Holdings Limited	Chair I Director
	Comvita Limited	Executive Director
	Comvita New Zealand Limited	Executive Director
	Enterprise Angels Incorporated– *resignation advised 25 June 2019*	Director
	Hewlett Family Trust	*Trustee*
	Hewlett Investment Trust	*Trustee*
	Oriens Capital Limited	Shareholder
	Priority One WBOP Incorporated	Chair
	Quayside Holdings Limited	Director
	Quayside Properties Limited	Director
	Quayside Securities Limited	Director
	University of Waikato Academic Review Panel	*Panel Member*
F McTavish	Bay of Plenty Regional Council	Officer
	BOPLASS Limited	Director
	McTavish – Huriwai Investments Ltd	Director I Shareholder
	Otumoetai Intermediate	Trustee
	Priority One WBOP Inc	Executive Board Member
	Quayside Holdings Limited	Director
	Quayside Properties Limited	Director
	Quayside Securities Limited	Director
	SmartGrowth Chief Executive Advisory Group	Member
	Tauranga Girls College	*Trustee*
	TeachFirst New Zealand	Trustee
W Parker	Farmlands Cooperative Society	Director
	Forestry Ministerial Advisory Group	Chair
	Genomics Aotearoa	Director
	Griffith Enterprise Advisory Board	Chair
	Landcorp Estates Limited	*Chair / Director*
	Landcorp Holdings Limited	*Chair / Director*
	Landcorp Pastoral Limited	*Chair / Director*
	Landcorp Farming Limited, PAMU	*Chair / Director*
	Predator Free 2050 Limited	Director
	Quayside Holdings Limited	Director
	Quayside Properties Limited	Director
	Quayside Securities Limited	Director
	Warren's Insights Limited	Director I Shareholder

Director	Entity	Position
R Tait	Advanced Technology Products Pty Ltd	Director I Shareholder
	Arohena Pastoral Limited – *resignation advised 24 June 2019*	Director I Shareholder
	Fraser Rd Orchard GP Limited	Director I Shareholder
	Golf Course Orchard GP Limited	Director I Shareholder
	Highcrest Limited - *resignation advised 24 June 2019*	Director I Shareholder
	Milparinga Holdings Limited	Director I Shareholder
	Ōpōtiki Packing and Coolstorage Limited	Shareholder
	Oriens Capital Limited	Shareholder
	OTK Management Limited	Director I Shareholder
	Port of Tauranga	Shareholder
	Quayside Holdings Limited	Director
	Quayside Properties Limited	Director
	Quayside Securities Limited	Director
	Tait Fleming Consulting Limited	Director I Shareholder
P Thompson	Bay of Plenty Regional Council	Councillor
	Bay of Plenty Regional Council, Regional Direction and Delivery Committee	Chair
	Cyber Limited	*Shareholder*
	Eastern Bay of Plenty Economic Development Trust (Toi EDA)	Trustee
	Loji Trust – *resignation advised 24 September 2019*	Trustee
	Proposed Plan Change 9 Hearings Panel	Member
	Quayside Holdings Limited	Director
	Quayside Properties Limited	Director
	Quayside Securities Limited	Director
	SmartGrowth Leadership Group	Member
	Tauranga Environment Centre – *resignation advised 26 June 2019*	Trustee
	Woman Walking Limited	Director I Shareholder
	Wonder Walkers Charitable trust – *resignation advised 26 June 2019*	Trustee

The entities listed above against each director and executive may transact with Quayside Holdings Limited. Refer to Note 23 of the Financial Statements.

Information used by directors

During the financial year there were no notices from directors of Quayside Holdings Limited, or any subsidiary, requesting to use information received in their capacity as a director which would not otherwise have been available to them.

Indemnification and insurance of directors and officers

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

Donations

No donations were made by Quayside Holdings Limited during the year ended 30 June 2019.

Auditors remuneration

The following amounts are payable to the auditors of the company for the year:

Audit New Zealand: Audit Fees $65,614

Directors

The following directors of Quayside Holdings Limited held office during the year ended 30 June 2019:

Remuneration

	Paid by parent $000	Paid by subsidiaries $000
R McLeod (Chair)	43	45
S Crosby	17	18
J Nees	9	9
W Parker	26	27
B Hewlett	26	27
R Tait	34	35
P Thompson	26	27
Total	**181**	**188**

The fees above are exclusive of GST. F McTavish was remunerated by the Bay of Plenty Regional Council.

Port of Tauranga

Company	Directors
Port of Tauranga Limited	A Andrew, K Ellis, J Hoare, A Lawrence, D Leeder, R McLeod, D Pilkington

Port of Tauranga directors' remuneration and value of other benefits for the year ended 30 June 2019, were as follows:

	2019 $000	2018 $000
D A Pilkington (Chair)	**167,000**	167,000
A M Andrew *	**90,000**	21,250
A W Baylis *	**-**	30,833
K R Ellis	**102,500**	102,500
J C Hoare	**100,000**	100,000
A R Lawrence	**92,500**	92,500
D W Leeder	**90,000**	90,000
R A McLeod **	**92,500**	60,416
M J Smith **	-	32,500
Total	**734,500**	696,999

* A W Baylis retired from the Board of Directors on 19 December 2017 and A M Andrew was appointed on 1 April 2018.

** M J Smith retired from the Board of Directors on 31 October 2017 and R A McLeod was appointed on 31 October 2017.

Loans

There were no loans by Quayside Holdings Limited, or the Port of Tauranga Limited, to directors.

Employees

The number of employees whose total annual remuneration including salary, performance bonuses, an Economic Value Added Based Executive Incentive Scheme, employer's contributions to superannuation and health schemes, and other sundry benefits received in their capacity as employees, was within the specified bands as follows:

	Port of Tauranga Limited		Quayside Holdings Limited	
Remuneration range $000	Number of employees 2019	Number of employees 2018***	Number of employees 2019	Number of employees 2018
100 – 109	**21**	22	**1**	-
110 – 119	**21**	21	**-**	-
120 – 129	**18**	23	**-**	-
130 – 139	**14**	23	**1**	-
140 – 149	**13**	11	**-**	-
150 – 159	**8**	7	**-**	-
160 – 169	**6**	4	**-**	-
170 – 179	**8**	6	**-**	-
180 – 189	**3**	-	**-**	-
190 – 199	**2**	4	**-**	-
200 – 209	**1**	3	**-**	-
210 – 219	**3**	2	**-**	1
220 – 229	**-**	1	**1**	-
230 – 239	**-**	8	**-**	-
240 – 249	**8**	2	**-**	-
250 – 259	**4**	3	**-**	-
260 – 269	**3**	1	**-**	-
320 – 329	**-**	-	**-**	1
350 - 359	**-**	-	**1**	-
530 – 539	**-**	1**	**-**	-
580 – 589	**-**	1**	**-**	-
630 – 639	**1***	-	**-**	-
650 – 659	**-**	1**	**-**	-
660 - 669	**1***	-	**-**	-
670 - 679	**-**	1**	**-**	-
740 - 749	**1***	-	**-**	-
780 - 789	**1***	-	**-**	-
1,680 - 1689	**-**	1**	**-**	-
1,770 – 1,779	**1***	-	**-**	-

**Includes vesting of Long Term Incentive Scheme and payment of Short Term Incentive*

***Includes vesting of Long Term Incentive Scheme and payment of Short Term Incentive and includes Holidays Act remediation payments*

**** For all non executive employees this includes Holidays Act remediation payments*

Perpetual Preference Shareholder Information

The Perpetual Preference Shares of Quayside Holdings Limited are listed on the NZDX. The information in the disclosures below has been taken from the Company's share registers as at 30 June 2019.

Twenty largest holders of perpetual preference shares

Rank	Name	Units at 30 June 19	% of Units
1	JBWERE (NZ) NOMINEES LIMITED <NZ RESIDENT A/C>	20,630,000	10.31
2	CUSTODIAL SERVICES LIMITED <A/C 3>	19,355,000	9.68
3	FNZ CUSTODIANS LIMITED	17,291,000	8.65
4	CUSTODIAL SERVICES LIMITED <A/C 2>	11,387,000	5.69
5	CUSTODIAL SERVICES LIMITED <A/C 4>	9,960,000	4.98
6	INVESTMENT CUSTODIAL SERVICES LIMITED <A/C C>	8,493,000	4.25
7	CUSTODIAL SERVICES LIMITED <A/C 18>	6,136,000	3.07
8	FORSYTH BARR CUSTODIANS LIMITED <1-CUSTODY>	2,122,000	1.06
9	TAPPENDEN HOLDINGS LIMITED	2,117,000	1.06
10.	CUSTODIAL SERVICES LIMITED <A/C 16>	1,960,000	0.98
11	JBWERE (NZ) NOMINEES LIMITED <54443 A/C>	1,110,000	0.55
12	CUSTODIAL SERVICES LIMITED <A/C 1>	1,104,000	0.55
13	JBWERE (NZ) NOMINEES LIMITED <54440 A/C>	1,080,000	0.54
14	JBWERE (NZ) NOMINEES LIMITED <54441 A/C>	1,070,000	0.53
15	ATT INVESTMENTS LIMITED	1,000,000	0.50
16	FLETCHER BUILDING EDUCATIONAL FUND LIMITED	1,000,000	0.50
17	JBWERE (NZ) NOMINEES LIMITED <44626 A/C>	1,000,000	0.50
18	KIA INVESTMENTS LIMITED	1,000,000	0.50
19	FAITH PRISCILLA TAYLOR	1,000,000	0.50
20	JBWERE (NZ) NOMINEES LIMITED <54437 A/C>	700,000	0.35
	Totals: Top 20 holders of perpetual preference shares	**109,515,000**	**54.76%**
	Total remaining holders balance	**90,485,783**	**45.24%**
	Total	**200,000,783**	**100%**

Distribution of perpetual preference shares

Range of equity holdings	Number of holders	Number of shares held	% of issued equity
500 - 999	1	783	0.00
5,000 - 9,999	249	1,380,000	0.69
10,000 - 49,999	1,621	32,778,000	16.39
50,000 - 99,999	396	22,354,000	11.18
100,000 - 499,999	192	29,242,000	14.62
500,000 - 999,999	9	5,431,000	2.72
1,000,000 - 9,999,999,999,999	19	108,815,000	54.40
TOTAL	**2,487**	**200,000,783**	**100.00**

Ordinary shareholder information

Holder	Number held	% of issued equity
Bay of Plenty Regional Council	10,000	100.00

Quayside Holdings Limited and Subsidiaries
Directory
For the year ended 30 June 2019

Registered office

53 Spring Street
Tauranga 3110
Ph: (07) 579 5925

Postal address

PO Box 13564
Tauranga 3141

Auditors

Audit New Zealand
On behalf of the Auditor-General
745 Cameron Road
PO Box 621
Tauranga 3144
New Zealand

Solicitor

Cooney Lees Morgan
PO Box 143
Tauranga 3110

Share registrar

Computershare Investor Services Limited
Private Bag 92119
Auckland 1142
159 Hurstmere Road
Takapuna, Auckland 0622

Managing Your Shareholding Online:
To change your address, update your payment instructions and to view your registered details including transactions, please visit;

www.investorcentre.com/nz

General enquiries can be directed to:

enquiry@computershare.co.nz
Private bag 92119, Auckland 1142
Telephone +64 9 488 8777 Facsimile +64 9 488 8787

Please assist our registrar by quoting your CSN or shareholder number.