



QUAYSIDE
INVESTMENT TRUST

Annual Report 2021



Quayside Securities Limited as Trustee for Quayside Investment Trust Director's Declaration For the year ended 30 June 2021

Quayside Investment Trust is part of the 'Quayside Group'. The Quayside Group's Statement of Intent, prepared in accordance with the Local Government Act 2002, covers prudent financial management and risk management. The Quayside Group achieved the majority of its objectives as set out in the Statement of Intent for the year ended 30 June 2021. Refer to note 5 for further information.

The performance of Quayside Securities Limited as Trustee for Quayside Investment Trust in undertaking its monitoring and advisory functions will be assessed with respect to:

- The quality of financial and other analysis.
- The robustness and accuracy of the information relied upon in providing advice.
- The clarity, timeliness and materiality of advice.
- Compliance with the shareholder's expectation that there should be "no surprises" arising from the company.
- Compliance with the shareholder's expectation for optimal commercial performance from the company.

Achievements

During the year the Bay of Plenty Regional Council (Council) has been fully informed by the directors of the company as to the performance of Quayside Securities Limited as Trustee for Quayside Investment Trust. The performance has met the shareholder's expectations as defined in the Quayside Group's Statement of Intent.

The directors of Quayside Securities Limited, as Trustee for the Quayside Investment Trust, are pleased to present the financial statements for the year ended 30 June 2021.

For and on behalf of the Board of Directors:



Director



Director

Quayside Securities Limited as Trustee for Quayside Investment Trust

For the year ending 30 June 2021

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Independent Auditor's Report

To the readers of Quayside Securities Limited as Trustee for Quayside Investment Trust's financial statements and performance information for the year ended 30 June 2021

The Auditor-General is the auditor of Quayside Investment Trust (the trust). The Auditor-General has appointed me, Leon Pieterse, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and performance information of the trust on his behalf.

Opinion

We have audited:

- the financial statements of the trust on pages 5 to 13 and 19 to 23, that comprise the statement of financial position as at 30 June 2021, 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 trust on pages 14 to 18.

In our opinion:

- the financial statements of the trust on pages 5 to 8 and 19 to 23:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2021; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime; and
- the performance information of the trust on pages 14 to 18 presents fairly, in all material respects, the trust's actual performance compared against the performance targets and other measures by which performance was judged in relation to the trust's objectives for the year ended 30 June 2021.

Our audit was completed on 31 August 2021. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out 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 Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

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

Responsibilities of the Board of Directors for the financial statements and the performance information

The Board of Directors is responsible on behalf of the trust for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparing the performance information for the trust.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the trust for assessing the trust's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the trust or to cease operations or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the 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 carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the trust's statement of intent.

We did not evaluate the security and controls over the electronic publication of the 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. Also:

- We identify and assess the risks of material misstatement of the 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.
- We 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 trust's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported performance information within the trust's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of 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 trust'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 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 trust to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of 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.

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 24 to 27, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the 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 financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, 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.

Independence

We are independent of the trust in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audits of the trust and Quayside group entities, we have no relationship with, or interests in, the trust.



Leon Pieterse
Audit New Zealand
On behalf of the Auditor-General
Tauranga, New Zealand

Quayside Securities Limited as Trustee for Quayside Investment Trust

Income Statement

For the year ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
Income			
Dividend income	6 (a)	4,626	4,008
Other income	6 (b)	58,963	32,103
Operating income		63,589	36,111
Expenses			
Trading and other expenses	7 (a)	(726)	(694)
Other losses	7 (b)	(19,249)	(19,460)
Operating expenses		(19,975)	(20,154)
Operating profit before finance costs and taxation			
		43,614	15,957
Finance income	8	69	258
Profit before income tax		43,683	16,215
Income tax expense	9	-	-
Net profit after tax		43,683	16,215

Quayside Securities Limited as Trustee for Quayside Investment Trust
Statement of Comprehensive Income
For the year ended 30 June 2021

	2021	2020
	\$000	\$000
Net profit after tax	43,683	16,215
Other comprehensive income	-	-
Total comprehensive income for the period	43,683	16,215

Quayside Securities Limited as Trustee for Quayside Investment Trust
Statement of Changes in Equity
For the year ended 30 June 2021

	Units issued \$000	Retained earnings \$000	Total equity \$000
Balance at 1 July 2019	109,517	47,706	157,223
Profit after tax	-	16,215	16,215
Total comprehensive income	-	16,215	16,215
Changes in units issued	34,107	-	34,107
Balance at 30 June 2020	143,624	63,921	207,545
Balance at 1 July 2020	143,624	63,921	207,545
Profit after tax	-	43,683	43,683
Total comprehensive income	-	43,683	43,683
Changes in units issued	(5,000)	-	(5,000)
Balance at 30 June 2021	138,624	107,604	246,228

Quayside Securities Limited as Trustee for Quayside Investment Trust
Statement of Financial Position
As at 30 June 2021

	Note	2021 \$'000	2020 \$'000
Assets			
Current assets			
Cash and cash equivalents		3,732	26,708
Trade and other receivables	10	130	17
Total current assets		3,862	26,725
Non-current assets			
Other financial assets	12	242,498	180,914
Total assets		246,360	207,639
Liabilities			
Current liabilities			
Trade and other payables	13	132	94
Net assets		246,228	207,545
Equity			
Paid up units		138,624	143,624
Retained earnings		107,604	63,921
Total equity		246,228	207,545

These financial statements have been authorised for issue by the Board of Directors on 31 August 2021.



 Director



 Director

Quayside Securities Limited as Trustee for Quayside Investment Trust
Statement of Cash Flows
For the year ended 30 June 2021

	2021 \$'000	2020 \$'000
Cash flows from operating activities		
Dividends received	4,513	4,046
Interest received	69	258
Payments to suppliers	(688)	(691)
Net cash flow from operating activities	3,894	3,613
Cash flows from investing activities		
Proceeds from sale of investments	34,901	52,175
Purchase of investments	(56,728)	(81,183)
Net cash flow from investing activities	(21,827)	(29,008)
Cash flows from financing activities		
Proceeds from the issue of units	-	37,607
Cost of redemption of units	(5,000)	(3,500)
Net cash flow from financing activities	(5,000)	34,107
Effects of exchange rate changes on cash and cash equivalents	(43)	132
Net increase in cash and cash equivalents	(22,976)	8,844
Cash and cash equivalents at the beginning of the year	26,708	17,864
Cash and cash equivalents at the end of the year	3,732	26,708

Quayside Securities Limited as Trustee for Quayside Investment Trust

Notes to the Financial Statements

For the year ended 30 June 2021

1 Reporting entity

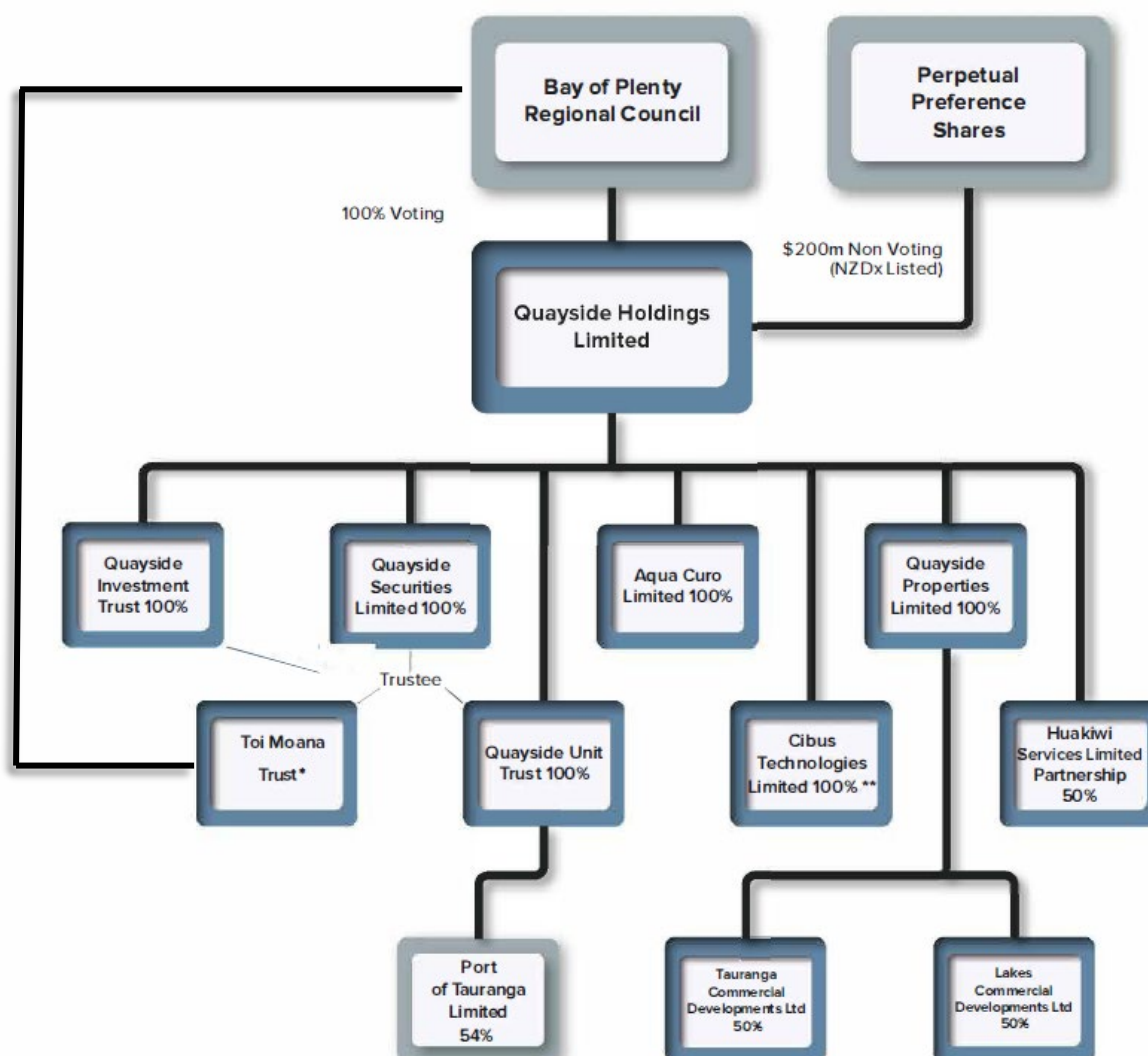
Quayside Investment Trust (the "Trust") was established under a Trust Deed (Quayside Investment Trusts) in March 2014.

Quayside Securities Limited is the Trustee for Quayside Investment Trust. These financial statements are for Quayside Investment Trust. The Parent of Quayside Securities Limited as Trustee for Quayside Investment Trust is Quayside Holdings Limited, and the ultimate controlling entity is the Bay of Plenty Regional Council. The Trust is a council-controlled trading organisation as defined under Section 6 of the Local Government Act 2002, by virtue of the Council's right to appoint the Board of Quayside Holdings Limited.

The Trust is a Portfolio Investment Entity (PIE) for the purpose of income taxation in New Zealand.

The Trust has investments in equities, shares, and other investments. The Trust is classified as a for-profit entity.

For the purposes of these financial statements, the Quayside Group comprises Quayside Holdings Limited and its subsidiaries including Quayside Investment Trust. Refer to the diagram below of the Quayside Group.



*Quayside Securities Ltd is the Trustee for the Toi Moana Trust. Bay of Plenty Regional Council holds the majority of units.
 ** Cibus Technologies Ltd - public notice was given in the NZ Gazette on 15 June 2021 to remove the company from the Register under section 318(1)(d) of the Companies Act 1993.

Quayside Securities Limited as Trustee for Quayside Investment Trust
Notes to the Financial Statements (continued)
For the year ended 30 June 2021

2 Basis of preparation

Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Local Government Act 2002, 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 – Reduced Disclosure Regime (“NZ IFRS RDR”) and other applicable Financial Reporting Standards as appropriate to for-profit entities. The Trust is a reporting entity for the purposes of the Financial Reporting Act 2013 and these financial statements comply with that Act.

NZ IFRS – Reduced disclosure regime

The Trust applies External Reporting Board Standard A1 ‘Accounting Standards Framework (For-profit Entities Update)’ (‘XRB A1’). For the purposes of complying with NZ GAAP, the Trust is eligible to apply Tier 2 For-profit Accounting Standards (NZ IFRS RDR) on the basis that it is not a large for-profit public sector entity.

The financial statements were approved by the Board of Directors on 31 August 2021.

Basis of measurement

The financial statements have been prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: other financial assets mandatorily measured at fair value through the income statement. The methods used to measure fair values are discussed further in note 4.

Functional and presentation currency

These financial statements are prepared in New Zealand dollars (\$), which is the Trust’s functional currency. Where presented, all financial information has been rounded to the nearest thousand.

Changes in accounting policies

There have been no changes in accounting policies. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Use of 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.

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 relates to the valuation of financial instruments (refer note 4(b)).

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

a) Foreign currency

Transactions in foreign currencies are translated into the functional currency 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.

b) Financial instruments

(i) Non-derivative financial assets

The Trust initially recognises non-derivative financial assets on the date that they originated. Financial assets mandatorily measured at fair value through profit and loss, are recognised initially on the trade date at which the Trust becomes a party to the contractual provisions of the instrument.

The Trust classifies non-derivative financial assets into the following categories:

Financial assets mandatorily measured at fair value through profit or loss

A financial asset is classified 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

Financial assets at amortised cost

Financial assets at amortised cost are those financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method, less any impairment losses. Financial assets at amortised cost include: cash and cash equivalents; trade and other receivables.

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, when applicable, are shown within borrowings in current liabilities in the Statement of Financial Position.

(ii) Non-derivative financial liabilities

The Trust initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Trust becomes a party to the contractual provisions of the instrument. The Trust derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Trust classifies non-derivative financial liabilities into the financial liabilities measured at amortised cost category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Financial liabilities measured at amortised cost comprise: trade and other payables.

c) Dividend income

Dividend income is recognised on the date that the right to receive payment is established, being the ex-dividend date.

d) Finance income and expense

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues, using the effective interest method. Finance expenses comprise interest expense on borrowings. All borrowing costs are recognised in profit or loss using the effective interest method.

3 Significant accounting policies (continued)

e) Income tax expense

The Trust qualifies and has elected to be a Portfolio Investment Entity (PIE) for the purpose of taxation in New Zealand. Under the PIE regime, income is effectively taxed in the hands of the unit holders of the Trust, and therefore the Trust does not have any tax expense.

Investors in the Trust are obliged to provide the Trust with their Prescribed Investor Rate (PIR) of 0%, 10.5%, 17.5% or 28%.

Under the PIE legislation, the income of the Trust is attributed to the unit holders of the Trust in accordance with their proportional interest in the Trust. In the case of the Quayside Investment Trust all investors have a PIR of 0%.

f) Units issued

Units issued are classified as equity.

Where the Trust issues new or cancels existing units, the value of units issued or cancelled is calculated on the value of net assets of the Trust divided by the units on issue.

g) Goods and Services Tax (GST)

The Trust is not registered for GST. All amounts stated are inclusive of GST.

4 Determination of fair values

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

Fair values have been determined for measurement and/or disclosure purposes based on the following methods:

a) Trade receivables and payables

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

b) Non-derivative financial assets

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date.

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

Quayside Securities Limited as Trustee for Quayside Investment Trust
Notes to the Financial Statements (continued)
For the year ended 30 June 2021

5 Quayside Group Statement of Service Performance

The Company is a member of the *Quayside Group*. The *Quayside Group* is required to prepare a Statement of Service Performance reporting on performance measures and results. Recorded below are the ten 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	2021 result
1. Maintain a 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 2021. 

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 provide the *Quayside Group* and Council with dividend returns and 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.

Of significant interest to shareholders of Quayside is the financial performance of the Port of Tauranga and the participation rate of Quayside as shareholder in governance of the Port of Tauranga.

Port of Tauranga financial highlights are tabled below:


	30 June 2021	30 June 2020
Shareholding		
Issued shares*	680,581,230	680,581,230
Quayside shares	368,437,680	368,437,680
% held By Quayside	54.14%	54.14%
Operations		
Operating revenues	\$338.3m	\$302.0m
Results from operating activities	\$177.1m	\$162.2m
Net profit	\$102.4m	\$88.7m
Cash flows		
Ordinary dividends paid out	\$84.4m	\$90.5m
Special dividend paid out	-	\$34.0m
Ordinary dividends received by Quayside	\$45.7m	\$49.0m
Special dividend received by Quayside	-	\$18.4m
Ordinary dividends as percent of profit	82%	102%
Dividend declared post balance date	\$51.0m	\$45.5m
Asset Backing		
Share price (last bid price)	\$6.98	\$7.60
Market value of Port	\$4,750.5m	\$5,172.4m
Market value of Quayside Holding	\$2,571.7m	\$2,800.1m
Net tangible assets per share (dollars per share)	\$2.04	\$1.75

5 Quayside Group Statement of Service Performance (continued)

	30 June 2021	30 June 2020
Governance		
Number of directors	7	7
Number of Quayside affiliated directors	2	2
<i>*Includes treasury shares</i>		

Further information on Port of Tauranga's non-financial performance can be found in their Annual Report or on their website www.port-tauranga.co.nz.

(b) Investment portfolio

Performance measure	Performance target	2021 result	
2. Generate commercial returns across the Investment portfolio.	Five year rolling gross return of $\geq 7.5\%$ p.a	Five year rolling gross return of 14.49% for the Quayside consolidated group achieved at 30 June 2021.	

Target met: **Yes**

The *Quayside Group* manages a diversified investment portfolio with a market value of \$246.5 million at 30 June 2021. These investments include domestic and foreign equities, and cash. Quayside holds equity investments as part of a portfolio of non-port assets, to diversify our investments in a targeted manner, reducing our reliance on one investment stream and thereby supporting sustainable, intergenerational 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. During the year the Quayside Group exceeded its rolling five year gross return objective with a return of 14.49%.

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, managed and grown appropriately, while generating income opportunities that could be distributed to the shareholder as required.


There was one passive breach of the SIPO noted during the year. This was due to the outperformance of a share.

Quayside Consolidated Group Investment Portfolio financial highlights are tabled below:

	30 June 2021	30 June 2020
Investment portfolio value	\$246.5	\$207.9m
1 year gross return (actual)	22.22%	10.09%
5 year rolling gross return (actual)	14.49%	12.13%
5 year rolling gross return (target)	7.50%	7.50%

5 Quayside Group Statement of Service Performance (continued)

(c) Real asset portfolio

Performance measure	Performance target	2021 result
3. Generate long term commercial returns and / or regional benefit through a portfolio of real assets	Annual board assessment of the benefit of real assets, considering portfolio alignment, long term commercial return and any regional benefit factors.	The annual board assessment was completed in June 2021, reaffirming long term objectives. 

Target met: **Yes**

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

The *Quayside Group* real asset portfolio currently comprises Rangiuru Business Park, a 148 hectare industrial business park development currently used as rural and horticultural blocks, residential land in Tauriko, commercial buildings in Mount Maunganui, Tauranga and Rotorua central business districts and a forestry/horticultural block at Paengaroa. An annual board assessment carried out in June 2021 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.

During the year, the Rangiuru Business Park progress continued, with design and consent work undertaken. The Business Park, once completed, will provide much needed industrial development for the region, with a focus on connectedness to direct transport links. The Business Park will be a modern, high quality, vibrant industrial development, creating a shared vision that benefits the whole Bay of Plenty community.


The land in the Business Park zone continues to provide 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 \$3.3 million this year (2020: \$3.7 million).

Investment continued into the commercial property joint ventures, with demolition completed on two properties.

Real asset portfolio financial highlights are tabled below.

	30 June 2021	30 June 2020
Invested	\$75.8	\$70.8m
Committed	-	\$4.3m

(d) Private equity

Performance measure	Performance target	2021 result
4. Generate long term commercial returns and or regional benefit through a portfolio of private equity assets.	Annual board assessment of the benefit of each private equity asset holding, considering portfolio alignment, long term commercial return and any regional benefit factors.	The annual board assessment was completed in June 2021, noting short term performance and reaffirming long term objectives. 

Target met: **Yes**

5 Quayside Group Statement of Service Performance (continued)

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 investments in a number of private equity entities both through direct holdings and third party management. These investments continue to provide promising returns for the Group, Council and the wider region, with further capital invested into 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. Transformation of Maori-owned land into profitable kiwifruit orchards provides more than commercial returns, with full ownership of the orchards targeted to transfer back to tangata whenua within a generation.

	30 June 2021	30 June 2020
Invested	\$80.7m	\$54.9m
Undrawn Commitments	\$33.5m	\$50.9m

(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	2021 result
5. Keep Council informed on a 'no surprises' basis, providing quality and timely information.	A minimum of four presentations per annum to Council, as shareholders. Timely advice and support as required. Matters of urgency are reported to Council at the earliest opportunity.	Presentations to Council in September 2020, December 2020, April 2021 and June 2021. Open communication with Council maintained throughout the year through regular meetings with Quayside CE and Council management. 
6. Ensure Group policies and procedures are current and appropriate.	All policies and procedures to be reviewed no less than biennially.	Four policies were not updated and approved biennially: - One was approved by the Board in July - One is having a final review completed by an external party  Two policy reviews are with the executive for review with a targeted completion by the end of 2021.
7. Meet shareholder distribution expectations as outlined in SOI or otherwise agreed.	Distributions paid to agreed values.	Cash dividend of \$33.1m (target \$33.1m) paid to Council as per the SOI.  Gross PPS dividend of \$4.9m (target \$4.9m) paid to PPS holders.

5 Quayside Group Statement of Service Performance (continued)

Performance measure	Performance target	2021 result
8. Compliance with NZX listing requirements for PPS holders.	Matters of material impact are disclosed in line with QHL framework for continuous disclosure. Board reporting of PPS compliance and monitoring.	Filing of interim and annual financial statements achieved within deadlines. Internal audit compliance systems show no open issues or instances of non-compliance with NZX requirements.
9. Investments must be in accordance with the Group Principles of Responsible Investment.	Investments must be screened from an ethical perspective and meet the following criteria. We must avoid investing in companies whose principal business activity is: <ul style="list-style-type: none"> The manufacture and sale of armaments The manufacture and sale of tobacco The promotion of gambling Investment selection and management of investments in accordance with the principles for responsible investment set out in the Quayside SIPO. Board reporting of SIPO compliance dashboard at each meeting. Annual audits of investment adherence to SIPO, including responsible investment principles.	A review of holdings was done as at 30 June 2021 against the New Zealand Super Fund Responsible Investment Exclusion List (February 2021), no breaches were identified. Exchange Traded Funds (ETF's) were reviewed down to a constituent level of 5% against the Exclusion list no breaches were identified. SIPO compliance was reported at each board meeting. There was one passive breach due to the out performance of a share as a result of a takeover offer.
10. Investments must be in accordance with principles of socially responsible investment.	Management to screen all investments for their environmental social and governance (ESG) impact, including climate change and sustainability. A summary to be included in all investment papers presented to the board. Annual report to the board on Quayside Group compliance with responsible investment principles, including ESG industry standards and best practice.	While investments were selected in alignment with ESG principles, several of the investment papers did not expressly include specific ESG considerations. The annual report to the board on Quayside Group compliance with responsible investment principles will be done at the September board meeting.

Target met: **No**

Focus on ESG reporting within the business has now increased and it is now included in all investment cases. The annual report to the board will be presented at the September board meeting. Policy reviews are currently underway and will be completed in 2021. The passive breach of the SIPO was a result of the out performance of a share.

Key



Met



Substantially met



Not met



Not applicable

Quayside Securities Limited as Trustee for Quayside Investment Trust
Notes to the Financial Statements (continued)
For the year ended 30 June 2021

6 Operating income

	2021 \$000	2020 \$000
a) Dividend income		
Foreign dividends	1,496	1,629
New Zealand dividends	3,130	2,379
Total dividend income	4,626	4,544
b) Other income		
Realised foreign exchange gains	298	366
Realised gain on capital investment	3,994	8,794
Unrealised foreign exchange gains	20	48
Unrealised gain on capital investments	54,640	22,895
Other income	11	-
Total other income	58,963	32,103

7 Expenses

	2021 \$000	2020 \$000
a) Trading and other expenses		
Audit NZ – fees for financial statements	(11)	(10)
Other expenses	(715)	(684)
Total trading and other expenses	(726)	(694)
b) Other losses		
Realised foreign exchange losses	(350)	(33)
Realised loss on capital investments	(1,401)	(3,781)
Unrealised foreign exchange losses	(11)	(249)
Unrealised loss on capital investments	(17,487)	(15,397)
Total other losses	(19,249)	(19,460)

8 Finance income

	2021 \$000	2020 \$000
Finance income		
Interest income on bank deposit	69	258

Quayside Securities Limited as Trustee for Quayside Investment Trust
Notes to the Financial Statements (continued)
For the year ended 30 June 2021

9 Income tax

The trust is a PIE for income tax purposes.

	2021 \$000	2020 \$000
Taxable income		
Net profit before income tax	43,684	16,215
Amounts which are non-deductible / (non- taxable):		
Loss / (gain) on investments	(39,746)	(12,474)
Other non-assessable income	(114)	32
Non-deductible expenditure	-	234
Imputation credits received	919	680
Foreign dividend regime	2,103	1,586
Taxable income attributed to unit holders	6,846	6,273
Tax credits		
Imputation credits	914	682
Australian withholding tax	5	6
Foreign tax paid	196	149
Tax credits applied to unit holders	1,115	837

As the Trust is a PIE, its taxable income and tax credits have been attributed to unit holders.

10 Trade and other receivables (current)

	2021 \$000	2020 \$000
Other receivables		
Dividends receivable	130	17

Current trade and other receivables are non interest-bearing and receipt is normally on 30 day terms, therefore the carrying value of debtors and other receivables approximate their fair value.

Quayside Securities Limited as Trustee for Quayside Investment Trust
Notes to the Financial Statements (continued)
For the year ended 30 June 2021

11 Capital and reserves

a) Units issued

	2021 No.	2020 No.	2021 \$000	2020 \$000
Units held				
Quayside Holdings Limited				
Balance as at 1 July	93,294,822	77,871,920	143,624	109,517
Balance as at 30 June	91,227,032	93,294,822	138,624	143,624
Quayside Properties Limited				
Balance as at 1 July	1	1	-	-
Balance as at 30 June	1	1	-	-
Total				
Balance as at 1 July	93,294,823	77,871,921	143,624	109,517
Balance as at 30 June	91,227,033	93,294,823	138,624	143,624

Units in the trust were valued at 30 June 2021 at \$2.699 per unit (2020: \$2.225). Unit price is calculated on the value of net assets of the Trust divided by the total number of units on issue

(b) Distributions

No distributions were made during the period.

12 Other financial assets

Other financial assets comprise the trust's diversified equity portfolio that is traded in active markets. These assets are valued at fair value based on quoted market prices at reporting date and are mandatorily valued at fair value through profit and loss. The movement in the balance of these assets represents share sales and purchases during the year and unrealised/realised gains and losses on the investments.

	2021 \$000	2020 \$000
NZ equities/fixed income	130,840	100,540
AUD equities	35,316	29,465
International equities	76,342	50,909
	242,498	180,914

13 Trade and other payables

	2021 \$000	2020 \$000
Accruals	132	94

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.

Quayside Securities Limited as Trustee for Quayside Investment Trust
 Notes to the Financial Statements (continued)
 For the year ended 30 June 2021

14 Related party transactions

Parent and ultimate controlling entity

The Parent entity of Quayside Securities Limited as Trustee for the Quayside Investment Trust is Quayside Holdings Limited, which is 100% owned by the Bay of Plenty Regional Council – refer Note 1.

Transactions with key management personnel

The administration and management of the Trust is undertaken by Quayside Securities Limited as Trustee for Quayside Investment Trust, therefore there is no management personnel compensation in relation to the Trust.

Other related entities

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

Related party transaction values and outstanding balances are as follows:

	2021 \$000	2020 \$000
Quayside Holdings Limited		
Consideration for units issued to Quayside Holdings Limited	0	37,607
Consideration for units redeemed by Quayside Holdings Limited	(5,000)	(3,500)
Quayside Securities Limited		
Trustee fees paid by Quayside Investment Trust	61	61

Quayside Properties Limited holds one unit in Quayside Investment Trust, acquired in April 2014 for \$1.00. The value of this unit is \$2.699 (2020: \$2.225). There are no other obligations between Quayside Properties Limited and Quayside Investment Trust.

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

15 Capital commitments and contingencies

The Trust has no capital commitments or contingencies at 30 June 2021 (2020: nil).

Quayside Securities Limited as Trustee for Quayside Investment Trust
Notes to the Financial Statements (continued)
For the year ended 30 June 2021

16 Financial instruments

Categories of financial instruments

	2021 \$000	2020 \$000
Financial assets at amortised cost		
Cash and cash equivalents	3,732	26,708
Trade and other receivables	130	17
	3,862	26,725
Financial assets at fair value through profit and loss		
Other financial assets	242,498	180,914
Financial liabilities at amortised cost		
Trade and other payables - current	132	94

17 Subsequent events

The Directors are aware of circumstances that have arisen after balance date with regards to the Coronavirus (Covid-19) pandemic. Subsequent to the end of the financial year the Delta variant was discovered in New Zealand and the Government has taken action to reduce the spread of the virus in the form of lockdowns and an increased vaccination rollout.

At the date of signing the financial statements the Directors are unable to determine what future potential financial effects the New Zealand outbreak of Covid-19 could have on financial performance either directly or indirectly. Directors believe that any potential negative effects would likely be limited unless there is a sustained economic downturn. In that event, the effect on the key elements in the financial statements would be:

- Dividend income – Any sustained economic downturn nationally may affect the dividend income that Quayside Investment Trust may receive.
- Equity portfolio value - Any sustained economic downturn nationally and globally may affect share prices, thus affecting the carrying value of the equity portfolio.

The current alert level escalation has had no material impact on the performance of the Trust and the Directors acknowledge their responsibility to continuously monitor the situation and evaluate the impact including whether the Trust remains a going concern.

There were no subsequent events post balance date in 2020.

Quayside Securities Limited as Trustee for Quayside Investment Trust

Statutory Information

For the year ended 30 June 2021

Interests register

The Trust is required to maintain an Interests Register in which the particulars of certain transactions and matters involving the directors must be recorded. The interests register for Quayside Securities Limited is available for inspection at the registered office. The directors of the 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 2020 are italicised.

Director	Entity	Position
R McLeod	<i>Archipelago Capital Management Limited – ceased, advised May 2021</i>	<i>Director</i>
	<i>Ngāti Porou Holding Company Limited - appointed 1 Jan 2021)</i>	<i>Director Chair</i>
	Port of Tauranga Limited	Director
	QHL Perpetual Preference Shares	Shareholder
	Quayside Holdings Limited	Director Chair
	Quayside Properties Limited	Director Chair
	Quayside Securities Limited	Director Chair
	Sanford Limited	Chair
	Sanford LTI Limited	Director
S Crosby	Bay of Plenty Regional Council	Councillor
	Equip GP Limited	Director
	Quayside Holdings Limited	Director
	Quayside Properties Limited	Director
	Quayside Securities Limited	Director
	Templogger NZ Limited	Director Shareholder
B Hewlett	Bluelab Corporation Limited	Director
	Bluelab Holdings Limited	Director
	Comvita Limited	Chair Director
	Oriens Capital	Shareholder
	<i>Priority One – ceased, advised July 2021</i>	<i>Chair</i>
	Quayside Holdings Limited	Director
	Quayside Properties Limited	Director
Quayside Securities Limited	Director	
K Horne	Hamilton City Council	ARC Chair
	New Zealand Lotteries Commission	Commissioner ARC Chair
	Quayside Holdings Limited	Director
	Quayside Securities Limited	Director
	Quayside Properties Limited	Director
	ScreenSouth Limited	Director Chair
	Spey Downs Limited	Shareholder
	Television New Zealand Limited	Director
	<i>Timaru District Council – ceased, advised July 2021</i>	<i>ARC Member</i>
	University of Canterbury	Council Member ARC Chair

Quayside Securities Limited as Trustee for Quayside Investment Trust
Statutory Information (continued)
For the year ended 30 June 2021

Director	Entity	Position
F McTavish	Bay of Plenty Regional Council	Officer
	BOPLASS Limited	Director
	McTavish – Huriwai Investments Limited	Director Shareholder
	Priority One WBOP Inc	Executive Board Member
	Quayside Holdings Limited	Director
	Quayside Properties Limited	Director
	Quayside Securities Limited	Director
W Parker	Farmlands Cooperative Society Limited	Director
	Focus Genetics	Director
	Landcorp Estates Limited	Director Chair
	Landcorp Holdings Limited	Director Chair
	Landcorp Pastoral Limited	Director Chair
	PAMU, Landcorp Farming Limited	Director Chair
	<i>Predator Free 2050 Limited – ceased, advised October 2020</i>	<i>Director</i>
	Quayside Holdings Limited	Director
	Quayside Properties Limited	Director
	Quayside Securities Limited	Director
Warrens Insights Limited	Director Shareholder	
T White (appointed 10 March 2021)	<i>Bay of Plenty Regional Council</i>	<i>Councillor</i>
	<i>Indigenuity Limited</i>	<i>Director</i>
	<i>Kahukiwi Management Limited</i>	<i>Director</i>
	<i>Noa New Zealand Limited</i>	<i>Director Shareholder</i>
	<i>NZ Baywide Credit Union</i>	<i>Director</i>
	<i>Quayside Holdings Limited</i>	<i>Director</i>
	<i>Quayside Properties Limited</i>	<i>Director</i>
	<i>Quayside Securities Limited</i>	<i>Director</i>
	<i>Te Taru White Consultancy Limited</i>	<i>Director Shareholder</i>
	<i>Toitu Te Waonui Operations Limited</i>	<i>Director Shareholder</i>
P Thompson (Retired as a Director 1 April 2021)	<i>Bay of Plenty regional Council</i>	<i>Councillor</i>
	<i>Bay of Plenty Regional Council, Regional Direction and Delivery Committee</i>	<i>Chair</i>
	<i>Eastern Bay of Plenty Economic Development Trust (Toi EDA)</i>	<i>Trustee</i>
	<i>Quayside Holdings Limited (Retired 1 April 2021)</i>	<i>Director</i>
	<i>Quayside Properties Limited (Retired 1 April 2021)</i>	<i>Director</i>
	<i>Quayside Securities Limited (Retired 1 April 2021)</i>	<i>Director</i>
	<i>Woman Walking Limited</i>	<i>Director Shareholder</i>

The entities listed above against each director may transact with Quayside Securities Limited as Trustee for Quayside Investment Trust. Refer to Note 14 of the financial statements.

Quayside Securities Limited as Trustee for Quayside Investment Trust
Statutory Information (continued)
For the year ended 30 June 2021

Information used by directors

During the financial year there were no notices from directors of Quayside Securities Limited as Trustee for Quayside Investment Trust 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 Securities Limited as Trustee for Quayside Investment Trust during the year ended 30 June 2021.

Directors

The following directors of Quayside Securities Limited as Trustee for Quayside Investment Trust held office as at 30 June 2021:

R McLeod (Chair)

S Crosby

B Hewlett

K Horne

F McTavish

W Parker

T White (*appointed 11 March 2021*)

Directors were remunerated by Quayside Securities Limited.

Loans

There were no loans by Quayside Securities Limited as Trustee for Quayside Investment Trust, to directors.

Employees

The Trust does not have any employees. All administration is carried out by Quayside Holdings Limited under a management agreement with Quayside Securities Limited.

Auditor's remuneration

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

Audit New Zealand Audit Fees \$10,600 (GST inclusive)

Quayside Securities Limited as Trustee for Quayside Investment Trust Directory

Registered office

Level 2, 41 The Strand
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 3110
New Zealand

Solicitor

Cooney Lees Morgan
PO Box 143
Tauranga 3110

