ANNUAL REPORT 2023

Quayside Holdings Limited

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2023 HIGHLIGHTS

$42.5m | Dividend to the Bay of Plenty Regional Council 2023

$365 | Quayside impact on Bay of Plenty Region 2022/23: Dividend reduces the average general rates by $365 per property [1]

$429.7m | Total dividends to Council since 1991

$253.4m | Since 1991, Council has been able to raise debt against Quayside asset value to the benefit $253.4 million

$683m | Total cash benefit to Council since 1991 - $683 million

$2.3b | Asset Value of shares in Port $2.3 billion 30 June 2023

3.52% | Port total trade decreased by 3.52% to 24.7 million tonnes

$117.1m | Port group net profit after tax – $117.1 million (5.2% increase over 2022)

$3.8m | Quayside Non-port operating profit of $3.8 million compared to $14.5 million in 2022

Growth in non-port assets

14.06%	Return on Investment on listed equities (last 12 months)
26	# of direct investments (private equity and properties)
10	# of BOP businesses Quayside has invested in

[1] Data source: Bay of Plenty Regional Council

SUMMARY OF GROUP PERFORMANCE

With the challenges posed by the economic environment during 2023, we focussed sharply on achieving the best commercial outcomes in a tough operating environment. As unfortunately exemplified by the devastation of the cyclones in Aotearoa, it has become more important than ever to us that through strong risk management, we ensure diversification of our non-port assets and asset classes for the future; and that we proactively address climate change.

We are proud to showcase a record distribution to our shareholder, the Bay of Plenty Regional Council, of $42.5 million, a 6% increase on 2022. We are forecasting a dividend of $45 million in 2024.

Overall highlights (as of 30 June 2023):

- Record distribution of $42.5 million to Council
- Our listed assets performed well, increasing returns from ($13 million) in 2022 to $13.4 million this year
- Port shareholding value is $2.3 billion which is substantially in line with 2022
- Port dividend of $55.3 million received, an increase of 7.2% compared to 2022 ($51.6 million)
- Port separation and great governance. Two directors appointed from Quayside
- Regional development of Rangiuru Business Park
- Growth of non-port assets for resilience at the same time as growth of BOPRC dividend – recognising importance to Council of intergenerational wealth

Our long-term, intergenerational focus on portfolio construction allows us to ride out short-term fluctuations in asset valuations.

The Port delivered a net profit after tax of $117.1 million, representing an increase of 5.2% from 2022 and paid a dividend of $55.3 million to Quayside despite the ongoing challenges the sector faces. There was a decline in total trade and container volume this year, due to the ongoing effects in the kiwifruit industry and climate-related events. Nevertheless, the Port's net profit after tax continues to show the Port of Tauranga is the leading Port in New Zealand.

This year, the Quayside Board and Executive team refreshed our long-term strategy to ensure ongoing alignment with shareholder expectations and resilience to volatility and ever-increasing complexities. Intergenerational future-proofing of commercial outcomes for long-term growth in wealth remains the cornerstone of our vision – *Invested in our Future, Mauri Ora Roa.* Corporate, social and environmental leadership, building inclusive relationships with iwi and stakeholders and ensuring Quayside is an engaging place to work are the other three pillars of our strategic aspirations to 2033. We keep our mandate, vision and purpose at the forefront of everything we do.

The Rangiuru Business Park is starting to flourish as an exciting development in the Eastern corridor – providing much needed industrial land for this region. While the positive regional impact of the Park will be large, the infrastructure burden that Quayside is carrying as lead developer is significant. This requires careful strategic consideration and management of financial risk as well as opportunity to ensure positive outcomes for our community.

Lastly, Quayside has continued the evolution of our risk maturity and risk control environment. In this year's report, we share more about our risk management framework including, as shown in this report, reporting to the Aotearoa New Zealand Climate Standards.

Environmental, Social and Governance (ESG) considerations, aligning strongly with our Quayside values, are central to the decisions we make and how we operate as an organisation. ESG assessment will play an increasingly important part in our investment due diligence, reporting, governance and stakeholder relationships. We seek to build an investment resilient portfolio that is responsive to community expectations, responsible environmentally and respectful of mana whenua.

SUMMARY OF GROUP PERFORMANCE

THE QUAYSIDE GROUP

Quayside Holdings Limited ("Quayside") and its 100% owned subsidiaries (together the "Group") build prosperity for the Bay of Plenty region and for future generations through investment that is deeper than profit.

Quayside is a Council Controlled Trading Organisation ("CCTO"), owned by the Bay of Plenty Regional Council ("the Council"), and acts as the investment arm for the Council, providing a yearly distribution back to the Council aligned with their aspirations as set out in their Long Term and Annual Plans.

Quayside is required to retain a majority shareholding in the Port of Tauranga ("the Port"), 54.14%, with a value of $2.3 billion (as at 30 June 2023). The Port maintains strong independent governance, a proven model, that separates the Council as regulator, from the Port as operator.

QUAYSIDE HOLDINGS

OUR MANDATE

Quayside's mandate comes from a desire to efficiently separate commercial and investment assets from the Council operations, to improve the Bay of Plenty across multiple generations. While this started out with a majority shareholding of the Port, Quayside has now grown a substantial portfolio of other assets, diversified across industries with strong partnerships built on shared values.

Quayside's annual performance targets are set with the Council and published through the Statement of Intent, which is available on Quayside's website (www.quaysideholdings.co.nz). The Statement of Intent aligns with the Council's strategic objectives as outlined in their Long Term Plan and annual Letter of Expectation issued to Quayside.

Quayside reports to Perpetual Preference Shareholders twice yearly via the NZDX (the New Zealand Debt Exchange) on the financial performance of the Group.

Quayside remains commercially focused, growing a diversified fund that creates long-term returns that support intergenerational growth and prosperity for the Bay of Plenty region.

SIR ROBERT MCLEOD
Chair

LYNDON SETTLE
Chief Executive Officer

CHAIR & CEO REPORT

Kei ngā mana o wēnei maunga,
O wēnei awa,
O wēnei whenua,
Tēnā koutou

Our organisation has had to navigate significant change over the last 12 months, along with Aotearoa and the rest of the world, in terms of economic headwinds, geo-political and climatic events.

Lyndon Settle, our CEO, has been in the role for nine months and has led a renewed focus on the core elements of Quayside's strategy.

Over the course of the last 12 months, the Quayside Board, under Sir Robert McLeod's governance, have led a refresh of our 10-year strategy with four key aspirations underpinning our renewed vision and purpose:

1. Sustainable delivery of commercial results
2. Corporate, social and environmental leadership
3. An engaging place to work
4. Inclusive relationships with iwi and community stakeholders

This year's Annual Report provides more detail about these four key aspirations.

Overall, we have delivered solid results in challenging economic conditions, strongly supported by the sound results of the Port of Tauranga. Our listed share portfolio has performed particularly well, considering the volatility of the markets.

Our non-Port asset valuations have decreased due to appreciating cap rates, however we have retained those investments with the expectation that they will provide acceptable real returns for our shareholder over the longer term and as the economic outlook improves.

The Port of Tauranga has had to face into more difficult operating conditions as trade volumes have fallen. As a trading country, the Port remains a critical infrastructure asset for New Zealand. The resilience of their balance sheet and operating performance has resulted in a dividend of $55.3 million to the Quayside Group.

The impact of the cyclones and extreme weather in Aotearoa New Zealand over the last 12 months has refocussed many organisations – both in terms of resilience as well as sharpening the attention on the need to be agile and diversify to remain relevant - Quayside is no different.

In this year's annual report, Quayside will outline our methodology and approach to the XRB reporting as we continue to focus on enhancing our Environmental, Social and Governance transparency.

At the heart of Quayside is our kaimahi, this year seeing the expansion of the team across the business in Finance, Property and Operations.

As an investment organisation, diversification of Quayside's assets to ensure intergenerational prosperity for our region is critical. We are not alone in this focus as we strive to maintain future dividends for our shareholder to facilitate its regional impact on Bay of Plenty communities.

In March 2023, we also announced the retirement of our Chair, Sir Robert McLeod KNZM. Over the course of the last seven years, Sir Robert has steered Quayside's exceptional growth and maintained our reputation as an outstanding investment entity.

Quayside has significantly benefited from Sir Robert's expertise in governance and taxation. Under Sir Robert's guidance, Quayside's non-port assets increased from $188 million (June 2017) to $483* million (June 2023), with total assets doubling from $1.6 billion to $3.3 billion. Furthermore, Quayside's dividend to the Bay of Plenty Regional Council has grown from $20 million to $42.5 million in June 2023. The hallmarks of Sir Robert will be greatly missed by the Quayside Group.

As we look to the next 12 months, continued change will bring continued opportunity. Our portfolio resilience means we can adapt to economic shifts, embrace legislative and reporting change and sharpen our focus on diversification to ensure prosperity for the Bay of Plenty region for future generations.

Noho ora mai rā,

Sir Robert McLeod KNZM
Chair

Lyndon Settle
Chief Executive

* Including custodial and non-custodial cash

CHAIR & CEO REPORT

SIR ROBERT MCLEOD
Chair

Sir Robert McLeod will end his tenure at the end of October 2023 with Quayside after seven years, both as Director then as Chair for the last six years as well as Quayside's representative on the Port of Tauranga Board of Directors.

No stranger in the business world with a distinguished career in tax, finance and governance, Sir Rob was appointed Knights Companion of the NZ Order of Merit in 2019 for services to business and Māori.

At the time of appointment to Chair in 2017, under Quayside's mandate from its shareholder, a total dividend of $20 million was made to the Council. Fast forward to this financial year when a $42.5 million dividend will be distributed to the Council to provide a rebate to the Bay of Plenty regional ratepayers.

Whilst the early part of his Quayside governance role embraced growth and diversification, it will be the last three-plus years that will be remembered for navigating the challenging times of COVID-19 and the turbulent economic and geopolitical environment of current times. Sir Rob's leadership and guidance to the executive team through these unfamiliar times cannot be overemphasised.

Our manaakitanga to Sir Rob for his willingness to share his expertise and intellect. We will miss his mastery at coining the adjective for the moment along with his enduring encouragement and expectation for Quayside to continue its path to support the growth and prosperity of the region.

We also farewell Brett Hewlett who retires from the Quayside Board at the end of October 2023. Well-known in the Bay of Plenty business circles, Brett has been a champion of driving economic benefit into Tauranga and the wider region as Chair of Priority One and an active supporter of angel investing and start-up companies. Currently, the Chair of Comvita, Brett's ability to hone in on the community drivers for commercial success will be sorely missed around the board table.

LYNDON SETTLE

Chief Executive Officer

Ehara taku toa i te toa takitahi, engari kē he toa takitini

My success should not be bestowed onto me alone,
it was not individual success but the success of a collective

We were humbled to be part of the whakatau for our new tumuaki, Lyndon Settle in October 2022 from Tainui Group Holdings. A cherished member of the Tainui whānau, it was a memorable occasion for the Quayside kaimahi, many having not experienced a Te Aō Māori welcome ceremony. Witnessing both the manaakitanga and whakawhanaungatanga from Tainui and Tauranga Moana to Lyndon was special and signified the start of his Quayside journey.

LYNDON SETTLE
Chief Executive Officer

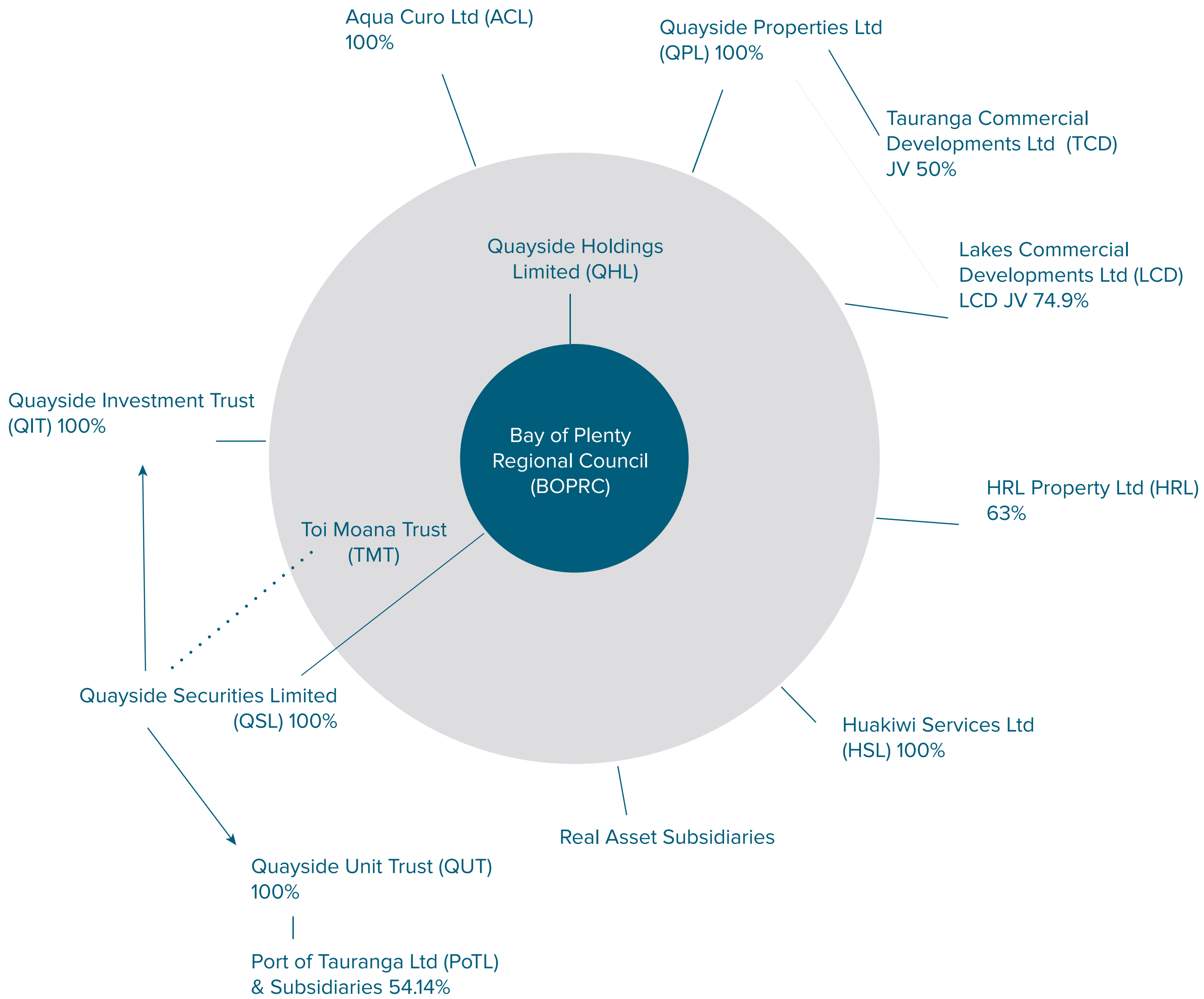
Lyndon hit the ground running and some nine months later is well and truly settled into the seat. His transition into the role started with a whirlwind tour of the region meeting some of the key stakeholders to understand the diversity of not only Quayside's portfolio, but also the diversity of the region and the community.

A key focus has been the renewal of the strategic plan for the organisation. With a full team around him, this is now being operationalised along with managing the challenging impacts of the economic and geo-political climate. Delivering on our core projects such as the Rangiuru Business Park, building a diversified portfolio that will allow us to continue to support our shareholder to deliver its priorities, and providing an engaging environment for our kaimahi will keep Lyndon well occupied for the next season of his leadership.

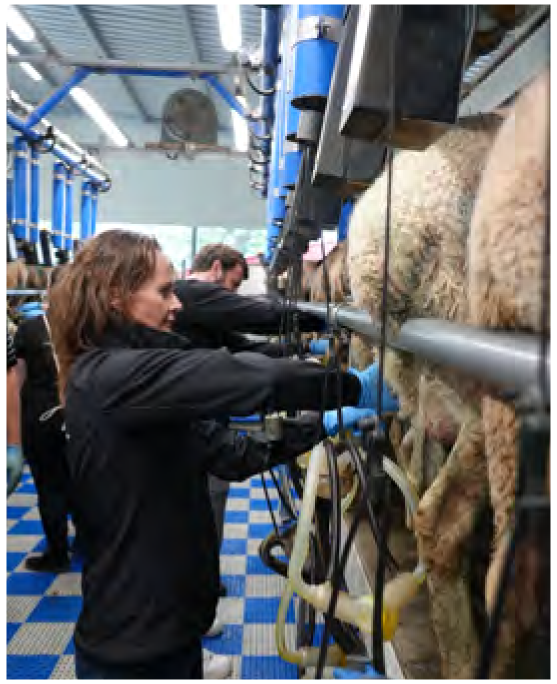

Quayside Board Members


Quayside Senior Leadership Team

GROUP STRUCTURE SUMMARY



GROUP STRUCTURE



QUAYSIDE – OUR HISTORY

1989 BOPRC established, receives 77% shares in POT from disestablished BOP Harbour Board

1991 QHL established as commercial investment arm of BOPRC

QHL borrows $53,000,000 to acquire POTL shares from BOPRC

1992 POT lists on NZX, QHL shareholding reduces to 55%

1997 QHL achieves 1st year as a viable entity in its own right

1998 QHL pays first dividend to BOPRC of $1,290,000

1999 1st diversification opportunity for QHL when POT provides unimputed special dividend of $8,400,000

2001 QHL net assets pass through $250,000,000

2003 QHL establishes QPL to enable diversification into property

2005 QPL purchases 162ha of land at Rangiuru for Business Park

2008 Consent gained by QPL for development of Rangiuru Business Park

QHL raises $200,000,000 through issue of PPS to retail investors, tradable on NZX. Proceeds held by BOPRC for infrastructure projects

2010 QHL appoints first full time Chief Executive

2011 QHL net assets pass through $500,000,000

2012 Strike at Ports of Auckland increases container volumes via POT resulting in 40% increase in dividends New QHL policy of holding surplus profits for new opportunities

NZ Productivity Commission attributes part of POT's success as top performing NZ port to the QHL/BOPRC structure

2013 QHL net assets pass through $1,000,000,000

2014 QHL establishes QHL Investment Trust, a wholly owned portfolio investment equity trust

QHL founding shareholder in Tauranga tech incubator, WNT Ventures

2015 POT enters Kotahi JV with Fonterra and Silver Fern Farms, QHL shareholding reduces to 54.14%

QHL & Te Tumu Paeroa (the Maori Trustee) invest into OPAC, the largest seasonal employer in Opotiki

BOPRC formalises QHL strategy to retain 20% of cash profit, fostering further economic and regional development

2016 QHL underwrites the concept of a BOP-based mid-tier private equity firm and becomes cornerstone investor in Oriens Capital

QPL purchases 53 Spring St, Tauranga and develops a regional investment hub (The Vault) with aligned organisations/businesses as tenants

2017 Huakiwi Services Ltd founded, a JV between QHL and Te Tumu Paeroa Huakiwi invests in new kiwifruit orchards in BOP on Maori freehold land

2018 QHL net assets pass through $2,000,000,000

QHL creates JV Tauranga Commercial Development Limited, acquiring commercial site in Tauranga for future development

2019 QHL creates JV Lakes Commercial Development Limited, acquiring commercial site in Rotorua for future development of BOPRC office

2020 QHL net assets pass through $3,000,000,000

Provincial Growth Fund funding received to advance the Rangiuru Business Park.

2021 Seeka Ltd acquires OPAC, doubling QHL's initial investment

Quayside turns 30 on 22 July 2021.

Earthworks begin on Stage 1 of the Rangiuru Business Park.

2022 Quayside acquires a 44% stake in PF Olsen, a leading professional independent forestry service.

QHL appoints new Chief Executive, Lyndon Settle.

QHL net assets at $3,200,000,000 at 30 June 2022

2023 Sir Robert McLeod KNZM's tenure as Chair and Independent Director ends 31 October 2023.

Brett Hewlett ceases as Independent Director on 31 October 2023.

OUR VISION, PURPOSE & VALUES

Invested in Our Future – Mauri Ora Roa

The intention at our strategic review session in March 2023 was to engage in robust kōrero with our governors, our shareholder and kaimahi to find alignment in our vision, purpose and aspirations.

Reflecting on why Quayside was formed over 30 years ago was our starting point but acknowledging that the operating environment had changed and the need to build resilience in our portfolio was more relevant than ever. Ensuring we are clear and transparent when communicating our value to the region, defining who we are and are not, was crucial.

Quayside kaimahi, are very clear that a significant attraction of working at Quayside is that there is an opportunity to be bold, robust and courageous in our investment decisions but that they also have impactful outcomes. Our values reflect this and were the foundations of our guiding principles and aspirations that formed our now final strategy for the next 10 years.

We will be revisiting this annually to ensure that it remains relevant – we have no wish for it to be put on the shelf and forgotten about – it will be the record that we refer to as we continue the journey to build financial returns for the generations that will call this region home for years to come.

QUAYSIDE

OUR VISION

Invested in Our Future – Mauri Ora Roa

Recognising our commitment to continuing our pursuit of growth and prosperity, sustainability and enduring relationships cloaked in a wairua (spirit) that guides a clear pathway into the future.

OUR PURPOSE

To grow a responsible and diversified fund that generates long term returns to support the growth and prosperity of the Bay of Plenty.

We want to have impact past the generation of today, to provide a resilient dividend for our shareholder for the betterment of our rohe and its people.

OUR GUIDING PRINCIPLES

Commercially disciplined | Te Kawa Pakihi

Intergenerational | Te Pā Harakeke

Aligned Partnerships | Whanaungatanga

Innovative | Kia Auaha

Transparent | Kia Pono

Diverse | He Matarau

OUR VALUES

We are proud to have a growing and thriving team who have keenly adopted the Quayside values established in 2021. Since then and certainly following the arrival of our new Chief Executive, we have seen many examples of our values being lived through the actions of our kaimahi. We acknowledge the interconnectedness of our guiding principles and the success of our region and community's success.

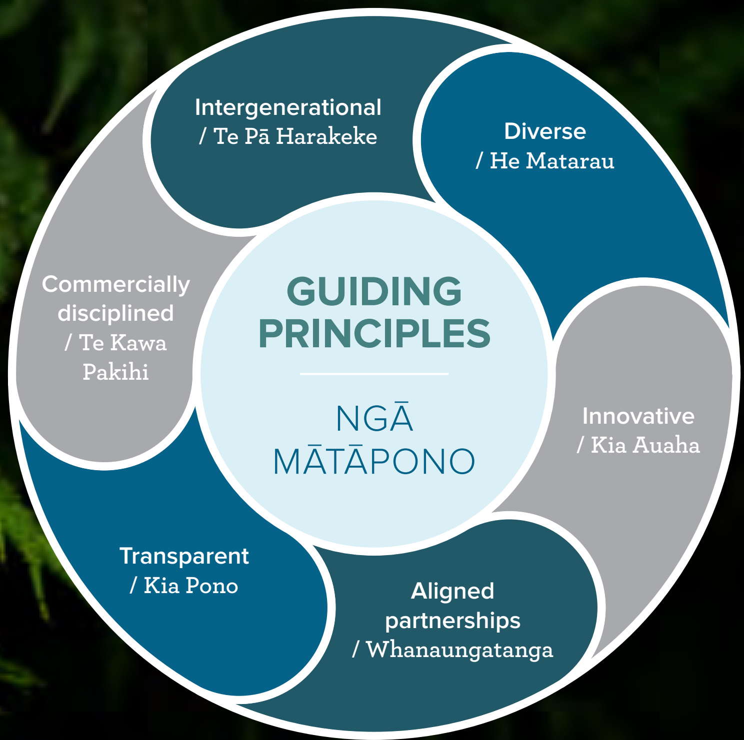
ASPIRATIONS

Deliver commercial results

- Maximise the Net Present Value of our future dividend.
- Procure and grow a diversified portfolio of assets
- Provide our shareholder with financial returns to maximise their regional impact.
- Deliver the Rangiuru Business Park strategic vision
- To maintain a successful and community-respected Port of Tauranga

Corporate, social and environmental leaders

- Nurture our reputation as a trusted advisor
- Be a leader in Responsible Investment
- Commit and embed ethical and responsible investing practices



An engaging place to work

- Our kaimahi are valued, supported and passionate about their work
- Our kaimahi represent our community in an environment of diversity and inclusiveness
- Collaboration and mutuality are at the heart of our interactions to generate outcomes
- Ensure our workplace is safe and fosters wellbeing

Inclusive relationships with iwi and stakeholders

- Our engagement with stakeholders is honest, transparent and respectful
- Our community understands and supports our purpose
- Our recognition of Te Tiriti o Waitangi is meaningful and supports decision making

OUR PEOPLE, CULTURE & PARTNERSHIPS

He aha te mea nui o te ao?
He tangata, he tangata he tangata.

What is the most important thing?
It is people, it is people, it is people.

With the sharpened focus on our strategy, we have updated our People & Culture strategy to ensure a strong foundation for our people as we strive to achieve our objectives.

This People and Culture strategy embraces all aspects to drive high performance - from Culture and Engagement, Talent Attraction and Retention to Talent Development and Empowerment. A key pillar within these key areas is our continued focus on Te Ao Māori and upskilling our cultural competency in areas of Te Ao, including Te Reo and Te Tiriti o Waitangi.

This past year we also embraced a Finance intern who has spent time learning and assisting our business across both the investment and finance spaces. Following on from this success, we have partnered up with a local Māori economic development agency to become part of their Māori internship programme for summer 2023.

Through the course of the last 12 months, amidst changes and challenges, we have spent time together visiting some of our investments, most notably Spring Sheep. We also visited the Ruakura Superhub – taking the opportunity to learn from their journey as we push ahead with our vision on the Rangiuru Business Park.

People statistics

- 35% of our kaimahi are female
- 33% of our leadership team are female
- 29% of our Board are female
- 12% of our kaimahi are Māori

The Māori New Year was acknowledged by the Quayside team this year by gathering on the Pāpāmoa Hills for a hikoi to the summit. On a blustery Bay of Plenty day, our kaimahi were rewarded for the climb with a well-deserved hot drink and kai at the end of the descent.

This kaupapa is part of our broader guiding principles to raise cultural awareness within the Quayside kaimahi.

Over the last 24 months, our team have participated in a workplace-designed programme starting their journey of knowledge and insight into Te Ao Māori. For some this is reinforcing and reinvigorating what they have learnt earlier in their life, whether it be through education or their own whakapapa, for others this is the first time experiencing Mātauranga Māori.

The ānga continued this year with level 1 Te Reo Māori lessons in-house, increasing our competency in this space (slowly but surely), as well as developing and refining our individual pēpeha.

Individual journeys away from our place of work have been started by some of the team extending their understanding of the Māori worldview and how we can apply this awareness within a contemporary setting.

Our cultural awareness is further enriched through our ongoing whanaungatanga with Tapuika who we are working alongside on the Rangiuru Business Park. We recognise mana whenua and look forward to growing this relationship as we expand our knowledge, understanding and connections with iwi across the Bay of Plenty rohe.

Recognising Te Tiriti o Waitangi whilst delivering commercial outcomes and being a corporate and social leader is a long term whāinga which we will continue to pursue.

PORT OF TAURANGA

FINANCIAL PERFORMANCE

Port of Tauranga Limited had a Group Net Profit After Tax result of $117.1 million. Revenue was $420.9 million, compared with $375.3 million in 2022, this is an increase of 12.2%.

Key statistics:

- TEUs decreased from 2022 to 1,177,350
- Total trade decreased to 24.7 million tonnes (down from 25.6 million tonnes)
- Ship visits increased to 1,432
- Health & Safety: Total Recordable Incident Frequency Rate (TRIFR) of 4.5 per million hours worked for the Port of Tauranga and 20.7 per million hours worked for Port of Tauranga and contractors combined – a 22.5% decrease from 26.7 in 2022.

A total ordinary dividend of

15.6

cents per share has been declared by the Port compared to 14.7 cents per share in 2022.

NAVIGATING THROUGH WILD WEATHER

In the dynamic world of international trade, New Zealand's cargo trends for the year 2023 offer insights into the country's economic landscape. Despite challenges and fluctuations, the maritime sector continues to play a crucial role in the nation's commerce. Let's delve into the cargo trends and strategic Port investments that are shaping New Zealand's trade narrative this year.

Cargo Trends in 2023

The year 2023 witnessed shifts in cargo trade within New Zealand. Total trade volume experienced a marginal decline of 3.6%, reaching 24.7 million tonnes compared to the previous year's 25.6 million tonnes. This decrease was notably reflected in imports, which fell by 7.2% to 9.0 million tonnes. Similarly, exports also experienced a decline of 1.3%, settling at 15.7 million tonnes.

Container volumes, a key indicator of trade activity, faced a 5.1% reduction, recording a total of 1.18 million TEUs. On the other hand, log exports demonstrated a positive trend, growing by 2.5% to reach 6.2 million tonnes. This growth was attributed to the early harvesting of cyclone-damaged trees in the latter half of the financial year.

In the agricultural realm, dairy product exports, encompassing transhipped cargo, experienced a rise of 2.7% in volume. Likewise, meat exports surged by 3% in volume, further contributing to New Zealand's trade dynamics.

However, challenges were encountered in the kiwifruit sector due to adverse weather conditions and fruit quality issues. This led to a substantial drop of 19.2% in kiwifruit volumes compared to the previous year. Despite this setback, the long-term outlook for the kiwifruit industry remains optimistic.

Strategic Port Investments

Amidst these cargo trends, the Port of Tauranga has been actively investing in critical infrastructure to fortify New Zealand's supply chain. A standout achievement is the recent opening of the Ruakura Inland Port in Hamilton. This innovative facility establishes direct rail connections between the Waikato region and the Port's facilities in Auckland and Tauranga.

The Ruakura Inland Port holds significant potential for the Upper North Island's supply chain. By offering efficient and environmentally conscious pathways to international markets for businesses in the Waikato region, this facility paves the way for enhanced trade routes and reduced carbon footprints.

This investment marks another milestone in Port of Tauranga's decade-long commitment to bolstering New Zealand's global competitiveness.

These initiatives not only help Port of Tauranga accommodate larger container ships and cargo volumes but also align with the nation's decarbonisation strategy. This strategic approach addresses shipping capacity constraints while ensuring reliable access to global customers, thereby contributing to New Zealand's trading success.

In a world where economic vibrancy and sustainability go hand in hand, New Zealand's cargo trends and strategic port investments exemplify how proactive measures can align commerce with environmental responsibility. As the maritime sector evolves, these efforts continue to steer New Zealand towards a prosperous and sustainable trade future.

CLIMATE PERFORMANCE

Dedicated to the advancement of its Environmental, Social, and Governance (ESG) performance, the Port of Tauranga is committed to upholding relevant environmental regulations. In line with this, they are embarking on the creation of their first Climate Disclosure Statement, working with the same consultants as Quayside. There is recognition that a collective effort is needed to address climate change impacts and greenhouse gas emission reductions in the Bay of Plenty.

Here's a snapshot of this year's activities:

Greenhouse Gas Emissions Reduction: The decrease in greenhouse gas emissions (Scope 1, 2, and 3) by 7.3% in the year ending June 2023 reflects lower cargo volumes and to a lesser extent, several emission reduction programmes.

Carbon Emission Intensity: The reduction of carbon emission intensity by 3.8% demonstrates efforts to lower emissions per cargo tonne through greater fuel efficiency and reduced waste.

Automation and Electrification: The Port's planned adoption of fully electric automated stacking cranes within the container terminal is a significant step towards decarbonisation. This reflects the commitment to transitioning from fossil fuels to cleaner energy sources, contributing to the New Zealand government's efforts to reduce reliance on carbon-intensive technologies.

Marine Emissions: The trend towards larger and more efficient vessels aligns with New Zealand's focus on sustainable shipping practices. Appropriate utilisation of more fuel-efficient shipping practices can provide reductions for greenhouse gas emissions in the short-term whilst alternative fuel sources are further developed and implemented.

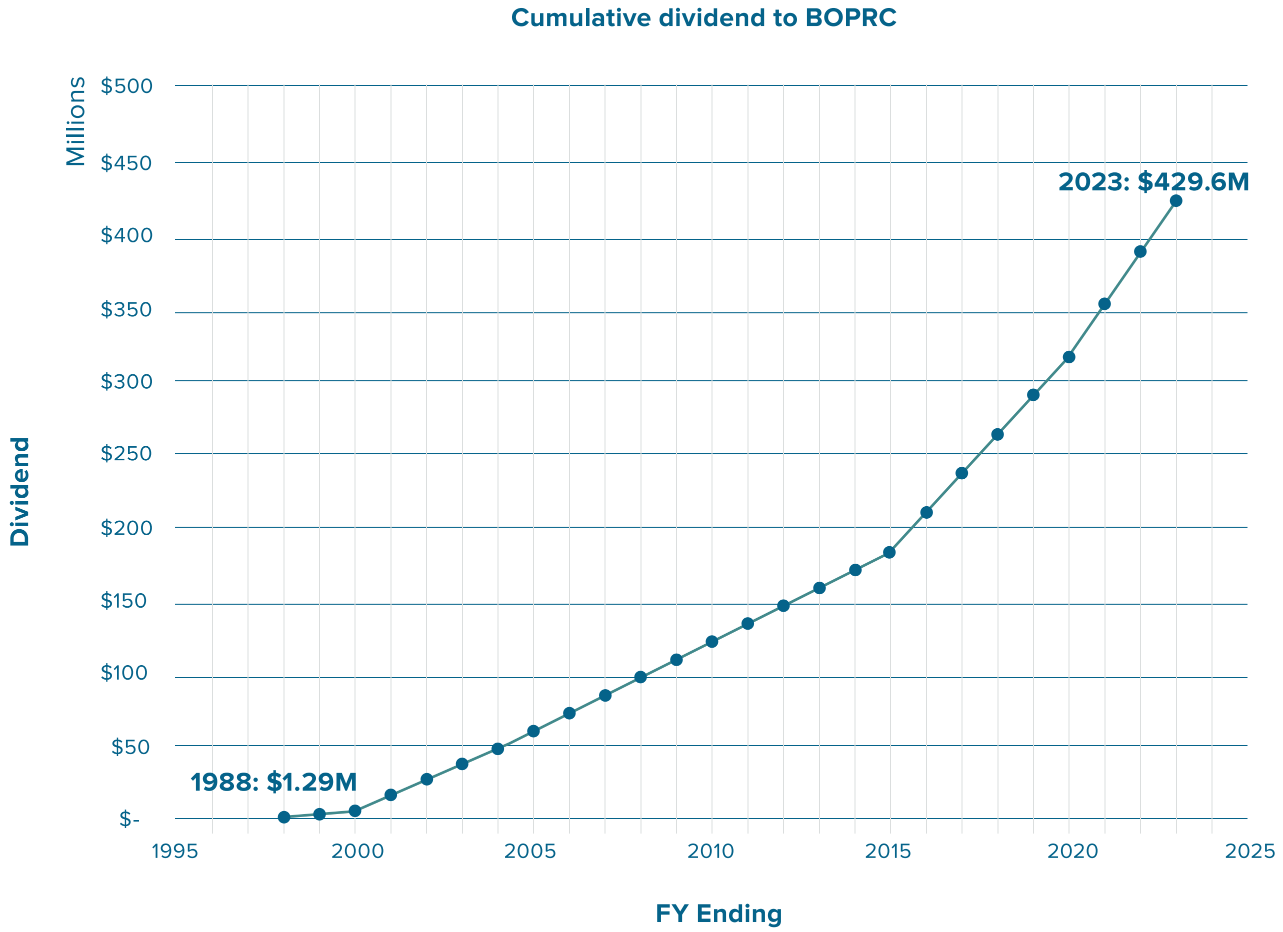
Climate Resilience and Adaptation: The acknowledgement of increased weather events and their impact on operations underscores New Zealand's emphasis on climate resilience and adaptation. The government's National Adaptation Plan and the Climate Change Risk Assessment framework guide businesses and organisations in preparing for climate-related challenges.

Partnering with external consultants, OnePointFive and Tonkin & Taylor, reflects the Port's commitment to openness and corporate responsibility. This joint effort to navigate mandatory carbon disclosures and assess climate readiness underscores the dedication to upholding New Zealand's climate standards. These proactive steps to prepare for these obligations and evaluate their climate change readiness reflect the intent to fulfil commitments and align with national climate objectives.

COUNCIL DISTRIBUTIONS

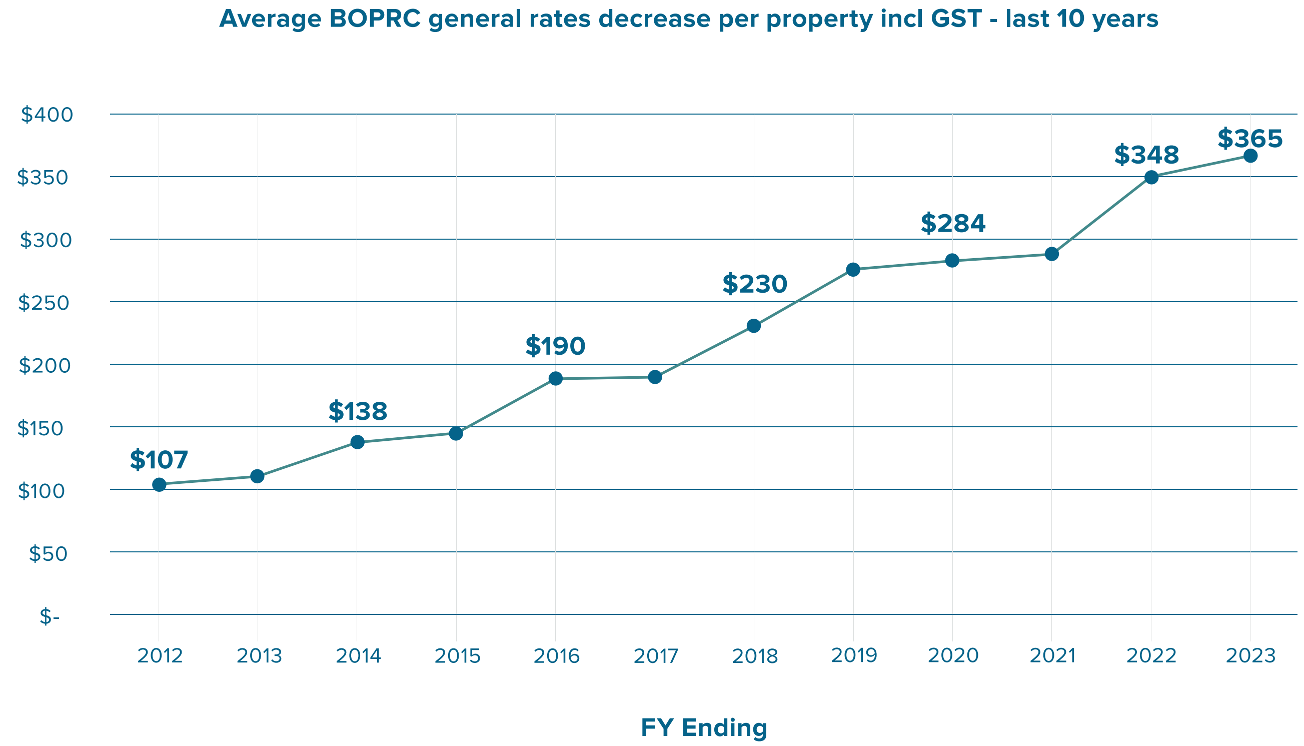
Quayside delivers regional benefit back to the community through our distribution back to our shareholder, the Bay of Plenty Regional Council (BOPRC). BOPRC then distribute that dividend to our entire Bay of Plenty community, including ratepayers by discounting the general rates bill as well as providing other community services.

We are very proud to showcase the total dividend to the BOPRC has now reached $429.6 million:



COUNCIL DISTRIBUTIONS

For the 2022/2023 year, we are pleased that the average general rates bill has been offset by **$365** per property*. Not only has this increased 4.9% from last year, but as the region is still growing, so has the number of properties continuing to benefit from this offset.



*Data source: Bay of Plenty Regional Council

A snapshot of services provided by Toi Moana Bay of Plenty Regional Council

- Monitoring of land, water and air quality in the region
- Maintaining flood protection schemes to reduce the impact of major floods and support climate change adaptation. This includes maintaining around 240 million dollars' worth of stop banks and river control structures to protect homes, properties and businesses from storms and flooding.
- Supporting, facilitating and advocating for climate change adaptation and mitigation in the region.
- Managing resource consents for activities that may have an effect on the natural environment
- Running a 24/7 Pollution Hotline where you can report environmental incidents.
- Providing compliance education, monitoring and enforcement to prevent pollution.
- Helping to get rid of, or manage the impact of, introduced pests (plants and animals)
- Providing harbourmaster services such as maintaining navigation aids, enforcing navigation bylaws, and promoting boating safety.
- Providing region-wide coordination to Civil Defence and emergency management readiness, response and recovery work e.g., for major storm events.
- Cleaning up oil spills to reduce impact on the environment.
- Leading regional transport planning and providing public transport services.
- Supporting and coordinating economic development through Bay of Connections.
- Owning and managing regional Parks e.g., Pāpāmoa Hills and Onekawa Te Mawhai.
- Developing plans and rules to manage people's impacts on the environment.
- Offering subsidy schemes and contestable grants for environmental improvement projects.
- Supporting community groups to reduce pests, improve water quality, protect natural environs and reduce the risk of coastal erosion.
- Integrated sustainable management of the region's geothermal systems.

INVESTMENT HIGHLIGHTS

He iti hoki te mokoroa nā i kakati te Kahikatea.

While the mokoroa grub is small, it cuts through the white pine.
Meaning: There is power in the small things.

It's been a year of getting our hands in the dirt, of mucking in and tending to our crops.

It's no secret that it's been a tough year for Aotearoa and beyond, both economically and climatically, which has impacted on people and whenua. As responsible portfolio managers, our role is to be connected to each industry, with an awareness of the social and environmental conditions, so we can respond with strategic conviction, whilst still nurturing the seedlings through adverse weather.

Each year, the Quayside Investment team develops a dynamic investment strategy for each asset class that can accommodate short, mid and long-term needs, flexing as required. This encompasses the deployment of capital into various assets through due diligence and actively managing each asset against our planned strategy.

This year's events have had an impact on our approach and our portfolio too. From a macro sense, we've seen a tightening of the economy, in alignment with central bank monetary policy to address the issue of inflation. This has begun working its way through our portfolio, impacting in industry-specific ways, with some assets feeling the pinch through inflated operating costs and high costs of financing putting pressure on profitability. These impacts on the portfolio have largely been systemic in nature and have been managed to a large extent through diversification across the portfolio.

With diversification across asset class, industry, sector and geography, we continue to play our part by providing support to the segment of our portfolio that has been vulnerable to more specific risks. Further examples of cross-portfolio asset management are shared in the following pages.

Quayside has attempted to position itself to take advantage of the opportunities that we are seeing arise. We are strategically thinking about how we can maximise the potential of our assets, through capital injection, structure changes, mergers and smart acquisitions.

We continue to leverage our two key endowments; a broad investment mandate and a long time horizon, allowing us to take an intergenerational view of managing our investment assets.

"You get to take your chances, by being prepared for them"

Brendon Barnes, CIO

MUCK'N IN

A snapshot of this year's activities across a slice of our portfolio.

Hop Revolution

Working with a wide variety of stakeholders, Quayside facilitated a merger between a horticultural operation and a marketing company to create a vertically integrated agribusiness selling ingredients to the global brewing industry. The purpose of this merger was to create a more sustainable and economic organisational structure. Despite short term challenges in this sector, Quayside see long-term value in the industry, noting it was important to change the operating structure to position the business for long-term growth.

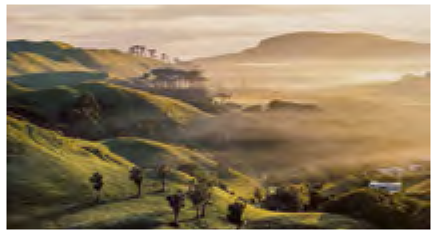
Investment in this Nelson operation also increased our regional diversification of natural resources.

GoodBuzz

Active management of this asset, in collaboration with the Goodbuzz Board led to Quayside undertaking a strategy to grow margins to ensure the sustainable profitability of this business in potentially tough operating conditions. Operationally, this strategy was delivered via restructuring and implementation of a capex program to house its own bottling line, which has significantly benefited margins whilst the business continues to see top-line sales growth.

Lakes Commercial Development

During the year, Quayside took advantage of the requirement for short-term liquidity by our Joint Venture (JV) partner, successfully purchasing an additional 24.9% share in this business.
This purchase also unlocked significant operating synergies around governance, management and tax that have provided important economic benefits back to the Quayside portfolio. The relationship with our former JV partner remains very strong and we are jointly investigating potential partnerships for the future.



Mystery Valley

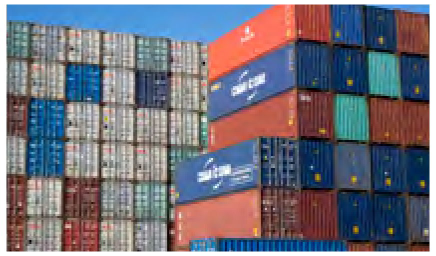
December 2022 saw the divestment of Bay of Plenty-located asset, Mystery Valley. The timely sale allowed capital to be reinvested into South Island-located natural resource assets in the forestry and horticulture sectors work with management to support growth on the business.

TRG Natural Pharmaceuticals

The TRG skincare range was launched into the Canadian market with partner Taro Pharmaceuticals, with several other potential licensing deals in the pipeline.

Techion

Techion continues to advance its transformational imaging and diagnostic technology with several potential partnership opportunities under discussion.

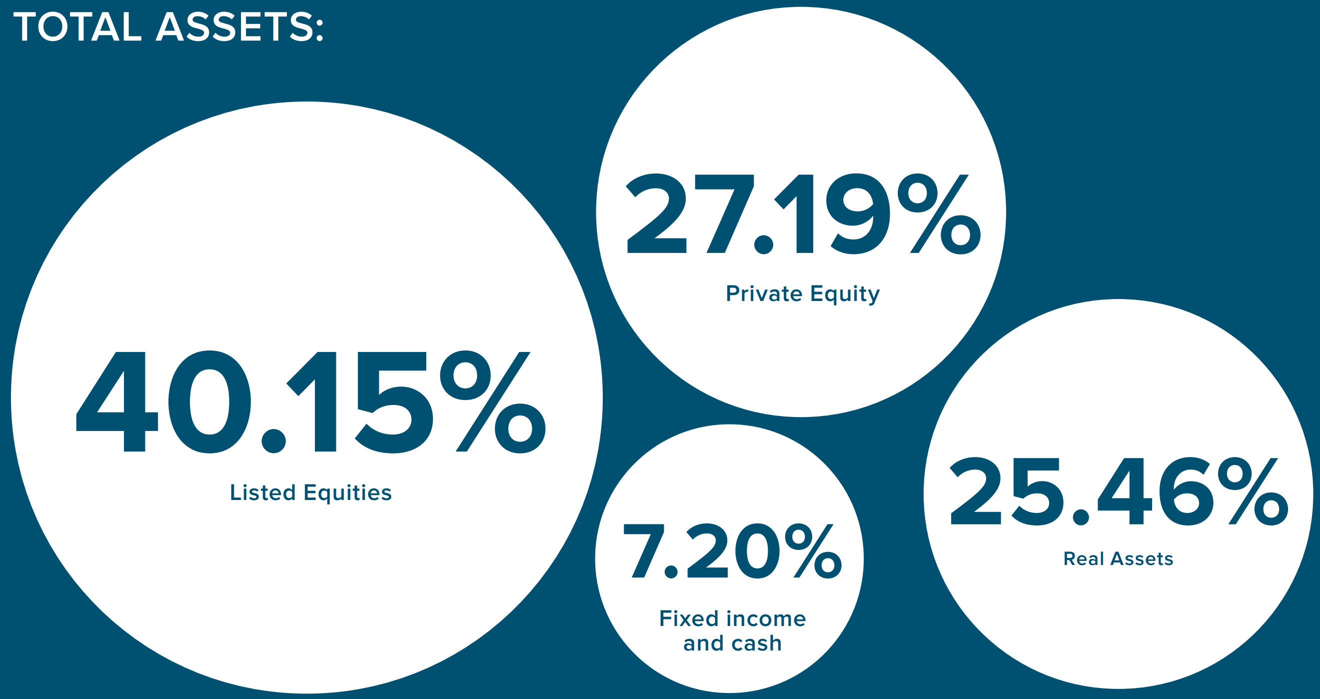


Trade Window

During the year QHL supported its investee company Trade Window by participating in capital raises to continue to fund growth. Despite significant sector headwinds to NZ tech companies QHL continues to work with management to support growth on the business.

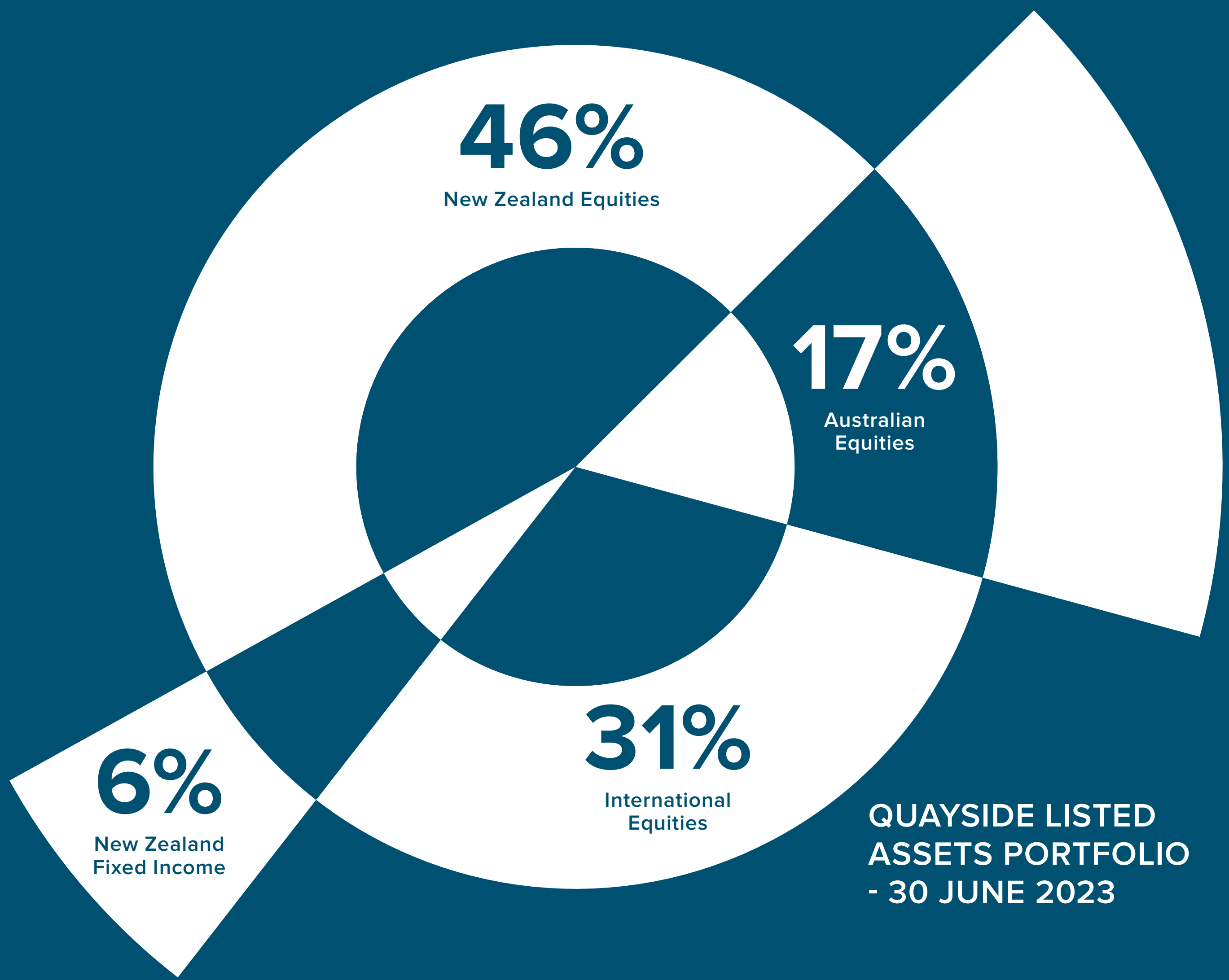
Quayside manages a diversified investment portfolio with a gross rolling Internal Rate of Return (IRR) for the last five years of 8.65% as of 30 June 2023.

TOTAL ASSETS:



LISTED ASSETS:

Quayside manages a diversified listed asset portfolio which includes equity and debt securities in various industries across multiple markets. The total market value of the portfolio is $223.8 million as of 30 June 2023. Active management of this portfolio has resulted in greater gains in 2023 and smaller losses in 2022 compared to our index-weighted benchmark. Our return for 2023 is 14.06% compared to the benchmark at 13.20%. The outperformance is driven by an exceptional 17.27% return in NZ equities with the NZX50 only returning 9.65% during the same period. Overall, the portfolio has maintained its 5-year lead against the benchmark at 9.87% p.a. compared to 7.64%.



QUAYSIDE LISTED ASSETS PORTFOLIO - 30 JUNE 2023

REAL ASSETS:

Our property investments have performed in line with the market, with pleasing results through our development partnership in Rotorua. The Real Asset portfolio generated a total return of -8.35% with a yield of 1.69% on equity from mature real estate assets. The total return performance is net of capital contributions into the portfolio for the period.

Rangiuru Business Park*
Lakes Commercial Development
Hop Revolution
Mystery Valley
Birchwood

*last year's Annual Report didn't include RBP

PRIVATE EQUITY:

Quayside's managed private equity portfolio did not perform. The Private Equity portfolio generated a loss of 7.12%* for FY 2023. The returns performance is net of capital contributions into the portfolio for the period.

LGT	
Mercury	
Pencarrow	
Waterman	
WNT	
Direct:	
	GoodBuzz
	Spring Sheep
	Trade Window Limited
	Techion

RANGIURU BUSINESS PARK

BUSINESS PARK RANGIURU

The Rangiuru Business Park vision – emerging from the whenua

Significant earthworks and infrastructure commencement saw the development come to life, in spite of the bad weather.

Nearly 20 years ago, SmartGrowth's Settlement Pattern Action Plan identified the need for a business and innovation park that would align with the sub-region's competitive advantage. Fast forward to 2023 and the Rangiuru Business Park is now at a pivotal point in its development. Working to the fundamentals of a connected community where people can live, work and play within the same area, the 148-hectare industrial-zoned park will provide a significant supply boost for the Western Bay of Plenty when first titles are available in mid to late 2025.

Developed over four stages, Stage 1 starts its third season of summer earthworks. Commencement of significant infrastructure will feature from mid-2023 including, internal roading and the stormwater pond. This follows the start of the motorway interchange, which links the Park to the Tauranga Eastern Link Toll Road (TELTR), a critical piece of infrastructure that commenced in mid-November 2022.

Supported by the contribution of an $18 million grant from the Provincial Growth Fund (PGF) in 2020, the interchange connection to the Park from the TELTR opens up the links across the central North Island and the wider communities across Western Bay of Plenty. Completion is expected late-2024.

Tapuika are the Mana Whenua to the Rangiuru Business Park. We are very pleased to be working alongside Tapuika throughout earthworks to capture any archaeological taonga and to acknowledge the rich history of Tapuika iwi throughout both the Park and the 48-hectare stormwater pond.

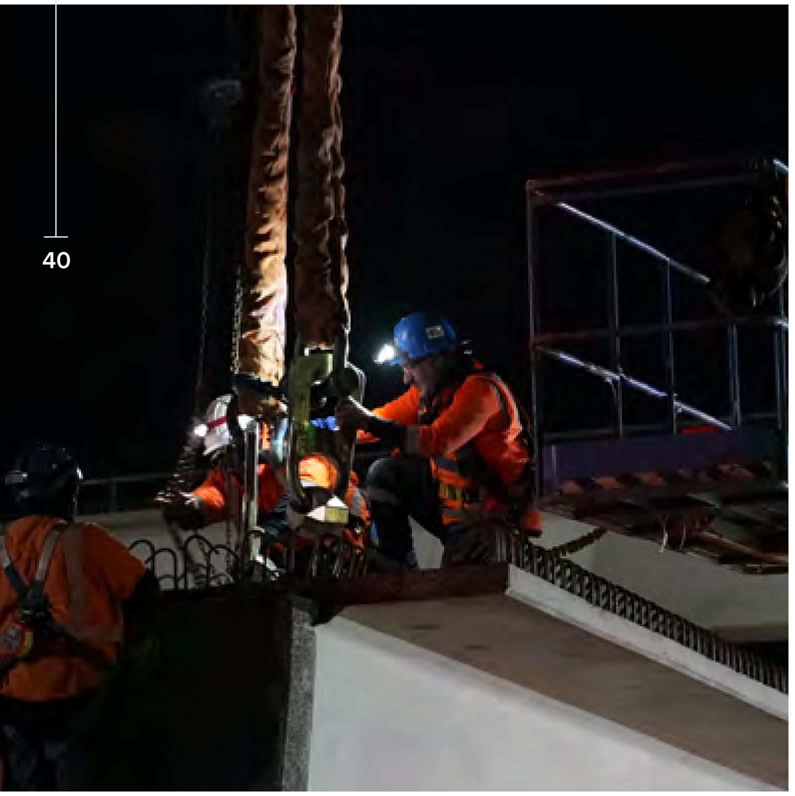
The stormwater pond will be home to over 400,000 plants, many wetland species that will achieve strong ecological outcomes for the Kaituna River, bringing back many fish and bird species through the design of the pond. Acknowledging the whenua, Tapuika is engaging with their hapu to showcase their history which has a strong history of food gardens.

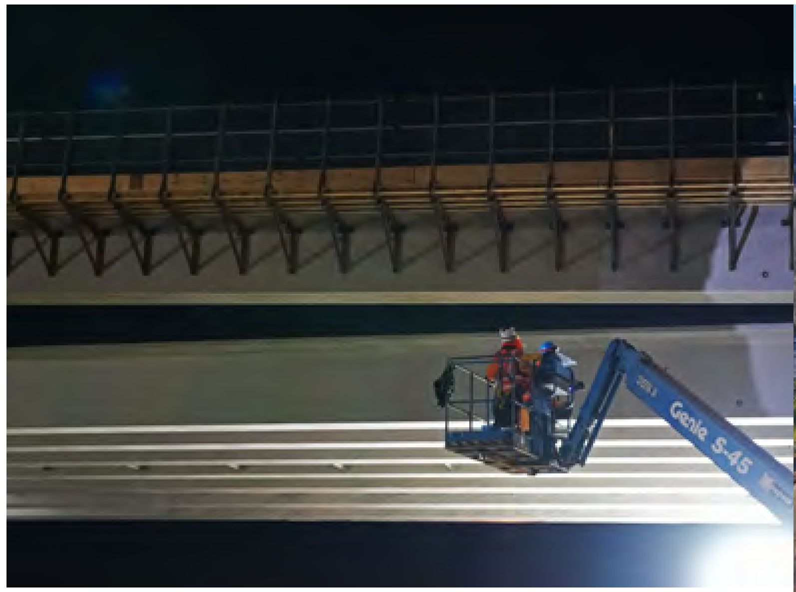
Quayside is striving to achieve long-term sustainable environmental and social outcomes, along with respecting the whakapapa and mauri of the whenua as we partner with iwi. We recognise Tapuika as Mana Whenua and kaitiaki of the land today and for future generations.

Several live workstreams will deliver environmental, social, cultural and commercial outcomes that were first visualised all those years ago. We look forward to sharing the manifestation of these alongside our partners in due course.

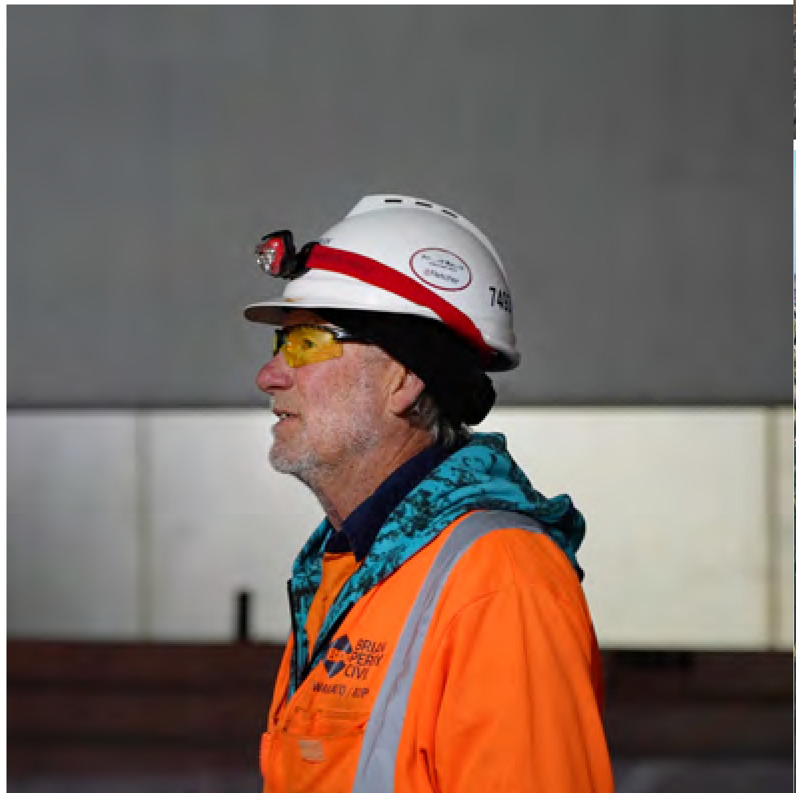
Our intent is for a collaborative development, with a unified vision, that benefits the whole community. A place for people to live, work, play and be proud of.


McLEOD CRANES




Genie S-45


McLEOD CRANES



PF OLSEN

Finding the wood through the trees

This last year the forestry sector has taken a battering. Geo-political movements, rising inflation and an economy under pressure, not to mention the most devastating and costly natural disasters Aotearoa has encountered in 55 years.

But we won't be defined by what happens to us, only by how we respond.

A multitude of international and local challenges have been the catalyst for the financial and physical compression that transpired this year. To spotlight a couple of challenges; we saw China delay the opening of their economy due to Covid19 restrictions placing significant impact on log prices and demand. This was followed by Cyclone Gabrielle and Cyclone Hale decimating regions that provide our traditional sources of trade including kiwifruit, dairy and of course, forestry. This has impacted trade volumes and again had a waterfall effect on financial returns.

Leaning into these challenges PF Olsen (of which Quayside has a 44% stake) has made numerous operational and strategic adjustments within the business to act in a way that can position their business to weather the storm and endure these testing market conditions. This has included right-sizing and reconfiguring teams, upskilling kaimahi and creating a more agile workforce to move into the future.

Forestry will continue to be a core contributor to New Zealand's economy into perpetuity. In Australia and New Zealand, PF Olsen is a market leader in the forestry sector. They plant 40% of all new forestry and manage over 160,000 ha in NZ, including 26,000 ha of native forest and 1,300 ha of annual native plantings across NZ. While in Australia managing over 212,000 ha. The harvesting portfolio is one of the largest collectively in NZ and Australia at 2.4 million tonnes and 2.7 million tonnes, respectively.

As Quayside's ESG journey evolves as we adopt the new Aotearoa New Zealand Climate Standards, we will continue to apply a higher level of rigour and diligence to current and future investments, ensuring we support capital allocations that are consistent with a transition to a low-emissions and climate-resilient future. Quayside's shareholding in PF Olsen enables Quayside to appoint two Directors onto the Board, allowing Quayside to play a governance role in shaping the strategic direction of the company in an industry that is facing into significant change and evolution.

Resilient comes to mind again. It describes the people of our nation, PF Olsen as a business and our investment portfolio.

LGT CAPITAL PARTNERS

A collaborative approach to investing.

While leveraging their global reach, LGT Capital Partners remains grounded in the long-term philosophy of investing.

LGT Capital Partners ("LGT CP") is a renowned international alternative investment firm that specialises in managing investments with a long-term, risk-conscious approach for its clients, steeped in the value of their owners, the Princely Family of Liechtenstein. With over NZD$160 billion in assets under management, they have established themselves as a trusted and experienced leader in the industry. Their client base spans across 44 countries, with more than 650 institutional clients relying on their expertise.

What sets LGT CP apart is their ability to offer innovative investment solutions with a long-term view. They invest in a diverse range of asset classes, including private markets, liquid alternatives, and endowment-like multi-asset solutions, aiming to deliver consistent and sustainable returns for their clients and offer broad diversification. Also, LGT CP applies a skill-based approach and focuses on strategies where skilled managers can make a difference.

One of LGT CP's unique characteristics is their approach as a principal investor. In addition to managing clients' investments, LGT CP also invests funds from the endowment of the Princely Family of Liechtenstein as well as their own staff. This co-investment approach ensures a strong alignment of interests between LGT CP and their clients - they have a personal stake in the success of their investments.

Transparency and knowledge sharing are core principles at LGT CP. Annual global investor conferences provide a platform for investors to gain insights from industry experts and connect with other institutional investors. This year our Chief Investment Officer and Senior Investment Manager attended the conference, harnessing the opportunity to build networks, solidify existing relationships and understand the new trends emerging in the investment universe, including how LGT CP are integrating the use of Artificial Intelligence (AI) into their research and analysis. LGT CP's ongoing commitment to sharing information and fostering collaboration are philosophies that Quayside shares when building strong enduring partnerships.

They prioritise sustainable returns over quick gains, considering the potential for growth and profitability over decades rather than years. This approach aligns with their commitment to being a responsible steward of their clients' assets and strongly supports Quayside's view of our investments for the wider community.

LGT CP's expertise and track record have made them a preferred choice for many institutional investors, including Quayside. We have invested in LGT CP's funds as part of a balanced portfolio for our wider investment strategy, impressed by their operational excellence and long-term investment outlook. LGT CP's commitment to innovation, transparency, and a long-term investment philosophy sets them apart in the industry. With a strong focus on delivering consistent and sustainable returns, LGT CP continues to be a trusted partner for institutional investors like Quayside.

ESG AND CLIMATE REPORTING

We are on the waka navigating through our own journey to understand our climate impacts operationally and through our investments. We seek to build a resilient portfolio that is responsive to climate change and transition risk as we mature our thinking and capability in this important area. Meanwhile, we aim to position ourselves to leverage opportunities that arise from the transition to a low carbon economy.

As the owner and manager of a large diversified investment portfolio, we understand the importance of reporting the climate change risks and opportunities of material consequence to our business and how these impact on the community in which we operate. We have a role to play in the global climate change mitigation efforts.

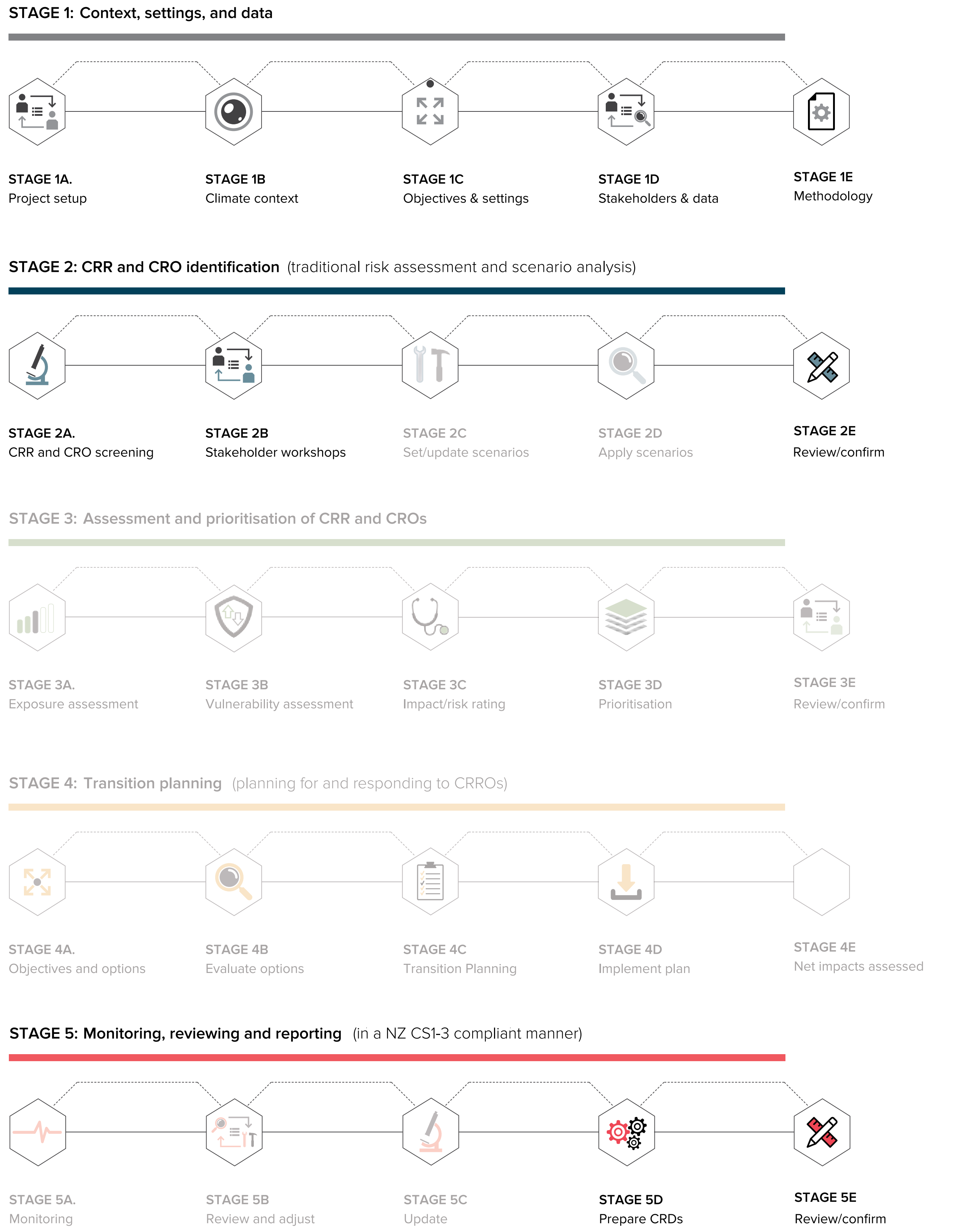
Our commitment is reflected in Quayside's Statement Of Intent and Statement of Investment Policy and Objectives (SIPO). These embody the principal objectives of a CCO as set out in Section 59 of the Local Government Act, including to exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates.

The Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021 amended the Financial Markets Conduct Act 2013 (FMC Act), the Financial Reporting Act 2013, and the Public Audit Act 2001. The new law will require Quayside Holdings and around 200 large financial institutions covered by the FMC Act to start making climate-related disclosures. Affected organisations are required to publish disclosures from financial years commencing on or after 1 January 2023, in accordance with climate standards published by the External Reporting Board (XRB).

In 2022 we started working towards the preparation of our inaugural Climate Disclosure Statement to be compiled observing the XRB standards for delivery in FY24. This year we worked closely with external consultants to understand the complexity of analysis required for our portfolio and develop plans for how we will transition to a meaningful climate risk assessment and performance target/reporting model considering materiality at a Group level. This is to be led by Quayside Holdings with particular targets cascaded to subsidiaries as appropriate.

Alongside our consultants OnePointFive we have created a roadmap to build capability across climate assessment, management and disclosure reporting. It's an iterative process, run across three reporting cycles, in alignment with the XRB Climate Related Disclosure Standards.

The diagram below shows the steps involved in the preparation of a fully XRB-compliant climate report, highlighting the stages that have been undertaken within Stage One of the process.



Our actions to address climate change will align with our long-term strategy – 'to deliver sustainable intergenerational prosperity to the region'.

SPRING SHEEP

Springing into action.

As custodians of the land, Spring Sheep farms are dedicated to preserving and protecting the environment.

Sheep milk farming is progressive and offers promising rewards, both environmentally and economically. Spring Sheep, as a prominent player in the industry, continue to highlight their commitment to sustainable farming practices and animal welfare.

Compared to traditional cow dairy farming, sheep dairying boasts significantly reduced nitrogen leaching through soils, ranging from 30% to 50%. This reduction not only helps preserve water quality but also has a positive impact on overall soil health. The Spring Sheep team have recently joined forces with AgResearch to develop and roll out an environmental performance modelling software enabling each of their farmers to accurately measure their farm. Moreover, sheep dairying farm systems experience less pugging to soils, which refers to the churn and compaction of the soil that can be highly damaging. Sheep dairy farms also consume less water overall, contributing to conservation efforts.

In addition to the environmental benefits of their farming systems, Spring Sheep places a strong emphasis on animal welfare. One of the important aspects of Spring Sheep's farming system is that all of the lambs each year born enter a value chain as replacement stock to support industry growth or into traditional New Zealand markets for lamb. Spring Sheep's farmers use a recently developed flock management software to monitor the health and welfare of all of their milking ewes.

In our view, the combination of sustainable farming practices, environmental stewardship and ethical treatment of animals sets sheep milk farming apart. With the strong interest from potential suppliers and the forecasted growth in the industry, sheep dairying is poised to offer economic, environmental and fiscal benefits through this ethically conscious alternative to traditional dairy farming.

QHL have an effective 11.5% shareholding in Spring Sheep, purchased over many years.

RISK MANAGEMENT

Ki te kotahi te kākaho, ka whati; ki te kāpuia, e kore e whati

If a reed stands alone, it can be broken, if it is in a group, it cannot.

Risk is central to our business and it is everyone's business. Quayside invests for a risk-adjusted return, so naturally, risk is pivotal to our everyday practice. Effective risk management allows us to take investment risk and to navigate complex enterprise risks including climate, regulatory and cyber-related risks. Managing risk is essential to achieving our investment goals, ensuring that our investments are in line with our risk appetite and that we remain compliant with all relevant legal and regulatory requirements.

The Framework

- The Board ensures Quayside has a framework for managing risk, determines our risk profile, defines our risk appetite and understands our key risks and how these risks are controlled.
- The Audit and Risk Committee (ARC) oversees the risk management framework, including the control environment and carries out six monthly reviews of the enterprise risk register. It reviews the risk management policy at least every two years and makes recommendations to the Board for approval.
- The Executive implements and maintains systems for risk management including the risk register, produce quarterly risk reporting to the Board and ARC as well as work with our governors to develop a risk aware culture.
- Risk owners assess risks, identify and manage controls and, with the wider Executive, develop and execute control improvement strategies.
- All employees are responsible for identifying and mitigating risk, complying with the risk framework and demonstrating our risk culture.

The Practice

We lean into difficult conversations about risk and continue to challenge our own thinking around management and mitigation of key risks.

We strive to do this collaboratively, to ensure we have a diversity of thinking in how we approach risk.

Our key strategic risks

Risk	Description
Cyber	Loss of confidentiality, integrity or availability of information, data or information systems caused by cyber security incident. This may result in operational disruption, financial impact and reputational harm.
Environment	Quayside's investments are negatively impacted by climate change, natural disasters and environmental events that Quayside or its third parties do not appropriately manage. This may result in financial loss, reputational harm and reduction in value of Quayside's assets.
External stakeholder relations	Stakeholders (including council, community and iwi) do not understand Quayside's purpose and the benefit due to poor stakeholder engagement, ambiguity on its purpose and different expectations of stakeholders. This may result in Quayside losing its mandate to operate, increased political influence and reputational harm of failing to meet expectations of various stakeholders.
Health and Safety (Internal)	Quayside employees, directors and contractors suffer harm or adverse health effects caused by failure to adequately manage hazards and provide a safe working environment. This may result in harm to people and Quayside being liable for health and safety breaches, financial loss, regulatory action and reputational harm.
Investment concentration	Adverse events or circumstances specific to a single geographic location (BoP) or investment sector may result in significant impacts to Quayside's financial position caused by the geographical or sector concentration of Quayside assets. This may result in failure to meet stakeholder financial expectations and impairment of investment assets.
Investment Strategy, governance and management	Quayside does not achieve its investment objectives as a result of poor investment strategies, poor due diligence and/or investment governance, inadequate appreciation of risk, failure to optimally use its capital and dividend expectations diminishing available investment capital. This may result in failure to meet expected investment returns, reputational damage, liquidity issues, an inability to achieve business objectives and the expectations of stakeholders.
Market risk	Quayside's investments are negatively impacted by unfavourable market conditions and market movements. This may result in financial loss, inability to meet shareholders' financial expectations, liquidity issues and reputational harm.
People	Quayside does not have the resource capacity or capability to deliver Quayside's strategy caused by loss of key personnel, lack of succession planning, not having employees with the right skillset, inadequate employee onboarding and inability to recruit key talent. This may result in financial loss, delays in delivery of investment projects and loss of key information and business history.
Political interference	Political interference in Quayside's operations and investment making process caused by its ownership structure and Directors representing different community interests. This may result in investment decisions not aligned with the SIPO or normal investment decision making processes, inability to access growth capital, and not meeting its mandate to provide specified shareholder return.
Port of Tauranga	Significant negative impact to Port of Tauranga's dividend payments prevents Quayside from achieving its investment objectives and returns caused by Port of Tauranga comprising the majority of the investment portfolio. This may result in failure to meet stakeholder expectations, liquidity issues and an unfavourable financial impact.
Rangiuru	The Rangiuru investment fails to achieve expected investment returns and benefits, which due to its materiality and nature may negatively impact the overall investment portfolio, as a result of failure to appropriately manage and deliver the project, oversee third parties and unforeseen project delays. This may result in a failure to meet stakeholder financial expectations, liquidity issues, financial loss, and reputational harm.
Regulatory change	Quayside's operating environment changes caused by regulatory reform (including Resource Management Act and Future for Local Government Reform). This may result in changes to ownership structure and increased stakeholder expectations, or impact project execution, leading to financial impact and people impact.

RISK MATURITY JOURNEY

In 2023 we set out to enhance our risk maturity through the development of a new enterprise risk register and re-defining our key strategic risks. We developed clear risk appetite statements, approved by the Board, which provide guidance for management in carrying out the mahi.

The table below shares the identified possible risks, rather than actual issues that exist.

APPETITE	NONE	LOW	MEDIUM	HIGH
Risk Levels	**Averse** Avoidance of risk and uncertainty	**Cautious** Choose safe options with low degree of inherent risk and may only have limited reward potential.	**Open** Willing to consider options providing an acceptable level of reward.	**Seek** Eager to be innovative and choose options with higher potential reward despite greater inherent risk.

Business Area	Risk Appetite Level	Explanation
Health and Safety	NONE	We have no appetite for putting our people at risk of death or serious injury at work.
	MEDIUM	Where we invest in industries that hold a higher inherent risk to the safety of people, we prioritise a robust health and safety framework and culture to manage and eliminate or mitigate risk.
Finance	NONE	We ensure a robust financial control environment to avoid exposure to fraud, theft.
Compliance / regulatory	NONE	We have no appetite for intentional, deliberate, or negligent non-compliance.
Information technology	LOW	We maintain a strong information and cyber security culture with internal and external controls whilst embracing innovative business technology for efficiency.
Reputation	LOW	Tolerance for risk taking limited to those events where there is no chance of any significant repercussion for the organisation in the event of failure.
Tax	MEDIUM	We ensure a framework for tax management that optimises our position while ensuring legal compliance.
Investment	MEDIUM	We invest through a diversified non-port portfolio for risk adjusted return.
Relationships	HIGH	Sound relationships are valued with a focus on mutuality. We will maintain a position to achieve objectives where necessary, acknowledging tension may be a natural occurrence.
Climate change	HIGH	We are committed to active involvement in climate change initiatives that are non-political and for the betterment of the environment and region.
People	HIGH	We maintain a positive and inclusive culture, valuing engagement with our kaimahi and ensuring capability and capacity. We work collaboratively to achieve the best results. We support innovation, even if this means disruption and challenge. We expect honesty and integrity from our people and partners to align with our values.

We evaluated where we are at in our risk profile, where we want to be, and how we can get there – enabling a clear focus on what might derail us from achieving our strategic goals.

We have developed an internal audit function with targeted deliverables for the year ahead. Those include a cyber security audit, a review of our financial reporting processes and controls, as well as external policy review of a number of key foundational policies. We continue to mature our control environment and pursue initiatives to manage and mitigate our key risks, working with our shareholder to ensure our objectives align. This is relevant as we look at our portfolio construction and balance liquidity requirements with long term capital accretion.

The future

As we navigate the imminent challenges of legal and regulatory reform – particularly around climate change, resource consenting and local government - we remain cognisant of the opportunities that change affords us.

In 2024 Quayside will embark on mandatory climate disclosure reporting – we have used 2023 to educate ourselves on the reporting framework, transition risks and the climate consciousness of the entities we invest and partner with.

Climate risk and opportunity

The ways in which Quayside can be affected by climate change are diverse. As a result of this complexity, we started our journey towards embedding climate risk management within our existing processes. We developed a specific approach to minimising climate-related risks and maximising our exposure to climate change opportunities, with the main aim to test, and when necessary, to build resiliency in our investment portfolio.

Climate change risks can have various implications within investment portfolios. As recent instances of natural disasters have exemplified, the tangible threats and physical risks stemming from extreme weather events and the gradual transformations in climate trends can disrupt businesses, leading to adverse effects on local and regional economies, thereby impacting asset values and cash flows to the company. PF Olsen and our horticultural investments have suffered from this year's events, highlighting the necessity of including climate risk/opportunity considerations in our processes. Transition risks, instead, are those driven by responses to mitigate the worst impacts of climate change, including modifications in policy, legislation, technology and markets.

Quayside has started to engage in activities to minimise and manage both aspects of climate risk, first of all analysing its portfolio exposure to physical and transitional risk and opportunities.

GOVERNANCE

Perpetual Preference Shares

Raised in 2008, the Perpetual Preference Shares (PPS) are traded on the NZX under QHLHA, with 1,976 individual shareholders. The PPS is subject to a private binding ruling by the Department of Inland Revenue that was successfully renewed for five years to 2026.

There was a rate reset on 13 March 2023 to 6.64%. Over the course of the year, Quayside made total gross distributions of $7.0 million to PPS shareholders.

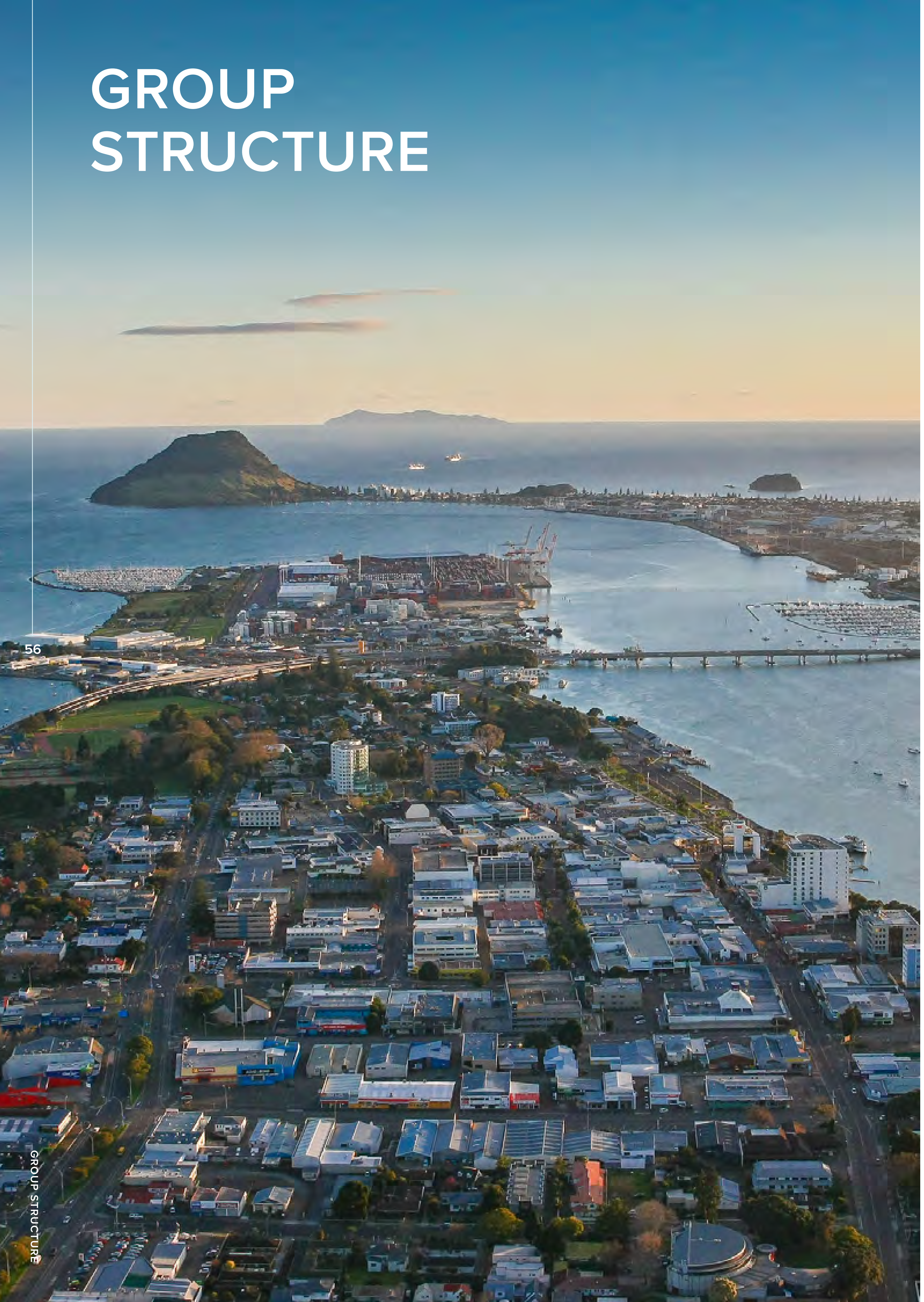
Statement of Intent

Quayside prepares Statements of Intent for all group entities, which are presented to Council annually in accordance with the Local Government Act 2002. The Group successfully achieved all nine objectives it set itself in the 2022/2023 Statement of Intent.

The Group has delivered its 2023/2024 Statement of Intent to Council in accordance with the requirements of the Local Government Act 2022. The Statement of Intent for 2023 - 2024 is available on Quayside's website at

www.quaysideholdings.co.nz

GROUP STRUCTURE



Group Ownership

Parent				**Type of Business**	**Ownership**
Quayside Holdings Ltd (QHL)				Holding Company	100%
	Subsidiaries				
	Aqua Curo Limited			Aquaculture	100%
	Quayside Investment Trust (QIT) *			Trust	100%
	Quayside Securities Limited (QSL) *			Trust	100%
	Quayside Properties Limited (QPL)			Regional Benefit Investment	100%
	Real Asset Subsidiaries				
	Quayside Barnett Place Limited			Real Asset Investment	100%
	Quayside Mystery Valley Limited			Forestry	100%
	Quayside Portside Drive Limited			Real Asset Investment	100%
	Quayside Tauriko Limited			Real Asset Investment	100%
	Quayside Te Papa Tipu Limited			Real Asset Investment	100%
	Quayside The Vault Limited			Real Asset Investment	100%
	Joint Ventures				
	Huakiwi Services Limited			Horticulture (Kiwifruit)	50% 50%
	Tauranga Commercial Developments Ltd (TCD)			Commercial Property JV	50% 50%
	Lakes Commercial Developments Ltd (LCD) **			Commercial Property JV	50% 25% 25%
	HRL Property Limited			Real Asset Investment	63.7%
		Subsidiary			
	Quayside Unit Trust (QUT) *	Port of Tauranga Ltd		Parent company	
			Port of Tauranga Trustee Company Limited	Holding Company	
			Quality Marshalling Limited	Port operations	
			Timaru Container Terminal Limited	Port operations	
			Northport Limited	Port - Associate Company	
			Prime Port Timaru Limited	Port - Associate Company	
			Port Connect Limited	Port operations - Associate Company	
			Coda Group Limited	Port operations - Associate Company	
			Ruakura Inland Port LP	Port JV - Associate Company	
Other					
Toi Moana Trust*			Managed by QHL	Trust	

* QSL is trustee of TMT, QUT and QIT
** LCD is 50% QPL and 24.9% QHL

CORPORATE GOVERNANCE

Role of the Board

The Board of Quayside is appointed by Council, as the ordinary shareholder.

The Board supports the executive in achieving Quayside's objective to deliver long term commercial returns through focused investment to our regional community and shareholder.

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

- Monitor and supervise the management of the Company.
- Ensure shareholders' interests are protected.
- 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 is a 54.14% shareholder as at 30 June 2023.

Board Composition

The Board must have at least eight (8) Directors, with a minimum of four (4) being independent. As at 30 June 2023 the Board was comprised of seven members, including four (4) independent directors.

The Council maintains a policy for the Appointment and Remuneration of Directors to Council Organisations which was last updated in 2022.

Sir R A McLeod, W J Parker, K Horne and B Hewlett are independent directors. F C McTavish, S A Crosby and T White are directors of the Board. Sir R A McLeod is the chair of the Board.

Board Diversity

Quayside has a Diversity and Inclusion policy. Appointments to the Board of Quayside are made in accordance with the Council's Policy for the Appointment and Remuneration of Directors to Council Organisations.

NZX Listing Rule 10.5.5 (j) requires all issuers to disclose Board gender diversity as at balance date in respect of directors and officers.

For the purpose of this disclosure, Mr A L Settle as Chief Executive is deemed the sole officer of Quayside and is included in the below figures.

	Board		Officer	
	Female	Male	Female	Male
30 June 2018	3	4	0	1
30 June 2019	2	5	0	1
30 June 2020	3	4	0	1
30 June 2021	2	5	0	1
30 June 2022	2	5	0	1
30 June 2023	2	5	0	1

Director Remuneration

Director remuneration is in accordance with Council's 'Policy for the Appointment and Remuneration of Directors to the Boards of Council Subsidiaries'.

During the year, Council approved a Directors pool of $475,000 (plus GST if any) which includes 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 and Board Charter set out the procedures for the election of a Board chair, the convening of Board meetings and the establishment of Committees.

The directors of QHL met formally eight times during the year while the Board's Committees met as set out in their respective charters.

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

The Annual Report of the Group and the audited financial statements for the period ended 30 June 2022, together with an unmodified Audit Certificate, were presented to the voting shareholder in 29 September 2022.

The Annual Report incorporating the audited statements for the year ended 30 June 2023, is presented with this report.

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

Board Committees	Full Board	ARC	PCS
Sir R A McLeod	8	3	2
S A Crosby	7	5	
B Hewlett	8	6	
K Horne	8	6	
F C McTavish	6		1
W J Parker	8		2
T White	7		2
Total Meetings Held	8	6	2

The Board has two sub committees: an Audit and Risk Committee and a People, Culture and Safety Committee.

Audit and Risk Committee

The Audit and Risk Committee Charter sets out the responsibilities 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 as at 30 June 2022 are K Horne (Chair), S A Crosby, B Hewlett, and Sir R A McLeod (ex-officio).

The Audit and Risk Committee Charter was last updated in October 2022.

People, Culture and Safety Committee

The People, Culture and Safety Committee Charter sets out the responsibilities and objectives of the committee.

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 for the period were W J Parker (Chair), T White, F C McTavish and Sir R A McLeod (ex officio).

The People, Culture and Safety Committee Charter was updated in April 2022.

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.

The Board adopted a Code of Ethics setting out the ethical and behavioural standards expected of directors and officers.

The Board also adopted an updated Whistleblower Policy in line with the new legislation.

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 2022 - 2023 Statement of Intent.

Quayside Holdings Limited and Subsidiaries

ANNUAL FINANCIAL STATEMENTS

For the year ended 30 June 2023

Quayside Holdings Limited and Subsidiaries

Annual Financial
Statements

For the year ended
30 June 2023

Quayside Holdings Limited and Subsidiaries
For the year ending 30 June 2023

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AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Quayside Holdings Limited's Group financial statements and performance information for the year ended 30 June 2023

The Auditor-General is the auditor of Quayside Holdings Limited (the Company) and its controlled entities (collectively referred to as the Group). The Auditor-General has appointed me, Leon Pieterse, 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 10 to 95, that comprise the statement of financial position as at 30 June 2023, 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 96 to 101.

In our opinion:

- the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 30 June 2023, and its consolidated financial performance and consolidated 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 of the Group presents fairly, in all material respects, the Group'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 2023.

Basis for our 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 for the audit of the consolidated financial statements and performance information* 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: *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* (PES 1) 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 in our capacity as auditor, we have no relationship with, or interests in, Quayside Holdings Limited or any of its subsidiaries.

Key audit matters

Key audit matters are those that, in our professional judgement, were of most significance in our audit of the consolidated financial statements and the performance information of the current period. In applying our professional judgement to determine key audit matters, we considered those matters that are complex, have a high degree of estimation uncertainty, or are important to the public because of their size or nature.

These matters were addressed in the context of our audit of the consolidated financial statements and performance information 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 to note 10 of the consolidated financial statements. The Group has property, plant and equipment ("PP&E") of $2.4 billion. The Group has a policy of valuing land, buildings, wharves, hardstanding and harbour improvements ("Revalued PP&E") at fair value. Full Independent valuations are obtained at least every 3 years (by an independent valuer) over these asset classes. In the current year, the fair value of land was revalued by an independent valuer. Buildings, wharves and hardstandings and harbour improvements were assessed for material movements in their fair values. The Revalued PP&E is considered a key audit matter due to the judgement involved in the assessment of the fair value and the material value of PP&E on the balance sheet.	Our procedures focused on the appropriateness of the Group's assessment as to whether the carrying values of Revalued PP&E 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 consolidated financial statements. For land we have: • Assessed the competence and objectivity of the valuer used; • Assessed the methodology applied by the valuer and assessed whether the valuation approach was in accordance with professional valuation standards and suitable for determining the fair value of identified assets; • Compared the asset holdings in the fixed asset register to those valued to ensure all relevant property was captured; • Compared the key assumptions within each assessment to market evidence;

Key audit matter	How did the audit address this matter
	• Assessed the reasonableness of valuation movements between financial years with consideration to broader sector/local market evidence (where available); and • Assessed whether the increase in valuation was correctly accounted for within the Revaluation Reserve and Statement of Comprehensive Income. For buildings, wharves, hardstandings and harbour improvements we have: • Assessed the competence and objectivity of the valuers or experts used by the Group; and • Compared and recalculated the valuer's fair value assessment against publicly available data (including relevant price indices). As a result of the above procedures, we are satisfied the carrying value of property, plant and equipment is reasonable and supportable. We are also satisfied with the adequacy of disclosures.
Quayside Holdings Limited's investments in unlisted equity investments and venture capital managed funds	
Refer to note 17 of the consolidated financial statements. The Company has investments of $86.4 million in unlisted direct equity investments and venture capital managed funds, which are accounted for at fair value. Management has assessed fair value for the managed funds based on the latest quarterly reports from the fund managers. Management has assessed the fair value of unlisted equity investments using valuation techniques as disclosed in note 17. The fair value of these investments is considered a key audit matter because there are significant judgements to be made in determining valuation approaches and inputs. There are significant uncertainties in the fair value of some of these investments because of the early-stage nature of the investments and the absence of market transactions.	Our procedures for investments in unlisted equity investments and venture capital managed funds included the following: • We assessed management's and the Board's processes for reviewing and approving valuations. • For unlisted equity investments we: ○ Assessed the appropriateness of the chosen valuation techniques. ○ Identified the key inputs into the valuations (such as transaction prices, financial forecasts and discount rates) and assessed management's support for these. ○ Considered how management had taken into account the uncertainty inherent in the financial forecasts of early-stage investments. ○ Considered the impact on the valuations of alternative assumptions and alternative valuation approaches.

Key audit matter	How did the audit address this matter
	• For investments in venture capital managed funds we: ○ Obtained fund managers' valuation policies and assessed them for consistency with industry practice (including the International Private Equity and Venture Capital Valuation (IPEV) Guidelines) and the Group's accounting policies. ○ Considered the extent to which the financial reporting from the funds had been audited by independent auditors and read the latest independent auditors' reports. ○ Where fund balance dates differed from that of the Group, we performed analytical procedures and sensitivity analysis over the intervening period. We also undertook management inquiries and media searches for events that may impact value in this period. ○ Where available, we obtained and considered service organisation assurance reports over aspects of processes and controls within the fund managers. • We reviewed the overall valuation changes and obtained explanations for any significant or unusual changes in value. As a result of the above procedures, we are satisfied the valuations adopted by the Group for unlisted equity investments and venture capital managed funds are reasonable and supportable. We are also satisfied with the adequacy of disclosures.
Port of Tauranga Limited's investment in Coda Group LP	
Refer to note 14 of the consolidated financial statements. The Group has a 50 percent investment in Coda Group Limited Partnership which is accounted for as an equity accounted investee.	Our audit procedures included: • Assessing whether the methodology for impairment testing adopted by the Group is in line with the applicable financial reporting standards.

Key audit matter	How did the audit address this matter
The investment in Coda Group Limited Partnership was tested for impairment at 30 June 2023 which involved determining the recoverable amount of the investment, being the higher of fair value and value in use. An impairment of $7.9 million was recognised. This is considered to be a key audit matter due to the judgement involved, including: • forecasting future performance; and • selecting relevant assumptions such as EBITDA multiples and the weighted average cost of capital (WACC)	• Engaging our internal valuation specialists to review the approach to determining the recoverable amount and challenge the assumptions adopted by the Group, including but not limited to the WACC rate and EBITDA multiple. • Performing retrospective analysis over the accuracy of previous forecasts prepared by the Group. • Preparing alternative scenarios for assumptions and comparing these to the Group's adopted assumptions. • Assessing the adequacy and accuracy of the disclosures made by the Group. As a result of the above procedures, we are satisfied the impairment recognised is reasonable and supportable. We are also satisfied with the adequacy and accuracy of disclosures.
Quayside Holdings Limited's investments in equity accounted investees	
Refer to note 14 of the consolidated financial statements. The Company has direct investments of $53.9 million in equity accounted investees (associates and joint ventures). These are either audited to a different balance date to the Group, not subject to annual audit, or the latest annual audit is not yet completed. Equity accounting is therefore based on unaudited management accounts, which have been reviewed by management. In addition, management have reviewed for impairment indicators and where indicators were identified an impairment test has been performed. These investments are considered a key audit matter because of the judgements required in assessing evidence to support: • financial results for unaudited periods; and • inputs into recoverable amount calculations in impairment tests. There are significant uncertainties in the recoverable amount of some of these investments because of the early-stage nature of the investments and the absence of market transactions.	Our audit procedures included: • We assessed management's and the Board's processes for obtaining robust financial information from investees for equity accounting, for identifying impairment indicators, and for reviewing and approving impairment tests. • We confirmed the equity accounting results for the period to the investee's financial reporting for the period. • We considered the extent to which the investee results for the period had been subject to audit and considered the audit reports where available. • We compared the investee financial results for unaudited periods to our expectations for the period and sought evidence to support our expectations and any significant or unusual variances. • We reviewed post-balance date information from the investees for any evidence of impairment at balance date. • Where impairment testing was necessary we assessed:

Key audit matter	How did the audit address this matter
	○ whether the methodology for impairment testing was appropriate and in line with the applicable financial reporting standards; and ○ the support for inputs into recoverable amount calculations and the sensitivity of the calculations to alternative assumptions. • We assessed the adequacy and accuracy of the disclosures made by the Group. As a result of the above procedures, we are satisfied the carrying values adopted by the Group for equity accounted investees are reasonable and supportable. We are also satisfied with the adequacy of disclosures.

Other information

The directors are responsible on behalf of the Group for the other information. The other information comprises the information included in the statutory information and directory (but does not include the consolidated 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 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 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 for the consolidated financial statements and performance information

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. The directors are also responsible for preparing the performance information for the Group.

The directors are responsible for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and 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 and the Local Government Act 2002.

Auditor's responsibilities for the audit of the consolidated financial statements and performance information

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and 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 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 Group'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 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 and performance information represent the underlying transactions and events in a manner that achieves fair presentation; and
- obtain sufficient appropriate audit evidence regarding the financial information and performance information of the entities or business activities within the Group to express an opinion on the consolidated financial statements and performance information. 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.

Leon Pieterse
Audit New Zealand
On behalf of the Auditor-General
Tauranga, New Zealand
14 September 2023

Quayside Holdings Limited and Subsidiaries
Income Statement
For the year ended 30 June 2023

	Note	30 June 2023 $000	30 June 2022 $000
Income			
Trading revenue	4(a)	**425,036**	380,131
Other income	4(b)	**6,053**	6,042
Other gains	4(c)	**17,145**	25,374
Operating income	4	**448,233**	411,547
Expenses			
Employee benefit expenses	5	**(53,975)**	(49,851)
Trading and other expenses	6(a)	**(166,210)**	(140,334)
Other losses	6(b)	**(8,226)**	(12,146)
Operating expenses		**(228,411)**	(202,331))
Results from operating activities		**219,822**	209,217
Depreciation and amortisation	10, 11, 12	**(41,315)**	(37,965)
Operating profit before finance costs, share of profit from equity accounted investees and taxation		**178,507**	171,251
Finance income	7(a)	**3,192**	923
Finance expenses	7(b)	**(24,128)**	(18,219)
Net finance costs		**(20,936)**	(17,296)
Impairment of investment in equity accounted investees	14	**(9,679)**	(599)
Share of profit/(loss) from equity accounted investees	14	**13,824**	17,561
Profit before income tax		**161,716**	170,917
Income tax benefit/(expense)	8	**(40,833)**	(45,052)
Net profit after tax		**120,884**	125,865
Attributable to:			
Equity holders of the parent		**67,819**	75,573
Non controlling interest		**53,065**	50,293
		120,884	125,865

Quayside Holdings Limited and Subsidiaries
Statement of Comprehensive Income
For the year ended 30 June 2023

	Note	30 June 2023 $000	30 June 2022 $000
Net profit after tax		**120,884**	125,865
Other comprehensive income			
Items that will be reclassified to profit or loss when specific conditions are met:			
Cash flow hedge - changes in fair value, net of tax*		**2,293**	15,165
Cash flow hedge - reclassified to profit or loss, net of tax*		**(44)**	4,382
Share of net change in cash flow hedge reserves of equity accounted investees		**209**	862
		2,458	20,409
Items that will not be reclassified to profit or loss:			
Bearer plant revaluation, net of tax *		**(232)**	(4,136)
Kiwifruit licence revaluation, net of tax *		**(571)**	1,115
Asset revaluation, net of tax*		**23,530**	625,137
Share of net change in revaluation reserve of equity accounted investees		**16,283**	13,865
		39,010	635,981
Total other comprehensive income		**41,468**	656,390
Total comprehensive income / (loss) for the period		**162,352**	782,255
Attributable to:			
Equity holders of the parent		**90,138**	434,044
Non-controlling interest		**72,214**	348,212
		162,352	782,255

* 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 2023

	Share capital $000	Hedging reserve $000	Revaluation reserve $000	Retained earnings $000	Non controlling interest $000	Total equity $000
Balance at 30 June 2021	200,011	(6,165)	696,215	250,966	627,712	1,768,739
Profit after tax	-	-	-	75,573	50,293	125,865
Net effective portion of changes in fair value of cash flow hedges, net of tax	-	8,314	-	-	6,851	15,165
Net change in fair value of cash flow hedges transferred to profit or loss, net of tax	-	2,402	-	-	1,980	4,382
Net change in share of Equity Accounted Investees' cash flow hedge reserves	-	473	-	-	389	862
Net change in share of Equity Accounted Investees' revaluation reserve	-	-	7,601	-	6,264	13,865
Asset revaluation, net of tax	-	-	342,703	-	282,434	625,137
Bearer plant revaluation, net of tax	-	-	(4,136)	-	-	(4,136)
Kiwifruit licence revaluation, net of tax	-	-	1,115	-	-	1,115
Total Comprehensive Income	**-**	**11,188**	**347,283**	**75,573**	**348,212**	**782,255**
Non-controlling interest adjustment	-	-	-	(11)	(2)	(13)
Retained earnings adjustment	-	-	-	506	-	506
Increase / (Decrease) in share capital	-	-	-	(20)	(17)	(37)
Shares issued upon vesting of management LTI plan	-	-	-	126	(126)	-
Equity settled share-based payment accrual	-	-	-	-	2,021	2,021
Dividends to shareholders	-	-	-	(43,542)	(43,661)	(87,203)
Balance at 30 June 2022	**200,011**	**5,023**	**1,043,498**	**283,597**	**934,140**	**2,466,269**

Quayside Holdings Limited and Subsidiaries
Statement of Changes in Equity
For the year ended 30 June 2023

	Share capital $000	Hedging reserve $000	Revaluation reserve $000	Retained earnings $000	Non controlling interest $000	Total equity $000
Balance at 30 June 2022	**200,011**	**5,023**	**1,043,498**	**283,597**	**934,140**	**2,466,269**
Profit after tax	**-**	-	-	**67,819**	**53,065**	**120,884**
Net effective portion of changes in fair value of cash flow hedges, net of tax	**-**	**1,254**	-	-	**1,039**	**2,293**
Net change in fair value of cash flow hedges transferred to profit or loss, net of tax	**-**	**(24)**	-	-	**(20)**	**(44)**
Net change in share of Equity Accounted Investees' cash flow hedge reserves	**-**	**114**	-	-	**95**	**209**
Net change in share of Equity Accounted Investees' revaluation reserve	**-**	-	**8,907**	-	**7,376**	**16,283**
Asset revaluation, net of tax	**-**	-	**12,899**	-	**10,631**	**23,530**
Bearer plant revaluation, net of tax	**-**	-	**(232)**	-	-	**(232)**
Kiwifruit licence revaluation, net of tax	**-**	-	**(571)**	-	-	**(571)**
Total Comprehensive Income	**-**	**1,344**	**21,003**	**67,819**	**72,185**	**162,352**
Non-controlling interest adjustment	-	-	-		**20**	**20**
Increase / (Decrease) in share capital	-	-	-	**(39)**	**(33)**	**(72)**
Shares issued upon vesting of management LTI plan	-	-	-	**153**	**(153)**	**-**
Equity settled share-based payment accrual	-	-	-	**-**	**1,462**	**1,462**
Adjustment for vesting of equity settled share based payment	-	-	-	**(3,499)**	**3,499**	**-**
Dividends to shareholders	-	-	-	**(47,547)**	**(46,788)**	**(94,336)**
Balance at 30 June 2023	**200,011**	**6,367**	**1,064,501**	**300,483**	**964,333**	**2,535,694**

ANNUAL FINANCIAL STATEMENTS

Quayside Holdings Limited and Subsidiaries
Statement of Financial Position
For the year ended 30 June 2023

	Note	30 June 2023 $000	30 June 2022 $000
ASSETS			
Current assets			
Cash and cash equivalents		**39,362**	45,680
Receivables and prepayments	15	**72,031**	65,599
Inventories		**1,986**	2,185
Derivative financial instruments	19	**35**	350
Loans to Equity accounted investees	17	**400**	2,930
Total current assets		**113,814**	116,744
Non-current assets			
Intangible assets	12	**25,676**	27,430
Property, plant and equipment	10	**2,425,734**	2,396,124
Investments in equity accounted investees	14	**274,760**	250,590
Investment property	23	**100,057**	97,308
Biological assets	24	**-**	807
Other financial assets	17	**300,554**	262,025
Right-of-use assets	11	**50,853**	40,407
Deferred tax asset	9	**1,107**	719
Derivative financial instruments	19	**15,514**	11,957
Receivables and prepayments	15	**18,890**	18,612
Total non-current assets		**3,213,145**	3,105,978
Total assets		**3,326,959**	3,222,722
LIABILITIES			
Current liabilities			
Trade and other payables	20	**45,004**	42,313
Revenue in advance		**2,951**	3,283
Loans and borrowings	18	**181,875**	125,000
Lease liability	11	**1,039**	864
Employee benefit provisions	5	**4,371**	3,350
Derivative financial instruments	19	**7**	67
Contingent consideration		**359**	368
Current taxation		**13,540**	13,746
Total current liabilities		**249,147**	188,991
Non-current Liabilities			
Loans and borrowings	18	**354,877**	389,499
Lease liability	11	**52,621**	41,659
Employee benefit provisions	5	**1,524**	1,627
Deferred tax liabilities	9	**123,824**	124,587
Contingent consideration		**30**	2,688
Derivative financial instruments	19	**9,242**	7,403
Total non-current Liabilities		**542,118**	567,463
Total liabilities		**791,265**	756,453
NET ASSETS		**2,535,694**	2,466,269

Quayside Holdings Limited and Subsidiaries
Statement of Financial Position
For the year ended 30 June 2023

	Note	30 June 2023 $000	30 June 2022 $000
EQUITY			
Paid up capital	16(a)	**200,011**	200,011
Reserves	16(c)	**1,070,869**	1,048,521
Retained earnings		**300,483**	283,597
Total equity attributable to equity holders of the parent		**1,571,362**	1,532,129
Non-controlling interest	16(e)	**964,333**	934,140
TOTAL EQUITY		**2,535,694**	**2,466,269**

These financial statements have been authorised for issue by the Board of Directors on 14 September 2023.

Director

Director

Quayside Holdings Limited and Subsidiaries
Statement of Cash Flows
For the year ended 30 June 2023

	Note	30 June 2023 $000	30 June 2022 $000
Cash flows from operating activities			
Receipts from customers		**418,509**	397,173
Dividends received		**5,255**	5,681
Interest received		**2,217**	(72)
Other income		-	906
Payments to suppliers and employees		**(214,576)**	(198,540)
Taxes refunded		**137**	33
Taxes/subvention paid		**(42,995)**	(36,447)
Interest paid		**(22,136)**	(18,431)
Net cash flow from operating activities		**146,411**	150,303
Cash flows from investing activities			
Proceeds from sale of investments		**54,467**	66,299
Purchase of investments		**(64,627)**	(50,695)
Distributions from equity investments		**649**	3,951
Finance lease payments received, including interest		**-**	(13)
Advances to equity accounted investees		**(4,990)**	(2,627)
Investment in equity accounted investees		**(23,875)**	(30,165)
Distributions from equity accounted investees		**20,681**	20,314
(Purchase) / Sale of intangible assets		**(582)**	(135)
Purchase of investment property		**(13,582)**	(8,808)
Improvements to investment property		**(1,524)**	(5,720)
Purchase of property, plant and equipment		**(44,860)**	(21,345)
Proceeds from sale of property, plant and equipment		**109**	33
Interest capitalised on property, plant and equipment		**(335)**	(102)
Payment of contingent consideration		**(3,136)**	(488)
Net cash flow from investing activities		**(81,605)**	(29,501)
Cash flows from financing activities			
Proceeds from borrowings		**49,288**	110,768
Repurchase of shares		-	(931)
Repayment of lease liabilities		**(1,060)**	(874)
Repayment of borrowings		**(25,000)**	(138,029)
Dividends paid	16	**(94,334)**	(87,204)
Net cash flow from financing activities		**(71,105)**	(116,270)
Effects of exchange rate changes on cash and cash equivalents		**(19)**	484
Net increase/(decrease) in cash and cash equivalents		**(6,318)**	5,016
Cash and cash equivalents at the beginning of the year		**45,680**	40,664
Cash and cash equivalents at the end of the year		**39,362**	45,680

Quayside Holdings Limited and Subsidiaries
Statement of Cash Flows
For the year ended 30 June 2023

	Note	30 June 2023 $000	30 June 2022 $000
RECONCILIATION OF PROFIT FOR THE PERIOD TO CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		**120,884**	125,865
Items classified as investing/financing activities:			
Finance lease interest revenue	7a	**(59)**	(41)
Net (gain)/loss on investments		**(12,287)**	(14,557)
Gain on sale of property, plant and equipment		**-**	38
		108,262	111,305
Non cash and non operating items:			
Depreciation and amortisation	10,11,12	**41,243**	37,931
Impairment of property, plant and equipment	10	**3,456**	-
Impairment of property, plant and equipment on revaluation	10		1,445
(Decrease)/Increase in deferred taxation expense		**(1,760)**	5,874
Ineffective portion of change in fair value of cash flow hedge			(51)
Movement in derivative taken to P&L		**(38)**	-
Reversal of previous year deficit			508
Share of net profit after tax retained by equity accounted investees	14	**(13,824)**	(17,560)
Impairment of investment in equity accounted investees		**9,679**	599
Increase in equity settled share based payment accrual		**1,462**	2,021
Loss on disposal of Equity Accounted Investees			-
Non-cash interest received		**(500)**	-
Revenue received in advance			2,244
Change in the fair value of contingent consideration		**551**	117
		40,268	33,128
Movements in working capital:			
Change in trade receivables and prepayments		**(7,685)**	1,683
Change in inventories		**91**	(1,176)
Change in taxation payable		**(188)**	3,734
Change in trade, other payables and revenue received in advance		**5,703**	2,108
Changes in foreign cash deposits		**(40)**	(479)
		(2,119)	5,870
Net cash flow from operating activities		**146,411**	**150,303**

Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements
For the year ended 30 June 2023

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 Group is wholly owned by Bay of Plenty Regional Council ("Council"). The Group 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 issuing debt instruments 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.

Consolidated financial statements are presented. The consolidated financial statements comprise the Group wholly owned subsidiaries (Quayside Holdings Limited, Quayside Properties Limited, Quayside Securities Limited, Quayside Investment Trust, Quayside Unit Trust, Aqua Curo Limited, Quayside Barnett Place Limited, Quayside The Vault Limited, Quayside Portside Drive Limited, Quayside Mystery Valley Limited, Quayside Tauriko 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"). Although Toi Moana Trust comes under the governance of the Quayside Group, through Quayside Securities Limited being the appointed Trustee, it is beneficially owned and controlled by Bay of Plenty Regional Council and is therefore not consolidated by Quayside Holdings Limited. 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, Quayside Barnett Place Limited, Quayside The Vault Limited, Quayside Portside Drive Limited, Quayside Mystery Valley Limited, Quayside Tauriko 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 of Tauranga group is owned 54.14% (2022: 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.

The Group is classified as a-profit entity. The diagram on the following page illustrates the two subsets of the Group: Quayside Group and Port of Tauranga Group.

Group Structure

Group Ownership					
Parent				Type of Business	Ownership
Quayside Holdings Ltd (QHL)				Holding Company	100%
	Subsidiaries				
	Aqua Curo Limited			Aquaculture	100%
	Quayside Investment Trust (QIT) *			Trust	100%
	Quayside Securities Limited (QSL) *			Trust	100%
	Quayside Properties Limited (QPL)			Regional Benefit Investment	100%
	Real Asset Subsidiaries				
	Quayside Barnett Place Limited			Real Asset Investment	100%
	Quayside Mystery Valley Limited			Forestry	100%
	Quayside Portside Drive Limited			Real Asset Investment	100%
	Quayside Tauriko Limited			Real Asset Investment	100%
	Quayside Te Papa Tipu Limited			Real Asset Investment	100%
	Quayside The Vault Limited			Real Asset Investment	100%
	Joint Ventures				
	Huakiwi Services Limited			Horticulture (Kiwifruit)	50% 50%
	Tauranga Commercial Developments Ltd (TCD)			Commercial Property JV	50% 50%
	Lakes Commercial Developments Ltd (LCD) **			Commercial Property JV	50% 25% 25%
	HRL Property Limited			Real Asset Investment	63.7%
		Subsidiary			
	Quayside Unit Trust (QUT) *	Port of Tauranga Ltd		Parent company	
			Port of Tauranga Trustee Company Limited	Holding Company	
			Quality Marshalling Limited	Port operations	
			Timaru Container Terminal Limited	Port operations	
			Northport Limited	Port - Associate Company	
			Prime Port Timaru Limited	Port - Associate Company	
			Port Connect Limited	Port operations - Associate Company	
			Coda Group Limited	Port operations - Associate Company	
			Ruakura Inland Port LP	Port JV - Associate Company	
Other					
Toi Moana Trust*			Managed by QHL	Trust	

* QSL is trustee of TMT, QUT and QIT
** LCD is 50% QPL and 25% QHL

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: 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. Cash balances in the current and prior year are comprised solely of on call bank accounts.

The financial statements were authorised for issue by the Board of Directors on 14 September 2023.

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.

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 include an estimated sale price for kiwifruit sold (note 15);
- valuation of bearer plants (note 10);
- valuation of biological assets (note 24);
- impairment assessment of intangible assets (refer note 12);
- impairment assessment of investments in equity accounted investees (refer to note 14);
- valuation of share rights granted (refer to note 22); and
- valuation of investment properties (refer to note 23).
- Valuation of unlisted private equity investment (refer to note 17).

2 Basis of Preparation (continued)

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.

Classification of property

The Group owns several properties, which have been purchased for long term capital appreciation and/or rental rather than for short term sale in the ordinary course of business. The current carrying value of this investment property is $100.1 m (2022: $97.4m). In the case of the industrial land held by Quayside Properties Limited for development as Rangiuru Business Park, the revenue derived from operating the land as kiwifruit orchards and leased grazing is incidental to holding these properties and provides short-term benefit in the form of cash returns to the Group whilst the land is developed. These incidental cash flows are independent of the cashflows generated by other assets held by the Group. The kiwifruit bearer plants on the land are classified as property, plant and equipment – refer to note 10, while the underlying land is classified as investment property.

The directors in applying their judgement have classified these properties as investment property according to NZ IAS 40. Also refer to note 23 for more information on the classification of Rangiuru Land.

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.

Financial Instruments

Financial Assets – Classification and Subsequent Measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; Fair Value Through Other Comprehensive Income (FVOCI) – debt investment; FVOCI – equity investment; or Fair Value Through Profit and Loss (FVTPL). Financial assets are not reclassified after their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2 Basis of Preparation (continued)

Financial Liabilities – Classification, Subsequent Measurement and Gains and Losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other

financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

New accounting standards and interpretations not yet adopted

There are no new or amended accounting standards and interpretations that are issued but not yet adopted that are expected to have a material impact on the Group.

3 Segmental Reporting

At 30 June 2023 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.

The *Port of Tauranga Group* operates in one geographical area, that being New Zealand. During the year the Group had two external customers which comprised more than 10% of total revenue. Revenue from these two customers is included in Port Operations and accounts for 31% and 13% (2022: 29% and 13%) of total revenue.

	Port $000	Investing $000	Total $000
30 June 2023			
Total segment revenue	420,929	59,372	480,301
Inter-segment revenue	-	(55,266)	(55,266)
Revenue (from external customers)	**420,929**	**4,106**	**425,035**
Other income/gains	-	23,198	23,198
Finance income	1,161	2,031	3,192
Finance costs	(20,522)	(3,606)	(24,128)
Depreciation & amortisation	(40,422)	(893)	(41,315)
Other expenditure/losses	(210,589)	(17,823)	(228,412)
Income tax (expense) / benefit	(42,161)	1,328	(40,833)
Impairment of equity accounted investees	(7,871)	(1,808)	(9,679)
Share of profit of equity accounted investees	16,611	(2,787)	13,824
Net profit after tax	**117,136**	**3,747**	**120,884**

	Port $000	Investing $000	Total $000
30 June 2022			
Total segment revenue	375,287	56,425	431,712
Inter-segment revenue	-	(51,581)	(51,581)
Revenue (from external customers)	375,287	4,844	380,131
Other income/gains	-	31,416	31,416
Finance income	287	636	923
Finance costs	(16,452)	(1,767)	(18,219)
Depreciation & amortisation	(36,657)	(1,308)	(37,965)
Other expenditure/losses	(183,655)	(18,675)	(202,330)
Income tax (expense) / benefit	(39,079)	(5,973)	(45,052)
Impairment of equity accounted investees	-	(599)	(599)
Share of profit of equity accounted investees	11,586	5,975	17,561
Net profit after tax	111,317	14,548	125,865

The 2022 comparative information has been updated due to the reclassification of Realised loss on equity investment $1.4m, unrealised loss on equity investments $31.6m, and other losses through income statement $1.1m, within other gains and income and other expenditure/losses. This is because gains and losses on financial assets measured at fair value through profit and loss are now presented on a net basis in the financial statements. For further information refer to note 4. The 2022 figures were also amended for consistency with the income statement.

3 Segmental Reporting (continued)

The segment assets at 30 June are:

	Port $000	Investing $000	Total $000
30 June 2023	**2,824,269**	**502,690**	**3,326,959**
30 June 2022	2,743,526	479,197	3,222,723

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

	30 June 2023 $000	30 June 2022 $000
(a) Trading revenue		
Revenue from contracts with customers		
Container terminal revenue	**268,951**	239,333
Multi cargo revenue	**65,043**	63,445
Marine services revenue	**48,582**	39,148
Sale of goods – kiwifruit	**2,227**	3,199
	384,803	345,125
Other revenue		
Rental income	**39,167**	34,605
Other	**1,042**	401
Total trading revenue	**425,036**	**380,131**
(b) Other Income		
Foreign dividends	**2,497**	2,238
New Zealand dividends	**3,066**	3,657
Other	**489**	146
Total other income	**6,053**	6,042
(c) Other gains		
Fair value gains on investment property	**-**	25,272
Fair value gains biological assets	**-**	102
Net gains / (losses) on financial assets through profit and loss	**17,145**	-
Total other gains	**17,145**	25,374

Gain and losses from financial assets measured at fair value through profit and loss are presented on a net basis (including the comparatives), compared to last year, when these were presented on a gross basis. The current presentation enhances the relevance, understandability and comparability of the information and aligns with market practice. The reclassification also impacts other losses, please refer to Note 6. Also refer to Note 3 which outlines the amount reclassified for 2022.

The Group has several kiwifruit orchards. All the 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 is net of the point of sale and cool store costs. Kiwifruit income this year has been derived from 26.45 canopy hectares of kiwifruit orchards (2022: 26.45 hectares).

Please refer to note 6, which reflects the fair value loss on investment properties recorded this financial year.

Sale of goods – kiwifruit for an amount of $2.2m is included in the Segment "Investing "as disclosed in note 3.

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. 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:

- *Container terminal revenue:* relates to the handling, processing, storage and rail of containers. Contracts are entered into with shipping lines and cargo owners. The primary performance obligations identified include the load and discharge of containers (which include the services provided to support the handling of containers). Container terminal revenue is recognised over time based on the number of containers exchanged (an output method). This method is considered appropriate as it allows revenue to be recognised based on the Port of Tauranga group's effort to satisfy the performance obligation. The transaction price is determined by the contract and adjusted by variable consideration (rebates). Rebates are based on container volume and the Port of Tauranga group accounts for the variable consideration using the expected value method. The expected value is the sum of probability weighted amounts in a range of possible consideration amounts. The Port of Tauranga group estimates container volumes based on market knowledge and historical data.
- *Multi cargo revenue*: relates to the wharfage and storage of bulk goods. Contracts are entered into with cargo owners. The stevedoring services are provided by a third party. Multi cargo revenue is recognised after the vessel's departure, at a point in time, except storage revenue which is recognised over time. The transaction price for multi cargo services is determined by the contract.
- *Marine services revenue*: relates directly to the visit of a vessel to the port and includes fees for pilotage, towage and mooring. Contracts are entered into with vessel operators. The performance obligations identified include vessel arrival, departure and berthage. Revenue is recognised over time, based on time elapsed, as customers are charged a daily service fee for each day in the Port. The transaction price for marine services is determined by the contract.
- *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. Net gains and losses on individual equities securities are presented either in other income or in other losses.
- *Other income:* is recognised when the right to receive payment is established.

5 Employee Benefit Expenses

	2023 $000	2022 $000
Wages and salaries	**51,136**	47,318
ACC Levy	**263**	276
Kiwisaver contribution	**1,962**	1,709
Medical subsidy	**401**	307
Other	**213**	241
Total employee benefit expenses	**53,975**	49,851

Employee Benefit Provisions

	Long Service Leave $000	Profit Sharing and Bonuses $000	Total $000
Balance at 30 June 2022	1,489	3,488	4,977
Additional provision	247	4,002	4,249
Unused amounts reversed	(120)	-	(120)
Utilised during the period	(139)	(3,072)	(3,211)
Balance at 30 June 2023	**1,477**	**4,418**	**5,895**
Total current provisions	**96**	**4,275**	**4,371**
Total non-current provisions	**1,381**	**143**	**1,524**

Employee Benefits – Long Service Leave
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 – Profit Sharing and Bonuses
The Profit Sharing and Bonus Scheme rewards eligible employees based on a combination of Port of Tauranga performance against budget and personal performance. The incentive is generally paid biannually.

6 Other Expenses

The following items of expenditure are included in other expenses:

	30 June 2023 $000	30 June 2022 $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	**307**	238
Audit NZ – audit fees paid for other group entities		-
KPMG – other assurance services.	**10**	5
KPMG - audit fees paid to principal auditor of the *Port of Tauranga Group*	**357**	234
Contracted services for Port operations	**98,975**	84,796
Direct fuel and power expenses	**18,822**	14,494
Maintenance of property, plant and equipment	**15,497**	12,895
Orchard expenses	**1,345**	1,196
Directors' fees	**506**	460
Other	**30,391**	26,016
Total trading and other expenses	**166,211**	140,334

Audit fees for the financial statements to Audit New Zealand is made up of $276,050 for the audit of the 2022/23 financial statements. An additional $30,500 has been recognised based on the actual bill for the audit of 2021/22 financial statements.

(b) Other losses		
Loss on revaluation investment properties	**4,129**	-
Impairment loss on investment property under construction	**3,456**	
Losses on financial assets through profit and loss	**-**	12,146
Loss on revaluation bearer plants	**641**	
Total other losses	**8,226**	12,146

During 2023, the management fully impaired the work in progress for the property under development located in Rotorua (Sala Street).

The management used a residual value method to assess the property fair value as of 30 June 2023. As the cost to complete exceeds the value of the property as complete, the management decided to fully impair the asset.

The value of the property as of complete was calculated based on a maintainable income from the leasehold property of $0.5m and a capitalization rate of 7.3%. The expensed amount is $3.5m.

Other losses were also classified on a "net" basis, including 2022 amounts. Please also refer to Note 4. Also refer to Note 3 which outlines the amount reclassified for 2022.

7 Finance Income and Expenses

	30 June 2023 $000	30 June 2022 $000
(a) Finance income		
Interest income on bank deposits	**1,507**	329
Interest income on fixed interest investments	**309**	-
Interest on advances to equity accounted investees	**497**	55
Change in Fair value of hedged risk	**-**	125
Ineffective portion of changes in fair value of cash flow hedges	**133**	6
Fair value adjustment on interest rate derivatives	**316**	-
Convertible note interest	**429**	252
Interest income other	**-**	156
Total finance income	**3,191**	923
(b) Finance expense		
Interest expense on borrowings	**(21,739)**	(16,157)
Less: interest capitalised to property, plant and equipment	**335**	102
	(21,404)	(16,055)
Interest expense on lease liabilities	**(2,550)**	(2,084)
Ineffective portion of changes in fair value of cash flow hedges	**(96)**	-
Change in fair value of hedged risk	**(19)**	-
Amortisation of interest rate collar premium	**(59)**	(80)
Total finance expense	**(24,128)**	(18,219)
Net finance cost	**(20,937)**	(17,296)

Capitalised interest

The average weighted interest rate for interest capitalised to property, plant and equipment, was 3.52% for the current period (2022: 2.60%).

Total interest capitalised to property, plant and equipment was $0.34 million for the current period (2022: $0.102m).

Policies

Finance income comprises interest income on bank deposits, finance lease interest, other interest income and gains on hedging instruments that are recognised in the income statement. Interest income is measured at amortised cost and 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 measured at amortised cost and recognised in the income statement using the effective interest method.

8 Income Tax

	30 June 2023 $000	30 June 2022 $000
Components of tax expense		
Profit before income tax for the period	**161,716**	170,917
Income tax on surplus at 28% (2022: 28%)	**45,281**	47,857
Tax effect of amounts which are non (deductible)/taxable:		
Fair value (loss)/gain through profit and loss	**(3,914)**	2,969
Exempt dividends (Wholly owned group)	**(15,471)**	(14,424)
Foreign dividend regime	**1,097**	1,050
Impairment of investment in equity accounted investees – refer to note 14	**2,876**	-
Share of equity accounted investees after tax income, excluding Coda Group Limited Partnership	**(4,400)**	(4,453)
Dividend imputation credits/Other tax credits	**15,764**	13,241
PIE attributed (income)/loss	**678**	-
Other attributed (income)/loss	**(463)**	5
Group loss offset election	**-**	(826)
Tax losses utilised	**(29)**	
Tax losses unutilised	**1,947**	79
Prior period adjustment	**(727)**	(403)
Assessable income on disposal	**0**	401
Temporary differences	**64**	-
Other	**(1,871)**	(444)
Income tax (benefit)/expense	**40,833**	45,052
The income tax (benefit)/expense is represented by:		
Current tax expense		
Tax payable in respect of the current period	**43,395**	39,481
Adjustment for prior period	**(905)**	(260)
Total current tax expense	**42,490**	39,221
Deferred tax expense		
Origination/reversal of temporary differences	**(1,253)**	6,154
Adjustment for prior period	**(405)**	(323)
Total deferred tax expense (note 9)	**(1,658)**	5,831
Income tax (benefit)/expense	**40,833**	45,052

8 Income Tax (continued)

	30 June 2023 $000	30 June 2022 $000
Income tax recognised in other comprehensive income:		
Revaluation of property, plant and equipment		22,912
Revaluation of bearer plants	**(90)**	1,627
Revaluation of intangibles	**(222)**	(433)
Cash flow hedges	**874**	7,602
Total (note 9)	**562**	31,708
Imputation credit account		
Imputation credits available for use in subsequent periods	**139,376**	131,623

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

Group	Assets 2023 $000	Assets 2022 $000	Liabilities 2023 $000	Liabilities 2022 $000	Net 2023 $000	Net 2022 $000
Deferred tax (asset)/liability						
Tax losses	**(1,107)**	(693)	**-**	-	**(1,107)**	(693)
Biological assets	**-**	-	**-**	-	**-**	-
Property, plant and equipment	**-**	-	**115,392**	116,273	**115,351**	116,273
Investment property	**(40)**	-	**6,360**	6,913	**6,360**	6,913
Intangible assets	**-**	-	**1,477**	2,053	**1,477**	2,053
Derivatives	**-**	-	**4,294**	3,420	**4,294**	3,420
Provisions and accruals	**(2,753)**	(3,037)	**81**	-	**(2,672)**	(3,037)
Equity accounted investees	**(834)**	(788)	**-**	-	**(834)**	(788)
Leases		(58)	**(1)**	-	**(1)**	(58)
Others	**-**	-	**-**	79	**-**	51
Contingent consideration	**(151)**	(265)	**-**	-	**(151)**	(265)
Total	**(4,886)**	(4,841)	**127,603**	128,737	**122,718**	123,868

Group	Recognised in the Income Statement 2023 $000	Recognised in the Income Statement 2022 $000	Recognised in Comprehensive Income 2023 $000	Recognised in Comprehensive Income 2022 $000
Tax benefit		-		-
Tax losses	**(480)**			
Property, plant and equipment	**(770)**	(320)	**(90)**	24,539
Biological asset	**-**	-	**-**	-
Investment property	**(502)**	6,068	**-**	-
Intangible assets	**(353)**	(237)	**(222)**	(433)
Finance lease receivables	**35**	(44)	**-**	-
Derivatives	**-**	-	**874**	7,602
Provisions and accruals	**343**	431	**-**	-
Equity Accounted Investees	**(46)**	(150)	**-**	-
Contingent consideration	**114**	83	**-**	-
Total	**(1,658)**	5,831	**562**	31,708

9 Deferred Taxation (continued)

Unrecognised tax losses or temporary differences
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 2021	931,054	148,642	360,431	178,962	9,061	257,574	6,805	1,892,529
Additions	-	1,083	11,290	1,320	-	4,930	4,114	22,737
Disposals	-	-	-	-	-	(134)	-	(134)
Transfers between asset classes		(904)	904	-	-	-	(561)	(561)
Revaluation	537,841	(6,713)	75,313	28,697	(6,392)	-	-	628,746
Balance at 30 June 2022	1,468,895	142,108	447,938	208,979	2,669	262,370	10,358	2,543,317
Balance at 1 July 2022	1,468,895	142,108	447,938	208,979	2,669	262,370	10,358	2,543,317
Additions	-	231	19,598	846	-	6,000	18,384	45,059
Disposals	-	-	-	-	-	(3,546)	-	(3,546)
Transfers between asset classes	-	-	-	-	-	-	-	-
Revaluation	23,530	-	-	-	(1,169)	-	-	22,361
Balance at 30 June 2023	**1,492,425**	**142,339**	**467,536**	**209,825**	**1,500**	**264,844**	**28,742**	**2,607,211**
Accumulated depreciation and impairment:								
Balance at 1 July 2021	-	(5,697)	(6)	-	-	(118,962)	-	(124,665)
Depreciation expense	-	(5,898)	(14,583)	(1,250)	(647)	(12,317)	-	(34,695)
Disposals	-	-	-	-	-	67	-	67
Transfers between asset classes		23	(23)	-	-	-	-	-
Revaluation	-	11,466	-	-	647	-	-	12,113
Balance at 30 June 2022	-	(106)	(14,612)	(1,250)	-	(131,212)	-	(147,810)
Balance at 1 July 2022	-	(106)	(14,612)	(1,250)	-	(131,212)	-	(147,810)
Depreciation expense	-	(4,773)	(18,923)	(1,838)	(205)	(12,193)	-	(37,932)
Impairment	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	3,431	-	3,431
Transfers between asset classes	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	205	-	-	205
Balance at 30 June 2023	**-**	**(4,879)**	**(33,535)**	**(3,088)**	**-**	**(139,974)**	**-**	**(181,476)**
Carrying amounts:								
Net book value as at 30 June 2022	1,468,895	142,002	433,326	207,729	2,669	131,158	10,358	2,396,124
Net book value as at 30 June 2023	**1,492,425**	**137,460**	**434,001**	**206,737**	**1,500**	**124,870**	**28,742**	**2,425,735**

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10 Property, Plant and Equipment (continued)

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 2023 Notional carrying amount $000	Group 2022 Notional carrying amount $000
Freehold land	**119,203**	119,203
Freehold buildings	**81,285**	85,235
Wharves and hardstanding	**123,819**	112,239
Harbour improvements	**60,899**	61,778
Bearer plants	**715**	920
Total notional carrying amount	**385,921**	379,375

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 $38.3m (2022: $32.2m).

Judgements

Fair values

Bearer plants, land, buildings, harbour improvements, and wharves and hard standing assets

This 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).

Judgement is required to determine whether the fair value of land, buildings, wharves and hard standing, 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 (excepting land, which is revalued annually). The assessment considers movements in the capital goods price indices and other market indicators since the previous valuations.

As at 30 June 2023, the Group revalued land in line with policy. For the remaining asset classes, the Group has assessed that there has been no material change in the fair value of each asset class since the last revaluation.

Bearer plants

10 Property, Plant and Equipment (continued)

Fair value of the bearer plants (kiwifruit vines) has been determined by independent registered valuation at 30 June 2023 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.

Land valuation

The valuation of Port of Tauranga land assets as at 30 June 2023 was carried out by Colliers International New Zealand Limited. The valuation increased the carrying amount of land by $23.530 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 properties.

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

Asset valuation method	Key valuation assumptions	Hectares	2023 Range of significant assumptions	2023 $ Weighted average	2022 Range of significant assumptions	2022 $ Weighted average
Direct sales comparison	Tauranga (Sulphur Point) / Mount Maunganui – wharf and industrial land per square metre	182.2	$470-$1,650	766	$450 - $1,650	$755
	Auckland land – land adjacent to MetroPort Auckland per square metre	6.8	$1,050	1,050	$1,000 - $1,067	$1,050
	Rolleston land – MetroPort Christchurch per square metre	15.0	$160	160	$140	$140

- *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 valuation of buildings as at 30 June 2022 was carried out by Colliers International New Zealand Limited. The valuation increased the carrying amount of buildings by $4.753 million.

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.

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

10 Property, Plant and Equipment (continued)

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

Asset valuation method	Key valuation assumptions	2023 Range of significant assumptions	2023 Weighted average	2022 Range of significant assumptions	2022 Weighted average
Capitalised income model	Market capitalisation rate	1.75%-9.50%	3.71%	1.75 –9.50%	3.71%

Wharves and Hardstanding, and Harbour Improvements

Wharves, hardstanding and harbour improvements assets are classified as specialised assets and have accordingly been valued on a Depreciated Replacement Cost basis, adjusted for a cost inflation index provided by WSP New Zealand Limited. The last revaluation was carried out on 30 June 2021, with a cost inflation adjustment recorded on 30 June 2022.

To calculate the cost inflation adjustment, WSP use publicly available price indices from Statistics New Zealand and Waka Kotahi NZ Transport Agency to assist in informing their assessment of unit rate increases since the last valuation at 30 June 2021. A different combination of indices has been used for each asset class. The price indices used for each asset component of wharves are as follows:

Index	Description	Weighting
Capital Expenditure Price Index – structural metal products and parts thereof (CEPQ.S2421)	Used to represent the cost of reinforcing and structural steel	39%
Labour Cost Index – construction industry (LCIQ.SG53E9)	Used to represent the cost of labour	40%
Capital Expenditure Price Index – civil construction (CEPQ.S2GC)	Used to represent the cost of other materials	21%

The cost inflation adjustment also includes an allowance for on-costs which allow for those costs directly attributable to the construction of an asset. On-costs include professional fees (which include activities such as design, traffic management and quality monitoring), administration costs and finance charges. The on-costs for the components of wharves and hard standings, and harbour improvements have increased from a range of 13% to 23% in 2021, to 14% to 34% in 2023.

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 New Zealand Limited 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.
    - WSP New Zealand Limited 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	2023 Range of significant assumptions	2023 Weighted average	2022 Range of significant assumptions	2022 Weighted average
Depreciated replacement cost basis	Wharf construction replacement unit cost rates per lineal metre – high performance wharves	$137,300 - $282,000	$232,500	$137,300 - $282,000	$232,500
	Earthworks construction replacement unit cost rates per square metre	$8.09	$8.09	$8.09	$8.09
	Basecourse construction replacement unit cost rates per square metre	$23.45 - $45	$37	$23.45 - $45	$37
	Asphalt construction replacement unit cost rates per square metre	$29 - $59	$47	$29 - $59	$47
	Capital dredging replacement unit cost rates per square metre	$5 - $89	*	$5 - $89	*
	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	1-37 years	14 years	1-37 years	14 years
	Wharves remaining useful lives	0-61 years	20 years	0-61 years	20 years

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

10 Property, Plant and Equipment (continued)

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:**

		Impact of change in assumption NZ/000	
Unobservable inputs within the direct sales comparison approach for land			
Rate per square metre	10% decrease/increase	$(149,243)	$149,243
Unobservable inputs within the income capitalisation approach for buildings			
Market rent	10% decrease/increase	-25,500 / +92,200	
Market capitalisation rate	0.5% decrease/increase	+105,300 / -24,500	
Unobservable inputs within depreciated replacement cost analysis for buildings, wharves and hardstanding, and harbour improvements			
Unit costs of construction	The greatest uncertainty is the level of the unit rates. We have used a 90% confidence interval in these unit rates to be between -15% to 18%	-24,344	$61,500

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 hard standing are measured at fair value, based upon periodic valuations by external independent valuers. The Port of Tauranga group undertakes an annual revaluation of land and a three yearly revaluation cycle for all other asset classes 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 Leases

Leases as a lessee*

The Group as lessee has various non-cancellable leases predominantly for the lease of land and buildings. The leases have varying term and renewal rights.

Information about leases for which the Group is a lessee is presented below:

	30 June 2023 $000	30 June 2022 $000
Right of use assets		
Opening balance	**40,407**	41,935
Additions to right of use assets	**75**	383
Depreciation	**(1,856)**	(1,824)
Adjustments to existing right of use assets	**12,226**	(87)
Closing balance	**50,852**	40,407
Lease liabilities		
Opening balance	**42,523**	43,228
Additions	**74**	384
Adjustments to existing lease liabilities**	**12,189**	(123)
Interest	**2,550**	2,084
Repayments	**(3,675)**	(3,050)
Closing balance	**53,661**	42,523

**Prior year comparatives have been restated due to an immaterial error identified, there was no material impact on the closing balance of the lease liability.*
***Adjustments to existing right-of-use assets and lease liabilities relate to increases in lease payments following rent reviews completed during the period.*

	30 June 2023 $000	30 June 2022 $000
Lease liabilities maturity analysis		
Between 0 – 1 year	**1,039**	944
Between 1 – 5 years	**4,358**	3,714
More than 5 years	**48,263**	37,865
Total lease liabilities	**53,661**	42,523

Leases as a Lessor

Lease payments for some contracts include CPI increases, but there are no other variable lease payments that depend on an index or rate. Where considered necessary to reduce credit risk, the company may obtain bank guarantees for the term of the lease. Although the company is exposed to changes in the residual value at the end of the current leases, the company typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

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

	30 June 2023 $000	30 June 2022 $000
Within one year	**26,792**	25,798
One to two years	**16,789**	20,991
Two to three years	**14,107**	15,829
Three to four years	**11,382**	10,729
Four to five years	**11,335**	9,872
Greater than five years	**23,082**	29,746
Total	**103,487**	112,965

11 Leases (continued)

Included in the financial statements are land and buildings classified under property, plant and equipment leased to customers under operating leases.

	2023 Valuation $000	2023 Accumulated Depreciation $000	2022 Valuation $000	2022 Accumulated Depreciation $000
Land	**773,077**	-	760,498	-
Buildings	**103,521**	-	97,392	-
Total	**876,598**	-	857,890	-

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. Where the Group is a lessee, a right-of-use asset and a lease liability are recognised at the lease commencement date.

The right-of-use asset is initially measured at a cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial indirect costs. The right-of-use asset is subsequently depreciated using the straight-line method over the life of the lease term.
The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate. The lease liability is subsequently measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments or if the Group changes its assessment of whether it will exercise a right of renewal.
When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset.

12 Intangible Assets

Group	Kiwifruit G3 Licences $000	Goodwill $000	Computer Software $000	Consents and Contracts $000	Total $000
Revalued cost					
Balance at 1 July 2021	3,040	18,420	5,281	4,171	30,912
Additions	-	-	135	-	135
Disposals	-	-	-	-	-
Revaluation	1,382	-	-	-	1,382
Balance at 30 June 2022	4,422	18,420	5,416	4,171	32,429
Balance at 1 July 2022	4,422	18,420	5,416	4,171	32,429
Additions	-	-	740	-	740
Adjustments	-	-	-	(157)	(157)
Revaluation	(1,051)	-	-	-	(1,051)
Balance at 30 June 2023	**3,371**	**18,420**	**6,156**	**4,014**	**31,961**
Accumulated amortisation and impairment					
Balance at 1 July 2021	-	-	(3,144)	(528)	(3,672)
Amortisation expense	(167)	-	(562)	(765)	(1,494)
Disposals	-	-	-	-	-
Revaluation	167	-	-	-	167
Balance at 30 June 2022	-	-	(3,706)	(1,293)	(4,999)
Balance at 1 July 2022	-	-	(3,706)	(1,293)	(4,999)
Amortisation expense	(258)	-	(526)	(760)	(1,544)
Disposals	-	-	-	-	-
Revaluation	258	-	-	-	258
Balance at 30 June 2023	**-**	**-**	**(4,232)**	**(2,053)**	**(6,285)**
Carrying amounts					
Net book value 30 June 2022	4,422	18,420	1,710	2,878	27,430
Net book value 30 June 2023	**3,371**	**18,420**	**1,924**	**1,961**	**25,676**

	30 June 2023 $000	30 June 2022 $000
Kiwifruit Licence Revaluation Reserve		
Opening balance	3,536	2,421
Revaluation, net of tax	(570)	1,115
License disposal	-	-
Closing balance	**2,966**	**3,536**

G3 licences

The G3 licences held are for a total of 5.53 hectares (2022: 5.53 hectares).

A registered valuer at 30 June 2023 determined that the fair value for licences held by the Group was $3,371,470 (2022: $4,424,000). The current valuation is based on $610,000 (2022: $810,000) per hectare, which was the median G3 licence cost from Zespri's 2023 release of licences. The original cost of the licences is $57,649. There are no restrictions over the title of the intangible assets. 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 $38,449 (2022: $38,449).

12 Intangible assets (continued)

Judgements

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

Goodwill was tested for impairment at 30 June 2023 and confirmed that no adjustment was required. For impairment on the goodwill in Quality Marshalling (Mount Maunganui) Limited, 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. Average revenue growth for this period is 6%.
- 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 and Security

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

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.

Other

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:

Consents and contracts	4 to 35 years
Computer software	1 to 10 years

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	2023 %	2022 %	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, QIT and Toi Moana Trust	100.00	100.00	30 June
Quayside Properties Limited (QPL)	Holds investment properties	100.00	100.00	30 June
Aqua Curo Limited (ACL)	Involvement with macroalgae for bioremediation purposes	100.00	100.00	30 June
Quayside Te Papa Tipu Limited (QTPTL)	Development company	100.00	100.00	30 June
Quayside Mystery Valley Limited (QMVL)	Holds investment property	100.00	100.00	30 June
Quayside Barnett Place Limited (QBPL)	Holds investment property for annuity	100.00	100.00	30 June
Quayside Portside Drive Limited (QPDL)	Holds investment property for annuity	100.00	100.00	30 June
Quayside The Vault Limited	Holds investment property for annuity	100.00	100.00	30 June
Quayside Tauriko Limited (QTL)	Holds investment property.	100.00	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
Timaru Container Terminal Limited	Sea Port	100.00	100.00	30 June

13 Investment in Subsidiaries (continued)

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.

	30 June 2023 $000	30 June 2022 $000
Ownership Interest in Port of Tauranga Limited		
Non current assets	**2,744,590**	2,671,990
Current assets	**79,679**	71,536
Non current liabilities	**(469,916)**	(485,890)
Current liabilities	**(220,637)**	(183,198)
Net assets (100%)	**2,133,716**	2,074,438
Group's share of net assets – 54.14% (2022: 54.14%)	1,155,194	1,123,101
Non Controlling Interest – 45.86 % (2022: 45.86%)	**978,522**	951,337
Accounting adjustment to non-controlling interest (refer note 16(e))	**(13,947)**	(17,198)
	964,575	934,139
Port of Tauranga Group – summary of financial performance and cash flow		
Operating revenue	**420,928**	375,288
Profit after income tax	**117,136**	111,317
Total comprehensive income	**159,941**	770,728
Net cash inflow from operating activities	**144,572**	145,249
Ending cash and cash equivalents	**8,506**	7,272

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.

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	2023 %	2022 %	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
(TRG Pharmaceuticals Limited (previously HoneyLab Limited (A)	Honey products	25.74	25.74	31 Mar*
Rhondium Limited (A) (financial asset as at 30 June 2023)	Dental technology	7.35	13.02	31 Dec*
Techion Holdings Limited (A)	Diagnostic technology	29.18	29.18	30 June
Oriens Capital (A)	Private Equity Fund	19.77	19.77	31 Mar*
PF Olsen Holdings Limited (A)	Forestry Management	44.43	44.43	31 Dec*
HRL Property Limited (JV)	Land ownership	63.70	49.00	30 Jun
Goodbuzz Limited (A)	Kombucha Manufacturer	33.30	33.30	31 Mar*
Lakes Commercial Developments Limited (JV)	Commercial property development	24.90	nil	30 June
Quayside Properties Limited				
Lakes Commercial Developments Limited (JV)	Commercial property development	50	50.00	30 June
Tauranga Commercial Developments Limited (JV)	Commercial property development	50.00	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
Ruakura Inland Port. LP (JV)	Inland Port	50.00	50.00	30 June

* Non-standard balance dates of Group equity accounted investees are aligned to their business cycle and are accepted on the basis they are not material to the Group. The equity accounting for these investments with non-aligned balance dates is based on unaudited management accounts as at 30 June, which have been reviewed by management. WNT Ventures and Techion Holdings Limited have balance dates of 30 June, but audited accounts are generally not available before reporting date. The equity accounting for WNT Ventures and Techion Holdings Limited is therefore based on unaudited management accounts at 30 June. The Group accepts the use of unaudited management accounts on the basis that changes, if any, between management accounts and audited accounts, would not be material to the Group. The equity Accounted Investees of the Group are all incorporated / established in New Zealand.

The joint venture and associate investments of Quayside Holdings Limited and Quayside Properties Limited are held for investment purposes, to diversify Quayside Group's income earning asset base.

During the year, Quayside Holdings has acquired additional ownership in HRL Property Limited and Lakes Commercial Development. Quayside management has performed a control assessment for these entities and determined that the classification as Joint Venture is still appropriate. The assessment is mainly based on the substantial decision making process in existence for the entities.

14 Investments in Equity Accounted Investees (continued)

Acquisition of PF Olsen
On 10 June 2022, Quayside Holdings Limited acquired 44.43% of PF Olsen Group Holdings Limited (PF Olsen). The purchase of PF Olsen fits into the Group strategy to grow a diversified asset base and is also envisaged to generate cash returns for its shareholder.
The purchase price paid by Quayside was $23.0m and includes retention amounts. Hence, there is no additional contingent consideration payable by Quayside Holdings Limited.
The management concluded that Quayside Holdings has significant influence of PF Olsen and accounted for the transaction using the equity method. The investment has been recognised at cost, including goodwill.

Carrying value of investments in Equity Accounted Investees:

	30 June 2023 $000	30 June 2022 $000
Associates		
Balance at 1 July	**41,965**	19,376
Share of net profit / (loss) after tax	**(858)**	5,072
Share of revaluation reserve	**(534)**	-
Share of total comprehensive income	**(1,392)**	5,072
New investment during the year	**1,143**	27,667
Impairment of investment	**(1,808)**	(599)
Distributions received	**(1,161)**	(9,551)
Transfers	**(2,118)**	-
Balance at 30 June	**36,629**	41,965
Joint Ventures		
Balance at 1 July	**208,625**	189,126
Share of after net profit after tax	**14,671**	12,489
Share of hedging reserve	**209**	862
Share of revaluation reserve	**16,817**	13,865
Share of total comprehensive income	**31,697**	27,216
New investment during the year	**25,324**	3,047
Impairment of investment	**(7,870)**	-
Disposal	**-**	
Distributions received	**(19,645)**	(10,764)
Balance at 30 June	**238,131**	208,625
Total equity accounted investees	**274,760**	250,590

Quayside Group

The Group has uncalled capital commitments in its equity accounted investees of $2.9m (2022: $1.8m).

There are no contingent liabilities relating to the Group'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. PF Olsen is presented separately as considered a material equity accounted investee.

14 Investments in Equity Accounted Investees (continued)

Summarised financial information of individually material equity accounted investees – Associates:

Group	2023 Individually immaterial associates NZ$000	2023 PF Olsen Group Holdings NZ$000	2023 Total NZ$000	2022 NZ$000
Cash and cash equivalents	**1,756**	**1,295**	**3,051**	25,998
Total current assets	**2,926**	**61,515**	**64,440**	92,627
Total non current assets	**53,325**	**31,090**	**84,415**	80,455
Total assets	**58,006**	**93,900**	**151,906**	173,083
Current financial liabilities excluding trade and other payables and provisions	**964**	**-**	**964**	86,900
Total current liabilities	**2,181**	**58,292**	**60,473**	91,045
Non current financial liabilities excluding trade and other payables and provisions	**6,960**	**10,634**	**17,593**	10,196
Total non current liabilities	**6,960**	**11,237**	**18,197**	10,196
Total liabilities	**9,141**	**69,529**	**78,669**	101,241
Net assets	**49,452**	**24,371**	**73,823**	71,842
Adjustment to net assets	**-**	**1,263**	**1,263**	-
Group's share of net assets	**9,692**	**11,394**	**21,086**	23,883
Goodwill acquired on acquisition of Equity Accounted Investees	**6,962**	**8,506**	**16,068**	17,900
Carrying amount of Equity Accounted Investees	**16,129**	**20,500**	**36,629**	41,965
Revenues	**1,017**	**110,791**	**111,808**	51,021
Depreciation and amortisation	**9**	**3,142**	**3,151**	1,072
Interest expense	**86**	**419**	**505**	24
Net profit before tax	**470**	**214**	**684**	26,691
Tax expense	**-**	**(37)**	**(37)**	(524)
Net profit after tax	**470**	**292**	**762**	26,166
Other comprehensive income	**-**	**1,202**	**1,202**	-
Total comprehensive income	**470**	**498**	**968**	26,166
Group's share of net profit after tax	**(988)**	**130**	**(858)**	5,082
Group's share of total comprehensive income	**(988)**	**(405)**	**(1,392)**	5,082
Group's share of dividends/distributions	**691**	**469**	**1,161**	9,551

* Inclusive of PF Olsen Abzeco consolidation adjustment.
**Net assets adjusted by $4.4m retentions already paid into PF Olsen Group Holdings but not released to PF Olsen Group.

14 Investments in Equity Accounted Investees (continued)

The following table summarise the financial information of Northport Limited, PrimePort Timaru Limited and 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 2023	Northport Limited	Coda Group Limited Partnership	Prime Port Timaru Limited	Other Equity Accounted Investees	Total
	NZ$000	NZ$000	NZ$000	NZ$000	NZ$000
Cash and cash equivalents	**523**	**19,958**	**509**	**3,085**	**24,075**
Total current assets	**4,989**	**46,762**	**3,693**	**8,381**	**63,825**
Total non current assets	**231,417**	**66,275**	**176,869**	**100,104**	**574,692**
Total assets	**236,406**	**113,037**	**180,562**	**109,357**	**639,362**
Current financial liabilities excluding trade and other payables and provisions	**-**	**(8,936)**	**-**	**(2,888)**	**(11,851)**
Total current liabilities	**(3,998)**	**(30,185)**	**(4,369)**	**(4,296)**	**(42,848)**
Non current financial liabilities excluding trade and other payables and provisions	**(48,519)**	**(44,384)**	**(49,101)**	**(11,007)**	**(153,091)**
Total non current liabilities	**(48,519)**	**(44,384)**	**(49,101)**	**(11,007)**	**(153,137)**
Total liabilities	**(52,517)**	**(74,569)**	**(53,470)**	**(15,349)**	**(195,985)**
Net assets	**183,889**	**38,468**	**127,092**	**94,008**	**443,377**
Group's share of net assets	**91,945**	**19,234**	**63,546**	**48,819**	**223,543**
Goodwill acquired on acquisition of Equity Accounted Investees less impairment losses	**-**	**14,557**	**-**	**28**	**14,585**
Carrying amount of Equity Accounted Investees	**91,946**	**33,791**	**63,546**	**48,847**	**238,130**
Revenues	**40,576**	**272,100**	**28,399**	**5,133**	**346,208**
Depreciation and amortisation	**(5,504)**	**(14,003)**	**(3,386)**	**(545)**	**(23,438)**
Interest expense	**(2,647)**	**(2,256)**	**(2,429)**	**(290)**	**(7,622)**
Net profit before tax	**19,051**	**14,950**	**5,766**	**(3,182)**	**36,585**
Tax expense	**(4,859)**	**-**	**(1,968)**	**(141)**	**(6,968)**
Net profit after tax	**14,192**	**14,950**	**3,798**	**(3,345)**	**29,595**
Other comprehensive income	**6,322**	**-**	**27,730**	**-**	**34,252**
Total comprehensive income	**20,514**	**14,950**	**31,528**	**(3,345)**	**63,647**
Group's share of net profit after tax	**7,096**	**7,475**	**1,899**	**(1,784)**	**14,686**
Group's share of total comprehensive income	**10,257**	**7,475**	**15,764**	**(1,784)**	**31,712**
Group's share of dividends/distributions	**8,420**	**10,000**	**1,100**	**125**	**19,645**

14 Investments in Equity Accounted Investees (continued)

Group 2022	Northport Limited	Coda Group Limited Partnership	Prime Port Timaru Limited	Other Equity Accounted Investees	Total
	NZ$000	NZ$000	NZ$000	NZ$000	NZ$000
Cash and cash equivalents	299	9,842	1,671	2,891	14,703
Total current assets	5,834	38,021	5,214	8,068	57,137
Total non current assets	225,781	78,537	140,878	59,213	504,409
Total assets	231,615	116,558	146,092	67,281	561,546
Current financial liabilities excluding trade and other payables and provisions	-	(10,774)	(408)	(2,890)	(14,072)
Total current liabilities	(5,942)	(32,618)	(5,258)	(15,911)	(59,729)
Non current financial liabilities excluding trade and other payables and provisions	(45,457)	(40,421)	(43,071)	(683)	(129,632)
Total non current liabilities	(45,457)	(40,421)	(43,071)	(474)	(129,423)
Total liabilities	(51,399)	(73,039)	(48,329)	(16,385)	(189,152)
Net assets	180,216	43,519	97,763	50,896	372,394
Group's share of net assets	90,108	21,760	48,882	25,448	186,197
Goodwill acquired on acquisition of Equity Accounted Investees less impairment losses	-	22,428	-	-	22,428
Carrying amount of Equity Accounted Investees	90,108	44,188	48,882	25,448	208,625
Revenues	42,574	245,666	27,515	7,400	323,155
Depreciation and amortisation	(5,330)	(3,101)	(3,573)	(1,886)	(13,890)
Interest expense	(1,928)	(2,623)	(1,457)	(283)	(6,291)
Net profit before tax	20,746	3,282	7,020	1,800	32,848
Tax expense	(5,692)	-	(2,506)	315	(7,883)
Net profit after tax	15,054	3,282	4,514	2,126	24,976
Other comprehensive income	25,570	-	3,884	-	29,454
Total comprehensive income	40,624	3,282	8,398	2,126	54,430
Group's share of net profit after tax	7,527	1,641	2,257	1,063	12,488
Group's share of total comprehensive income	20,312	1,641	4,199	1,063	27,215
Group's share of dividends/distributions	9,513	-	1,250	-	10,763

14 Investments in Equity Accounted Investees (continued)

Tax Treatment of Limited Partnerships

Coda Group Limited Partnership and Ruakura Inland Port Limited Partnership are treated as partnerships for tax purposes and are 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 2023 the Quayside Holdings Limited 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.

The investment in PF Olsen Holdings Limited was tested for impairment at 30 June 2023, based upon the higher of fair value and value-in-use.

Fair value represents an amount obtainable in an arm's length transaction, less cost of disposal. Fair value has been calculated by multiplying and EBITDA multiple of 5.53x with a maintainable EBITDA of $8.6m. The multiple has been determined based the multiple used when PF Olsen was purchased in June 2022. This uses market data and is substantially unchanged and normalized EBITDA has been determined using historical performance of PF Olsen Holdings Limited.

Value-in-use is determined by discounting five-year future cash flow of distributions received. Quayside Holdings Limited has no reason to believe that an asset's value in use materially exceeds its fair value less costs of disposal therefore the fair value less costs of disposal has been used as its recoverable amount.

As a result of the impairment testing performed, Quayside Holdings Limited has impaired its investment in PF Olsen Holdings Limited partnership by $1.8m.

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.

It has been determined that the Parent Company 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 Limited Partnership was tested for impairment at 30 June 2023, based upon the higher of fair value and value-in-use.

Fair value represents an amount obtainable in an arm's length transaction, less cost of disposal. Fair value has been calculated by multiplying an EV / EBITDA multiple of 6.65x with a maintainable EBITDA of $6.9m. The multiple has been determined based on listed and transaction multiples of comparable entities and maintainable EBITDA has been determined using management forecasts

Value-in-use is determined by discounting five-year future cash flows and is based upon the following key assumptions:

- Cash flow projections for the years 2024 to 2026 were projected using management forecasts.
- An annual growth rate of 5% for 2027 and 2028.
- Terminal cash flows were estimated using a constant growth rate of 2% after year five.
- An after-tax discount rate of 9.72% was applied in determining the recoverable amount of the investment.

As a result of the impairment testing performed, the Port of Tauranga Group has impaired its investment in Coda Group Limited partnership by $7.8m.

14 Investments in Equity Accounted Investees (continued)

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

	30 June 2023 $000	30 June 2022 $000
Non current		
Prepayments and sundry receivables	**18,890**	18,612
Total non current	**18,890**	18,612
Trade receivables	**63,216**	54,875
Provision for expected credit losses – trade receivables (refer to note 19(ii)).	**(70)**	
Trade receivables from Equity Accounted Investees, subsidiaries and related parties	**147**	326
	63,293	55,201
Kiwifruit income receivable	**2,042**	2,786
Advances to Equity Accounted Investees (refer note 21)	**1,400**	1,400
Provision for expected credit losses – advances to equity accounted investees (refer to note 19(ii))	**(158)**	(211)
Prepayments and sundry receivables	**5,454**	6,423
Total current	**72,031**	65,599
Total receivables and prepayments	**90,921**	84,211

Aging of trade receivables		
Not past due	**45,586**	43,553
Past due 0 – 30 days	**14,481**	9,910
Past due 30 – 60 days	**700**	956
Past due 60 – 90 days	**983**	167
More than 90 days	**1,542**	288
	63,293	54,875

Advances to equity accounted investees

The Group 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 2023 crop. This is based on the actual number of trays supplied to Zespri and latest forecast information from Zespri on the revenue per tray expected to be received. Revisions of income receivable during the year are recorded against profit and loss – refer to note 4.

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 expected credit losses is established when the assessment under NZ IFRS 9 deems a provision is required (refer to note 19).

Prepayments

Prepayments is predominantly made up of a $22.5 million payment made to KiwiRail Limited in consideration of the extension of the rail agreement at MetroPort. The payment is amortised over 20 years.

15 Receivables and Prepayments

Policies

Receivables and prepayments are initially recognised at transaction price. 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

Number of shares held	30 June 2023 No.	**30 June 2022 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

Paid up and uncalled	**2023 $ paid up**	2022 $ paid up	2023 $ uncalled	2022 $ 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 2023, the amount uncalled is $81,829,918 (2022: $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 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 2026.

16 Equity (continued)

(b) Dividends

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

	30 June 2023 $000	30 June 2022 $000
Ordinary shares		
Total dividends paid of $4,250 per share (2022: $4,000)	**42,500**	40,000
	42,500	40,000
Perpetual preference shares		
Total dividends paid of $0.0252 per share (2022: $0.0177)	**5,047**	3,542
	5,047	3,542
Total dividends paid	**47,547**	43,542

The dividends are fully imputed. Dividends paid by the Port of Tauranga Limited to non-controlling interests were $46.8m (2022: $43.7m)

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 12 March 2023, where the rate for the following three-year period was set at 6.46%. The next dividend reset date will be 13 March 2026.

Dividends declared subsequent to balance date

The Port of Tauranga approved a final dividend of 8.8 cents per share to a total of $59.9 million after reporting date.

No other dividends were declared after balance date but prior to the date of signing of these accounts.

(c) Reserves

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.

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, 7,000,000 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.

The increase in the reserve of $1.2m (2022: $1.5m) recognises the shares earned based on containers delivered during the period.

16 Equity (continued)

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 2023 the balance of the equity settled share-based payment reserve was $5.1m (2022: $3.7m). 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 22).

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 no shares were issued to employees from Port of Tauranga Trustee Company Limited as part of the Employee Share Ownership Plan (2022: nil).

(e) Non-controlling interest

Non controlling interest of 45.86% (2022: 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 arises 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.

16 Equity (continued)

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 periods.

17 Other Financial Assets

	30 June 2023 $000	30 June 2022 $000
Loans to Equity accounted investees	**400**	2,930
Total current	**400**	2,930
Measured at amortised cost		
Advances to Equity accounted investees	**7,288**	
Mandatorily measured at fair value through income statement		
Other financial assets	**293,266**	262,025
Total non-current	**300,554**	262,025

Other financial assets represent the diversified portfolio of the Group that are traded in active markets and direct investment into private equity and managed funds.

Quayside Investment Trust has invested in New Zealand, Australian and International Equities which are managed by an investment manager. Investment reports from the investment manager are received to provide a basis for the valuation. The investment manager values the investments using quoted market prices.

Below a detail of the composition of other financial assets:

Other financial assets	30 June 2023 $000	30 June 2022 $000
Listed assets	**206,878**	193,578
Unlisted direct equity investments	**18,943**	15,560
Venture capital managed funds	**62,552**	50,240
Convertible Notes	**4,893**	2,647
Total other financial assets	**293,266**	262,025

17 Other Financial Assets (continued)

The Group has other equity investments of $86.5m (2022: $68.4m) comprising unlisted direct equity investments and investments in venture capital managed funds. All of the Group's other equity investments are either audited to a balance date earlier than 30 June 2023 (31 December or 31 March) or are unaudited. The accounting as at 30 June is based on unaudited management accounts. Management accepts the use of management accounts on the basis that these are reviewed by management and changes, if any, between management accounts and audited accounts, would be unlikely to result in a material impact on the carrying value of the investment.

Venture capital managed funds are measured to fair value based on the latest quarterly reports provided by the fund managers. The fund managers have used a variety of valuation techniques in valuing the underlying investments consistent with the guidance from the International Private Equity and Venture Capital Valuation Board (IPEV). These include revenue and earnings multiples, discounted cash flows or earnings, market evidence, and transaction prices for recent investment. In some cases cost is assessed as a reasonable approximation of fair value.

While the Board is of the view that the fair values of the venture capital managed funds and unlisted equity investments in these financial statements represent the best available information, uncertainty exists over the fair value of the investments in the absence of an active market to determine fair value. There is inherent uncertainty and difficulty in measuring the fair value of early stage unlisted investments.

The Group has additional other financial assets of $4.9m (2022: $2.6m). There are represented by convertible notes. The management reviewed the value of the notes and fair valued the instrument. The fair value of the convertible note was assessed considering the specific provisions included in the different agreements.

Where relevant information was available the management assessed the fair value of the convertible notes weighting the probability of conversion for the potential fair value derived from conversion and the probability of non-conversion for the value obtained under this second scenario.

The Group company has uncalled commitments of $72.8m (2022: $56.4m) in relation to equity managed fund investments.

The following tables group equity investments as at 30 June 2023 based on the typology and the valuation techniques and inputs used by the Group to derive the fair value of these investments:

Venture capital managed funds

Valuation Technique	Audited Information	Fair Value 2023 $000	Significant Inputs
Adjusted share of net assets	31/03/2023	**18,750**	1. Manager audited financial statements 2. Management assessment of the unaudited period 3. Manager quarterly report
Adjusted share of net assets	31/12/2022	**43,802**	
Total venture capital managed funds		**62,552**	

Unlisted direct equity investments

Valuation Method	Audited Information	Fair Value 2023 $000	Significant Inputs
Discounted Cash Flow and Earnings Multiple	30/06/2022	**12,239**	1. Compound annual growth in Revenue and Gross Profit 2. Discount Rate 3. Terminal value multiple
Cost	n/a	**6,705**	n/a
Total direct equity investments		**18,943**	

Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
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17 Other Financial Assets (continued)

Policies

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: share market investments and other equity investments.

The fair value of share market 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. Share market investments are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

Investments in unlisted venture capital funds and unlisted equity investments are not traded in active markets. The fair value is categorised under the level 3 fair value hierarchy. The valuation approaches for these investments are explained above.

Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Net gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement and other comprehensive income within other gains and other losses.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Partnership has transferred substantially all risks and rewards of ownership. On derecognition, any gain and loss is recognised in the income statement.

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).

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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 19.

Term and debt repayment schedule

Group 2023	Maturity	Coupon	Committed facilities NZ$000	Undrawn facilities NZ$000	Fair Value Adjustment NZ$000	Carrying value NZ$000
Non current						
Fixed rate bond	2028	3.55%	100,000	-	(9,225)	90,775
Standby revolving cash advance facility	2026	Floating	130,000	130,000	-	-
Fixed rate bond	2025	1.02%	100,000	-	-	100,000
Standby revolving cash advance facility	2025	Floating	100,000	100,000	-	-
Standby revolving cash advance facility	2024	Floating	100,000	-	-	100,000
Bay of Plenty Regional Council	2024	Floating	50,000	400	-	49,600
Bay of Plenty Regional Council	2033	Floating	100,000	85,498	-	14,502
Total non current			**680,000**	**315,898**	**(9,225)**	**354,877**
Current						
Multi option facility	2023	Floating	5,000	5,000	-	-
Standby revolving cash advance facility	2023	Floating	50,000	50,000		
Commercial papers	<3 months	Floating	-	-	-	160,000
Westpac borrowings	2023	Floating	75,000	53,125	-	21,875
Total current			**130,000**	**88,125**	**-**	**181,875**
Total			**810,000**	**404,023**	**(9,225)**	**536,752**

18 Loans and Borrowings (continued)

Group 2022	Maturity	Coupon	Committed facilities NZ$000	Undrawn facilities NZ$000	Fair Value Adjustment NZ$000	Carrying value NZ$000
Non current						
Fixed rate bond	2028	3.55%	100,000	-	(7,528)	92,472
Standby revolving cash advance facility	2026	Floating	130,000	130,000	-	-
Fixed rate bond	2025	1.02%	100,000	-	-	100,000
Standby revolving cash advance facility	2025	Floating	100,000	75,000	-	25,000
Standby revolving cash advance facility	2024	Floating	100,000	-	-	100,000
Standby revolving cash advance facility	2023	Floating	50,000	50,000	-	-
Westpac borrowings	2023	Floating	75,000	57,575	-	17,425
Bay of Plenty Regional Council	2024	Floating	50,000	400	-	49,600
Bay of Plenty Regional Council	2033	Floating	100,000	94,998	-	5,002
Total non current			**805,000**	**407,973**	**(7,528)**	**389,499**
Current						
Multi option facility	2022	Floating	5,000	5,000	-	-
Commercial papers	<3 months	Floating	-	-	-	125,000
Total current			**5,000**	**5,000**		**125,000**
Total			**810,000**	**412,973**		**514,499**

18 Loans and Borrowings (continued)

Westpac Banking Corporation

Quayside Holdings Limited has a $75.0 million (2022: $75.0 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 expiring on 30 November 2023, hence for the year ended 30 June 2023 has been classified as current.

Quayside is in negotiations with Westpac and is comfortable with the ability to extend the maturity of the facility for at least another year to November 2024.

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 1 July 2024

In December 2021, Quayside Holdings Limited entered in to a $100 million facility 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 2033.

Fixed rate bonds

The Port of Tauranga has issued two $100 million fixed rate bonds, a five-year bond with a final maturity on 29 September 2025, and a seven-year bond with a final maturity on 24 November 2028.

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 2023 the Port of Tauranga group had $160 million of commercial paper debt that is classified within current liabilities (2022: $125 million). Due to this classification, the Group's current liabilities exceed the Group's current assets. Despite this fact, the 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 $380 million financing arrangement with ANZ Bank New Zealand Limited, Bank of New Zealand Limited, Commonwealth Bank of Australia, New Zealand Branch and MUFG Bank, Ltd, Auckland Branch (2022: $380 million). The facility, which is secured, provides for both direct borrowings and support for issuance of commercial papers.

Multi option facility

The Port of Tauranga has a $5 million multi option facility with Bank of New Zealand Limited, used for short term working capital requirements (2022: $5 million).

18 Loans and Borrowings (continued)

Security

Bank facilities and fixed rate bonds are secured by way of a security interest over certain floating plant assets ($14.6 million, 2022: $15.3 million), mortgages over the land and building assets ($1,629.359 million, 2021: $1,610.341 million), and by a general security agreement over the assets of the Port of Tauranga Group ($2,671.831 million, 2022: $$2,600.187 million).

Covenants

The Port of Tauranga Limited borrows under a negative pledge arrangement, which with limited circumstances does not permit it to grant any security interest over its assets. The negative pledge deed requires the Port of Tauranga Limited to maintain certain levels of shareholders' funds and operate within defined performance and debt gearing ratios. The Port of Tauranga 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 4.38% at 30 June 2023 (2022: 2.92%) for the Group.

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, less any impairment losses.

19 Financial Instruments

a) Accounting Classification and Fair Values

The following tables show the classification, fair value and carrying amount of financial instruments held by the Group at reporting date. The carrying amounts of the following financial instruments are reasonable approximations of their fair value:

- Cash and cash equivalents
- Receivables
- Trade and other payables

Group 2023	Mandatorily at Fair Value through Profit and Loss $000	Other Amortised Cost $000	Total Carrying Amount $000	Fair Value $000
Assets				
Cash and cash equivalents	-	39,362	39,362	39,362
Derivative instruments	35		35	35
Advances to Equity accounted investees	400		400	400
Receivables	-	66,577	66,577	66,577
Total current assets	435	105,940	106,375	106,375
Derivative instruments	15,514	-	15,514	15,514
Advances to equity accounted investees	7,288		7,288	7,288
Other financial assets	293,266	-	293,266	293,266
Total non current assets	316,068	-	316,068	316,068
Total assets	316,503	105,940	422,442	422,442
Liabilities				
Loans and borrowings	-	181,875	181,875	181,875
Lease liabilities	-	1,039	1,039	816
Trade and other payables	-	14,067	14,067	14,067
Derivative instruments	7	-	7	7
Contingent consideration	359	-	359	359
Total current liabilities	366	196,981	197,347	197,124
Loans and borrowings	-	354,877	354,877	344,352
Lease liabilities	-	52,621	52,621	40,515
Derivative instruments	9,242	-	9,242	9,242
Contingent consideration	30	-	30	30
Total non current liabilities	9,272	407,498	416,770	394,139
Total liabilities	9,638	604,479	614,117	591,263

19 Financial Instruments (continued)

Group 2022	Mandatorily at Fair Value through Profit and Loss $000	Other Amortised Cost $000	Total Carrying Amount $000	Fair Value $000
Assets				
Cash and cash equivalents	-	45,680	45,680	45,680
Derivative instruments	350	-	350	350
Advances to Equity accounted investees	2,930	-	2,930	2,930
Receivables	-	59,176	59,176	59,176
Total current assets	3,280	104,856	108,136	108,136
Derivative instruments	11,957	-	11,957	11,957
Other financial assets	262,025	-	262,025	262,025
Total non-current assets	273,982	-	273,982	273,982
Total assets	277,262	104,856	382,118	382,118
Liabilities				
Loans and borrowings	-	125,000	125,000	125,000
Lease liabilities	-	864	864	864
Trade and other payables	-	13,325	13,325	13,325
Derivative instruments	67	-	67	67
Contingent consideration	368	-	368	368
Total current liabilities	435	139,189	139,624	139,624
Loans and borrowings	-	389,499	389,499	377,820
Lease liabilities	-	41,659	41,659	41,659
Derivative instruments	7,403	-	7,403	7,403
Contingent consideration	2,688	-	2,688	2,688
Total non-current liabilities	10,091	431,157	441,248	429,569
Total liabilities	10,526	570,346	580,872	569,193

b) 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* and *Port of Tauranga 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.

19 Financial Instruments (continued)

The Group has exposure to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Refer to (i) for derivative financial instruments used by the Port of Tauranga Group to manage its financial risks.

(i) Derivative Financial Instruments

The Group has the following derivative financial instruments in the following line items in the Statement of Financial Position:

	30 June 2023 NZ$000	30 June 2022 NZ$000
Current assets		
Foreign exchange derivatives – cash flow hedges	**35**	350
Total current assets	**35**	350
Non current assets		
Interest rate derivatives – cash flow hedges	**15,497**	11,957
Foreign exchange derivatives – cash flow hedges	**17**	-
Total non current assets	**15,514**	11,957
Total assets	**15,549**	12,307
		-
Current liabilities		
Foreign exchange derivatives – cash flow hedges	**(7)**	(67)
Total current liabilities	**(7)**	(67)
Non current liabilities		
Interest rate derivatives – Fair value hedge	**(9,242)**	(7,403)
Total non current liabilities	**(9,242)**	(7,403)
Total liabilities	**(9,249)**	(7,470)

Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2023

19 Financial Instruments (continued)

Policies

The Port of Tauranga 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.

(ii) 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:

	30 June 2023 $000	30 June 2022 $000
Credit risk		
Trade and other receivables	**66,577**	59,176
Other financial assets	**7,688**	2,930
Derivative financial instruments	**15,549**	12,307
Cash and cash equivalents	**39,362**	45,680
Total	**129,176**	120,093

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 is obtained annually from the Standard & Poor's Global Corporate Default Study 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, adjusted for any significant known amounts that are not receivable.

There has been no indication of a change in customer payment behaviour, compared with pre-COVID-19 behaviour. On that basis, the following table details loss allowance for trade receivables:

19 Financial Instruments (continued)

Group 2023	Not past due	Past due 0-30 days	Past due 30-60 days	More than 60 days	Total
Expected loss rate (%)	-	-	-	2.78	0.11
Gross carrying amount – trade receivables ($000)	45,586	14,481	700	2,525	63,293
Adjustments	-	-	-	(70)	(70)
Loss allowance on trade receivables ($000)	-	-	-	(70)	(70)

Movements in provision and impairment of financial assets are:

	30 June 2023 $000	30 June 2022 $000
Opening Balance	211	265
Provision for trade receivables	70	-
Provision for advances to Equity Accounted Investees	(53)	(54)
Closing balance	228	211

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19 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 63.6% of total Port of Tauranga group revenue (2022: 59.9%). 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*.

(iii) 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.

The inflows/outflows disclosed in the below tables represent the contractual undiscounted cash flows relating to derivative financial liabilities held for risk management purposes and which are not usually closed out before contractual maturity. The disclosure shows net cash flow amounts for derivatives that are net cash-settled and gross cash inflow and outflow amounts for derivatives that have simultaneous gross cash settlement.

19 Financial Instruments (continued)

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

	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 2023							
Non derivative financial liabilities							
Loans and borrowings	536,752	576,006	311,909	28,229	5,592	128,500	101,776
Lease liabilities	53,660	73,293	1,099	1,088	2,170	6,449	62,486
Trade and other payables	14,067	14,067	14,067	-	-	-	-
Contingent consideration	389	579	-	579	-	-	-
Total non derivative liabilities	604,869	663,945	327,076	29,896	7,762	134,949	164,262
Derivatives							
Interest rate derivatives							
- Cash flow hedges outflow	-	(179)	-	-	-	(168)	(11)
- Cash flow hedges inflow	15,373	18,394	2,511	2,653	3,974	7,486	1,770
- Fair value hedges - outflow	(9,118)	(10,678)	(1,619)	(1,554)	(2,527)	(4,260)	(718)
Foreign exchange derivatives							
Cash flow hedges - outflow	-	(20,246)	(11,225)	(5,492)	(3,529)	-	-
Cash flow hedges - inflow	45	20,294	11,229	5,518	3,547	-	-
Total derivatives	6,300	7,585	896	1,125	1,465	3,058	1,041
Total	**(598,569)**	**(656,360)**	**(326,180)**	**(28,771)**	**(6,297)**	**(131,891)**	**(163,221)**

	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 2022							
Non derivative financial liabilities							
Loans and borrowings	514,499	557,156	291,683	3,597	36,754	114,525	110,597
Lease liabilities	42,523	83,238	1,430	1,425	2,852	9,010	68,521
Trade and other payables	13,325	13,325	13,325	-	-	-	-
Contingent consideration	3,056	3,439	-	511	2,928	-	-
Total non derivative liabilities	573,402	657,158	306,438	5,533	42,534	123,535	179,118
Derivatives							
Interest rate derivatives							
- Cash flow hedges outflow	-	(1,227)	(1,131)	(37)	(34)	(25)	-
- Cash flow hedges inflow	11,990	14,576	344	1,191	2,385	7,198	3,458
- Fair value hedges - outflow	(7,503)	(8,605)	(52)	(818)	(1,623)	(4,007)	(2,105)
Foreign exchange derivatives							
Cash flow hedges - outflow	-	(3,641)	(3,641)	-	-	-	-
Cash flow hedges - inflow	350	3,993	3,993	-	-	-	-
Total derivatives	4,837	5,096	(487)	336	728	3,166	1,353
Total	**(644,097)**	**(729,687)**	**(347,208)**	**(5,834)**	**(72,735)**	**(120,876)**	**(183,034)**

19 Financial Instruments (continued)

(iv) 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 19(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.

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 Port of Tauranga Group's policy is to keep its exposure to borrowings at fixed rates of interest between parameters as set out in the its treasury policy.

The *Port of Tauranga Group* enters into derivative transactions into International Swaps Derivatives Association (ISDA) master agreements. The ISDA agreements do not meet the criteria for offsetting in the balance sheet for accounting purposes.

For nominal value of interest rate derivatives and foreign exchange derivatives along with the respective average interest rate please refer to the Profile Timing section.

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

19 Financial Instruments (continued)

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

	30 June 2023 $000	30 June 2022 $000
Carrying amount		
Fixed rate instruments		
Fixed rate bond	**(190,775)**	(192,472)
Lease liabilities	**(53,660)**	(42,523)
Total	**(244,435)**	(234,995)
Variable rate instruments		
Commercial papers	**(160,000)**	(125,000)
Standby revolving cash advance facility	**(100,000)**	(125,000)
Interest rate derivatives*	**6,255**	4,487
Westpac borrowings	**(21,875)**	(17,425)
Bay of Plenty Regional Council Borrowings	**(64,102)**	(54,602)
Cash balances	**39,362**	45,679
Total	**(300,359)**	(271,861)

** Only interest rate derivative liabilities were included in this table in the prior year financial statements. In the current year the interest rate derivatives line includes the net total of assets and liabilities to better show the overall interest rate profile of these instruments. We have restated the comparative on the same basis as the current year.*

Sensitivity analysis

Interest rate movements have been applied to the Group's variable rate debt to demonstrate the sensitivity to interest rate risk. 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 used for the year ended June 2022.

The effect on equity is the movement in the valuation of derivatives that are designated as cash flow hedges due to an increase or decrease in interest rates. All derivatives that are effective as at 30 June 2023 are assumed to remain effective until maturity. Therefore, any movements in these derivative valuations are taken to the cash flow hedge reserve within equity and they will reverse entirely by maturity date.

	Profit or Loss		Cash Flow Hedge Reserve	
	100 bp Increase $000	100 bp Decrease $000	100 bp Increase $000	100 bp Decrease $000
Group 2023				
Variable rate instruments	**(2,603)**	**2,622**	**-**	**-**
Interest rate derivatives - paying fixed	**1,404**	**(1,352)**	**5,143**	**(5,418)**
Interest rate derivatives - paying floating	**(722)**	**722**	**-**	**-**
Total	**(1,921)**	**1,992**	**5,143**	**(5,418)**
Group 2022				
Variable rate instruments	(3,451)	3,493	-	-
Interest rate derivatives - paying fixed	1,476	(1,476)	5,656	(5,656)
Interest rate derivatives - paying floating	(720)	720	-	-
Total	**(2,695)**	**2,737**	**5,656**	**(5,656)**

19 Financial Instruments (continued)

Foreign exchange risk

Quayside Group

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:

	30 June 2023 $000	30 June 2022 $000
Cash – AUD	**7,817**	4,098
Cash – USD, EUR, GBP, CAD	**7,703**	6,684
Equities – AUD	**33,476**	34,336
Equities – USD, EUR, GBP, CAD, SGD	**63,135**	64,403
	112,131	109,521

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 used for the year ended June 2022.

	Profit or Loss	
	10% Increase $000	10% Decrease $000
Group		
Cash – AUD	**782**	**(782)**
Cash – USD, EUR, GBP	**770**	**(770)**
Equities – AUD	**3,348**	**(3,348)**
Equities – USD, EUR, GBP, CAD, SGD	**6,314**	**(6,314)**
30 June 2023	**11,213**	**(11,213)**
Cash – AUD	410	(410)
Cash – USD, EUR, GBP	668	(668)
Equities – AUD	3,434	(3,434)
Equities – USD, EUR, GBP, CAD, SGD	6,440	(6,440)
30 June 2022	10,952	(10,952)

Port of Tauranga

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant Group entity. The risk is measured through a forecast of highly probable foreign currency expenditures. The risk is hedged with the objective of minimising the volatility of the NZD cost of highly probable forecast property, plant and equipment purchases.

The Port of Taranga Group's policy is to hedge between 0% and 50% of foreign exchange exposures for property, plant and equipment purchases following approval from the Board for the capital expenditure, and a minimum of 75% hedging is required at the time a supply contract is signed. The above limits apply to foreign currency imports of capital items exceeding NZD500,000.

19 Financial Instruments (continued)

At reporting date, the Port of Tauranga Group's exposure to foreign exchange risk, expressed in NZD, was as follows:

	2023		2022	
	USD NZ$000	**EUR NZ$000**	USD NZ$000	AUD NZ$000
Foreign currency forwards				
Buy foreign currency (cash flow hedges)	**2,285**	**17,961**	1,947	1,694

As shown in the table above, the Port of Tauranga Group is primarily exposed to changes in US/NZ, EUR/NZ and AU/NZ exchange rates. The impact on equity arises from foreign forward exchange contracts designated as cash flow hedges.

If, at reporting date, foreign exchange rates had been 5% higher/lower, with all other variables held constant, the result would increase/(decrease) the hedging reserve by the amounts shown below. Based on historical movements, a 5% increase or decrease in the NZD exchange rate is considered to be a reasonable estimate.

The analysis was performed on the same basis for 2022.

	Cash Flow Hedge Reserve	
	2023 NZ$000	2022 NZ$000
EUR/NZ exchange rate – increase 5% (2022: 5%)	**(596)**	0
EUR/NZ exchange rate – decrease 5% (2022: 5%)	**659**	0
US/NZ exchange rate – increase 5% (2022: 5%)	**(78)**	(107)
US/NZ exchange rate – decrease 5% (2022: 5%)	**86**	118
AU/NZ exchange rate – increase 5% (2022: 5%)	**-**	(82)
AU/NZ exchange rate – decrease 5% (2022: 5%)	**-**	91

Other price risk

Quayside Group is exposed to equity securities price risk because of investments 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 and managed funds. 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:

	30 June 2023 $000	30 June 2022 $000
Unlisted private equity and managed funds	**86,389**	68,447
Listed Equities - NZD	**110,266**	94,839
Listed Equities - AUD	**33,476**	34,336
Listed Equities – USD, EUR, GBP, CAD, SGD	**63,135**	64,403
	293,266	262,024

19 Financial Instruments (continued)

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.

	10% Increase $000	10% Decrease $000
Unlisted private equity and managed funds	8,639	(8,639)
Listed Equities - NZD	11,027	(11,027)
Listed Equities - AUD	3,348	(3,348)
Listed Equities – USD, EUR, GBP, CAD, SGD	6,314	(6,314)
30 June 2023	29,327	(29,327)
Unlisted private equity and managed funds	6,845	(6,845)
Listed Equities - NZD	9,484	(9,484)
Listed Equities - AUD	3,434	(3,434)
Listed Equities – USD, EUR, GBP, CAD, SGD	6,440	(6,440)
30 June 2022	26,202	(26,202)

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 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 2022, 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 $0.2m (2022: $0.3m).

19 Financial Instruments (continued)

Market liquidity risk

Market liquidity risk is the risk that insufficient liquidity in the market for a security will limit the ability of the security to be sold, resulting in the Group suffering a financial loss. The Group is subject to market liquidity risk if investments are made in relatively illiquid securities, such as unlisted investments. The Group seeks to minimise its exposure to this risk through having sufficient liquid investments.

Financial instruments categories and fair value hierarchy

The Group's other equity investments are mandatorily measured at fair value through the income statement. The table below analyses financial instruments carried at fair value, by level of valuation.

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2023 and 30 June 2022.

	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
30 June 2023				
Financial assets at fair value through profit or loss				
Listed equity investments	**206,878**	**-**	**-**	**206,878**
Unlisted direct investments	**-**	**-**	**18,943**	**18,943**
Unlisted managed funds	**-**	**-**	**62,552**	**62,552**
Other instruments	**-**	**-**	**4,893**	**4,893**
	206,878	-	**86,389**	**293,266**

	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
30 June 2022				
Financial assets at fair value through profit or loss				
Listed equity investments	193,578	-	-	193,578
Unlisted direct investments	-	-	15,560	15,560
Unlisted managed funds	-	-	50,240	50,240
Other instruments	-	-	2,647	2,647
	193,578	-	68,447	262,024

Transfers between levels in the fair value hierarchy

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Board and management determine whether transfers have occurred between levels in the hierarchy by reassessing categorisation throughout each reporting period. There were no transfers between levels in the current or prior year.

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19 Financial Instruments (continued)

Reconciliation of fair value measurement under Level 3 hierarchy

The table below shows a reconciliation of fair value movements in Level 3 financial instruments.

	30 June 2023 $000	30 June 2022 $000
Opening Balance	**68,447**	45,932
Purchases	**14,579**	22,895
Sales	**(650)**	(3,951)
Interest Income	**533**	-
Transfers	-	(7,339)
Unrealised gains and losses recognised in net fair value gains / (losses) on financial instruments held at fair value through profit or loss	**3,480**	10,910
Closing Balance	**86,388**	68,447

For recurring fair value measurements categorised within Level 3 of the fair value hierarchy the amount of the total gains or losses for the period included in income that is attributable to the change in unrealised gains or losses relating to those assets and liabilities held at the end of the reporting period was a $3.5m gain (2022: $10.9m gain), and these amounts are recognised as part of the 'Other Gains' (Note 4c) or 'Other Losses' (Note 6 b) line item of the income statement.

Fair value sensitivity

	Non-market observable input	Movement	Impact on fair value measurement	
		%	Increase $000	Decrease $000
2023 –Group				
Unlisted direct investments	(i)	(i)	3,789	(3,789)
Unlisted managed funds	(i)	(i)	12,510	(12,510)
2022 –Group				
Unlisted direct investments	(i)	(i)	3,112	(3,112)
Unlisted managed funds	(i)	(i)	10,048	(10,048)

(i) The Group's investments that have been categorised as private equity and are held either directly or via externally managed investment vehicles. The Board and management have assessed that the reasonably likely movement in fair value in a one-year period is: 20% for direct private equity investments and 20% for managed funds based on internal risk modelling.

Valuations for these investments are provided by investment managers or administrators if held via a managed structure. The Group does not always have access to the underlying valuation models to fully disclose sensitivities to specific assumptions.

19 Financial Instruments (continued)

(v) Hedging activity

i) Cash Flow Hedges

The details of hedging instruments and hedged items for cash flow hedges are as follows:

Group 2023	Hedging Instrument	Hedged Item	Carrying Amount of Hedging Instrument: Assets NZ$000	Carrying Amount of Hedging Instrument: (Liabilities) NZ$000	Carrying Amount of Hedged Item: Assets NZ$000	Carrying Amount of Hedged Item: (Liabilities) NZ$000	Change in Fair Value of Outstanding Hedging Instruments NZ$000	Change in Fair Value Used for Calculating Hedge Effectiveness NZ$000	Hedge Ineffectiveness Recognised in Profit or Loss NZ$000	Line item in Profit of Loss that includes hedge effectiveness
Cash flow hedge	Interest rate derivatives	Loans and borrowings	15,497	(124)	-	(195,000)	3,483	(4,617)	78	Finance income
Cash flow hedge	Foreign exchange derivatives	Plant, property, and equipment	52	(7)	-	-	(304)	304	55	Finance income
Total			15,549	(131)	-	(195,000)	3,179	(4,313)	**133**	

*Includes forward starting derivatives.

Group 2022	Hedging Instrument	Hedged Item	Carrying Amount of Hedging Instrument: Assets NZ$000	Carrying Amount of Hedging Instrument: (Liabilities) NZ$000	Carrying Amount of Hedged Item: Assets NZ$000	Carrying Amount of Hedged Item: (Liabilities) NZ$000	Change in Fair Value of Outstanding Hedging Instruments NZ$000	Change in Fair Value Used for Calculating Hedge Ineffectiveness NZ$000	Hedge Ineffectiveness Recognised in Profit or Loss	Line item in Profit of Loss that includes hedge effectiveness
Cash flow hedge	Interest rate derivatives	Loans and borrowings	11,957	(67)	-	(205,000)	26,803	(27,655)	6	Finance income
Cash flow hedge	Foreign exchange derivatives	Plant, property, and equipment	350	-	-	-	272	(272)	-	
Total			12,306	(67)	0	(205,000)	27,075	(27,927)	6	

*Includes forward starting derivatives.

ii) Fair value hedges

Group 2023	Hedging Instrument	Hedged Item	Carrying Amount of Hedging Instrument: Assets NZ$000	Carrying Amount of Hedging Instrument: (Liabilities) NZ$000	Carrying Amount of Hedged Item: Assets NZ$000	Carrying Amount of Hedged Item: (Liabilities) NZ$000	Accumulated Amount of Fair Value Hedge Adjustments on the Hedged Item included in the Carrying Amount of the Hedged Item: Assets NZ$000	Accumulated Amount of Fair Value Hedge Adjustments on the Hedged Item included in the Carrying Amount of the Hedged Item: (Liabilities) NZ$000	Change in Fair Value Used for Calculating Hedge Effectiveness NZ$000	Change in Fair Value of Hedged Item Used to Determine Hedge Ineffectiveness NZ$000	Hedge Ineffectiveness Recognised in Profit or Loss NZ$000
Fair value hedge	Interest rate derivatives	Loans and borrowings	-	(9,118)	-	(90,775)	9,224	-	(1,715)	1,696	(19)

Group 2022	Hedging Instrument	Hedged Item	Carrying Amount of Hedging Instrument: Assets NZ$000	Carrying Amount of Hedging Instrument: (Liabilities) NZ$000	Carrying Amount of Hedged Item: Assets NZ$000	Carrying Amount of Hedged Item: (Liabilities) NZ$000	Accumulated Amount of Fair Value Hedge Adjustments on the Hedged Item included in the Carrying Amount of the Hedged Item: Assets NZ$000	Accumulated Amount of Fair Value Hedge Adjustments on the Hedged Item included in the Carrying Amount of the Hedged Item: (Liabilities) NZ$000	Change in Fair Value Used for Calculating Hedge Effectiveness NZ$000	Change in Fair Value of Hedged Item Used to Determine Hedge Ineffectiveness NZ$000	Hedge Ineffectiveness Recognised in Profit or Loss NZ$000
Fair value hedge	Interest rate derivatives	Loans and borrowings	-	(7,403)	-	(92,954)	7,528	-	(7,403)	7,528	125

The accumulated amount of fair value adjustments remaining in the balance sheet of any hedged items that have ceased to be adjusted for hedging gains and losses is $nil (2022: $nil). The changes in fair value deemed to be hedge ineffective are recognized in finance income or expenses.

19 Financial Instruments (continued)

Profile of Timing

The following table sets out the profile of timing of the notional amount of the hedging instrument:

Group 2023	Maturity: Less than 12 months NZ$000	1-4 Years NZ$000	4-7 Years NZ$000	More than 7 years NZ$000	Total NZ$000
Interest rate derivatives					
Notional amount – fixed (NZ$000)	**-**	**155,000**	**160,000**	**-**	**315,000**
Average fixed rate (%)	**3.09**	**2.62**	**2.47**	**-**	**2.69**
Notional amount – variable (NZ$000)	**-**	**-**	**100,000**	**-**	**100,000**
Average variable rate (%)	**6.72**	**5.39**	**5.26**	**-**	**5.60**
Foreign exchange derivatives					
Notional amount (US$000)	**1,410**	**-**	**-**	**-**	**1,410**
Notional amount (EUR$000)	**8,074**	**1,957**	**-**	**-**	**10,031**
Average USD:NZD forward contract rate	**0.62**	**-**	**-**	**-**	**0.62**
Average EUR:NZD forward contract rate	**0.56**	**0.55**			**0.56**

Group 2022	Maturity: Less than 12 months NZ$000	1-4 Years NZ$000	4-7 Years NZ$000	More than 7 years NZ$000	Total NZ$000
Interest rate derivatives					
Notional amount (NZD$000) – fixed	30,000	135,000	95,000	40,000	300,000
Average rate (%)	3.13	2.75	1.93	1.41	2.59
Notional amount (NZD$000) – variable	-	-	100,000	-	100,000
Average rate (%)	4.42	5.03	5.06	-	4.95
Foreign exchange derivatives					
Notional amount (US$000)	1,410	-	-	-	1,410
Notional amount (AU$000)	1,568	-	-	-	1,568
Average USD:NZD forward contract rate	0.72	-	-	-	0.72
Average AUD:NZD forward contract rate	0.93	-	-	-	0.93

Hedging reserves

The details of movements within the hedging reserve are as follows:

	30 June 2023 NZ$000	**30 June 2022 NZ$000**
Opening balance	**9,051**	(11,358)
Fair value gains included in OCI	**3,438**	27,075
Reclassified to income statement – included in finance expenses	**(82)**	(6)
Reclassified to the cost of property, plant and equipment – not included in OCI	**(255)**	-
Amortisation of interest rate collar premium	**22**	80
Movement in hedging reserve of Equity Accounted Investees	**209**	862
Tax impact (refer to note 8)	**(874)**	(7,602)
Closing balance	**11,509**	9,051

19 Financial Instruments (continued)

Hedge effectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

For hedges of foreign currency purchases, the Port of Tauranga Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The Port of Tauranga Group therefore performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Port of Tauranga Group uses the hypothetical derivative method to assess effectiveness.

In hedges of foreign currency purchases, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of the Port of Tauranga Group or the derivative counterparty.

The Port of Tauranga Group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The Port of Tauranga Group does not hedge 100% of its loans, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps. As all critical terms matched during the year, there is an economic relationship.

Hedge ineffectiveness for interest rate swaps is assessed using the same principles as for hedges of foreign currency purchases. It may occur due to:

- the credit value/debit value adjustment on the interest rate swaps which is not matched by the loan;
- differences in critical terms between the interest rate swaps and loans; and
- drawn liabilities that fall below the hedging amount, causing the hedge ratio to exceed 100%.

Cash flow hedges

The Port of Tauranga Group manages its interest rate risk and foreign exchange risk by designating cash flow hedges.

The Port of Tauranga Group's policy of ensuring a certain level of its interest rate risk exposure is at a fixed rate, is achieved partly by entering into fixed-rate instruments and partly by borrowing at a floating rate and using interest rate swaps as hedges of the variability in cash flows attributable to movements in interest rates.

The Port of Tauranga Group uses foreign exchange forwards to hedge its foreign exchange risk exposure in respect of highly probable forecast transactions. The Port of Tauranga Group designates the forward rates of foreign currency forwards in hedge relationships.

The Port of Tauranga Group applies a hedge ratio of 1:1.

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 change in fair value of the cash flow hedge is accounted for as a cost of hedging and recognised in the hedging reserve within equity.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

- Where the hedged item subsequently results in the recognition of a non-financial asset (such as property, plant and equipment), the deferred hedging gains and losses, if any, are included within the initial cost of the asset. The deferred amounts are ultimately recognised in profit or loss as the hedged item affects profit or loss (e.g. through depreciation).

- The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.

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.

19 Financial Instruments (continued)

Fair Value Hedges

The Group designates as fair value hedges derivative financial instruments on fixed rate debt where the fair value of the debt changes as a result of changes in interest rates. The carrying amount of the hedged items are adjusted for gains and losses attributable to the risk being hedged. The hedging instruments are also measured to fair value. Gains and losses from both are recognised in the income statement. The Port of Tauranga Group applies a hedge ratio of 1:1.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in profit or loss within finance expenses, together with changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

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 based on observable forward price curves. The fair value of forward exchange contracts is calculated as the present value of future cash flows based on quoted forward exchange rates at the reporting date.

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

20 Trade and other payables

	30 June 2023 $000	30 June 2022 $000
Accounts payable	**10,594**	12,049
Accrued employee benefit liabilities	**6,730**	7,062
Accruals	**27,468**	22,955
Payables to Equity Accounted Investees and related parties	**213**	229
Total trade and other payables	**45,004**	42,295

Payables denominated in currencies other than the functional currency are nil (2022: 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.

The classification of prior year comparatives between payables and accruals have been revised to better reflect how these items are classified in the current year.

Policies

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

Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2023

21 Related Party Transactions

Parent and ultimate controlling entity

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

Transactions with key management personnel

The below disclosure refers to Quayside Group and Port of Tauranga Group. The Group does not provide any non cash benefits to Directors in addition to their Directors' fees. Key management personnel compensation comprised the following:

	30 June 2023 $000	30 June 2022 $000
Directors		
Directors' fees recognised during the period	**1,283**	1,264
Executive Officers		
Executive officer's salaries and other short-term employee benefits recognised during the period (cash settled)	**4,537**	4,398
Executive officer's share based payments (equity settled) recognised during the period	**397**	305
Post-employment executive officers' employee benefits recognised during the period	**27**	117
Total	**6,233**	6,084

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 22).

21 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.

Quayside Group transactions with related parties:	30 June 2023 $000	30 June 2022 $000
Transactions with Ultimate Controlling Entity		
Bay of Plenty Regional Council		
Services provided to Quayside Properties Limited		-
Interest paid by Quayside Holdings Limited	-	963
Interest payable by Quayside Holdings Limited	**2,158**	45
Dividends paid by Quayside Holdings Limited	**42,500**	40,000
Loan repaid by Quayside Holdings Limited	-	-
Loan payable by Quayside Holdings Limited	**64,101**	54,730
Subvention payable by Quayside Unit Trust		-
Subvention payable by Quayside Properties Limited		-

Quayside Group transactions with related parties:	30 June 2023 $000	30 June 2022 $000
Transactions with Equity Accounted Investees		
Services provided by Quayside Holdings Limited	**157**	50
Accounts payable by Quayside Holdings Limited	-	-
Accounts receivable by Quayside Holdings Limited	-	-
Loans advanced by Quayside Holdings Limited	**5,061**	-
Loan repayment received by Quayside Holdings Limited	-	-
Loan receivable by Quayside Holdings Limited	**7,687**	2,226
Interest charged by Quayside Holdings Limited	**412**	
Interest receivable by Quayside Holdings Limited	**7**	46
Capital contribution payable by Quayside Properties Limited	-	-
Capital contributions by Quayside Properties Limited	**359**	-
Loan advanced by Quayside Properties Limited	-	-
Distributions received by Quayside Properties Limited	**125**	
Loan payable to Quayside Properties Limited	-	303
Interest charged by Quayside Properties Limited	-	32
Interest payable to Quayside Properties Limited	-	32

21 Related Party Transactions (continued)

Further information on investment in to, and distributions from Equity Accounted Investees, can be found in note 14.

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

	30 June 2023 No	30 June 2022 No
R A McLeod (a director) as Trustee	**100,000**	100,000

Port of Tauranga Group transactions with related parties:	30 June 2023 $000	30 June 2022 $000
Transactions with ultimate controlling entity:		
Bay of Plenty Regional Council		
Services provided to Port of Tauranga Limited	-	-
Transactions with equity accounted investees		
Services provided to Port of Tauranga Limited	**774**	521
Services provided by Port of Tauranga Limited	**5,184**	4,071
Accounts receivable by Port of Tauranga Limited	**160**	165
Accounts payable by Port of Tauranga Limited	**51**	49
Advances by Port of Tauranga Limited	**1,400**	1,400
Services provided to Quality Marshalling (Mount Maunganui) Limited	**2**	1
Services provided by Quality Marshalling (Mount Maunganui) Limited	**319**	703
Accounts receivable by Quality Marshalling (Mount Maunganui) Limited	**27**	21
Accounts payable by Quality Marshalling (Mount Maunganui) Limited	-	-
Services provided to Timaru Container Terminal Limited	**3,046**	3,050
Services provided by Timaru Container Terminal Limited	**156**	337
Accounts receivable by Timaru Container Terminal Limited	-	140
Accounts payable by Timaru Container Terminal Limited	**202**	180
Transactions with key management personnel		
Directors' fees recognised during the period	**862**	862
Executive officers' salaries and other employee benefits recognised during the period (cash settled)	**4,083**	3,907
Executive officers' share-based payments (equity settled) recognised during the period	**397**	305
Post employment executive officers' employee benefits recognised during the period	**27**	117

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 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.

22 Management Long Term Incentive Plan

Members of the Port of Tauranga Group's executive management team participate in an equity settled long term incentive (LTI) plan. Under this LTI plan, share rights are issued to participating executives and have a three-year vesting period. 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 depend 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 2023 is $0.2 million (2022: $0.6 million) with a corresponding increase in the share based payments reserve (refer note 16).

Number of Share Rights Issued to Executives:

Grant Date	Scheme End Date	Right Type	Balance at 30 June 2022	Granted During the Year	Vested During the Year	Forfeited During the Year	Balance at 30 June 2023
1 July 2019	30 June 2022	EPS	90,058	-	(36,624)	(53,434)	-
1 July 2019	30 June 2022	TSR	75,050	-	(42,160)	(32,890)	-
1 July 2020	30 June 2023	EPS	88,409	-	-	-	88,409
1 July 2020	30 June 2023	TSR	73,674	-	-	-	73,674
1 July 2021	30 June 2024	EPS	79,203	-	-	-	79,203
1 July 2021	30 June 2024	TSR	66,003	-	-	-	66,003
1 July 2022	30 June 2025	EPS	-	100,972	-	-	100,972
1 July 2022	30 June 2025	TSR	-	84,143	-	-	84,143
Total LTI Plan			**472,397**	**185,115**	**(78,784)**	**(86,324)**	**492,404**

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 July 2020	30 June 2023	EPS	7.59	0.00	25.0	7.03
1 July 2020	30 June 2023	TSR	7.59	0.00	25.0	3.01
1 July 2021	30 June 2024	EPS	7.00	1.38	25.9	6.88
1 July 2021	30 June 2024	TSR	7.00	1.38	25.9	4.19
1 July 2022	30 June 2025	EPS	6.17	4.24	27.2	6.09
1 July 2022	30 June 2025	TSR	6.17	4.24	27.2	2.92

PAYE Liability
Upon vesting of share rights, the Port of Tauranga funds the PAYE liability and issues the net amount of shares to executives.

22 Management Long Term Incentive Plan (continued)

Policies
The Port of Tauranga 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.

23 Investment Properties

	30 June 2023 $000	30 June 2022 $000
Balance at 1 July	**97,308**	56,908
Additions – Work in progress (at cost)	**13,609**	6,044
Additions - Acquisitions (at cost)	**0**	9,033
Sales	**(3,050)**	-
Fair value gains / (losses) on valuation	**(7,810)**	25,323
Balance at 30 June	**100,057**	97,308
Classified as:		
Investment Property – Non current	**100,057**	97,308
	100,057	97,308
Rental / lease income from investment properties	**1,856**	1,646
Expenses from investment property generating income	**593**	186

Description of investment properties

Investment properties held include the following:

Asset type	Location	Current use
Commercial Building	Tauranga CBD	Commercial Lease
Commercial Building	Hamilton	Commercial Lease
Industrial Building	Mount Maunganui	Commercial Lease
Industrial Building	Hamilton, Te Rapa	Commercial Lease
Residential Rural Block	Tauriko	Residential Rental
Industrial Zoned Land for future development as a 'Rangiuru Business Park'.	Rangiuru, Te Puke	Kiwifruit orchards, leased dairy grazing land and residential rentals.
Commercial Building	Sala Street, Rotorua	Commercial Lease

The rural block located in Paengaroa was sold during the financial year ending June 2023.

Rangiuru Land classification

The management run an assessment in order to determine the classification of Rangiuru Land as at 30 June 2023. The decision to classify the land as investment property instead of inventory requires a high degree of judgement from the management.

In 2005 the Group undertook a plan change which changed the land from rural to industrial. There has been no change in designation of the land since this time. In parallel, the Group obtained a number of long-term consents for the park. All are deemed operative, by virtue of the Tauranga Eastern Link development. Quayside is in the process of seeking a renewed earthworks consent and a minor modification on one existing consent. No new consents were issued in the last 12 months.

23 Investment Properties (continued)

As at balance date, buildings and vines had been removed from stage one land in preparation for the development.

As at balance sheet date, earthworks are being carried out to develop the land. In the meantime, the works for the interchange have also commenced. Due to the long-term horizon of the project, there is still a lot of uncertainty around timing and actions to be taken with the plan plots and the development of the Business Park. A decision on Quayside role in relation to the park at completion is not reached yet. The Group is currently seeking expressions of interest in the development and has indicated that it is interested in selling land, leasing land or developing vertical builds.

Due to the existing uncertainties disclosed above, the management believes that the classification of the land as investment property is appropriate.

Valuation of investment properties

Investment properties are revalued annually to fair value. The fair value measurements have been categorised as a level 2 fair value based on the inputs to the valuation technique. 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 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.

A summary of the valuation methods and significant assumptions applied in the valuation of these assets are:

Asset type	Valuation method adopted	Highest and best use	Significant assumptions
Commercial and Industrial Buildings	Capitalisation approach and Discounted Cash Flow Analysis	Current use	Net market rent of $400.00 (2022: $438.51) per sqm (Commercial) Net market rent of $189.80 (2022: $181.80) (Industrial, Mount Maunganui) Net market rent of $173.02 (2022: $153.75) (Industrial, Hamilton) Capitalisation rate range of 5.75% and 6.50% (2022:4.875% and 5.375%) Discount rate of 6.50% and 7.25% (2022: 5.75% and 6.00%)
Residential Rural Block - Tauriko	Market approach	Current use	$550/sqm to $250,000/ha for improvements and land respectively.
Rangiuru Business Park	Market approach	Stage 1 Land – Industrial park development Stage 2 land –Orchard/rural	Stage 1 Land – n/a (2022: $4.4to $70/sqm.) Stage 1 Developed Land - $5 to $112.50/sqm (2022: $85/sqm.) Stage 2 Land - $60/sqm (2022: $60/sqm.)

Commitments

The Company has $46 m of commitments in relation to the development of the Rangiuru Business Park (June 2022: $1.4m) and $7m commitments towards the main contractor for the development of the building located in Rotorua, Sala Street.

23 Investment Properties (continued)

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.

24 Biological Assets

	30 June 2023	30 June 2022
Forestry	$000	$000
Balance at 1 July	**807**	680
Additions	-	-
Disposals	**(807)**	-
Change in fair value less estimated costs to sell	-	127
Balance at 30 June	-	807

In December 2022, the forestry block comprised 103.5 hectares of pinus radiata was sold. The land and biological assets were sold for a net consideration of $3.6m. The gross price allocated to the crop was $0.7m.

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 (2022: nil). The fair value is deemed to be cost as insufficient biological transformation has occurred.

25 Contingencies

Refer to the Capital Commitments section of note 10 for details on the construction contingency the Port of Tauranga may be required to fund in relation to Ruakura Inland Port LP.

26 Subsequent Events

The financial statements were approved by the Board of Directors on 14 September 2023.

After the reporting date, the Port of Tauranga approved a final dividend of 8.8 cents per share. Please refer to Note 16(b).

On 24 July 2023, Quayside Holdings Limited purchased the residual amount of share from TBP Holdings Limited in Lakes Commercial Developments for a purchase price of $1.3m. After the purchase, Quayside Holdings Limited holds 100% of Lakes Commercial Developments.

On 5 July 2023 Quayside Holdings entered into a subscription agreement for an investment of $25m into Tauranga Crossing Limited. On 4 September 2023, Quayside completed the purchase of 22,609 shares in Tauranga Crossing Limited.

27 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 target	Performance measure	2023 result	
1. Maintain a majority holding in the Port of Tauranga Limited.	Holding of greater than 50.1%. Council approval and community consultation through the Special Consultative Procedure set out in Section 93 of the Act and the relevant Council policy must be sought prior to any change to the current shareholding.	Quayside held 54.14% of Port of Tauranga shares as at 30 June 2023.	●

Target met: **Yes**

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 sell any Port shareholding without the endorsement from 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.

	30 June 2023	30 June 2022
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	**$420.9m**	$375.2m
Results from operating activities	**$210.6m**	$193.1m
Net profit	**$117.1m**	$111.4m
Cash flows		
Ordinary dividends paid out	**$102.1m**	$95.2m
Ordinary dividends received by Quayside	**$55.3m**	$51.6m
Ordinary dividends as percent of profit	**86%**	73%
Dividend declared post balance date	**$59.9m**	$55.8m
Asset Backing		
Share price (last bid price)	**$6.15**	$6.16
Market value of Port	**$4,184.7m**	$4,140.5m
Market value of Quayside Holding	**$2,265.8m**	$2,269.6m
Net tangible assets per share (dollars per share)	**$3.14**	$3.05
Governance		
Number of directors	**7**	7
Number of Quayside affiliated directors	**2**	2

**Includes treasury shares*

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

27. Quayside Group Statement of Service Performance

(b) Investment portfolio

Performance target	Performance measure	2023 result	
2. Generate commercial returns across the Investment portfolio.	Five year rolling gross return target of >/= 7.0% per annum.	Five year rolling gross return of 9.78% for the Quayside consolidated group achieved at 30 June 2023.	●

Target met: **Yes**

The *Quayside Group* manages a diversified investment portfolio with a market value of $202.3m at 30 June 2023. 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% p.a. five year rolling gross return target *(2022 7.0%)* is based on current industry and analyst expectation of long-term performance of equity markets. This target is reviewed annually. The Quayside Group exceeded its rolling five year gross return objective with a return of 9.78%.

Quayside's Statement of Investment Policy and Objectives (SIPO), sets out the investment governance and management framework. Quayside's Responsible Investment Policy 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, commercially focused investor. The primary objectives of the strategic investment policies for the portfolio, are to ensure that the value of the assets is protected long term, managed and grown while generating income that can be distributed to the shareholder as required.

Quayside Consolidated Group Investment Portfolio financial highlights are tabled below:

	30 June 2023	30 June 2022
Investment portfolio value	**$202.3**	$189.8
1 year gross return (actual)	**14.06%**	(5.36%)
5 year rolling gross return (actual)	**9.78%**	10.78%
5 year rolling gross return (target)	**7.00 %**	7.00 %

27 Quayside Group Statement of Service Performance

(c) Real asset portfolio

Performance target	Performance measure	2023 result
3. Generate long term commercial returns through a portfolio of real assets.	Pricing and Valuation quarterly meeting to regularly assess individual assets.	Pricing and Valuation Meetings held 18 August 2022, 30 November 2022, 22 February 2023, 22 May 2023.

Target met: **Yes**

The *Quayside Group* real asset portfolio currently comprises commercial buildings in Mount Maunganui, Tauranga, Rotorua and Hamilton, industrial land at Rangiuru and horticulture investments locally and in the Nelson/Tasman region. As at year end the Pricing and Valuation Committee has determined that each of the currently held real assets continue to remain strong long-term assets for future growth and return.

Real asset portfolio financial highlights are tabled below.

	30 June 2023	30 June 2022
Invested	**$143.5***	$141.2*

*Real assets as a total, is reflective of investment assets and regional benefit assets.

(d) Private equity

Performance target	Performance measure	2023 result
4. Generate long term commercial returns through a portfolio of private equity assets.	Pricing and Valuation quarterly meeting to regularly assess individual assets.	Pricing and Valuation Meetings held 18 August 2022, 30 November 2022, 22 February 2023, 22 May 2023.

Target met: **Yes**

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.

	30 June 2023	30 June 2022
Invested	**$121.5m**	$105.6m
Undrawn Commitments	**$73.9m**	$58.1m

27 Quayside Group Statement of Service Performance

(e) Regional benefit assets

Performance target	Performance measure	2023 result
5. Develop the business park at Rangiuru to create long term benefit for the Bay of Plenty region. Continue to hold the land at Tauriko for future strategic benefit and/or Council initiatives	Quarterly reporting by Quayside to Council on progress and matters related to strategic risk and financial aspects and regional and social benefits of the development. Retain ownership. Divestment must only occur with the agreement of Quayside and Council.	Development of the business park is well advanced with 2 seasons of earthworks and the interchange works underway. Quayside presented to Council regarding the development at Rangiuru in September 2022, December 2022 (workshop) March 2023 (workshop verbal update only) and April 2023. Quayside continues to hold the land at Tauriko.

Target met: **Yes**

The Quayside Group owns land at the future Rangiuru Business Park; a 148-hectare industrial business park development. The Business Park, once completed, will provide much needed industrial development for the region.

During the year, significant progress was made with Quayside completing another season of earthworks for stage one and making steady progress on the interchange works. Activity is set to ramp up again next year with key infrastructure works to begin. Design work has continued at pace and enduring relationships with key stakeholders are being formed to ensure the Park is a future focussed asset which represents its local community and the history of the whenua.

27 Quayside Group Statement of Service Performance

(f) 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	2023 result
6. Keep Council informed on a no surprises basis, providing quality and timely information. Provide Council with timely advice on financial and commercial decision making as required.	A minimum of two presentations around interim and end of year financials and two workshops per annum to Council, as shareholders. Timely advice and support as required. Matters of urgency are reported to Council at the earliest opportunity. Long term forecasting of key financial information and key risks provided to Council annually.	Quayside presented to Council in September 2022, December 2022 (workshop) March 2023 (workshop verbal update only) and April 2023. Open communication with Council maintained during the year through regular meetings with Quayside CE and Council executive. Financial forecasting and risk information provided through: - Quarterly presentations/ workshops to Council, - Statement of Intent preparation process, - Quayside Distribution and Reserving Policy.
7. Ensure Group policies and procedures are current and appropriate.	All policies and procedures reviewed no less than biennially by the Quayside Executive.	All policies reviewed in accordance with the Policy and Charter Schedule.
8. Meet shareholder distribution expectations as outlined in the Statement of Intent.	Distributions paid in accordance with the Distribution Policy. Such distributions are based on actual assets and performance and may vary from the forecast provided in the SOI. Quayside will make a recommendation to Council on the use of any special dividends received from the Port.	Cash dividends of $42.5m (target $42.5m) paid to Council as forecast in the SOI. Gross PPS dividend of $7m (target $6.7m) paid to PPS holders. No special dividend from POTL in 2023

27 Quayside Group Statement of Service Performance

Performance measure	Performance target	2023 result
9. Compliance with NZX listing requirements for PPS.	Disclosures are made in line with continuous disclosure requirements. 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. Board receives regular reporting on PPS Compliance.
10. Promote and support approaches to responsible investment that align capital with achieving a healthy, sustainable society, environment, and economy.	Maintain a written set of principles for responsible investment which is reviewed no less than biennially. Benchmark, through biennial review, the Group responsible investment principles against international standards and comparative national entities (for example for the Framework being adopted as part of the climate related disclosures).	The Group holds written principles for responsible investment. These were last reviewed in June 2022. These are currently under review by management and will be updated to align with claim related risks and opportunities identified by the Group through its inaugural climate related disclosures. A benchmark review of holdings was done as at 31 December 2022 and 30 June 2023 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. No investments were made in excluded categories. New investments are screened against responsible investment principles and ESG analysis is included in investment proposals. The Group annual report contains responsible investment reporting.

Targets met: **10/10**

The Group maintains an extensive suite of policies which are subject to internal operational review regularly, and Board review no less than biennially.

Key

Met *Substantially met* *Not met* *Not applicable*

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 2022 are italicised.

Direct/or	Entity	Position
MCLEOD, Robert (Chair)	China Construction Bank (New Zealand) Limited	Director
	Ngāti Porou Holding Company Limited	Director | Chair
	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
	Singita Holdings Limited (appointed 28/3/23)	Director
	Singita Investments Limited (appointed 27/3/23)	Director
	Real Fresh Limited (appointed 4/4/23)	Director
CROSBY, Stuart Alan	Bay of Plenty Regional Council	Councillor
	Equip GP Limited	Director
	Quayside Holdings Limited	Director
	Quayside Securities Limited	Director
	Quayside Properties Limited	Director
	Templogger NZ Limited	Director | Shareholder
HEWLETT, Brett Donald	Comvita Limited	Chair | Director
	Oriens Capital	Shareholder
	Quayside Holdings Limited	Director
	Quayside Properties Limited	Director
	Quayside Securities Limited	Director
HORNE, Keiran Anne	Hamilton City Council	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 | ARC Chair
	University of Canterbury	Council Member| ARC Chair
	Enable Networks Limited (appointed 24/1/23)	*Director | ARC Chair*
	Enable Services Limited (appointed 24/1/23)	*Director*

Interest register (continued)

The entities listed above against each director and executive may transact with Quayside Holdings Limited. Refer to Note 21 of the Financial Statements.

Director	Entity	Position
MCTAVISH, Fiona Catherine	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 Securities Limited	Director
	Quayside Properties Limited	Director
PARKER, Warren James	FarmIQ Systems Limited (appointed 1 August 2021)	Director | Chair
	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
	Quayside Holdings Limited	Director
	Quayside Securities Limited	Director
	Quayside Properties Limited	Director
WHITE, Te Taru	Bay of Plenty Regional Council	Councillor
	Indigenuity Limited	Director
	Pukahukiwi Kaokaoroa Inc	Trustee
	Kahukiwi Management Limited	Director
	Noa New Zealand Limited	Director | Shareholder
	Quayside Holdings Limited	Director
	Quayside Properties Limited	Director
	Quayside Securities Limited	Director
	Te Taru White Consultancy Limited	Director | Shareholder
	Whenua Fruits Limited	Shareholder
	Manaakiora Trust (appointed 18.5.23)	Director
	Te Tatau o Te Arawa Charitable Trust	Board Member

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 2023.

Auditors remuneration

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

Audit New Zealand: Audit Fees $276,050

Directors

The following directors of Quayside Holdings Limited and its subsidiaries held office during the year ended 30 June 2023:

Remuneration

	Paid by parent $000	Paid by subsidiaries $000
R McLeod (Chair)	58	58
S Crosby	29	30
B Hewlett	29	30
K Horne	38	34
W Parker	37	30
T White	29	30
Total	**220**	**212**

The fees above do not include director fees paid the Port of Tauranga. The fees above are exclusive of GST. F McTavish was remunerated by the Bay of Plenty Regional Council.

Port of Tauranga

The following directors of Port of Tauranga Limited held office during the year ended 30 June 2023:

	2023 $000	2022 $000
D A Pilkington (Chair)	**12**	183
A M Andrew	**117**	98
K R Ellis	**39**	115
D J Bracewell*	**100**	50
J C Hoare	**182**	116
A R Lawrence	**11**	101
D W Leeder	**100**	97
R A McLeod	**104**	101
Total	**862**	862

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 2023	Number of employees 2022	Number of employees 2023	Number of employees 2022
100 – 109	22	19	1	-
110 – 119	32	35	0	1
120 – 129	30	20	1	1
130 – 139	20	21	1	1
140 – 149	13	10	1	-
150 – 159	8	6	0	-
160 – 169	14	12	0	1
170 – 179	7	11	1	1
180 – 189	1	6	0	1
190 – 199	2	5	0	-
200 – 209	1	2	0	-
210 – 219	1	2	0	-
220 – 229	3	1	1	-
230 – 239	1*	0	0	-
240 – 249	1	3	1	1
250 – 259	3	1	0	-
260 – 269	1	1	1	-
270 – 279	1	2	2	-
280 – 289	0	2	0	-
290 – 299	3	2	0	-
300 - 309	2*	0	0	
310 – 319	0	1	0	-
320 – 329	1*	1	0	-
330 – 339	0	1	0	-
370 – 379	0	1	0	-
420 – 429	1*	1	0	-
430 - 469	0	0	1	
470 - 499	0	0	0	1
550 – 559	0	1*	0	-
570 – 579	1*	1*	0	
650 - 659	1*	0	0	-
660 - 679	0	0	1	
680 – 689	0	1	0	-
700 - 709	1*	0	0	-
890 – 899	0	1*	0	-
1,000 – 1,100	0	1*	0	-
1,350 – 1,360	1*	0	0	-

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

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 2023.

Twenty largest holders of perpetual preference shares

Rank	Name	Units at 30 June 2023	% of Units
1	CUSTODIAL SERVICES LIMITED <A/C 4>	51,249,000	25.62
2	JBWERE (NZ) NOMINEES LIMITED <NZ RESIDENT A/C>	28,778,000	14.39
3	FNZ CUSTODIANS LIMITED	19,560,000	9.78
4	HOBSON WEALTH CUSTODIAN LIMITED <RESIDENT CASH ACCOUNT>	7,110,000	3.55
5	FORSYTH BARR CUSTODIANS LIMITED <1-CUSTODY>	6,576,000	3.29
6	JBWERE (NZ) NOMINEES LIMITED <RES INST A/C>	4,760,000	2.38
7	INVESTMENT CUSTODIAL SERVICES LIMITED <A/C C>	4,006,000	2.00
8	TAPPENDEN HOLDINGS LIMITED	2,117,000	1.06
9	ATT INVESTMENTS LIMITED	1,000,000	0.50
9	FAITH PRISCILLA TAYLOR	1,000,000	0.50
9	FLETCHER BUILDING EDUCATIONAL FUND LIMITED	1,000,000	0.50
9	JBWERE (NZ) NOMINEES LIMITED <44626 A/C>	1,000,000	0.50
9	KIA INVESTMENTS LIMITED	1,000,000	0.50
14	FORSYTH BARR CUSTODIANS LIMITED <ACCOUNT 1 E>	710,000	0.35
15	JBWERE (NZ) NOMINEES LIMITED <50986 A/C>	700,000	0.35
16	FNZ CUSTODIANS LIMITED <DRP NZ A/C>	642,000	0.32
17	PHILIP MAURICE CARTER	625,000	0.31
18	STEPHEN LEONARD JOHNS	600,000	0.30
19	JBWERE (NZ) NOMINEES LIMITED <58681 A/C>	500,000	0.25
20	CUSTODIAL SERVICES LIMITED <A/C 6>	494,000	0.25
	Totals: Top 20 holders of perpetual preference shares	**133,427,000**	66.71
	Total remaining holders balance	**66,573,783**	33.29
	Total	200,000,783	100%

Distribution of perpetual preference shares

Range of equity holdings	Number of holders	Number of shares held	% of issued equity
1 - 499	0	0	0.00
500 - 999	1	783	0.00
1,000 - 1,999	0	0	0.00
2,000 - 4,999	0	0	0.00
5,000 - 9,999	187	1,052,000	0.53
10,000 - 49,999	1,317	26,410,000	13.20
50,000 - 99,999	313	17,909,000	8.95
100,000 - 499,999	139	21,696,000	10.85
500,000 - 999,999	6	3,777,000	1.89
1,000,000 Over	13	129,156,000	64.58
TOTAL	**1,976**	**200,000,783**	**100.00**

Ordinary shareholder information

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

Registered office

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 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.

Quayside Holdings Limited
Level 2, 41 The Strand,
Tauranga 3110, New Zealand