

## The Quayside Group

Quayside Holdings Limited (“Quayside”) is the commercial investment arm of the Bay of Plenty Regional Council (“BOPRC”). It is 100% owned by the BOPRC, and as such is a collection of Council Controlled Organisations and Council Controlled Trading Organisations under the Local Government Act 2002.

Quayside was established in 1991, when it acquired from the BOPRC, a holding of 55% of the Port of Tauranga Limited (“Port”). This asset of \$53 million at the time, has seen significant growth, allowing Quayside to diversify its portfolio to establish an asset base with a market value of \$1,852 million at 30 June 2017.

In addition to growing an asset base, Quayside has also been able to provide distributions and capital through share issues worth \$478 million for the benefit of the BOPRC, including a \$20.8 million distribution for the year ending 30 June 2017.

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

## Our Mandate

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

The 2015, BOPRC through its Long Term Plan identified a financial strategy that provided for Quayside to retain about 20 percent of its profits to invest, allowing Quayside to enhance regional development and diversify, making the dividend to BOPRC more stable, and establishing a fund to buffer against poor investment returns.

Quayside sets annual performance targets with BOPRC annually through its Statement of Intent, (available on Quayside’s website at [www.quaysideholdings.co.nz](http://www.quaysideholdings.co.nz)). Progress in meeting performance targets and strategic updates, is provided to the BOPRC shareholder three times a year.

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

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## Chair and Chief Executive Report

Quayside Holdings Limited and subsidiaries (“the Group”) is pleased to report and share with you the highlights of the 26<sup>th</sup> Annual Report for the year ended 30 June 2017.

The Group has delivered against its mandate, continuing to diversify its portfolio of assets to support shareholder growth and sustained benefits to the Bay of Plenty region. Again, this has been supported by an excellent result from our cornerstone investment in the Port.

Regional development has been a focus in the past twelve months with new commercial initiatives established. This includes a regionally focused private equity fund (Oriens Capital) established in Tauranga, and a kiwifruit partnership for the development of orchards on Maori land established with the Maori Trustee, Te Tumu Paeroa.

The Group was also pleased to provide net distributions of \$20.8 million to BOPRC and \$7.9 million to Perpetual Preference Shareholders.



## Group Performance

The Group result for 2017 is very satisfying, with excellent performance from both the Port and Quayside operations.

The Port has been able to financially deliver on its capital works programme and is now seeing the benefits, with capacity to receive and deliver for larger vessels. The 2017 year reflected this, with visits from the largest cruise container and log vessels to visits New Zealand. The productivity gains from this, increased port access capacity which is reflected in a 7.9% increase in Port profitability after tax over last year.

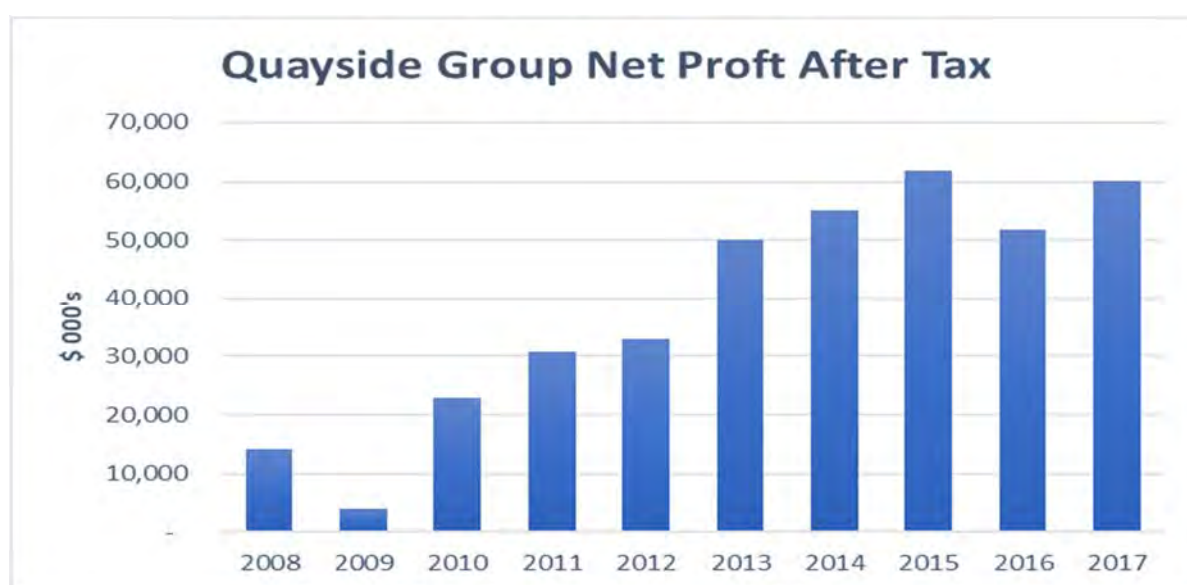
Quayside operations also reflected a healthy return across long term asset classes of equity investment and property operations.

Quayside returns for the year were up 53.8% on 2016 and net profit after tax at \$60.0 million was up 13.1% on the prior year.

After accounting for minority interests in the Port, the Quayside group results continue to demonstrate a positive trend for shareholders.

Group assets also grew by 10.1% during the year.

	30-June-17	30-June-16	% Change
	\$000's	\$000's	
<b>Port Operations - NPAT</b>	83,441	77,314	7.92%
<b>Quayside Operations</b>	14,157	9,202	53.85%
<b>Group Profit</b>	97,598	86,516	12.81%
<b>Less Minority Interest</b>	(37,596)	(34,835)	7.93%
<b>Profit Attributable to Quayside</b>	60,002	53,043	13.12%





## Regional Development

In addition to the returns generated, it was positive to see Quayside's active involvement in the establishment of new industry and partnerships across the Bay of Plenty. Two of note are the establishment of Oriens Capital ("Oriens"), and the kiwifruit partnership formed with the Maori Trustee (Te Tumu Paeroa ("TTP")).

Oriens represents an expansion of the existing investment ecosystem within the Bay of Plenty. The Bay is well represented in supporting early stage investment through WNT Ventures and Enterprise Angels. Oriens expands this with investment capital for profitable entities seeking to grow, but with a regional New Zealand focus.

The partnership with TTP focuses on the investment into kiwifruit orchards on Maori land across the Bay of Plenty from Matakana Island in the west to Te Kaha in the east. This partnership is initially focused on developing 100 hectares across the Bay of Plenty and builds on the existing relationship held by TTP and Quayside through their investment in Opotiki Packing and Coolstorage Limited (OPAC) in Opotiki.

## Governance

The Board of Directors ("Board") were pleased to report to BOPRC, that its objectives under the 2016/2017 Statement of Intent had been fully achieved.

During the term, Mr John Green retired from the Board after ten years as an independent director. Mr Green's tenure included important milestones for Quayside, including the issue of the \$200 million Perpetual Preference Shares.

Mr Robert McLeod joined the Board in November 2016, as an independent director.

The Board was also pleased to make total distribution of \$28.7 million to the BOPRC and Perpetual Preference Shareholders during the year.

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



**M J Smith**  
**Chairman**



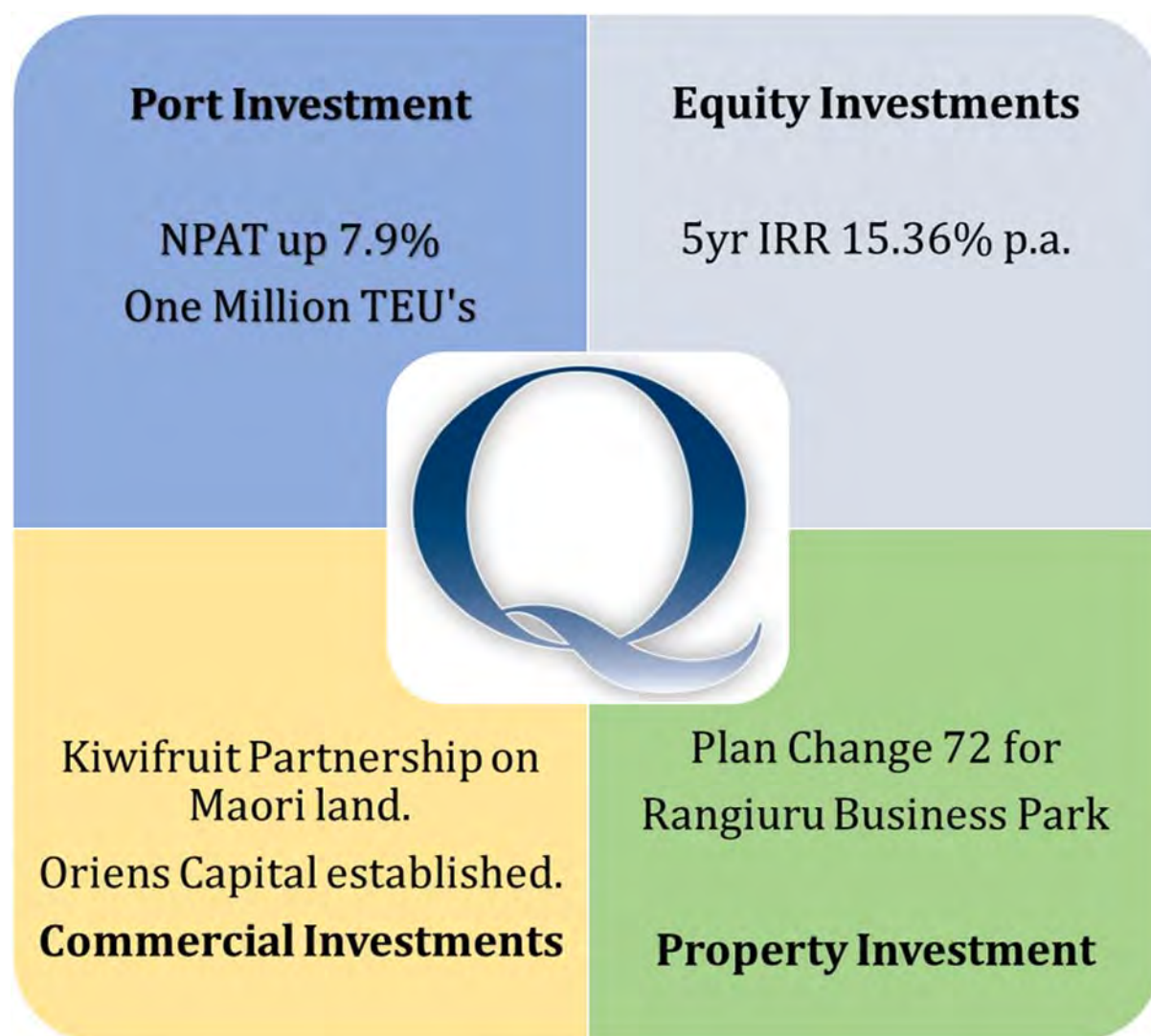
**A S Hamilton**  
**Chief Executive**



*Source: Te Tumu Paeroa*

## Investment Assets

The Investment Assets of the Group, when calculated on market value, grew by 15.5% to \$1,852 million, including a 13.85% increase in the Port share price.



## Port Investment

Quayside was established in 1991, when it acquired an interest in the Port from the BOPRC for \$53 million, which it funded with debt.

The debt within the Group remains, however the asset, has continued to be one of the stars of the New Zealand infrastructure market and the NZX.

Quayside and its parent entity BOPRC, deem maintaining a majority holding in the Port as strategically important. The Tauranga Port is the largest port in New Zealand for both exports and total container movements, a culmination of years of strategic investment to create New Zealand's hub port.

### Positioned for Growth

Port Chair David Pilkington, said the results were a satisfying culmination to the company's \$350 million expansion programme, which included a major harbour dredging project, to widen and deepen shipping channels to accommodate larger ships.

"It's been a monumental year," Mr Pilkington said. "The successful completion of our dredging project in September was a turning point, as bigger vessels were able to call in New Zealand for the first time. As soon as the dredging was finished, larger vessels were introduced on Tauranga only port calls."

Vessels with nominal capacities of between 7,500 and 11,500 Twenty Foot Equivalent ('TEU') containers now regularly call on a weekly basis, compared to a pre-dredging maximum of 4,500 TEU ships.

As well as larger container vessels, the Port is also seeing larger bulk cargo and passenger ships. The giant cruise ship *Ovation of the Seas* (at 347 metres long and 50 metres high), made its first visit on Boxing Day 2016 and made two further calls, bringing nearly 4,900 tourists each time to the Bay of Plenty.

The Port is drawing nationally for its cargo, with the number of trains running between Tauranga and the inland port MetroPort of Auckland increasing from 54 to 78 per week, with the number of containers transferred by rail increasing 64%.



Source: Port of Tauranga



As a result, the Port was able to celebrate the milestone, of being New Zealand's first Port to have one million TEU's crossing the quay in a year, with 1,085,987 containers moved during the financial year.

The Port also achieved a record at its Timaru operations with 84,946 TEU's moved.

### **Delivering Value**

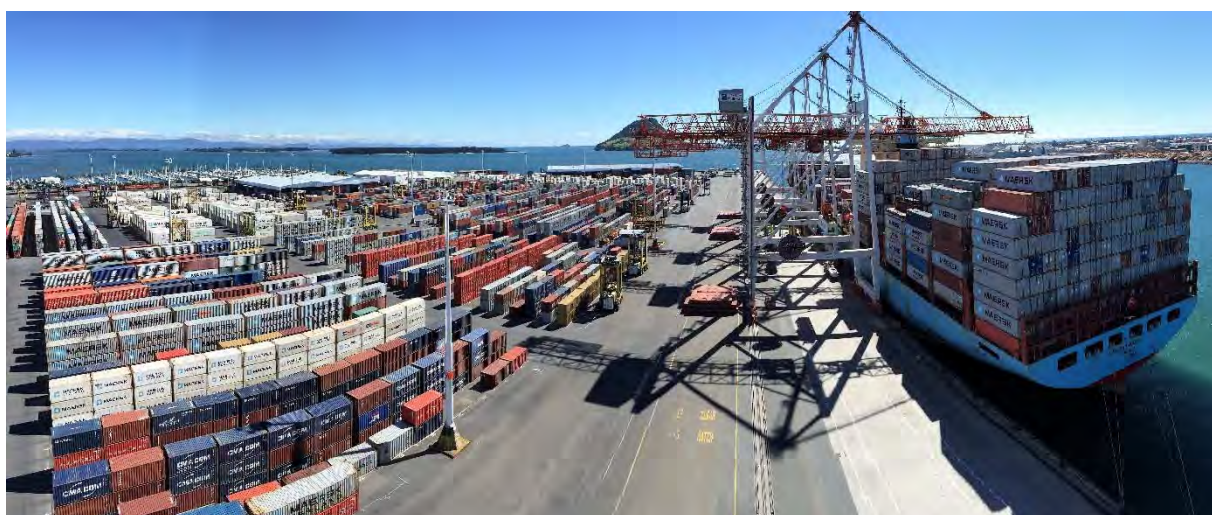
Net profit after tax for the year to 30 June 2017 rose 7.9% to \$83.4 million, from \$77.3 million the previous year. The result was lifted by a 13.8% increase in container volumes, as well as growth in log, dairy products and oil imports. Subsidiary and Associate companies performed well with net profit after tax up 4.8% to \$14.6 million.

Annual revenue rose 4.2% to \$255.9 million, up from \$245.5 million, while EBITDA increased 6.4%, from \$143.2 million last year to \$152.4 million this year.

Port land was revalued during the year increasing by \$63 million reflecting the increase in land values over the last two years.

The Port dividend increased by 5.7% to 11.2 cents per share in addition to a special dividend of 5.0 cents per share.

The Port also had a 5 for 1 share split during the year. Quayside continues to hold 54.14% of the Port, with a market value of \$1,634 million at 30 June 2017, up 13.8% for the year.



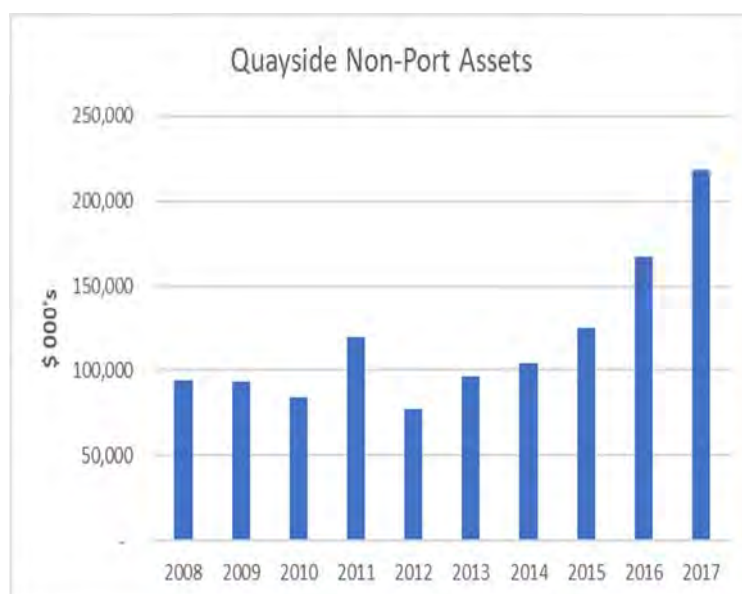
*Source: Port of Tauranga*

## Equity Investments

Quayside holds equity investments as part of a portfolio of non-port assets to support increasing sustainable shareholder returns over time.

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

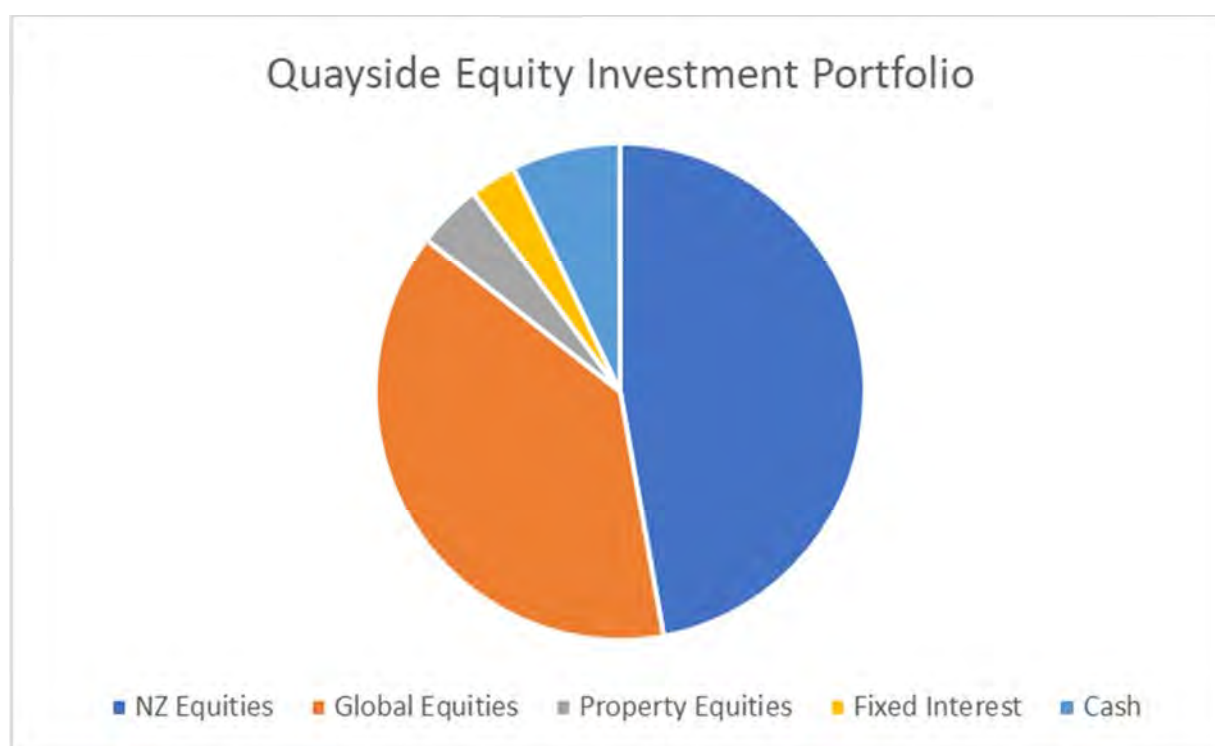
Under the Group's Statement of Intent for 2016-17, Quayside targets a gross internal rate of return of 7.5% over a rolling 36-month period.



The 2017-18 Statement of Intent has been approved with a target assessed over a rolling 60 months, reflecting the volatility of returns in this sector.

The Equity Investment portfolio at 30 June 2017 was valued at \$147.1 million.

Gross internal rates of return for the Group were 12.57% for the 12 months, 14.20% for 36 months, and 15.36% for 60 months.





## Property Investments

The Quayside investment at Rangiuru received a major boost during the year with the Environment Court approving Western Bay District Council Plan Change 72.

The Rangiuru Business Park (“Rangiuru”) is a 148-hectare industrial park, twenty minutes east of Tauranga on the road to Rotorua and Whakatane. Originally zoned as industrial by Quayside in 2008, a further refinement of the zoning was undertaken in 2015. This included a review of the infrastructure requirements of a modern industrial park, resulting in Plan Change 72.

We believe the outcome of the Plan Change not only supports the near-term development of industrial land at Rangiuru but also provides for the type of environment that would be attractive for both employers and employees.

In the interim, Quayside continues to hold both farm and horticulture investments on its land blocks. The return from operations of property investments delivered a record gross profit to the group of \$2.3 million (2016: \$1.4 million).



Plan Change 72, includes changes to how water, waste water, and road services are to be delivered. The Plan Change also included land contour changes to support the storm water culverts that have already been placed under the Tauranga Eastern Link to support the industrial park.

Pleasingly, the provision and location of Community Services within the park has changed.

Quayside also made a commercial office investment into Tauranga CBD during the year. The site is currently being refurbished to support a number of Bay of Plenty investment entities.

## Commercial Investments

Quayside targets long term commercial returns and regional growth opportunities through a series of commercial investments. The year included additional investment into existing investments, plus the commencement of investment into Oriens Capital and the kiwifruit partnership.

### Developing a Regions Investment Capacity

In 2014, Quayside was a founding 20% shareholder into WNT Ventures. A technology incubator supported by Callaghan Innovation, based in Tauranga. The focus is to support development of early stage companies. WNT Ventures has invested the first fund, and successfully raised a second fund during 2017.

Founded in late 2016, Oriens is a private equity fund, focused on investment of largely expansion capital into profitable companies, with a focus on regional New Zealand. Oriens is a concept that Quayside had been developing for some time, so to see an entity established, with over \$50 million raised was a positive endorsement. Quayside is a cornerstone investor into Oriens.

### Investing with Iwi

In April 2017, the kiwifruit partnership of Quayside and the Maori Trustee TTP, was announced. The focus was an investment into new kiwifruit developments on Maori land across the Bay of Plenty and Gisborne. The land blocks in the first phase, represent prime undeveloped horticultural land selected from over 100,000 hectares of land within these regions managed by TTP. The partnership was officially launched at Omaio in the Eastern Bay of Plenty.

For Quayside, the investment not only targets commercial returns but also endorses the Toi Moana Bay of Connections strategy, to improve Maori land utilisation and meet social objectives within the Bay of Plenty.

The investment continues a relationship between Quayside and TTP, who in 2015 both invested in OPAC, the largest employer in Opotiki.



Source: Te Tumu Paeroa



Source: Te Tumu Paeroa

## Perpetual Preference Shareholders

In 2008, BOPRC raised \$200 million through the issue of Perpetual Preference Shares, in Quayside. These shares continue to be traded on the NZX, under the ticker QHLHA. The benefit of being a Perpetual Preference shareholder, is shared by over 4,000 individual perpetual shareholders in Quayside.

The Perpetual Preference Share is subject to a private binding ruling with the Department of Inland Revenue. During the period, a new ruling for five years to 2021 was granted.

The shares are subject to a rate reset every three years, at the three-year swap rate, on the day plus a margin of 1.70%. The latest reset occurred on 12 March 2017, at a rate of 4.32%. Quayside distributed a gross return of \$10.98 million to Perpetual Preference shareholders during the year.

The BOPRC's use of funds on infrastructure across the Bay of Plenty region is on-going, including river and waste water schemes. Two specific projects that are under development and benefiting from the funds raised include the Bay of Plenty campus of the University of Waikato and a Tauranga Marine Precinct.

### University of Waikato Tauranga Campus

Scheduled for completion in 2020, the Tauranga Campus of the University of Waikato has benefited from local funding including a \$15 million contribution from the BOPRC.

### Tauranga Marine Precinct

The precinct will provide a base for boat building and refit businesses in Tauranga City. The first stages are planned for completion at the end of 2017. The project is run in conjunction with Tauranga City Council and includes \$5 million of funding from the BOPRC.

Other funding opportunities have been identified by BOPRC in other parts of the region.



Source: University of Waikato



## Ordinary Shares

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

The Group consists of a number of entities, including:

QHL	Quayside Holdings Limited (an investment holdings company)
QSL	Quayside Securities Limited (a corporate trustee company)
QUT	Quayside Unit Trust (a port holding trust)
QPL	Quayside Properties Limited (a property investment company)
QIT	Quayside Investment Trust (a portfolio investment entity)

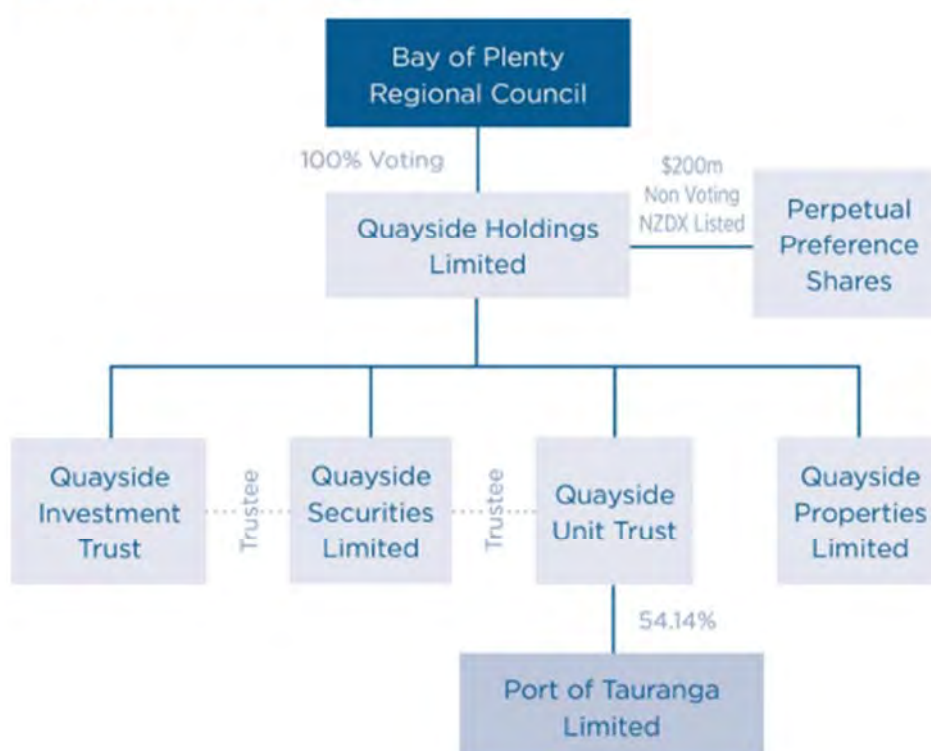
## Statement of Intent

Quayside prepares a Statement of Intent for all group entities and this is presented to BOPRC annually. The Group achieved all nine objectives in its 2016/2017 Statement of Intent.

The Group has submitted its 2017/2018 Statement of Intent to BOPRC, in accordance with the requirements of the Local Government Act 2002.

A copy of the current year Statement of Intent is available from the Group's website [www.quaysideholdings.co.nz](http://www.quaysideholdings.co.nz)

## Quayside Group Structure



## Board and Executive



**Michael Smith**  
(Independent Director  
and Chair)

Michael was appointed to the Board in 1999 and has been Board Chair since 2008. Michael is a lawyer by background and professional director. Michael is a director of Craigs Investment Partners Investment Management Limited, Custodial Services Limited, First Mortgage Managers Limited, and the Port of Tauranga Limited.

Michael is an ex-officio member of the Audit and Remuneration Committees.



**Mary-Anne Macleod**  
(Director)

Mary-Anne was appointed to the Board in 2011.

Mary-Anne has a background in environmental management and is the Chief Executive of the Bay of Plenty Regional Council. Mary-Anne is a director of Bay of Plenty Shared Services Limited and Executive Board Member of Priority One.



**Robert McLeod**  
(Independent Director)

Rob was appointed to the Board in November 2016.

Rob is a tax barrister and former CEO and Chair of Ernst Young in New Zealand. Rob is a current director of Sanford Limited and former director of ANZ National Bank, Sky City Entertainment Group and Telecom.

Rob is a member of the Audit Committee.



**Jane Nees**  
(Director)

Jane was appointed to the Board in 2008.

Jane is a Councillor with the Bay of Plenty Regional Council, for whom she is also Deputy Chair and Chair of the Regional Transport Committee. Jane is former CEO of the Tauranga Chamber of Commerce. Jane is also a trustee of the Tauranga based Acorn Foundation.

Jane is a member of the Audit Committee and past member of the Remuneration Committee.

## Our Board and Executive



**Warren Parker**  
(Independent Director)

Warren was appointed to the Board in 2015.

Warren is the former Chief Executive of crown research institute Scion and Landcare Research. Warren is the former Chair of The New Zealand Conservation Authority. Warren is a member of the Advisory Board for Griffith Enterprises, a university commercialisation entity.

Warren is a member of the Remuneration Committee.



**Rob Tait**  
(Independent Director)

Rob was appointed to the Board in 2012.

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

Rob is Chair of the Audit Committee.



**Paula Thompson**  
(Director)

Paula was appointed to the Board in 2012.

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

Paula is Chair of the Remuneration Committee.



**Scott Hamilton**  
(Chief Executive)

Scott joined Quayside as Chief Executive in 2010, from funds manager ASB Group Investment where he was Head of Investment Operations.

Scott brings investment banking and corporate expertise to Quayside through senior roles in New Zealand and London. Scott is currently director on WNT Ventures, Rhondium, and Opotiki Packing and Coolstorage Limited.

Scott is qualified as a Chartered Accountant.



## Corporate Governance

### Role of the Board

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

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

In achieving this, the roles of the Board are:

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

An important objective is to monitor the performance of Port of which it was a 54.14% shareholder as at 30 June 2017.

### Board Composition

The Board must have at least five Directors, with a minimum of two being independent. At 30 June 2017, the Board comprised of seven members, including four independents.

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

Mr J M Green retired from the Board as an Independent Director, in October 2016.

Mr R A McLeod was appointed to the Board as an additional Independent Director, in November 2016.

Messrs M J Smith, W J Parker, R B Tait and R A McLeod are Independent Directors.

Mses M Macleod, J M Nees and P J Thompson are Directors of the Board.

Mr M J Smith is the Chair of the Board.

### Board Diversity

The Board does not have a formal policy on diversity.

Appointments to the Board of Quayside are made in accord with the BOPRC *"Policy for the Appointment and Remuneration of Directors to the Boards of Council Subsidiaries"*.

NZDX 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 S Hamilton as Chief Executive is deemed the sole officer of Quayside.

	Female	Male
30 June 2016	3	5
30 June 2017	3	5

### Director Remuneration

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

On the 29 September 2016, BOPRC approved a directors' pool of \$190,000 (plus GST if any), with an equivalent aggregate sum for remuneration pools for directors divided between subsidiaries Quayside Securities Limited ("QSL") and Quayside Properties Limited ("QPL").

## Board and Committees

Quayside's constitution sets out the procedures for the election of a Board Chair, the convening of Board meetings and the establishment of Committees.

The Directors of Quayside met formally nine times during the year, while the Board's Committees met, as required.

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

The twenty fifth Annual Report of the Group and the audited financial statements for the period ended 30 June 2016, together with an unqualified Audit Certificate, were presented to the voting shareholder in October 2016.

The twenty sixth Annual Report incorporating the audited statements for the year ended 30 June 2017, are presented with this report.

The following table outlines the number of the Groups meetings, were attended by Directors during 2016/2017.

	Full Board	Board Committees	
		Audit	Remuneration
<b>M J Smith</b>	7	6	2
<b>J M Green</b>	4	3	-
<b>M Macleod</b>	6	-	-
<b>J M Nees</b>	8	5	2
<b>W J Parker</b>	8	-	1
<b>R B Tait</b>	9	7	-
<b>P J Thompson</b>	7	-	2
<b>R A McLeod</b>	6	4	-
<b>Total Meetings Held</b>	<b>9</b>	<b>7</b>	<b>2</b>

The Board of Directors, has established an Audit Committee and a Remuneration Committee.

## Audit Committee

The Board has adopted an Audit Committee Charter setting out the terms of engagement of the Board, Audit 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 Committee members are R B Tait (Chair), J M Nees, R A McLeod and M J Smith (ex-officio).

The Audit Committee Charter was updated in June 2016.

## Remuneration Committee

The Board has also adopted a Remuneration Committee Charter establishing a Board Remuneration 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 at the commencement of the period are P J Thompson (Chair), W J Parker, and M J Smith (ex officio).

The Remuneration Committee Charter was updated in December 2016.

## **Board Charter and Code of Ethics**

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

At the same time, the Board adopted a Code of Ethics setting out the ethical and behavioural standards expected of Directors and Officers.

## **Share Trading**

Quayside has a policy on Share Trading. The policy details times where Directors, Officers, and Staff of the Group cannot transact, or encourage the transacting in, shares issued by the Port or Quayside.

## **Other Matters**

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

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

During the year Quayside's website [www.quaysideholdings.co.nz](http://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 2017/2018 Statement of Intent.



**QUAYSIDE HOLDINGS LIMITED  
AND SUBSIDIARIES**

**ANNUAL FINANCIAL STATEMENTS**

For the year ended

**30 JUNE 2017**

**QUAYSIDE HOLDINGS LIMITED AND SUBSIDIARIES**  
**FOR THE YEAR ENDED 30 JUNE 2017**

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## Independent Auditor's Report

### To the readers of Quayside Holdings Limited and group's financial statements and performance information for the year ended 30 June 2017

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

#### Opinion

We have audited:

- the financial statements of the company and group on pages 4 to 71, that comprise the statement of financial position as at 30 June 2017, 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 company and group on pages 72 to 73.

In our opinion:

- the financial statements present fairly, in all material respects the financial position of the company and group as at 30 June 2017, and their financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.
- the performance information presents fairly, in all material respects, the company and group's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company and group's objectives for the year ended 30 June 2017.

#### Basis for opinion

We conducted our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the company and its subsidiaries in accordance with the Auditor-General's Auditing Standards, which incorporate Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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

#### Key audit matters

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

We summarise those matters below and how we addressed them in our audit of the financial statements and the performance information, as a whole.

Any comments we make on the findings of our audit should be read in that context and we do not provide a separate opinion on these matters.

Key audit matter	How did the audit address this matter
<b>Carrying value of investment in Coda Group Limited Partnership</b>	
<p>Refer to Note 14 of the financial statements.</p> <p>Late in the 2015 financial year the group expanded its activities establishing a new joint venture, Coda Group Limited Partnership (Coda), with Kotahi. The purpose of the joint venture is to create a platform to centralise supply chain logistics.</p> <p>The carrying value of the group's equity accounted investment in Coda is \$48.4 million, of which \$29.4 million relates to goodwill.</p> <p>This is a key audit matter because of the subjectivity involved in assessing the value of the investment, to support the carrying value of Coda.</p>	<p>Our procedures to assess the carrying value of the Coda investment included evaluating whether the methodology adopted by the group is consistent with accepted valuation approaches.</p> <p>We analysed the projected cash flows used in the impairment model to determine whether they were consistent with the strategic plan. We challenged management on the future cash flows used, specifically around the strategy and how the cash flows would be achieved. This included comparison to forecasts approved by the Port of Tauranga Board and the historic achievement of these, as well as analysis of growth rates.</p>



Key audit matter	How did the audit address this matter
<p>The carrying value of the investment required an impairment test, which included a number of key sensitive judgements, being:</p> <ul style="list-style-type: none"> <li>• growth in the future cash flows;</li> <li>• the discount rate applied to the projected future cash flows; and</li> <li>• terminal growth.</li> </ul>	<p>We used our specialists to assess the discount rate used by comparing it to market data and industry research.</p> <p>We assessed terminal growth by benchmarking against both historic and forecast inflation.</p> <p>Additionally, we subjected those key assumptions to sensitivity analysis under a range of scenarios.</p>
Fair value of property, plant and equipment, including revaluation of land	
<p>Refer to note 10 of the financial statements.</p> <p>The group has property, plant and equipment of \$1,236 million.</p> <p>The group has a policy of recording certain assets (e.g. land, buildings, wharves and hardstanding and harbour improvements) at fair value. Independent valuations are undertaken at least every 3 years, or more frequently if there is an indicator that the fair value has changed significantly. Prior to this financial year the last independent valuation was carried out on these assets at 30 June 2015.</p> <p>Land values have risen significantly in the last year in the regions that the group have significant land holdings. As such management determined it was appropriate to have land independently revalued at 30 June 2017.</p> <p>Valuation of land is a key audit matter due to its financial magnitude and judgement involved in the assessment of the fair value of these assets. The judgment relates to the valuation methodologies used and the assumptions included in each of those methodologies.</p> <p>Management have applied judgement in determining there has been no substantial change to the key assumptions used in the valuation methodology of the remaining assets and these assumptions remain appropriate as at 30 June 2017.</p>	<p>As part of our audit procedures, we assessed the competence, objectivity and independence of the valuer(s) used. We reviewed the valuation reports and assessed whether the valuation approach was in accordance with professional valuation standards and suitable for determining the fair value of land.</p> <p>We compared the land holdings in the fixed asset register to those valued to ensure all land had been revalued.</p> <p>The major judgemental assumption made in the valuations was the rate applied per square metre of land. We reviewed the recent sales data applied by the valuer when estimating this rate and compared the rate assigned to each land parcel with the rates indicated by recent sales.</p> <p>We assessed whether the increase in valuation was correctly accounted for within the revaluation reserve and Statement of Comprehensive Income.</p> <p>We challenged management's assessment of the fair value in each asset class for those assets that were not revalued in the current financial year.</p> <p>We compared the key assumptions within each assessment to market evidence and applicable industry data.</p>

## Other information

The directors are responsible on behalf of the company for the other information. The other information comprises the information included on pages 74 to 80, but does not include the financial statements and the performance information and our auditor's report thereon.

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

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Directors' responsibilities

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

In preparing the financial statements and the performance information, the directors are responsible on behalf of the company for assessing the company and 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 company and the group or to cease operations, or have no realistic alternative but to do so.

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

## Auditor's responsibilities

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise

from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of readers taken on the basis of these financial statements and the performance information.

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

- Identify and assess the risks of material misstatement of the 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 company and group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the appropriateness of the reported performance information within the company and 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 company and 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 company and the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial and performance information of the entities or business activities within the group to express an opinion on the group 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 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.



Clarence Susan  
Audit New Zealand  
On behalf of the Auditor-General  
Tauranga, New Zealand  
28 August 2017

**QUAYSIDE HOLDINGS LIMITED AND SUBSIDIARIES**  
**INCOME STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2017**

		<b>Group</b>		<b>Parent</b>	
	Note	<b>2017</b> <b>\$'000</b>	<b>2016</b> <b>\$'000</b>	<b>2017</b> <b>\$'000</b>	<b>2016</b> <b>\$'000</b>
<b>Income</b>					
Trading revenue	4(a)	<b>260,098</b>	247,649	-	-
Other income	4(b)	<b>4,029</b>	4,742	<b>40,093</b>	43,984
Other gains	4(c)	<b>19,053</b>	17,833	<b>2,137</b>	3,393
<b>Operating Income</b>		<b>283,180</b>	270,224	<b>42,230</b>	47,377
<b>Expenses</b>					
Employee benefit expenses	5	<b>(34,591)</b>	(32,646)	<b>(633)</b>	(545)
Trading and other expenses	6(a)	<b>(86,238)</b>	(86,434)	<b>(665)</b>	(672)
Other losses	6(b)	<b>(7,174)</b>	(11,054)	<b>(263)</b>	(1,469)
<b>Operating Expenses</b>		<b>(128,003)</b>	(130,134)	<b>(1,561)</b>	(2,686)
<b>Results from operating activities</b>		<b>155,177</b>	140,090	<b>40,669</b>	44,691
Depreciation and amortisation	10, 12	<b>(24,956)</b>	(24,072)	<b>(18)</b>	(6)
Reversal of previous revaluation deficit		<b>193</b>	-	<b>-</b>	-
<b>Operating profit before finance costs and taxation</b>		<b>130,414</b>	116,018	<b>40,651</b>	44,685
Finance income	7(a)	<b>1,072</b>	1,190	<b>1,246</b>	1,789
Finance expenses	7(b)	<b>(19,024)</b>	(19,258)	<b>(1,819)</b>	(2,252)
<b>Net finance costs</b>		<b>(17,952)</b>	(18,068)	<b>(573)</b>	(463)
Share of profit /(loss) of Equity Accounted Investees	14	<b>13,282</b>	13,667	<b>(713)</b>	230
<b>Profit before income tax</b>		<b>125,744</b>	111,617	<b>39,365</b>	44,452
Income tax expense	8	<b>(28,146)</b>	(25,101)	<b>-</b>	-
<b>Net profit after tax</b>		<b>97,598</b>	86,516	<b>39,365</b>	44,452
<b>Attributable to:</b>					
Equity holders of the parent		<b>60,002</b>	51,681	<b>39,365</b>	44,452
Non controlling interest		<b>37,596</b>	34,835	<b>-</b>	-
		<b>97,598</b>	86,516	<b>39,365</b>	44,452



**QUAYSIDE HOLDINGS LIMITED AND SUBSIDIARIES**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2017**

	Note	Group		Parent	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Net profit after tax		97,598	86,516	39,365	44,452
<b>Other comprehensive income</b>					
<i>Items that will be reclassified to profit or loss when specific conditions are met:</i>					
Available for sale revaluation	13	-	-	234,033	167,482
Cash flow hedge - changes in fair value*		2,956	(9,198)	-	-
Cash flow hedge - reclassified to profit or loss*		2,538	2,126	-	-
Changes in cash flow hedges transferred to property, plant and equipment, net of tax*		708	(452)	-	-
Share of net change in cash flow hedge reserves of Equity Accounted Investees	14	182	(395)	-	-
		6,384	(7,919)	234,033	167,482
<i>Items that will not be reclassified to profit or loss:</i>					
Impairment of property, plant and equipment taken to revaluation reserve, net of tax*		-	(459)	-	-
Bearer plant revaluation, net of tax *		775	1,346	-	-
Kiwifruit licence revaluation, net of tax *		473	205	47	-
Asset revaluation, net of tax*		63,267	-	-	-
Share of net change in revaluation reserve of Equity Accounted Investees	14	745	(57)	124	-
		65,260	1,035	171	-
Total other comprehensive income		71,644	(6,884)	234,204	167,482
<b>Total comprehensive income for the period</b>		169,242	79,632	273,569	211,934
<b>Attributable to:</b>					
Equity holders of the parent		99,983	48,597	273,569	211,934
Non controlling interest		69,259	31,035	-	-
		169,242	79,632	273,569	211,934

\* 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 2017**

	Share capital \$'000	Hedging Reserve \$'000	Revaluation Reserve \$'000	Retained Earnings \$'000	Non controlling interest \$'000	Total Equity \$'000
<b>GROUP</b>						
<b>Balance at 1 July 2015</b>	200,011	(3,473)	366,868	16,356	399,904	979,666
Profit after tax	-	-	-	51,681	34,835	86,516
Net effective portion of changes in fair value of cash flow hedges, net of tax	-	(5,054)	-	-	(4,144)	(9,198)
Net change in fair value of cash flow hedges transferred to profit or loss, net of tax	-	1,168	-	-	958	2,126
Net changes in cash flow hedges transferred to property, plant and equipment, net of tax	-	(248)	-	-	(204)	(452)
Net change in share of Equity Accounted Investees' cash flow hedge reserves	-	(217)	-	-	(178)	(395)
Impairment of property, plant and equipment taken to revaluation reserve, net of tax	-	-	(252)	-	(207)	(459)
Net change in share of Equity Accounted Investee's revaluation reserve	-	-	(31)	-	(26)	(57)
Bearer plant revaluation, net of tax	-	-	1,346	-	-	1,346
Kiwifruit licence revaluation, net of tax	-	-	205	-	-	205
<b>Total Comprehensive Income</b>	-	(4,351)	1,268	51,681	31,034	79,632
Non-controlling interest adjustment	-	-	-	(22)	20	(2)
Increase/(decrease) in share capital	-	-	-	(3)	(2)	(5)
Equity settled share-based payment accrual (Note 16c)	-	-	-	-	1,402	1,402
Dividends to shareholders (note 16b)	-	-	-	(28,867)	(33,088)	(61,955)
<b>Balance at 30 June 2016</b>	200,011	(7,824)	368,136	39,145	399,270	998,738
<b>Balance at 1 July 2016</b>	<b>200,011</b>	<b>(7,824)</b>	<b>368,136</b>	<b>39,145</b>	<b>399,270</b>	<b>998,738</b>
Profit after tax	-	-	-	60,002	37,596	97,598
Net effective portion of changes in fair value of cash flow hedges, net of tax	-	1,624	-	-	1,332	2,956
Net change in fair value of cash flow hedges transferred to profit or loss, net of tax	-	1,394	-	-	1,144	2,538
Net changes in cash flow hedges transferred to property, plant and equipment, net of tax	-	389	-	-	319	708
Net change in share of Equity Accounted Investees' cash flow hedge reserves	-	100	-	-	82	182
Net change in share of Equity Accounted Investees' revaluation reserve	-	-	465	-	280	745
Asset revaluation, net of tax	-	-	34,761	-	28,506	63,267
Bearer plant revaluation, net of tax	-	-	775	-	-	775
Kiwifruit licence revaluation, net of tax	-	-	473	-	-	473
<b>Total Comprehensive Income</b>	-	3,507	36,474	60,002	69,259	169,242
Non-controlling interest adjustment	-	-	-	(5)	5	-
Increase/(decrease) in share capital	-	-	-	-	14	14
Revaluation surplus transferred to retained earnings on asset disposal	-	-	(463)	463	-	-
Equity settled share-based payment accrual (Note 16c)	-	-	-	-	1,425	1,425
Dividends to shareholders (Note 16b)	-	-	-	(28,706)	(49,943)	(78,649)
<b>Balance at 30 June 2017</b>	<b>200,011</b>	<b>(4,317)</b>	<b>404,147</b>	<b>70,899</b>	<b>420,030</b>	<b>1,090,770</b>

**QUAYSIDE HOLDINGS LIMITED AND SUBSIDIARIES**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2017**

	<b>Share capital</b>	<b>Available- for-sale Revaluation Reserve</b>	<b>Revaluation Reserve</b>	<b>Retained Earnings</b>	<b>Total Equity</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>PARENT</b>					
<b>Balance at 1 July 2015</b>	200,011	1,298,952	-	(132,224)	1,366,739
Profit after tax	-	-	-	44,452	44,452
Investment in subsidiaries revaluation	-	167,482	-	-	167,482
Total comprehensive income	-	167,482	-	44,452	211,934
Dividends to shareholders	-	-	-	(28,867)	(28,867)
<b>Balance at 30 June 2016</b>	200,011	1,466,434	-	(116,639)	1,549,806
<b>Balance at 1 July 2016</b>	<b>200,011</b>	<b>1,466,434</b>	<b>-</b>	<b>(116,639)</b>	<b>1,549,806</b>
Profit after tax	-	-	-	39,365	39,365
Investment in subsidiaries revaluation (Note 13)	-	234,033	-	-	234,033
Net change in share of Equity Accounted Investees' revaluation reserve	-	-	124	-	124
Kiwifruit licence revaluation, net of tax	-	-	47	-	47
Total comprehensive income	-	234,033	171	39,365	273,569
Dividends to shareholders	-	-	-	(28,706)	(28,706)
<b>Balance at 30 June 2017</b>	<b>200,011</b>	<b>1,700,467</b>	<b>171</b>	<b>(105,980)</b>	<b>1,794,669</b>

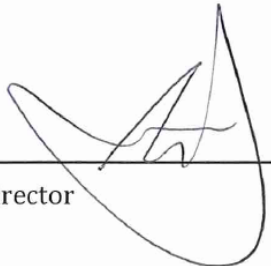
**QUAYSIDE HOLDINGS LIMITED AND SUBSIDIARIES**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2017**

		<b>Group</b>		<b>Parent</b>	
	Note	<b>2017</b> <b>\$'000</b>	<b>2016</b> <b>\$'000</b>	<b>2017</b> <b>\$'000</b>	<b>2016</b> <b>\$'000</b>
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents		<b>43,634</b>	22,176	<b>7,539</b>	693
Receivables and prepayments	15	<b>47,423</b>	43,582	<b>417</b>	1,142
Inventories		<b>137</b>	317	-	-
<b>Total Current Assets</b>		<b>91,194</b>	66,075	<b>7,956</b>	1,835
<b>Non-current Assets</b>					
Intangible assets	12	<b>21,144</b>	19,835	<b>1,176</b>	-
Property, plant and equipment	10	<b>1,235,637</b>	1,135,132	<b>19</b>	19
Investments in subsidiaries	13	-	-	<b>1,784,260</b>	1,541,127
Investments in Equity Accounted Investees	14	<b>138,014</b>	130,073	<b>10,431</b>	6,783
Investment Property	24	<b>17,405</b>	12,000	-	-
Other financial assets	17	<b>137,103</b>	126,643	<b>48,782</b>	53,549
Receivables		<b>36</b>	46	-	-
<b>Total Non-current Assets</b>		<b>1,549,339</b>	1,423,729	<b>1,844,668</b>	1,601,478
<b>Total Assets</b>		<b>1,640,533</b>	1,489,804	<b>1,852,624</b>	1,603,313
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Trade and other payables	21	<b>32,687</b>	31,249	<b>1,445</b>	507
Revenue received in advance		<b>316</b>	-	-	-
Loans and Borrowings	18	<b>255,140</b>	190,000	-	-
Provisions	22	<b>2,334</b>	2,293	-	-
Derivative financial instruments	19	<b>1,013</b>	1,438	-	-
Current taxation		<b>8,403</b>	8,547	-	-
<b>Total Current Liabilities</b>		<b>299,893</b>	233,527	<b>1,445</b>	507
<b>Non-Current Liabilities</b>					
Trade and other payables		-	13	-	-
Loans and Borrowings	18	<b>181,733</b>	183,200	<b>56,510</b>	53,000
Provisions	22	<b>1,888</b>	1,627	-	-
Deferred tax liabilities	9	<b>57,362</b>	55,636	-	-
Derivative financial instruments	19	<b>8,887</b>	17,063	-	-
<b>Total Non-current Liabilities</b>		<b>249,870</b>	257,539	<b>56,510</b>	53,000
<b>Total Liabilities</b>		<b>549,763</b>	491,066	<b>57,955</b>	53,507
<b>NET ASSETS</b>		<b>1,090,770</b>	998,738	<b>1,794,669</b>	1,549,806


**QUAYSIDE HOLDINGS LIMITED AND SUBSIDIARIES**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2017**

		<b>Group</b>		<b>Parent</b>	
		<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>EQUITY</b>					
Paid up capital	16(a)	<b>200,011</b>	200,011	<b>200,011</b>	200,011
Reserves	16(c)	<b>399,830</b>	360,312	<b>1,700,638</b>	1,466,434
Retained earnings		<b>70,899</b>	39,145	<b>(105,980)</b>	(116,639)
Total equity attributable to equity holders of the parent		<b>670,740</b>	599,468	<b>1,794,669</b>	1,549,806
Non controlling interest	16(e)	<b>420,030</b>	399,270	-	-
<b>TOTAL EQUITY</b>		<b>1,090,770</b>	998,738	<b>1,794,669</b>	1,549,806

These financial statements have been authorised for issue by the Board of Directors on 28 August 2017.



Director



Director



**QUAYSIDE HOLDINGS LIMITED AND SUBSIDIARIES**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

		Group		Parent	
	Note	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Cash flows from operating activities</b>					
Receipts from customers		265,190	250,561	-	-
Dividends received		4,289	4,247	39,676	43,077
Interest received		2,041	1,191	1,231	253
Other income		211	-	401	173
Payments to suppliers and employees		(121,054)	(119,055)	(1,314)	(1,144)
Subvention income		-	-	730	-
Taxes paid		(29,444)	(28,992)	-	-
Interest paid		(20,252)	(18,531)	(1,820)	(684)
<b>Net cash flow from operating activities</b>		<b>100,981</b>	<b>89,421</b>	<b>38,904</b>	<b>41,675</b>
<b>Cash flows from investing activities</b>					
Proceeds from sale of property, plant and equipment		146	11,040	-	-
Proceeds from sale of marshalling services business		-	3,120	-	-
Proceeds from sale of investments		22,336	26,917	6,300	5,544
Finance lease payments received, including interest		13	6	-	-
Repayment of advances from Equity Accounted Investees		250	600	-	-
Investment in Quayside Investment Trust		-	-	(9,100)	(18,200)
Investment in Equity Accounted Investees		(4,300)	(6,478)	(4,300)	(6,478)
Dividends from Equity Accounted Investees	14	10,570	8,667	63	-
Advances of Intercompany loans		-	-	(4,760)	(1,000)
Repayment of Intercompany loans		-	-	5,100	3,200
Purchase of intangibles		(156)	(434)	(156)	-
Purchase of computer software assets		(116)	-	-	-
Purchase of investment property		(3,900)	-	-	-
Improvements to investment property		(216)	(848)	-	-
Purchase of property, plant and equipment		(65,297)	(58,863)	(10)	-
Payment of deferred and contingent consideration		-	(500)	-	-
Purchase of investments		(22,525)	(33,507)	-	(300)
Interest capitalised on property, plant and equipment		(1,225)	(933)	-	-
<b>Net cash flow from investing activities</b>		<b>(64,420)</b>	<b>(51,213)</b>	<b>(6,863)</b>	<b>(17,234)</b>
<b>Cash flows from financing activities</b>					
Proceeds from borrowings		63,699	15,157	3,510	-
(Payments)/proceeds from close out of foreign exchange derivative		(183)	222	-	-
Repurchase of shares		-	(347)	-	-
Repayment of borrowings		-	(1,500)	-	(1,500)
Dividends paid	16	(78,649)	(61,955)	(28,706)	(28,867)
<b>Net cash flow from financing activities</b>		<b>(15,133)</b>	<b>(48,423)</b>	<b>(25,196)</b>	<b>(30,367)</b>
Effects of exchange rate changes on cash and cash equivalents		30	(86)	1	(17)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>21,458</b>	<b>(10,301)</b>	<b>6,846</b>	<b>(5,943)</b>
Cash and cash equivalents at the beginning of the year		22,176	32,477	693	6,636
<b>Cash and cash equivalents at the end of the year</b>		<b>43,634</b>	<b>22,176</b>	<b>7,539</b>	<b>693</b>

**QUAYSIDE HOLDINGS LIMITED AND SUBSIDIARIES**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

		<b>Group</b>		<b>Parent</b>	
		<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>RECONCILIATION OF PROFIT AFTER TAXATION TO CASH FLOW FROM OPERATING ACTIVITIES</b>					
Profit after tax		<b>97,598</b>	86,516	<b>39,365</b>	44,452
<b>Items classified as investing/financing activities:</b>					
Finance lease interest revenue	7a	<b>(4)</b>	(2)	-	-
Finance lease interest expense		-	-	-	-
Net (gain)/loss on investments		<b>(11,850)</b>	(6,458)	<b>(1,874)</b>	(1,941)
Loss/(gain) on sale of property, plant and equipment		<b>605</b>	(495)	-	-
		<b>(11,249)</b>	(6,955)	<b>(1,874)</b>	(1,941)
<b>Non cash and non operating items:</b>					
Depreciation and amortisation	10, 12	<b>24,956</b>	24,073	<b>18</b>	7
Decrease in deferred taxation expense	9	<b>(1,154)</b>	(2,518)	-	-
Ineffective portion of change in fair value of cash flow hedge		<b>(60)</b>	180	-	-
Seeka share rebate scheme		-	(53)	-	-
Fair value (gain)/loss on equities		-	(30)	-	-
Fair value (gain)/loss on investment property		-	(417)	-	-
Amortisation of interest rate collar premium		<b>75</b>	-	-	-
Reversal of previous revaluation deficit		<b>(193)</b>	-	-	-
Share of surpluses retained by Equity Accounted Investees	14	<b>(13,282)</b>	(13,667)	<b>713</b>	(230)
Impairment of property, plant and equipment		-	30	-	-
Equity investments - share rights issued for no consideration		<b>(122)</b>	-	-	-
Share based payment reserve		<b>1,425</b>	1,402	-	-
		<b>11,645</b>	9,000	<b>731</b>	(223)
<b>Movements in working capital:</b>					
Change in trade receivables and prepayments		<b>(3,069)</b>	(3,794)	<b>748</b>	(657)
Change in inventories		<b>180</b>	384	-	-
Change in taxation payable		<b>(144)</b>	(1,375)	-	-
Change in trade, other payables and revenue received in advance		<b>6,050</b>	5,559	<b>(65)</b>	27
Changes in foreign cash deposits		<b>(30)</b>	86	<b>(1)</b>	17
		<b>2,987</b>	860	<b>682</b>	(613)
<b>Net cash flow from operating activities</b>		<b>100,981</b>	89,421	<b>38,904</b>	41,675

## 1 COMPANY INFORMATION

### Reporting Entity

Quayside Holdings Limited (the “Parent”) is a company domiciled in New Zealand and registered under the Companies Act 1993.

The Parent is wholly owned by Bay of Plenty Regional Council (“Council”). The Parent is a holding company for the investment activity of Council. Through appropriate subsidiaries, the Parent is the majority shareholder in Port of Tauranga Limited, the owner of a diversified investment portfolio, property and commercial ventures.

The Parent is a Financial Markets Conduct (FMC) reporting entity for the purposes of the Financial Markets Conduct Act 2013. The financial statements comply with this Act. The Parent is also listed on the New Zealand Stock Exchange (NZX).

The Parent is a council-controlled organisation as defined under Section 6 of the Local Government Act 2002, by virtue of the Council’s right to appoint the Board.

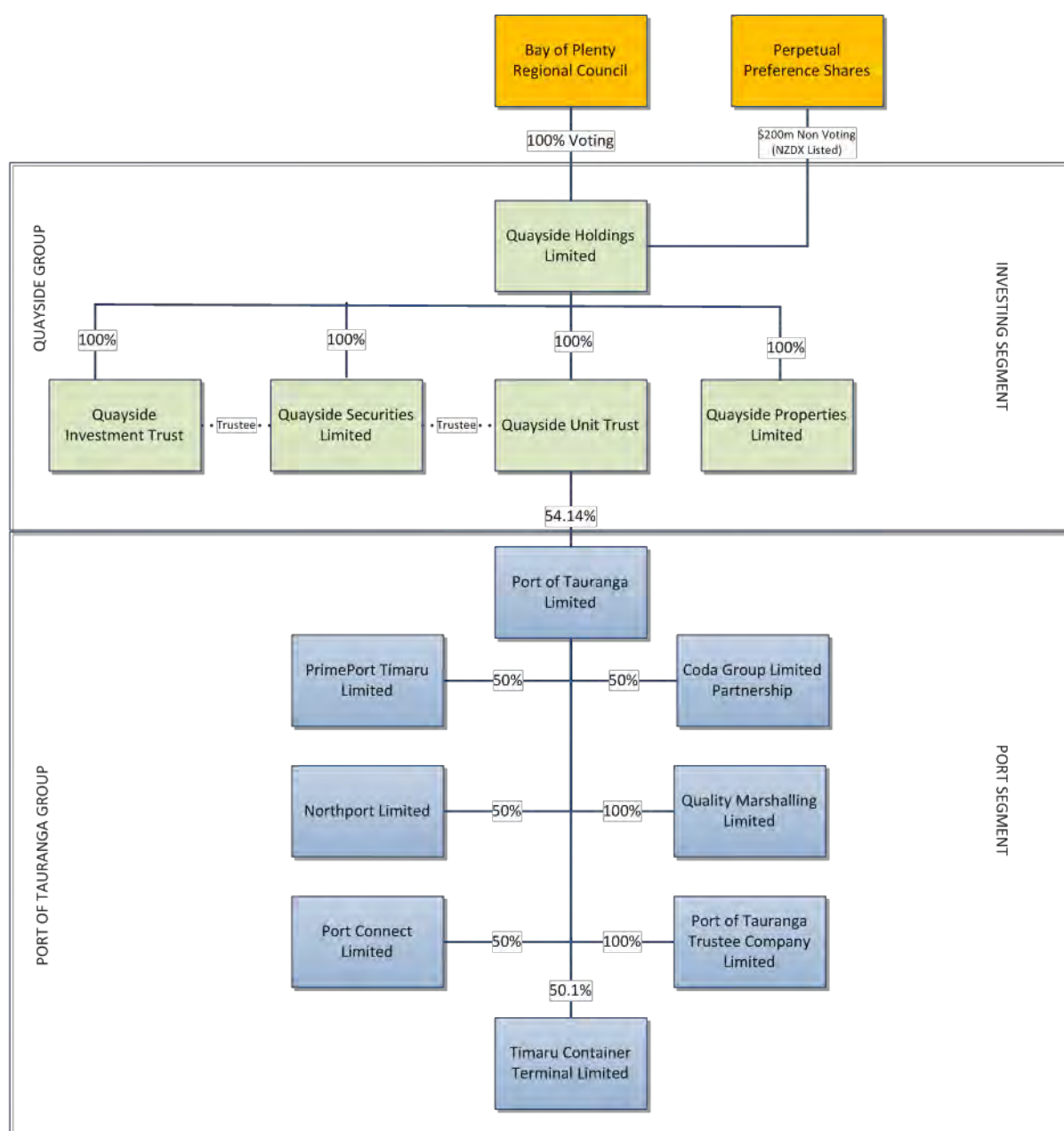
Financial statements for the Parent and consolidated financial statements are presented. The consolidated financial statements comprise the Parent, its wholly owned subsidiaries (Quayside Properties Limited, Quayside Securities Limited, Quayside Investment Trust and Quayside Unit Trust), its interests 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”).

Quayside Group has investments in equities, shares and other assets.

Port of Tauranga Limited is New Zealand’s largest port and natural freight gateway to and from international markets for many of New Zealand’s businesses. 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 is the most integrated port in the country, as it holds investments in other New Zealand ports and logistic companies.

Both the Parent and the Group are classified as for-profit entities.

The diagram on the following page illustrates the two subsets of the Group: Quayside Group and Port of Tauranga Group.





## 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 for-profit entities. The financial statements also comply with International Financial Reporting Standards (IFRS) and the NZX Listing Rules and Regulations 1996.

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: available-for-sale financial assets, other financial assets and liabilities (including derivatives) designated at fair value through the income statement, land, buildings, harbour improvements, wharves and hardstanding, kiwifruit licences, investment properties and bearer plants.

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

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

Other significant accounting policies not disclosed elsewhere are as follows:

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

The financial statements were authorised for issue by the Board of Directors on 28 August 2017.

### Accounting Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

## 2 BASIS OF PREPARATION (continued)

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

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

### *Classification of Property*

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

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

### *Classification of Perpetual Preference Shares as equity*

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

## **Fair Value Hierarchy**

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

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

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

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

## 2 BASIS OF PREPARATION (continued)

### New and Amended Accounting Standards Adopted

NZ IAS 41 (Amendment) 'Agriculture' was mandatory for annual reporting periods beginning on or after 1 January 2016. The amendment requires Biological assets, except for bearer plants, to be accounted for under NZ IAS 41. Bearer plants are now required to be accounted for under NZ IAS 16 'Property, plant and equipment'. The amendments also clarify that produce growing on the bearer plants is to be accounted for under NZ IAS 41. This amendment has been adopted by the Company and applied retrospectively to the prior period as required under the transitional provisions. Further details of the new policies and changes to comparatives are contained in Note 10.

### New Accounting Standards and Interpretations Not Yet Adopted

The following standards and interpretations which are considered relevant to the Group but not yet effective for the year ended 30 June 2017 have not been applied in preparing these financial statements:

- *NZ IFRS 9 Financial Instruments*

This standard becomes mandatory for the Group's 2019 consolidated financial statements. The main changes under NZ IFRS 9 are:

- New financial assets classification requirements for determining whether an asset is measured at fair value or amortised cost;
- A new impairment model for financial assets based on expected losses, which may result in the earlier recognition of impairment losses; and
- Revised hedge accounting requirements to better reflect the management of risks.

Management is currently in the process of evaluating the potential effect of the adoption of NZ IFRS 9, however it is expected that the impact will not be material.

- *NZ IFRS 16 Leases*

This standard becomes mandatory for the Group's 2020 consolidated financial statements. NZIFRS 16 requires a lessee to recognise a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. Included is an optional exemption for certain short-term leases and leases of low value assets – however this exemption can only be applied by lessees. Management is currently in the process of evaluating the potential effect of the adoption of NZ IFRS 16, however it is expected that the impact will not be material.

### 3 SEGMENTAL REPORTING

At 30 June 2017 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 segment results for the year ended 30 June are:

	Port \$'000	Investing \$'000	Total \$'000
<b>30 June 2017</b>			
Total segment revenue	256,487	62,561	319,048
Inter-segment revenue	-	(58,950)	(58,950)
Revenue (from external customers)	256,487	3,611	260,098
Other income/gains	(605)	23,687	23,082
Finance income	434	638	1,072
Finance costs	(17,205)	(1,819)	(19,024)
Depreciation & amortisation	(24,460)	(496)	(24,956)
Revaluation of previous revaluation deficit	193	-	193
Other expenditure/losses	(117,492)	(10,511)	(128,003)
Share of profit of Equity Accounted Investees	13,995	(713)	13,282
Income tax expense	(27,906)	(240)	(28,146)
<b>Net Profit after tax</b>	<b>83,441</b>	<b>14,157</b>	<b>97,598</b>



### 3 SEGMENTAL REPORTING (continued)

	Port \$'000	Investing \$'000	Total \$'000
<b>30 June 2016</b>			
Total segment revenue	245,026	41,677	286,703
Inter-segment revenue	-	(39,054)	(39,054)
Revenue (from external customers)	245,026	2,623	247,649
Other income/gains	495	22,080	22,575
Finance income	666	524	1,190
Finance costs	(17,006)	(2,252)	(19,258)
Depreciation & amortisation	(23,722)	(350)	(24,072)
Other expenditure/losses	(115,808)	(14,326)	(130,134)
Share of profit of Equity Accounted Investees	13,437	230	13,667
Income tax expense	(25,774)	673	(25,101)
<b>Net profit after tax</b>	<b>77,314</b>	<b>9,202</b>	<b>86,516</b>

The segment assets at 30 June are:

	Port \$'000	Investing \$'000	Total \$'000
30 June 2017	<b>1,422,600</b>	<b>217,933</b>	<b>1,640,533</b>
30 June 2016	1,322,367	167,437	1,489,804

#### Policies

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

#### 4 OPERATING REVENUE

	Group		Parent	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
<b>(a) Trading Revenue</b>				
Port services income	227,222	207,948	-	-
Rental income	24,819	24,848	-	-
Marshalling services income	4,633	12,399	-	-
Seeka Grower rebate incentive scheme	-	53	-	-
Sale of goods – kiwifruit	3,424	2,401	-	-
<b>Total trading revenue</b>	<b>260,098</b>	<b>247,649</b>	<b>-</b>	<b>-</b>
<b>(b) Other Income</b>				
Dividends (Quayside Unit Trust)	-	-	39,000	42,300
Foreign dividends	1,325	1,675	264	299
New Zealand dividends	3,123	2,546	428	468
Management fees	-	-	191	172
Subvention income	-	-	-	730
Other	(419)	521	210	15
<b>Total other income</b>	<b>4,029</b>	<b>4,742</b>	<b>40,093</b>	<b>43,984</b>
<b>(c) Other Gains</b>				
Change in fair value of investment property	1,289	417	-	-
Realised foreign exchange gains	116	10	2	-
Realised gain on equity investments	3,110	3,832	678	489
Unrealised FX gain on equity investments	4	-	-	-
Unrealised gain on equity investments	14,534	13,574	1,457	2,904
<b>Total other gains</b>	<b>19,053</b>	<b>17,833</b>	<b>2,137</b>	<b>3,393</b>

The Group has two kiwifruit orchards. Both orchards are managed by post-harvest provider Seeka Kiwifruit Industries Limited, and all kiwifruit is sold to Zespri under a supply agreement. All income from trays of kiwifruit are net of the point of sale and cool store costs.

Kiwifruit income this year has been derived from 29.21 canopy hectares (2016: 29.21 hectares).

Kiwifruit income this year includes a downward adjustment of \$32,154 in relation to the 2016 year (2016: \$242,944 increase on 2015 estimates). This was due to a revision during the year in the estimate of income receivable as at 30 June 2016.

In 2014 Seeka Kiwifruit Industries Limited introduced a grower rebate incentive scheme. Under the terms of the scheme, the Company is entitled to shares in Seeka equivalent to 10 cents per tray provided. This scheme was for a period of 3 years and was completed in June 2016.

#### 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. Revenue is shown, net of GST, rebates and discounts. Revenue is recognised as follows:

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

#### 5 EMPLOYEE BENEFIT EXPENSES

	Group		Parent	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Wages and salaries	(33,045)	(31,268)	(615)	(530)
ACC Levy	(77)	(21)	1	(1)
Kiwisaver contribution	(1,176)	(1,041)	(11)	(14)
Medical subsidy	(285)	(316)	-	-
Other	(8)	-	(8)	-
<b>Total employee benefit expense</b>	<b>(34,591)</b>	<b>(32,646)</b>	<b>(633)</b>	<b>(545)</b>

## 6 OTHER EXPENSES

The following items of expenditure are included in other expenses:

	Group		Parent	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
<b>(a) Trading and other expenses</b>				
<i>Audit Fees for the audit and review of the financial statements:</i>				
Audit NZ – audit fees paid to principal auditor	(95)	(84)	(59)	(53)
KPMG - audit fees paid to principal auditor of the Port of Tauranga Group	(143)	(133)	-	-
KPMG - review of half year financial statements	(12)	(12)	-	-
<i>Fees paid for other services provided by the principal auditor of the Port of Tauranga Group:</i>				
KPMG – Payments data analysis review	(17)	-	-	-
KPMG – Security assessment and awareness	-	(23)	-	-
Contracted services for Port operations	(54,985)	(52,700)	-	-
Direct fuel and power expenses	(7,175)	(6,995)	-	-
Maintenance of property, plant and equipment	(8,759)	(10,021)	-	-
Operating lease payments	(1,323)	(1,496)	-	-
Orchard expenses	(1,241)	(1,202)	-	-
Directors' fees	(990)	(866)	(178)	(173)
Other	(11,498)	(12,902)	(428)	(446)
<b>Total trading and other expenses</b>	<b>(86,238)</b>	<b>(86,434)</b>	<b>(665)</b>	<b>(672)</b>
<b>(b) Other losses</b>				
Realised foreign exchange losses	(20)	(32)	-	(1)
Realised loss on equity investments	(1,151)	(1,144)	(100)	(71)
Unrealised foreign exchange losses	(69)	(83)	(3)	(17)
Unrealised loss on equity investments	(5,934)	(9,765)	(160)	(1,380)
Impairment of property, plant and equipment on revaluation	-	(30)	-	-
<b>Total other losses</b>	<b>(7,174)</b>	<b>(11,054)</b>	<b>(263)</b>	<b>(1,469)</b>

## 7 FINANCE INCOME AND EXPENSES

	Group		Parent	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
<b>(a) Finance income</b>				
Interest income on bank deposits	1,006	1,188	135	252
Interest - Intercompany	-	-	1,111	1,537
Ineffective portion of changes in fair value of cash flow hedges	62	-	-	-
Interest on finance lease	4	2	-	-
<b>Total finance income</b>	<b>1,072</b>	<b>1,190</b>	<b>1,246</b>	<b>1,789</b>
<b>(b) Finance expense</b>				
Interest expense on borrowings	(20,172)	(19,982)	(1,819)	(2,252)
Less: interest capitalised to property, plant and equipment	1,225	933	-	-
	<b>(18,947)</b>	<b>(19,049)</b>	<b>(1,819)</b>	<b>(2,252)</b>
Interest - intercompany				
Interest on deferred consideration	-	(29)	-	-
Ineffective portion of changes in fair value of cash flow hedges	(2)	(180)	-	-
Amortisation of interest rate collar premium	(75)	-	-	-
<b>Total finance expense</b>	<b>(19,024)</b>	<b>(19,258)</b>	<b>(1,819)</b>	<b>(2,252)</b>
<b>Net finance cost</b>	<b>(17,952)</b>	<b>(18,068)</b>	<b>(573)</b>	<b>(463)</b>

**Capitalised Interest:** The average weighted interest rate for interest capitalised to property, plant and equipment, was 5.06% for the current period (2016: 5.35%)

### Policies

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

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



## 8 INCOME TAX

	Group		Parent	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
<b>Components of Tax Expense</b>				
Profit before income tax for the period	125,744	111,617	39,365	44,452
Income tax on surplus at 28% (2016: 28%)	(35,208)	(31,253)	(11,022)	(12,447)
<i>Tax effect of amounts which are non deductible/(taxable):</i>				
Gain/(loss) on investments	2,987	1,784	552	543
Fair value (loss)/gain on investment property	361	117	-	-
Foreign dividend regime	(404)	(340)	-	-
Share of Equity Accounted Investees after tax income, excluding CODA Group	2,849	2,983	(200)	64
Dividend imputation credits	794	931	11,054	12,284
PIE attributed (income)/loss	-	-	(518)	(784)
Other attributed (income)/loss	56	-	56	-
Tax losses utilised	587	-	128	377
Non assessable income/expenditure	(17)	(13)	(31)	(37)
Temporary differences	(354)	-	-	-
Previously unrecognised temporary differences	-	518	-	-
Other	203	172	(19)	-
<b>Income tax expense</b>	<b>(28,146)</b>	<b>(25,101)</b>	<b>-</b>	<b>-</b>
<i>The income tax expense is represented by:</i>				
<b>Current tax expense</b>				
Tax payable in respect of the current period	(29,350)	(27,477)	-	-
Adjustment for prior period	50	(142)	-	-
<b>Total current tax expense</b>	<b>(29,300)</b>	<b>(27,619)</b>	<b>-</b>	<b>-</b>
<b>Deferred tax expense</b>				
Origination/reversal of temporary differences	1,096	2,561	-	-
Adjustment for prior period	58	(43)	-	-
<b>Total deferred tax expense (note 9)</b>	<b>1,154</b>	<b>2,518</b>	<b>-</b>	<b>-</b>
<b>Income tax expense</b>	<b>(28,146)</b>	<b>(25,101)</b>	<b>-</b>	<b>-</b>
<b>Income tax recognised in other comprehensive income:</b>				
Impairment of property, plant and equipment	-	(178)	-	-
Revaluation of intangibles	165	378	-	-
Revaluation of bearer plants	302	523	-	-
Cash flow hedges	2,412	(2,926)	-	-
<b>Total (note 9)</b>	<b>2,879</b>	<b>(2,203)</b>	<b>-</b>	<b>-</b>
<b>Imputation Credit Account</b>				
Imputation credits available for use in subsequent periods	84,628	83,715	28,614	24,404

### 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.

## 9 DEFERRED TAXATION

Group	Assets		Liabilities		Net	
	2017	2016	2017	2016	2017	2016
	\$000	\$000	\$000	\$000	\$000	\$000
<b>Deferred tax (asset)/liability</b>						
Property, plant and equipment	-	-	62,744	63,583	62,744	63,583
Investment property	(1,590)	(1,945)	-	-	(1,590)	(1,945)
Intangible assets	-	-	954	800	954	800
Finance lease receivables	-	-	13	2	13	2
Derivatives	(2,898)	(5,310)	-	-	(2,898)	(5,310)
Provisions and accruals	(1,861)	(1,494)	-	-	(1,861)	(1,494)
<b>Total</b>	<b>(6,349)</b>	<b>(8,749)</b>	<b>63,711</b>	<b>64,385</b>	<b>57,362</b>	<b>55,636</b>

Group	Recognised in the Income Statement		Recognised in Comprehensive Income	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
Property, plant and equipment	(1,141)	(437)	302	345
Investment property	355	(1,945)	-	-
Intangible assets	(12)	68	165	378
Finance lease receivables	11	2	-	-
Derivatives	-	-	2,412	(2,926)
Provisions and accruals	(367)	(206)	-	-
<b>Total</b>	<b>(1,154)</b>	<b>(2,518)</b>	<b>2,879</b>	<b>(2,203)</b>

### Unrecognised Tax Losses or Temporary Differences

At 30 June 2017, the Parent had a deferred tax asset of \$90,471 (2016: \$218,868) in relation to excess imputation credits converting to losses of \$323,211 (2016: \$781,674). The deferred tax asset was not recognised as it is not probable that future taxable profit will be available against which the Parent can utilise the benefits therefrom. A deferred tax asset of \$214,130 (2016: \$672,507) has not been recognised for excess imputation credits converting to tax losses of \$764,750 (2016: \$2,401,812) in Quayside Unit Trust. There are no other 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.

## 10 PROPERTY, PLANT AND EQUIPMENT

The Parent has no property, plant and equipment. This note is for the Group only.

Group	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
<b>Gross carrying amount:</b>								
Balance at 1 July 2015	516,815	82,157	251,791	120,006	6,202	182,940	21,420	1,181,331
Additions	43	12	117	16	-	1,734	62,737	64,659
Disposals	-	(246)	-	-	-	(21,222)	-	(21,468)
Revaluation	-	-	-	-	1,525	-	-	1,525
Transfers from work in progress	-	624	9,746	1,074	-	18,983	(30,427)	-
Transferred to intangible assets (refer to note 12)	-	-	-	-	-	-	(349)	(349)
Balance at 30 June 2016	516,858	82,547	261,654	121,096	7,727	182,435	53,381	1,225,698
Balance at 1 July 2016	516,858	82,547	261,654	121,096	7,727	182,435	53,381	1,225,698
Additions	-	167	104	4	-	1,153	59,248	60,676
Disposals	-	(1,273)	-	-	-	(8,677)	-	(9,950)
Transfers from work in progress	-	15,433	11,178	36,738	-	39,147	(102,496)	-
Revaluation	63,460	-	-	-	651	-	-	64,111
Balance at 30 June 2017	580,318	96,874	272,936	157,838	8,378	214,058	10,133	1,340,535
<b>Accumulated depreciation and impairment:</b>								
Balance at 1 July 2015	-	(55)	-	-	-	(77,650)	-	(77,705)
Depreciation expense	-	(3,283)	(8,757)	(1,519)	(344)	(9,620)	-	(23,523)
Revaluation	-	-	-	-	344	-	-	344
Impairment	-	(637)	-	-	-	(30)	-	(667)
Disposals	-	53	-	-	-	10,932	-	10,985
Balance at 30 June 2016	-	(3,922)	(8,757)	(1,519)	-	(76,368)	-	(90,566)
Balance at 1 July 2016	-	(3,922)	(8,757)	(1,519)	-	(76,368)	-	(90,566)
Depreciation expense	-	(3,392)	(9,456)	(1,160)	(426)	(9,934)	-	(24,368)
Revaluation	-	-	-	-	426	-	-	426
Disposals	-	1,023	-	-	-	8,587	-	9,610
Balance at 30 June 2017	-	(6,291)	(18,213)	(2,679)	-	(77,715)	-	(104,898)
<b>Carrying amounts:</b>								
Net book value as at 30 June 2016	516,858	78,625	252,897	119,577	7,727	106,067	53,381	1,135,132
Net book value as at 30 June 2017	580,318	90,583	254,723	155,159	8,378	136,343	10,133	1,235,637

## 10 PROPERTY, PLANT AND EQUIPMENT (continued)

Parent	Plant and Equipment \$000
<b>Gross carrying amount:</b>	
Balance at 1 July 2015	26
Additions	-
Balance at 30 June 2016	26
Balance at 1 July 2016	26
Additions	10
Balance at 30 June 2017	36
<b>Accumulated depreciation and impairment:</b>	
Balance at 1 July 2015	(3)
Depreciation expense	(4)
Balance at 30 June 2016	(7)
Balance at 1 July 2016	(7)
Depreciation expense	(10)
Balance at 30 June 2017	(17)
Net book value at 30 June 2016	19
<b>Net book value at 30 June 2017</b>	<b>19</b>

### Bearer Plants

Fair value of the bearer plants (kiwifruit vines) has been determined by independent registered valuation at 30 June 2017 undertaken by Telfer Young. The fair value measurement has been categorised as a level 2 fair value based on the inputs to the valuation technique. Fair value has been determined with reference to comparative orchard sales in the region, taking in to account the quality of the orchard, potential production and orchard gate return. The increases in fair value reflect the strong returns of the orchards growing Green variety kiwifruit, and the production returns of the new G3 variety.

### Adjustment to comparative information

NZ IAS 41 (Amendment) 'Agriculture' was adopted during the year. This amendment requires bearer plants (kiwifruit vines), to now be accounted for under NZ IAS 16 'Property, plant and equipment' instead of NZ IAS 41 'Agriculture'. This has resulted in the following changes to the accounting treatment:

- Fair value of the vines used to deduct costs to sell – these are now no longer deducted.
- Revaluation gains or losses used to be recognised through profit and loss – these gains or losses are now recognised through other comprehensive income.
- Bearer plants are required to be depreciated – accumulated depreciation is then reversed on revaluation.

## 10 PROPERTY, PLANT AND EQUIPMENT (continued)

The transitional provisions of the amendment require prior period comparatives to be restated in accordance with NZ IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. The impact of the restatement is shown in the table below:

	2016 <i>Restated</i> \$'000	2016 <i>Previously reported</i> \$'000	1 July 2015 <i>Restated</i> \$'000
<i>Statement of Comprehensive Income</i>			
Other gains	17,833	19,322	
Depreciation & Amortisation	(24,072)	(23,728)	
<b>Operating profit before financing costs</b>	<b>116,018</b>	<b>117,851</b>	
<b>Profit before income tax</b>	<b>111,617</b>	<b>113,450</b>	
Income tax receivable/(expense)	(25,101)	(25,572)	
<b>Profit for the period</b>	<b>86,516</b>	<b>87,878</b>	
Revaluation of bearer plants, net of tax	1,346	-	
<b>Total other comprehensive income</b>	<b>(6,884)</b>	<b>(8,230)</b>	
<b>Total comprehensive income for the year</b>	<b>79,632</b>	<b>79,648</b>	
<i>Statement of Changes in Equity</i>			
Retained Earnings – Balance at 1 July 2015	16,356	16,203	
Revaluation Reserve – Balance at 30 June 2016	368,136	366,790	
Retained Earnings - Profit for the period	51,681	53,043	
Retained Earnings – Balance at 30 June 2016	39,145	40,356	
<i>Statement of Financial Position</i>			
Biological Assets	-	7,538	-
Property, plant and equipment	1,135,132	1,127,405	1,097,577
Deferred tax liability	(55,636)	(55,584)	-

### 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	
	2017 Notional Carrying Amount \$'000	2016 Notional Carrying Amount \$'000
Freehold land	117,748	117,748
Freehold buildings	61,944	54,324
Wharves and hardstanding	98,299	92,958
Harbour improvements	64,696	28,534
Bearer Plants	1,249	1,249
<b>Total notional carrying amount</b>	<b>343,936</b>	<b>293,564</b>



## 10 PROPERTY, PLANT AND EQUIPMENT (continued)

### Restriction on Title

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

### Security

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

### Occupation of Foreshore

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

### Capital Commitments

The estimated capital expenditure for property, plant and equipment contracted for at balance date but not provided for is \$5.8m (2016: \$40.2m).

### Judgements

#### *Fair Values*

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

#### *Land*

In the current financial year a revaluation was undertaken for the land asset class, due to indicators of a potential material movement in the fair value of this asset class since the previous revaluation undertaken at 30 June 2015.

This valuation of land was carried out at 30 June 2017 by Preston Rowe Paterson Tauranga Pty Limited, CBRE Limited and Colliers International New Zealand Limited.

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

- 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.

## 10 PROPERTY, PLANT AND EQUIPMENT (continued)

- Current market expectations: This is based on yield and recent local sales.

Description	Valuation approach	Hectares	Key valuation assumption (Rates per Square Metre)
Tauranga (Sulphur Point)/Mount Maunganui – wharf and industrial land	Available market evidence	181.7	\$270 - \$569
Auckland land	Available market evidence	6.8	\$475 - \$525
Rolleston land	Available market evidence	15.0	\$95 - \$105

A +/- 5% movement in the square metre rates applied to land valuations would have a \$29 million impact on "Other Comprehensive Income".

- No restriction of title: Valuation is made on the assumption that having no legal title to the Tauranga harbour foreshore does not impact on the value of the Parent Company's assets.

### *Other Assets Subject to Revaluation*

All buildings, harbour improvements, and wharves and hardstanding have been revalued to fair value, being market value, for non specialised assets and depreciated replacement cost (DRC) for specialised assets. The last valuation was carried out as at 30 June 2015 by Opus International Consultants Limited (wharves and hardstanding, and harbour improvements), Preston Rowe Paterson Tauranga Pty Limited, CBRE Limited and Colliers International New Zealand Limited (buildings). The fair value measurement has been categorised as a level 3 fair value based on the inputs for the assets which are not based on observable market data (unobservable inputs), (refer to note 2 for fair value measurement hierarchy).

### *Wharves and hardstanding, and harbour improvements*

Wharves and hardstanding and harbour improvement assets owned by Port of Tauranga Limited are classified as specialised assets and have accordingly been valued on a depreciated replacement cost basis.

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

- Replacement unit cost - replacement unit costs were calculated taking into account:
  - Port of Tauranga Limited's historic cost data including any recent competitively tendered construction works.
  - Published cost information.
  - The Opus construction cost database.
  - Long run price trends.
  - Historic costs adjusted for changes in price levels.
  - An allowance has been included for costs directly attributable to bringing assets into working condition, management costs and the financing cost of capital held over the construction period.

## 10 PROPERTY, PLANT AND EQUIPMENT (continued)

- 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 Port of Tauranga Limited's operational officers.
  - Opus Consultants in-house experience from other infrastructure valuations.
  - Residual values.

### *Buildings*

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

- Current market expectations: This is based on yield and recent local sales.
- Current occupancy rates of premises.
- Market value of buildings: This is made on a depreciated replacement cost basis with that assessment compared against actual or likely market rental capitalised at an appropriate rate of return between 5% and 10%.
- Future Port plans: The impact of major building relocation and demolition planned by Port of Tauranga Limited to facilitate better utilisation of the wharf areas, including the prospect of increased berthage at Sulphur Point.

## 10 PROPERTY, PLANT AND EQUIPMENT (continued)

### Policies

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

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

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

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

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

Major useful lives are:

Bearer plants	20 years
Freehold buildings	33 to 85 years
Maintenance dredging	3 years
Wharves	10 to 60 years
Wharf rocks	150 to 200 years
Wharf piles	60 to 130 years
Basecourse	50 years
Asphalt	15 years
Gantry cranes	10 to 40 years
Floating plant	10 to 25 years
Other plant and equipment	5 to 25 years
Electronic equipment	3 to 5 years

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

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

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

## 11 OPERATING LEASES

### Operating leases where the Group is the Lessor

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

	Group			
	2017 Cost/ Valuation \$000	2017 Accumulated Depreciation \$000	2016 Cost/ Valuation \$000	2016 Accumulated Depreciation \$000
Land	304,919	-	267,109	-
Buildings	64,749	3,419	47,904	2,123
<b>Total</b>	<b>369,668</b>	<b>3,419</b>	<b>315,013</b>	<b>2,123</b>

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

	Group	
	2017 \$000	2016 \$000
Within one year	22,476	13,780
One year to two years	10,453	12,877
Two years to five years	12,520	14,120
Greater than five years	15,629	13,800
<b>Total</b>	<b>61,078</b>	<b>54,577</b>

#### Policies

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

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

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



## 12 INTANGIBLE ASSETS

Group	Kiwifruit G3 Licences \$000	Goodwill \$000	Computer Software \$000	Rail Services Agreement \$000	Total \$000
<b>Cost:</b>					
Balance at 1 July 2015	826	18,610	6,962	10,000	35,572
Additions	-	-	434	-	434
Revaluation	583	-	-	-	583
Disposals	-	(3,120)	(108)	-	(3,228)
Transfers from work in progress	-	-	349	-	349
Balance at 30 June 2016	1,409	15,490	7,637	10,000	34,536
Balance at 1 July 2016	1,409	15,490	7,637	10,000	34,536
Additions	1,137	-	180	-	1,317
Disposals	-	-	(4,650)	-	(4,650)
Revaluation	579	-	-	-	579
<b>Balance at 30 June 2017</b>	<b>3,125</b>	<b>15,490</b>	<b>3,167</b>	<b>10,000</b>	<b>31,782</b>
<b>Accumulated amortisation and impairment:</b>					
Balance at 1 July 2015	-	-	(5,196)	(9,019)	(14,215)
Amortisation expense	-	-	(424)	(123)	(547)
Disposals	-	-	61	-	61
Balance at 30 June 2016	-	-	(5,559)	(9,142)	(14,701)
Balance at 1 July 2016	-	-	(5,559)	(9,142)	(14,701)
Amortisation expense	(59)	-	(407)	(122)	(588)
Revaluation	59	-	-	-	59
Disposals	-	-	4,592	-	4,592
<b>Balance at 30 June 2017</b>	<b>-</b>	<b>-</b>	<b>(1,374)</b>	<b>(9,264)</b>	<b>(10,638)</b>
<b>Carrying amounts:</b>					
Net book value 30 June 2016	1,409	15,490	2,078	858	19,835
<b>Net book value 30 June 2017</b>	<b>3,125</b>	<b>15,490</b>	<b>1,793</b>	<b>736</b>	<b>21,144</b>

## 12 INTANGIBLE ASSETS (continued)

	Kiwifruit G3 Licences \$000
<b>Parent</b>	
<b>Gross carrying amount:</b>	
Balance at 1 July 2015	-
Additions	-
Balance at 30 June 2016	-
Balance at 1 July 2016	-
Additions	1,137
Revaluation	39
Balance at 30 June 2017	1,176
<b>Accumulated depreciation and impairment:</b>	
Balance at 1 July 2015	-
Depreciation expense	-
Balance at 30 June 2016	-
Balance at 1 July 2016	-
Amortisation expense	(8)
Revaluation	8
Balance at 30 June 2017	-
Net book value at 30 June 2016	-
<b>Net book value at 30 June 2017</b>	<b>1,176</b>

	Group		Parent	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
<b>Kiwifruit Licence Revaluation Reserve</b>				
Opening Balance	973	768	-	-
Revaluation, net of tax	473	205	47	-
<b>Closing Balance</b>	<b>1,446</b>	<b>973</b>	<b>47</b>	<b>-</b>

### G3 Licences

The G3 licences held are for a total of 13.29 hectares (2016: 8.29 hectares). The 2014 to 2017 harvest returns and G3 current resilience to the Psa V disease has increased the value of G3 licences. A registered valuer at 30 June 2017 determined that the fair value for licences held by Quayside was \$3,125,000. The original cost of the licences is \$1,195,149. The fair value measurement for these assets is categorised as a level 1 fair value.

From September 2016, Zespri announced that G3 licences now have a determined expiration date of 6 September 2039. Amortisation of the licence has been calculated from September 2016 on the basis of this useful life. Prior to September 2016 there was no amortisation of the licence due to the undetermined licence period.

## 12 INTANGIBLE ASSETS (continued)

### Judgements

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

Goodwill was tested for impairment at 30 June 2017 and confirmed that no adjustment was required. For impairment testing the calculation of value in use was based upon the following key assumptions:

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

### Policies

#### *Kiwifruit licences*

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

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

#### *Goodwill*

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

Goodwill is measured at cost less accumulated impairment losses.

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

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

Rail services agreement	10	to	15	years
Computer software	1	to	10	years

Goodwill is tested for impairment annually, based upon the value in use of the cash generating unit to which the goodwill relates. Value in use was determined by discounting five year future cash flows, generated from the continuing use of the units.

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	2017 %	2016 %	Balance Date
<b>Subsidiaries of Quayside Holdings Limited</b>				
Quayside Unit Trust (QUT)	Majority shareholder in POT and hold equities	100.00	100.00	30 June
Quayside Investment Trust (QIT)	Hold equity investments	100.00	100.00	30 June
Quayside Securities Limited (QSL)	Trustee for QUT and QIT	100.00	100.00	30 June
Quayside Properties Limited (QPL)	Hold investment properties	100.00	100.00	30 June
Port of Tauranga Limited (POT)	Port company	54.14	54.14	30 June
<b>Subsidiaries of Port of Tauranga Limited</b>				
Port of Tauranga Trustee Company Limited	Holding company for employee share scheme	100.00	100.00	30 June
Quality Marshalling (Mount Maunganui) Limited	Marshalling and terminal operations services	100.00	100.00	30 June

The subsidiaries of the Group are incorporated / established in New Zealand.

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

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

### 13 INVESTMENT IN SUBSIDIARIES (continued)

	Parent	
	2017	2016
	\$000	\$000
<b>Investment in Quayside Properties Limited</b>		
Ordinary shares at cost	10,500	10,500
Ordinary shares at fair value	13,850	10,296
<b>Investment in Quayside Securities Limited as Trustee for Quayside Unit Trust (incorporating Port of Tauranga Limited)</b>		
Ordinary units at cost	7,525	7,525
Ordinary units at fair value	1,675,070	1,451,835
<b>Investment in Quayside Securities Limited</b>		
Ordinary units at cost	-	-
Ordinary units at fair value	33	34
<b>Investment in Quayside Securities Limited as Trustee for Quayside Investment Trust</b>		
Ordinary units at cost	76,267	67,167
Ordinary units at fair value	95,307	78,962
<b>Total Investment in Subsidiaries at fair value</b>	<b>1,784,260</b>	<b>1,541,127</b>

The fair value of subsidiaries with unlisted shares is based on the entity's net assets recorded in the financial statements and are categorised under the Level 2 fair value hierarchy. Listed shares held in the Port of Tauranga Limited are stated at fair value as determined by reference to published current bid price quotations in an active market, and are categorised under the Level 1 fair value hierarchy.

Quayside Securities Limited holds the shares in Port of Tauranga Limited as Trustee for the Quayside Unit Trust. This is in accordance with the Declaration of Trust by Quayside Securities Limited. Section 92 of the Companies Act 1993 prevents Notice of any Trust being entered on the share register, and consequently the share certificate is in the name of Quayside Securities Limited. The name on the share certificate however is not necessarily determinative of beneficial ownership. The shares in Port of Tauranga Limited were purchased at \$1.27 per share. During 2002 the Port of Tauranga Limited had a 2:1 share split, resulting in a total number of shares held of 73,687,536. A further 5:1 share split on 17 October 2016 has resulted in a total number of shares held of 368,437,680.

Quayside Securities Limited as Trustee for the Quayside Unit Trust holds the shares in Port of Tauranga Group through its 54.14% (2016: 54.14%) investment in the Port of Tauranga Limited. 45.86% (2016: 45.86%) of the Port of Tauranga Limited is held by non-controlling interests.



### 13 INVESTMENT IN SUBSIDIARIES (continued)

	2017 \$000	2016 \$000
<b>Ownership Interest in Port of Tauranga Limited</b>		
Non current assets	1,372,861	1,269,148
Current assets	49,739	53,219
Non current liabilities	(192,424)	(204,298)
Current liabilities	(298,233)	(232,385)
<b>Net assets (100%)</b>	<b>931,943</b>	885,684
<b>Group's share of net assets - 54.14% (2016: 54.14%)</b>	<b>504,554</b>	479,509
<b>Non Controlling Interest - 45.86 % (2016: 45.86%)</b>	<b>427,389</b>	406,175
Accounting adjustment to non-controlling interest (refer note 16(e))	(7,359)	(6,905)
	<b>420,030</b>	399,270
 <b>Port of Tauranga Group – summary of financial performance and cash flow</b>		
Operating revenue	255,882	245,521
Profit after income tax	83,441	77,314
Total comprehensive income	153,713	68,879
Net cash inflow from operating activities	98,185	88,069
Ending cash and cash equivalents	5,184	11,580

### 13 INVESTMENT IN SUBSIDIARIES (continued)

#### **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.

#### *Available-for-sale financial assets*

In respect of the Parent accounts, the accounting policy is to account for subsidiary investments at fair value as an available-for-sale asset. The fair value of investments in subsidiaries is based on the entity's net assets recorded in the financial statements and are categorised under the level 2 fair value hierarchy

Available-for-sale financial assets are non-derivative assets that are designated as available-for-sale or are not classified in any other category of financial asset. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs.

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

## 14 INVESTMENTS IN EQUITY ACCOUNTED INVESTEEES

Investments in Equity Accounted Investees comprise:

Name of Entity	Principal Activity	2017 %	2016 %	Balance Date
<b>Quayside Holdings Limited</b>				
WNT Ventures (A)	Technology incubator	20.00	25.00	30 June
Ōpōtiki Packing & Coolstorage Limited (A)	Kiwifruit packhouse	10.10	10.10	31 Dec*
HoneyLab Limited (A)	Honey products	14.13	12.53	31 Mar*
Rhodium Limited (A)	Dental technology	9.70	5.10	31 Dec*
Oriens Capital (A)	Private Equity Fund	19.77	-	31 Mar*
<b>Port of Tauranga Limited</b>				
Northport Limited (JV)	Sea port	50.00	50.00	30 June
Coda Group Limited Partnership (JV)	Freight logistics and warehousing	50.00	50.00	30 June
PrimePort Timaru Limited (JV)	Sea port	50.00	50.00	30 June
PortConnect Limited (JV)	On line cargo management	50.00	50.00	30 June
Timaru Container Terminal Limited (JV)	Sea port	50.10	50.10	30 June

(A) - Associate

(JV) - Joint Venture

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

Carrying value of investments in Equity Accounted Investees:

	Group		Parent	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
<b>Investments in equity accounted investees</b>				
Balance at 1 July	130,073	119,032	6,783	60
Share of after net profit after tax	13,282	13,667	(713)	230
Share of hedging reserve	182	(395)	-	-
Share of revaluation reserve	747	(57)	124	-
<b>Share of total comprehensive income</b>	<b>14,211</b>	<b>13,215</b>	<b>(589)</b>	<b>230</b>
Purchase of shares in associates	4,300	180	4,300	6,493
Dividends received	(10,570)	(8,667)	(63)	-
<b>Balance at 30 June</b>	<b>138,014</b>	<b>130,073</b>	<b>10,431</b>	<b>6,783</b>

## 14 INVESTMENTS IN EQUITY ACCOUNTED INVESTEEES (continued)

### *Quayside Group*

The Parent has committed uncalled capital in its equity accounted investees of \$8,610,000 (2016: \$360,000).

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

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

### Summarised Financial Information of immaterial Equity Accounted Investees - Associates:

Parent and Group	2017 \$000	2016 \$000
Cash and cash equivalents	4,030	4,592
Total current assets	19,453	18,989
Total non current assets	41,884	29,561
<b>Total assets</b>	<b>61,337</b>	<b>48,550</b>
Current financial liabilities excluding trade and other payables and provisions	2,019	1,072
Total current liabilities	13,027	11,653
Non current financial liabilities excluding trade and other payables and provisions	11,164	9,673
Total non current liabilities	11,164	9,673
<b>Total liabilities</b>	<b>24,191</b>	<b>21,326</b>
<b>Net assets</b>	<b>37,146</b>	<b>27,224</b>
<b>Group's share of net assets</b>	<b>4,646</b>	<b>2,430</b>
<b>Goodwill acquired on acquisition of Equity Accounted Investees</b>	<b>5,785</b>	<b>4,353</b>
<b>Carrying amount of Equity Accounted Investees</b>	<b>10,431</b>	<b>6,783</b>
Revenues	48,402	26,557
Depreciation and amortisation	(2,813)	(692)
Interest expense	(340)	(178)
<b>Net profit before tax</b>	<b>(5,421)</b>	<b>3,742</b>
Tax expense	(308)	(1,140)
<b>Net profit after tax</b>	<b>(5,729)</b>	<b>2,602</b>
Other comprehensive income	1,117	-
<b>Total comprehensive income</b>	<b>(4,612)</b>	<b>2,602</b>
<b>Group's share of net profit after tax</b>	<b>(713)</b>	<b>230</b>
<b>Group's share of total comprehensive income</b>	<b>(589)</b>	<b>230</b>

## 14 INVESTMENTS IN EQUITY ACCOUNTED INVESTEEES (continued)

The following table summarise the financial information of Northport Limited, Coda Group Limited Partnership and the combined value of other Joint Venture Equity Accounted Investees as included in their own financial statements, adjusted for fair value adjustments at acquisition and differences in accounting policies. This note relates to the Group only as the Parent has no interests in Joint Ventures.

### Summarised Financial Information of Equity Accounted Investees – Joint Ventures:

2017	Northport Limited NZ\$000	Coda Group Limited Partnership NZ\$000	Other Equity Accounted Investees NZ\$000	Total NZ\$000
Cash and cash equivalents	206	3,963	3,710	7,879
Total current assets	3,759	28,329	8,854	40,942
Total non current assets	131,152	30,000	83,628	244,780
<b>Total assets</b>	<b>134,911</b>	<b>58,329</b>	<b>92,482</b>	<b>285,722</b>
Current financial liabilities excluding trade and other payables and provisions	2,220	1,039	8,595	11,854
Total current liabilities	4,553	19,490	11,767	35,810
Non current financial liabilities excluding trade and other payables and provisions	35,188	802	27,318	63,308
Total non current liabilities	35,188	802	27,318	63,308
<b>Total liabilities</b>	<b>39,741</b>	<b>20,292</b>	<b>39,085</b>	<b>99,118</b>
<b>Net assets</b>	<b>95,170</b>	<b>38,037</b>	<b>53,397</b>	<b>186,604</b>
<b>Group's share of net assets</b>	<b>47,585</b>	<b>19,020</b>	<b>26,702</b>	<b>93,307</b>
<b>Goodwill acquired on acquisition of Equity Accounted Investees</b>	<b>-</b>	<b>29,414</b>	<b>4,862</b>	<b>34,276</b>
<b>Carrying amount of Equity Accounted Investees</b>	<b>47,585</b>	<b>48,434</b>	<b>31,564</b>	<b>127,583</b>
Revenues	40,894	200,703	31,513	273,110
Depreciation and amortisation	(4,186)	(1,512)	(2,035)	(7,733)
Interest expense	(1,771)	-	(1,307)	(3,078)
<b>Net profit before tax</b>	<b>18,164</b>	<b>6,208</b>	<b>3,617</b>	<b>27,989</b>
Tax expense	(6,143)	-	(1,394)	(7,537)
<b>Net profit after tax</b>	<b>18,164</b>	<b>6,208</b>	<b>3,617</b>	<b>29,599</b>
Other comprehensive income	1,610	-	-	1,610
<b>Total comprehensive income</b>	<b>19,774</b>	<b>6,208</b>	<b>3,617</b>	<b>29,599</b>
<b>Group's share of net profit after tax</b>	<b>9,082</b>	<b>3,104</b>	<b>1,809</b>	<b>13,995</b>
<b>Group's share of total comprehensive income</b>	<b>9,887</b>	<b>3,104</b>	<b>1,809</b>	<b>14,800</b>

# 14 INVESTMENTS IN EQUITY ACCOUNTED INVESTEEES (continued)

2016	Northport Limited NZ\$000	Coda Group Limited Partnership NZ\$000	Other Equity Accounted Investees NZ\$000	Total NZ\$000
Cash and cash equivalents	321	2,875	2,692	5,888
Total current assets	4,612	23,734	6,989	35,335
Total non current assets	131,548	24,173	84,256	239,977
<b>Total assets</b>	<b>136,160</b>	<b>47,907</b>	<b>91,245</b>	<b>275,312</b>
Current financial liabilities excluding trade and other payables and provisions	1,994	1,588	8,319	11,901
Total current liabilities	6,651	16,758	12,727	36,136
Non current financial liabilities excluding trade and other payables and provisions	36,450	-	27,391	63,841
Total non current liabilities	36,450	-	27,391	63,841
<b>Total liabilities</b>	<b>43,101</b>	<b>16,758</b>	<b>40,118</b>	<b>99,977</b>
<b>Net assets</b>	<b>93,059</b>	<b>31,149</b>	<b>51,127</b>	<b>175,335</b>
<b>Group's share of net assets</b>	<b>46,530</b>	<b>15,575</b>	<b>25,569</b>	<b>87,674</b>
<b>Goodwill acquired on acquisition of Equity Accounted Investees</b>	<b>-</b>	<b>30,754</b>	<b>4,862</b>	<b>35,616</b>
<b>Carrying amount of Equity Accounted Investees</b>	<b>46,530</b>	<b>46,329</b>	<b>30,432</b>	<b>123,290</b>
Revenues	38,829	204,761	29,140	272,730
Depreciation and amortisation	(4,186)	(1,477)	(1,731)	(7,394)
Interest expense	(1,858)	-	(809)	(2,667)
<b>Net profit before tax</b>	<b>22,590</b>	<b>6,026</b>	<b>5,565</b>	<b>34,181</b>
Tax expense	(5,730)	-	(1,525)	(7,255)
<b>Net profit after tax</b>	<b>16,860</b>	<b>6,026</b>	<b>4,040</b>	<b>26,926</b>
Other comprehensive income	(1,464)	-	560	(904)
<b>Total comprehensive income</b>	<b>15,396</b>	<b>6,026</b>	<b>4,600</b>	<b>26,022</b>
<b>Group's share of net profit after tax</b>	<b>8,430</b>	<b>3,013</b>	<b>1,994</b>	<b>13,437</b>
<b>Group's share of total comprehensive income</b>	<b>7,698</b>	<b>3,013</b>	<b>2,274</b>	<b>12,985</b>



## 14 INVESTMENTS IN EQUITY ACCOUNTED INVESTEEES (continued)

### Tax Treatment of Coda Group

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

### Judgements

#### *Quayside Holdings Limited*

As at 30 June 2017 the Parent had either appointed a director to the board or was entitled to appoint a director to the board of its associates. The entitlement to appoint a director and appointment of a director permits Quayside Holdings to participate in the financial and operating policy decisions of the companies. Despite holding less than 20% of the voting rights of the entities, an entitlement and appointment of a director is considered “significant influence” and allows the accounting for each investment as an equity accounted investee.

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

The investment in Coda Group was tested for impairment at 30 June 2017 and confirmed that no adjustment was required. For impairment testing the calculation of value in use was based upon the following key assumptions:

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

Management has performed sensitivity analysis on its impairment testing. A change in isolation of either of the two key assumptions (pre-tax discount rate and anticipated growth rates over the five year period) by over 40% would not result in impairment.

#### **Policies**

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

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

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

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

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

## 15 RECEIVABLES AND PREPAYMENTS

	Group		Parent	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Trade receivables	34,344	30,640	-	-
Trade receivables from Equity Accounted Investees, subsidiaries and related parties	632	434	182	237
	<b>34,976</b>	<b>31,074</b>	<b>182</b>	<b>237</b>
Kiwifruit income receivable	2,444	1,680	-	-
Advances to Equity Accounted Investees (refer note 23)	6,669	6,919	-	-
Prepayments and sundry receivables	3,334	3,909	235	175
Group subvention payments owing	-	-	-	730
<b>Total receivables and prepayments</b>	<b>47,423</b>	<b>43,582</b>	<b>417</b>	<b>1,142</b>
<b>Aging of trade receivables</b>				
Not past due	29,578	25,841	-	-
Past due 0 – 30 days	4,208	3,002	-	-
Past due 30 – 60 days	517	795	-	-
Past due 60 – 90 days	37	454	-	-
More than 90 days	4	548	-	-
	<b>34,344</b>	<b>30,640</b>	<b>-</b>	<b>-</b>

### Advances to Equity Accounted Investees

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

### Kiwifruit income receivable

The kiwifruit income receivable is based on a forecast of proceeds to be received from Zespri on the harvest of the 2017 crop. This is based on the actual number of trays supplied to Zespri and latest forecast information from Zespri on the \$ per tray expected to be received. Revisions of income receivable during the year are recorded against profit and loss.

### Fair Values

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

### Judgements

A provision for impairment is recognised when there is objective evidence that the Group will be unable to collect amounts due. The amount provided for is the difference between the expected recoverable amount and the receivable's carrying value.

#### Policies

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

Receivables with a short duration are not discounted.

## 16 EQUITY

### (a) Share Capital

Parent & Group				
<u>Number of Shares held</u>	2017	2016		
	No.	No.		
<b>Share capital</b>				
Balance as at 1 July	10,000	10,000		
Balance as at 30 June	10,000	10,000		
<b>Redeemable preference shares</b>				
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		
<b>Perpetual preference shares</b>				
Balance as at 1 July	200,000,783	200,000,783		
Balance as at 30 June	200,000,783	200,000,783		

<u>Paid up and uncalled</u>	2017	2016	2017	2016
	\$ paid up	\$ paid up	\$ uncalled	\$ uncalled
<b>Share capital</b>				
Balance as at 1 July	10,000	10,000	-	-
Balance as at 30 June	10,000	10,000	-	-
<b>Redeemable preference shares</b>				
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
<b>Perpetual preference shares</b>				
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 2017, the amount uncalled is \$81,829,918 (2016: \$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, 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)

### *Net Tangible Assets*

NZX Listing Rule 10.4.2 requires issuers to disclose net tangible assets per share. On a simple paid up capital basis, this equates to \$8.97 per share (2016: \$7.75) for the Parent. However, this calculation does not reflect the legal form of a holder's entitlement. Under the Investment Statement, the net tangible asset per share should equate to \$1.00 (2016: \$1.00) per Perpetual Preference Share. The net tangible asset per share on the ordinary shares is \$179,349 (2016: \$154,981).

### *PPS Put Option trigger events*

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

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

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

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

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

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

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

## 16 EQUITY (continued)

### (b) Dividends

The following dividends were declared and paid during the period:

	Group		Parent	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
<b>Ordinary share capital</b>				
Interim dividend paid - \$1,290 per share (2016: \$1,020)	12,900	10,200	12,900	10,200
Final dividend paid \$790 per share (2016: \$1,020)	7,900	10,200	7,900	10,200
	<b>20,800</b>	<b>20,400</b>	<b>20,800</b>	<b>20,400</b>
<b>Perpetual preference shares</b>				
Quarterly dividend (Sept 2016) 0.1058 cents per share (2015: 0.1058 cents)	2,117	2,117	2,117	2,117
Quarterly dividend (Dec 2016) 0.1058 cents per share (2015: 0.1058 cents)	2,117	2,117	2,117	2,117
Quarterly dividend (Mar 2017) 0.1058 cents per share (2016: 0.1058 cents)	2,117	2,117	2,117	2,117
Quarterly dividend (Jun 2017) 0.0778 cents per share (2016: 0.1058 cents)	1,555	2,116	1,555	2,116
	<b>7,906</b>	<b>8,467</b>	<b>7,906</b>	<b>8,467</b>
<b>Total dividends paid</b>	<b>28,706</b>	<b>28,867</b>	<b>28,706</b>	<b>28,867</b>

The dividends are fully imputed. Dividends paid by the Port of Tauranga Limited to non-controlling interests were \$49.9m (2016: \$33.1m)

The Perpetual Preference Shares are subject to a fixed Dividend Rate reset every three years at the Dividend Rate Reset Date. This date occurred on 13 March 2017, where the rate for the following three year period was set at 4.32%. The next dividend reset date will be as at 12 March 2020.

### (c) Reserves

#### Available for Sale Revaluation Reserve

The Parent's available for sale revaluation reserve relates to the net change in fair value of financial assets available for sale during the year.

#### Revaluation Reserve

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

#### Hedging Reserve

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



## 16 EQUITY (continued)

### Share-based payment reserve

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, Kotahi now have 10,000,000 shares on issue. The shares are subject to a call option allowing the Port of Tauranga Limited to "call" shares back at zero cost if Kotahi fails to meet the volume commitments specified in the 10 year Container Volume Commitment Agreement.

The increase in the reserve recognises the shares earned based on containers delivered during the period.

#### *Equity Settled Share Based Payments*

The grant-date fair value of equity settled share based payments is recognised as a rebate against revenue, with a corresponding increase in equity, over the vesting period. The amount recognised as a rebate is adjusted to reflect the number of awards for which the related service is expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service conditions at the vesting date.

As at 30 June 2017 the balance of the share-based payment reserve was \$3,868,000 (2016: \$2,443,000). This amount is recorded in the Statement of Changes in Equity under the column "Non controlling interest".

### (d) Employee Share Ownership Plan

The Port of Tauranga Limited has an Employee Share Ownership Plan (ESOP). During the year 4,600 shares at \$3.03 per share were issued to employees from Port of Tauranga Trustee Company Limited as part of the Employee Share Ownership Plan (2016: 30,640 shares at \$11.17 per share).

During the year no shares were repurchased on market and transferred to the Port of Tauranga Trustee Company Limited as part of the Employee Share Ownership Plan (2016: 22,220 shares).

### (e) Non-controlling interest

Non controlling interest of 45.86% (2016: 45.86%) is the existing share of Port of Tauranga Limited's consolidated equity which is not owned by *Quayside Group*. The change in non controlling interest has arisen 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 period.

## 17 OTHER FINANCIAL ASSETS

	Group		Parent	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
<b>Loan from Quayside Holdings to Quayside Unit Trust</b>				
Opening balance	-	-	23,431	26,631
Payments	-	-	(5,716)	(4,241)
Interest charged	-	-	616	1,041
Closing balance	-	-	18,331	23,431
<b>Loan from Quayside Holdings to Quayside Properties</b>				
Opening balance	-	-	12,397	11,397
Payments	-	-	(495)	(479)
Loan advance	-	-	4,760	1,000
Interest charged	-	-	495	479
Closing balance	-	-	17,157	12,397
<b>Investments designated at fair value through income statement</b>				
Other equity investments	137,103	126,643	13,294	17,721
	<b>137,103</b>	<b>126,643</b>	<b>48,782</b>	<b>53,549</b>

Intercompany loans are made via funds drawdown by Quayside Holdings Limited from the Westpac Tranche Lines. This facility has interest on charged at the rate charged on the Tranche Line from the Westpac Banking Corporation.

The loans are repayable on demand, however the directors of Quayside Holdings Limited have undertaken that the loans will not be demanded within 12 months of balance date.

Other financial assets represent the diversified equity portfolio of the Group that are traded in active markets.

### Policies

Fair value of equity investments designated at fair value is based on quoted market prices at the reporting date and are categorised under the level 1 fair value hierarchy.

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Financial assets designated at fair value are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, which takes into account any dividend income, are recognised in profit or loss. Financial assets designated at fair value through profit or loss include equity securities that otherwise would have been classified as available for sale.

## 18 LOANS AND BORROWINGS

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

	Group		Parent	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
<b>Current</b>				
Commercial papers	225,000	190,000	-	-
Advances from employees	140	-	-	-
Standby revolving cash advance facility	30,000	-	-	-
	<b>255,140</b>	<b>190,000</b>	<b>-</b>	<b>-</b>
<b>Non current</b>				
Westpac	56,510	53,000	56,510	53,000
Fixed Rate Bond - 1 <sup>st</sup> issue	50,000	50,000	-	-
Fixed Rate Bond - 2 <sup>nd</sup> issue	75,000	75,000	-	-
Standby revolving cash advance facility	-	5,000	-	-
Advances from employees	223	200	-	-
	<b>181,733</b>	<b>183,200</b>	<b>56,510</b>	<b>53,000</b>

### Term and debt repayment schedule

			Committed Facilities NZ\$000	Undrawn Facilities NZ\$000	Carrying Value NZ\$000
<b>2017</b>	<b>Maturity</b>	<b>Coupon</b>			
<b>Non current</b>					
Westpac borrowings (Parent entity)	2018	Floating	70,000	13,490	56,510
Standby revolving cash advance	2022	Floating	100,000	100,000	-
Fixed rate bond - 2 <sup>nd</sup> issue	2021	4.792%	75,000	-	75,000
Standby revolving cash advance facility	2021	Floating	100,000	100,000	-
Standby revolving cash advance facility	2020	Floating	80,000	80,000	-
Fixed rate bond - 1 <sup>st</sup> issue	2019	5.865%	50,000	-	50,000
Advances from employees	Various	0%	-	-	223
<b>Total non current</b>			<b>475,000</b>	<b>293,490</b>	<b>181,733</b>
<b>Current</b>					
Standby revolving cash advance	2018	Floating	100,000	70,000	30,000
Multi option facility	2017	Floating	5,000	5,000	-
Commercial papers	<3 months	Floating	-	-	225,000
Advances from employees	Various	0%	-	-	140
<b>Total current</b>			<b>105,000</b>	<b>75,000</b>	<b>255,140</b>
<b>Total</b>			<b>580,000</b>	<b>368,490</b>	<b>436,873</b>

## 18 LOANS AND BORROWINGS (continued)

2016	Maturity	Coupon	Committed Facilities NZ\$000	Undrawn Facilities NZ\$000	Carrying Value NZ\$000
<b>Non current</b>					
Westpac borrowings (Parent entity)	2018	Floating	70,000	17,000	53,000
Standby revolving cash advance	2020	Floating	80,000	80,000	-
Fixed rate bond – 2 <sup>nd</sup> issue	2021	4.792%	75,000	-	75,000
Standby revolving cash advance facility	2019	Floating	100,000	100,000	-
Standby revolving cash advance facility	2018	Floating	100,000	95,000	5,000
Revolving cash advance facility	2017	Floating	30,000	30,000	-
Fixed rate bond – 1 <sup>st</sup> issue	2019	5.865%	50,000	-	50,000
Advances from employees	Various	0%	-	-	200
<b>Total non current</b>			<b>505,000</b>	<b>322,000</b>	<b>183,200</b>
<b>Current</b>					
Multi option facility	2016	Floating	5,000	5,000	-
Commercial papers	<3 months	Floating	-	-	190,000
<b>Total current</b>			<b>5,000</b>	<b>5,000</b>	<b>190,000</b>
<b>Total</b>			<b>510,000</b>	<b>327,000</b>	<b>373,200</b>

### Westpac Banking Corporation

Quayside Holdings Limited has a \$70.0 million (2016: \$70.0 million) financing arrangement with Westpac Banking Corporation. This facility is secured by a mortgage over shares held in the Port of Tauranga Limited, and provides direct borrowings for the *Quayside Group*. The facility is for a term of 3 years expiring 20 October 2018.

### Fixed Rate Bonds

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

### Commercial Papers

Commercial papers are secured, short term discounted debt instruments issued by the Port Of Tauranga Limited for funding requirements as a component of its banking arrangements. The commercial paper programme is fully backed by committed term bank facilities. At 30 June 2017 the *Port of Tauranga Group* had \$225.0 million of commercial paper debt that is classified within current liabilities (2016: \$190.0 million). Due to this classification, the *Port of Tauranga Group's* current liabilities exceed the *Port of Tauranga Group's* current assets. Despite this fact, the *Port of Tauranga Group* does not have any liquidity or working capital concerns as a result of the commercial paper debt being interchangeable with direct borrowings within the standby revolving cash advance facility which is a term facility.

### Standby Revolving Cash Advance Facility Agreement

The Port of Tauranga Limited has a \$380.0 million financing arrangement with ANZ Bank New Zealand Limited, Bank of New Zealand Limited, Commonwealth Bank of Australia, New Zealand branch and the Bank of Tokyo-Mitsubishi UFJ Limited, Auckland Branch (2016: \$280.0 million financing arrangement with ANZ Bank New Zealand Limited, Bank of New Zealand Limited, Commonwealth Bank of Australia, New Zealand branch). The facility, which is secured, provides for both direct borrowings and support for issuance of commercial papers.

## 18 LOANS AND BORROWINGS (continued)

### Revolving Cash Advance Facility

In the prior year the Port of Tauranga Limited had a \$30.0 million cash advance facility with ANZ Bank New Zealand Limited, used for headroom purposes.

### Security

Bank facilities and fixed rate bonds of *Port of Tauranga Group* are secured by way of a ships' mortgage over certain floating plant assets (\$18.6 million, 2016: \$19.3 million), mortgages over the land and building assets (\$670.8 million, 2016: \$595.3 million), and by a general security agreement over the assets of the Port of Tauranga Limited (\$1,383.7 million, 2016: \$1,286.7 million).

### Covenants

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

### Fair Values

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

### Interest rates

The average weighted interest rate of interest bearing loans was 3.30% at 30 June 2017 (2016: 3.70%) for the Group and 3.32% (2016: 4.19%) for the Parent.

#### Policies

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

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

## 19 DERIVATIVE FINANCIAL INSTRUMENTS

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

	Group	
	2017 \$000	2016 \$000
<b>Current liabilities</b>		
Foreign currency derivatives – cash flow hedges	-	(983)
Interest rate derivatives – cash flow hedges	(1,013)	(455)
<b>Total current liabilities</b>	<b>(1,013)</b>	<b>(1,438)</b>
<b>Non current liabilities</b>		
Interest rate derivatives – cash flow hedges	(8,887)	(17,063)
<b>Total non current liabilities</b>	<b>(8,887)</b>	<b>(17,063)</b>
<b>Total liabilities</b>	<b>(9,900)</b>	<b>(18,501)</b>



## 19 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

### Cash Flow Hedges

Changes in the fair value of the derivative hedging instrument designated as a cashflow 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.

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

### Fair Values

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

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

Valuation inputs for valuing derivatives are as follows:

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

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

## 19 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

### Policies

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

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

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

## 20 FINANCIAL INSTRUMENTS

### Financial Risk Management

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

- *Quayside Group* – comprising Quayside Holdings Limited (Parent company) and its directly controlled subsidiaries: Quayside Securities Limited, Quayside Unit Trust, Quayside Investment Trust and Quayside Properties Limited.
- *Port of Tauranga Group* – comprising the Port of Tauranga Limited and its subsidiaries and its Equity Accounted Investees. This group is owned 54.14% (2016: 54.14%) by the Quayside Group.

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

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

## 20 FINANCIAL INSTRUMENTS (continued)

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

	Designated at Fair Value * \$000	Loans and Receivables \$000	Other Amortised Cost \$000	Total Carrying Amount \$000	Fair Value \$000
<b>Group 2017</b>					
<b>Assets</b>					
Cash and cash equivalents	-	43,634	-	43,634	43,634
Receivables	-	44,433	-	44,433	44,433
<b>Total current assets</b>	-	88,067	-	88,067	88,067
Other financial assets	137,103	-	-	137,103	137,103
Receivables	-	36	-	36	36
<b>Total non current assets</b>	137,103	36	-	137,139	137,139
<b>Total assets</b>	137,103	88,103	-	225,206	225,206
<b>Liabilities</b>					
Loans and borrowings	-	-	255,140	255,140	255,140
Derivative instruments	1,013	-	-	1,013	1,013
Trade and other payables	-	-	13,690	13,690	13,690
<b>Total current liabilities</b>	1,013	-	268,830	269,843	269,843
Loans and borrowings	-	-	200,064	200,064	205,136
Derivative instruments	8,887	-	-	8,887	8,887
<b>Total non current liabilities</b>	8,887	-	200,064	208,951	214,023
<b>Total liabilities</b>	9,900	-	468,894	478,794	483,866
<b>Group 2016</b>					
<b>Assets</b>					
Cash and cash equivalents	-	22,176	-	22,176	22,176
Receivables and prepayments	-	39,951	-	39,951	39,951
<b>Total current assets</b>	-	62,127	-	62,127	62,127
Other financial assets	126,643	-	-	126,643	126,643
Receivables	-	46	-	39,951	39,951
<b>Total non current assets</b>	126,643	46	-	126,689	126,689
<b>Total assets</b>	126,643	62,173	-	188,816	188,816
<b>Liabilities</b>					
Loans and borrowings	-	-	190,000	190,000	190,000
Derivative instruments	1,438	-	-	1,438	1,438
Trade and other payables	-	-	31,224	31,224	31,224
<b>Total current liabilities</b>	1,438	-	221,224	222,662	222,662
Loans and borrowings	-	-	183,200	183,200	183,200
Receivables	-	-	13	13	13
Derivative instruments	17,063	-	-	17,063	17,063
<b>Total non current liabilities</b>	17,063	-	183,213	200,276	200,276
<b>Total liabilities</b>	18,051	-	404,437	422,938	422,938

\* Designated at fair value on initial recognition

## 20 FINANCIAL INSTRUMENTS (continued)

	Designated at Fair Value *	Available- for-sale Financial Assets	Loans and Receivables	Other Amortised Cost	Total Carrying Amount	Fair Value
	\$000	\$000	\$000	\$000	\$000	\$000
<b>Parent 2017</b>						
<b>Assets</b>						
Cash and cash equivalents	-	-	7,539	-	7,539	7,539
Trade and other receivables	-	-	312	-	312	312
<b>Total current assets</b>	-	-	7,851	-	7,851	7,851
Other financial assets	13,294	-	35,488	-	48,782	48,782
Investment in subsidiaries	-	1,784,260	-	-	1,784,260	1,784,260
<b>Total non current assets</b>	13,294	1,784,260	35,488	-	1,833,042	1,833,042
<b>Total assets</b>	13,294	1,784,260	43,339	-	1,840,893	1,840,893
<b>Liabilities</b>						
Trade and other payables	-	-	-	1,422	1,422	1,422
<b>Total current liabilities</b>	-	-	-	1,422	1,422	1,422
Loans and borrowings	-	-	-	56,510	56,510	56,510
<b>Total non current liabilities</b>	-	-	-	56,510	56,510	56,510
<b>Total liabilities</b>	-	-	-	57,932	57,932	57,932
<b>Parent 2016</b>						
<b>Assets</b>						
Cash and cash equivalents	-	-	693	-	693	693
Trade and other receivables	-	-	1,060	-	1,060	1,060
<b>Total current assets</b>	-	-	1,753	-	1,753	1,753
Other financial assets	17,421	-	35,828	-	53,249	53,249
Investment in subsidiaries	-	1,541,127	-	-	1,541,127	1,541,127
<b>Total non current assets</b>	17,421	1,541,127	35,828	-	1,594,376	1,594,376
<b>Total assets</b>	17,421	1,541,127	37,581	-	1,596,127	1,596,129
<b>Liabilities</b>						
Trade and other payables	-	-	-	485	485	485
<b>Total current liabilities</b>	-	-	-	485	485	485
Loans and borrowings	-	-	-	53,000	53,000	53,000
<b>Total non current liabilities</b>	-	-	-	53,000	53,000	53,000
<b>Total liabilities</b>	-	-	-	53,485	53,485	53,485

\* Designated at fair value on initial recognition

## 20 FINANCIAL INSTRUMENTS (continued)

### Credit Risk

#### *Exposure to Credit Risk*

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

	Group		Parent	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
<b>Credit risk</b>				
Trade and other receivables	44,433	39,951	312	1,060
Other financial assets	-	-	35,488	35,828
Cash and cash equivalents	43,634	22,176	7,539	693
<b>Total</b>	<b>88,067</b>	<b>62,127</b>	<b>43,339</b>	<b>37,581</b>

#### *Quayside Group*

There is no concentration of credit risk for *Quayside Group*.

#### *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 creditworthiness being required to transact with *Port of Tauranga Group* on cash terms. The *Port of Tauranga Group* generally does not require collateral.

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 61.5% of total Group revenue (2016: 56.5%). The *Port of Tauranga Group* is satisfied with the credit quality of these debtors and does not anticipate any non performance.

## 20 FINANCIAL INSTRUMENTS (continued)

### 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 Parent Company's 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 following table sets out the contractual cash outflows for all financial liabilities (including estimated interest payments) and derivatives:

Funding Risk	Statement of Financial Position	Contractual Cash Flows	6 Months or Less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More Than 5 Years
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Group 2017</b>							
<b>Non derivative financial liabilities</b>							
Loans and borrowings	(436,873)	(466,479)	(260,807)	(4,985)	(64,902)	(135,786)	-
Trade and other payables	(13,690)	(13,690)	(13,690)	-	-	-	-
<b>Total non derivative liabilities</b>	<b>(450,563)</b>	<b>(480,169)</b>	<b>(274,497)</b>	<b>(4,985)</b>	<b>(64,902)</b>	<b>(135,786)</b>	<b>-</b>
<b>Derivatives</b>							
Interest rate derivatives							
- Cash flows hedges - Outflow	(9,900)	(11,261)	(2,062)	(1,678)	(2,163)	(4,716)	(642)
<b>Total derivatives</b>	<b>(9,900)</b>	<b>(11,261)</b>	<b>(2,062)</b>	<b>(1,678)</b>	<b>(2,163)</b>	<b>(4,716)</b>	<b>(642)</b>
<b>Total</b>	<b>(460,463)</b>	<b>(491,430)</b>	<b>(276,559)</b>	<b>(6,663)</b>	<b>(67,065)</b>	<b>(140,502)</b>	<b>(642)</b>
<b>Group 2016</b>							
<b>Non derivative financial liabilities</b>							
Loans and borrowings	(396,631)	(435,428)	(200,727)	(5,372)	(10,669)	(218,658)	-
Trade and other payables	(31,237)	(31,237)	(31,237)	-	-	-	-
	(427,868)	(466,665)	(231,964)	(5,372)	(10,669)	(218,658)	-
<b>Derivatives</b>							
Interest rate derivatives outflow	(17,518)	(20,426)	(2,279)	(1,988)	(3,527)	(7,618)	(5,014)
Foreign currency derivatives							
- Outflow	(983)	(17,232)	(16,669)	(563)	-	-	-
- Inflow	-	16,244	15,726	518	-	-	-
	(18,501)	(21,414)	(3,222)	(2,033)	(3,527)	(7,618)	(5,014)
<b>Total</b>	<b>(446,639)</b>	<b>(488,079)</b>	<b>(235,186)</b>	<b>(7,405)</b>	<b>(14,196)</b>	<b>(226,276)</b>	<b>(5,014)</b>



## 20 FINANCIAL INSTRUMENTS (continued)

Funding Risk	Statement of Financial Position	Contractual Cash Flows	6 Months or Less	6 – 12 Months	1 – 2 Years	2 – 5 Years	More Than 5 Years
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Parent 2017</b>							
<b>Non derivative financial liabilities</b>							
Loans and borrowings	(56,510)	(59,666)	(1,184)	(1,184)	(57,298)	-	-
Trade and other payables	(1,422)	(1,422)	(1,422)	-	-	-	-
<b>Total</b>	<b>(57,932)</b>	<b>(61,088)</b>	<b>(2,606)</b>	<b>(1,184)</b>	<b>(57,298)</b>	<b>-</b>	<b>-</b>
<b>Parent 2016</b>							
<b>Non derivative financial liabilities</b>							
Loans and borrowings	(53,000)	(58,293)	(1,134)	(1,134)	(2,268)	(53,756)	-
Trade and other payables	(485)	(485)	(485)	-	-	-	-
<b>Total</b>	<b>(53,485)</b>	<b>(60,146)</b>	<b>(1,619)</b>	<b>(1,134)</b>	<b>(2,268)</b>	<b>(53,756)</b>	<b>-</b>

### Market Risk

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

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

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

#### (i) Interest rate risk

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

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

## 20 FINANCIAL INSTRUMENTS (continued)

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

Carrying Amount	Group		Parent	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
<b>Fixed rate instruments</b>				
Fixed rate bond	(125,000)	(125,000)	-	-
Interest rate derivatives	(9,900)	(17,519)	-	-
<b>Total</b>	<b>(134,900)</b>	<b>(142,519)</b>	<b>-</b>	<b>-</b>
<b>Variable rate instruments</b>				
Commercial papers	(225,000)	(190,000)	-	-
Standby revolving cash advance facility	(30,000)	(5,000)	-	-
Westpac borrowings	(56,510)	(53,000)	(56,510)	(53,000)
Cash balances	43,634	22,176	7,539	693
<b>Total</b>	<b>(267,876)</b>	<b>(225,824)</b>	<b>(48,971)</b>	<b>(52,307)</b>

### Sensitivity Analysis

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

The analysis is performed on the same basis for 2017.

	Profit or Loss		Cash Flow Hedge Reserve	
	100 bp Increase \$000	100 bp Decrease \$000	100 bp Increase \$000	100 bp Decrease \$000
<b>Group 2017</b>				
Variable rate instruments	(1,930)	1,960	-	-
Interest rate derivatives	973	(973)	5,984	(6,636)
<b>Total</b>	<b>(2,809)</b>	<b>863</b>	<b>5,984</b>	<b>(6,636)</b>
<b>Group 2016</b>				
Variable rate instruments	(1,592)	1,617	-	-
Interest rate derivatives	1,570	(1,570)	6,716	(7,430)
<b>Total</b>	<b>(22)</b>	<b>47</b>	<b>6,716</b>	<b>(7,430)</b>
<b>Parent 2017</b>				
Variable rate instruments	(490)	490	-	-
<b>Parent 2016</b>				
Variable rate instruments	(523)	523	-	-

## 20 FINANCIAL INSTRUMENTS (continued)

### (ii) Currency Risk

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

	Group		Parent	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
Equities – AUD	30,206	30,112	5,554	4,685
Equities – USD, EUR, GBP	29,076	24,562	-	-
	59,282	54,674	5,554	4,685

### 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 in the same basis for 2017.

	Profit or Loss		Reserves	
	10% Increase	10% Decrease	10% Increase	10% Decrease
	\$000	\$000	\$000	\$000
<b>Group</b>				
Equities – AUD	3,021	(3,021)	-	-
Equities – USD, EUR, GBP	2,908	(2,908)	-	-
<b>30 June 2017</b>	5,929	(5,929)	-	-
Equities – AUD	3,011	(3,011)	-	-
Equities – USD, EUR, GBP	2,456	(2,456)	-	-
<b>30 June 2016</b>	5,467	(5,467)	-	-
<b>Parent</b>				
Equities – AUD	555	(555)	-	-
Equities – USD, EUR, GBP	-	-	-	-
<b>30 June 2017</b>	555	(555)	-	-
Equities – AUD	469	(469)	-	-
Equities – USD, EUR, GBP	-	-	-	-
<b>30 June 2016</b>	469	(469)	-	-

## 20 FINANCIAL INSTRUMENTS (continued)

### (iii) Other Price Risk

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

	Group		Parent	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
Equities - NZD	77,821	71,669	7,740	12,737
Equities - AUD	30,206	30,112	5,554	4,684
Equities - USD, EUR, GBP	29,076	24,562	-	-
	137,103	126,343	13,294	17,421

### Sensitivity Analysis

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

	Group		Parent	
	10% Increase	10% Decrease	10% Increase	10% Decrease
	\$000	\$000	\$000	\$000
Equities - NZD	7,782	(7,782)	774	(774)
Equities - AUD	3,021	(3,021)	555	(555)
Equities - USD	2,908	(2,908)	-	-
<b>30 June 2017</b>	<b>13,711</b>	<b>(13,711)</b>	<b>1,329</b>	<b>(1,329)</b>
Equities - NZD	7,167	(7,167)	1,274	(1,274)
Equities - AUD	3,011	(3,011)	469	(469)
Equities - USD	2,456	(2,456)	-	-
<b>30 June 2016</b>	<b>12,634</b>	<b>(12,634)</b>	<b>1,743</b>	<b>(1,743)</b>

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

### Sensitivity Analysis

At 30 June 2017, 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 \$301,037 (2016: \$281,103).

## 21 TRADE AND OTHER PAYABLES

	Group		Parent	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Accounts payable	13,012	11,095	1,070	161
Accrued employee benefit liabilities	3,943	3,530	30	27
Accruals	15,696	16,584	345	313
Payables to Equity Accounted Investees and related parties	36	40	-	6
<b>Total trade and other payables</b>	<b>32,687</b>	<b>31,249</b>	<b>1,445</b>	<b>507</b>

Payables denominated in currencies other than the functional currency are nil (2016: 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.

## 22 PROVISIONS

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

	Long Service Leave \$000	Management Long Term (LTI) \$000	Profit Sharing and Bonuses \$000	Total \$000
<b>Balance at 30 June 2016</b>	<b>1,378</b>	<b>502</b>	<b>2,040</b>	<b>3,920</b>
Additional provision	219	584	2,798	3,601
Unused amounts reversed	(91)	-	-	(91)
Utilised during the period	(50)	(253)	(2,905)	(3,208)
<b>Balance at 30 June 2017</b>	<b>1,456</b>	<b>833</b>	<b>1,933</b>	<b>4,222</b>
<b>Total current provisions</b>	<b>-</b>	<b>401</b>	<b>1,933</b>	<b>2,334</b>
<b>Total non current provisions</b>	<b>1,456</b>	<b>432</b>	<b>-</b>	<b>1,888</b>

### Employee Benefits - Long Service Leave Provision

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

### Employee Benefits – Management Long Term Incentive (LTI)

Members of Port of Tauranga Limited's Executive Management Team are eligible to receive payment under the Management Long Term Incentive Scheme. The scheme is classified as a cash settled share based payment scheme and is based upon a combination of total shareholder return versus an index and earnings per share growth, both over a three year period. The amount recognised in the income statements during the period is \$584,000 (2016: \$107,000).

## 22 PROVISIONS (continued)

### Employee Benefits – Profit Sharing and Bonuses

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

#### Policies

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

## 23 RELATED PARTY TRANSACTIONS

### Parent and ultimate controlling entity

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

### Transactions with Key Management Personnel

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

	Group		Parent	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
<b>Directors</b>				
Directors' fees recognised during the period	990	866	178	173
<b>Executive Officers</b>				
Executive salaries and other short-term employee benefits recognised during the period	3,749	2,911	291	257
Share based payments recognised during the period	584	107	-	-
<b>Total</b>	<b>5,323</b>	<b>3,884</b>	<b>469</b>	<b>430</b>

All Port of Tauranga Group Executive Officers participate in a cash settled share based incentive scheme.



## 23 RELATED PARTY TRANSACTIONS (continued)

### Other related entities

Other related parties include subsidiaries in the Group – refer Note 1.

During the year, the Group entered into transactions with companies in which directors hold directorships. These directorships have not resulted in the Group having a significant influence over the operations, policies or key decisions of these companies.

Transactions with Related Parties:

	2017 \$000	2016 \$000
<b>Bay of Plenty Regional Council</b>		
Services provided to Quayside Holdings Limited	30	55
Accounts payable by Quayside Holdings Limited	-	5
Services provided to Quayside Properties Limited	2	2
Services provided to Port of Tauranga Limited	13	18
<b>Quayside Unit Trust</b>		
Dividends paid to Quayside Holdings Limited	39,000	42,300
Interest received by Quayside Holdings Limited	616	1,058
Interest receivable by Quayside Holdings Limited	101	130
Loan receivable by Quayside Holdings Limited	18,331	23,431
Loan repayment received by Quayside Holdings Limited	5,100	3,200
Dividends received from Port of Tauranga Limited	58,950	39,054
<b>Quayside Properties Limited</b>		
Interest received by Quayside Holdings Limited	495	449
Interest receivable by Quayside Holdings Limited	72	49
Loan receivable by Quayside Holdings Limited	17,157	12,397
Management fees paid to Quayside Holdings Limited	110	107
Subvention receivable by Quayside Holdings Limited	-	714
<b>Quayside Investment Trust</b>		
Consideration for units redeemed by Quayside Holdings Limited	1,900	-
Consideration for units purchased by Quayside Holdings Limited	11,000	18,200
<b>Quayside Securities Limited</b>		
Management fees paid to Quayside Holdings Limited	81	66
Subvention receivable by Quayside Holdings Limited	-	16
<b>Ōpōtiki Packhouse &amp; Coolstorage Limited</b>		
Services provided by Quayside Holdings Limited	35	14
<b>HoneyLab Limited</b>		
Services provided by Quayside Holdings Limited	26	-
Accounts receivable by Quayside Holdings Limited	9	-
<b>Rhondium Limited</b>		
Services provided by Quayside Holdings Limited	12	-

In the *Quayside Group*, interest is on charged on intercompany loans at the actual rate of interest incurred by Quayside Holdings Limited.

## 23 RELATED PARTY TRANSACTIONS (continued)

The Parent has issued Perpetual Preference Shares on the NZX. The following transactions were recorded by directors who held office during the year:

	2017 No.	2016 No.
J M Green (a director) as trustee	150,000	150,000
M J Smith (a director) as trustee	600,000	600,000
R A McLeod (a director) as trustee	100,000	-

*Port of Tauranga Group* transactions with related parties:

	2017 \$000	2016 \$000
<b>Transactions with Equity Accounted Investees</b>		
Services provided to Port of Tauranga Limited	545	386
Services provided by Port of Tauranga Limited	2,734	2,126
Accounts receivable by Port of Tauranga Limited	213	138
Accounts payable by Port of Tauranga Limited	36	34
Advances by Port of Tauranga Limited	6,669	6,919
Services provided to Quality Marshalling (Mount Maunganui) Limited	1	45
Services provided by Quality Marshalling (Mount Maunganui) Limited	3,694	3,210
Accounts receivable by Quality Marshalling (Mount Maunganui) Limited	396	292
Accounts receivable by Port of Tauranga Trustee Company Limited	14	4

## 24 INVESTMENT PROPERTIES

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

	2017 \$'000	2016 \$'000
Balance at 1 July	12,000	10,735
Additions – Work in progress (at cost)	216	198
Additions (at cost)	3,900	650
Fair value gains on valuation	1,289	417
Balance at 30 June	17,405	12,000
Rental Income from investment properties	187	169
Expenses from investment property generating income	45	10

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

During the year a commercial property was purchased in Spring Street, Tauranga central. The property is currently being refit with the intention of being leased to multiple tenants in the next financial year.

## 24 INVESTMENT PROPERTIES (continued)

Work in progress includes the costs incurred to date in drilling of an exploratory water bore for the Rangiora Business Park and work on the refit of the Spring Street building. The value of these works was not included in the independent registered valuations, as the work is not yet complete.

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

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

### 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.

## **25 CONTINGENCIES**

At 30 June 2017 for the Group and Parent Company there were no contingent assets or liabilities (2016: nil).

## **26 SUBSEQUENT EVENTS**

There were no subsequent events after balance date (2016: nil).

The financial statements were approved by the Board of Directors on 28 August 2017.

## 27 QUAYSIDE GROUP STATEMENT OF SERVICE PERFORMANCE

Quayside Holdings Limited 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 nine targets and results of the *Quayside Group's* Statement of Intent categorised under five portfolio activities.

### (a) Port portfolio

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

Performance measure	Performance target	2017 Result
1. Maintain a majority holding in Port of Tauranga Limited.	Holding of greater than 51%.	Quayside held 54.14% of Port of Tauranga shares as at 30 June 2017.

Target met: **Yes.** The *Quayside Group* is a long term investor in Port of Tauranga and must maintain a majority shareholding in accordance with Council policy. The *Quayside Group* cannot go below a majority shareholding without the consent of Council.

### (b) Investment portfolio

The *Quayside Group* manages a diversified investment portfolio with a market value of \$147m at 30 June 2017. These investments include domestic and foreign equities, and cash.

Performance measure	Performance target	2017 Result
2. Generate commercial returns across the Investment portfolio.	Three year rolling gross return of at least 7.5% p.a.	Three year rolling gross return 14.20%.
3. Adherence to industry standards including responsible investing.	Management and monitoring of Quayside Statement of Performance Objectives (SIPO) and Responsible Investment frameworks.	Monthly monitoring reported to the Board. No instances of non-compliance.

Targets met: **Yes.** The *Quayside Group* exceeded its performance target by having experienced investment personnel, a professional board of directors, the support of professional advisors and strict compliance to an investment framework.

### (c) Infrastructure portfolio

The *Quayside Group* owns properties within the Bay of Plenty with future industrial and residential potential. Short term objectives are achieved through utilisation as tenanted properties and kiwifruit orchards.

Performance measure	Performance target	2017 Result
4. Generate long term commercial returns and / or regional benefit through a portfolio of infrastructure assets.	Annual Board assessment of benefit of each holding.	Annual board assessment completed, noting short term performance and reaffirming long term objectives .

Target met: **Yes.** Timely completion of annual board assessment by year end.

## 27 QUAYSIDE GROUP STATEMENT OF SERVICE PERFORMANCE (continued)

### (d) Commercial ventures

The *Quayside Group* undertakes investments for commercial returns.

Performance measure	Performance target	2017 Result
5. Generate long term commercial returns and / or regional benefit through a portfolio of commercial assets.	Positive long term commercial return having regard to potential regional benefits	Growth through new investment of a portfolio of direct unlisted investment for long term growth and income returns

Target met: **Yes.** The *Quayside Group* has created a commercial portfolio of investments deriving long term growth and income performance with targeted regional benefits where possible.

### (e) Governance

This activity relates to the policies and procedures that the *Quayside Group* will adopt to satisfy governance requirements and expectations.

Performance measure	Performance target	2017 Result
6. Keep Council informed on a 'no surprises' basis, providing quality and timely information.	Minimum of three presentations to the Council per annum plus timely advice and support as required.	Three presentations to Council and open communication with Council.
7. Ensure Group policies and procedures are current and appropriate.	All policies and procedures to be reviewed no less than biennially.	There are eleven policies in total that are scheduled for review at each board meeting. Five policies were reviewed during the year (six policies were reviewed in the prior year).
8. Meet shareholder distribution expectations as outlined in SOI or otherwise agreed.	Distributions paid to agreed values per Statement of Intent (SOI).	Cash dividend of \$20.8m paid to Council and gross dividend of \$11.0m (net \$7.9m) paid to PPS holders.
9. Compliance with New Zealand Debt Exchange (NZDX) listing requirements for PPS holders.	No open issues.	Timely filing of financial statements. No open issues.

Targets met: **Yes.**

- Presentations to Council scheduled each year in advance.
- All policies are scheduled for review and adoption by the board of directors biennially.
- Shareholder dividend expectations met from cash surpluses generated from the *Quayside Group's* investment activities. PPS distributions per the SOI were based on a forecast interest rate reset in March 2017 of 4.80%. The actual reset rate was 4.39%. PPS distributions are paid as set out in the Investment Statement.
- No issues of non-compliance raised by NZDX.



**QUAYSIDE HOLDINGS LIMITED AND SUBSIDIARIES**  
**STATUTORY INFORMATION**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**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 have declared interests in the following identified entities as at 30 June 2017:

<b>Director</b>	<b>Entity</b>	<b>Position</b>
M Macleod	Quayside Holdings Limited	Director
	Quayside Securities Limited	Director
	Quayside Properties Limited	Director
	BOPLASS Limited	Director
	Priority One Western Bay of Plenty Incorporated	Executive Board Member
	Bay of Plenty Regional Council	Officer
	Port of Tauranga	Shareholder
	SmartGrowth Chief Executive Advisory Group	Member
R McLeod	E Tipu E Rea Trustee Limited	Chair Shareholder
	E Tipu E Rea Limited	Director
	Quayside Holdings Limited	Director
	Quayside Securities Limited	Director
	Quayside Properties Limited	Director
	Robert A McLeod Limited	Director Shareholder
	RAM Custodian Limited	Director Shareholder
	McLeod Custodian Limited	Director Shareholder
	Sanford Limited	Director
	Tax Management NZ Limited	Director
	Ionian Holdings Limited	Shareholder
	Preservation Investments Limited	Shareholder
	Quayside Holdings Perpetual Preference Shares	Shareholder
J Nees	Bay of Plenty Regional Council	Councillor  Deputy Chair
	Quayside Holdings Limited	Director
	Quayside Securities Limited	Director
	Quayside Properties Limited	Director
	International Merchants NZ Limited	Shareholder
	Te Aro Trust	Trustee
	Tauranga Sunrise Rotary Trust	Trustee
	Acorn Foundation	Trustee
	SmartGrowth Leadership Group	Member
	Bay of Plenty Regional Transport Committee	Member

**QUAYSIDE HOLDINGS LIMITED AND SUBSIDIARIES**  
**STATUTORY INFORMATION**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**INTEREST REGISTER (continued)**

M Smith	Quayside Holdings Limited Quayside Securities Limited Quayside Properties Limited Quay Street Asset Management Limited Craigs Investment Partners Superannuation Management Limited Port of Tauranga Limited Custodial Services Limited Pathology Associates Limited Bay Venues Limited First Mortgage Managers Limited FMM Holdings Limited New Zealand Golf Inc Oriens Capital General Partner Limited Sanderson Group Limited Quayside Holdings Perpetual Preference Shares Port of Tauranga Limited FC Beazley Trust New Zealand Community Trust (BOP Regional Advisory Committee) Holland Beckett	Chair   Director Chair   Director Chair   Director Chair   Director Chair   Director Director Director Director Director Director Director Director Director Director Shareholder Shareholder Trustee Member Consultant
R Tait	Quayside Holdings Limited Quayside Securities Limited Quayside Properties Limited Tait Fleming Consulting Limited Milparinga Holdings Limited Highcrest Limited OTK Management Limited Arohena Pastoral Limited Golf Course Orchard GP Limited Fraser RD Orchard GP Limited Advanced Technology Products Pty Ltd Opotiki Packing & Coolstorage Limited Port of Tauranga Oriens Capital Limited	Director Director Director Director Shareholder Director Shareholder Director Shareholder Director Shareholder Director Shareholder Director Shareholder Director Shareholder Director Shareholder Shareholder Shareholder Shareholder
P Thompson	Bay of Plenty Regional Council Regional Direction & Delivery Committee Quayside Holdings Limited Quayside Securities Limited Quayside Properties Limited Taylor Thompson Limited Woman Walking Limited Wonder Walkers Charitable Trust Loji Trust Tauranga Environment Centre Bay of Plenty Regional Council Eastern Bay of Plenty Economic Development Trust (ToiEDA) SmartGrowth Leadership Group Kawerau Rail Terminal Project	Chair Director Director Director Director  Shareholder Director  Shareholder Trustee Trustee Trustee Councillor Trustee Member Member
W Parker	New Zealand Conservation Authority Quayside Holdings Limited Quayside Securities Limited Quayside Properties Limited Predator Free 2050 Limited Griffith Enterprises Advisory Board	Chair Director Director Director Director Member

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

**INFORMATION USED BY DIRECTORS**

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

**INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS**

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

**DONATIONS**

No donations were made by Quayside Holdings Limited during the year ended 30 June 2017.

**AUDITOR'S REMUNERATION**

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

Audit New Zealand Audit Fees \$58,117

**DIRECTORS**

The following directors of Quayside Holdings Limited held office as at 30 June 2017:

	Remuneration \$'000	
	Paid by Parent	Paid by subsidiaries
<b>M Smith (Chair)</b>	40	41
<b>J Green</b> <small>QSM (retired 31 October 2016)</small>	12	12
<b>M Macleod</b>	-	-
<b>R McLeod</b> <small>(appointed 1 November 2016)</small>	17	18
<b>J Nees</b>	26	27
<b>W Parker</b>	26	27
<b>R Tait</b>	31	32
<b>P Thompson</b>	26	27
<b>Total</b>	<b>178</b>	<b>184</b>

Ms M Macleod is remunerated by the Bay of Plenty Regional Council.

**QUAYSIDE HOLDINGS LIMITED AND SUBSIDIARIES**  
**STATUTORY INFORMATION**  
**FOR THE YEAR ENDED 30 JUNE 2017**

*Port of Tauranga*

<b>Company</b>	<b>Directors</b>
Port of Tauranga Limited	A Baylis, K Ellis, J Hoare, A Lawrence, D Leeder, D Pilkington, M Smith

Port of Tauranga directors' remuneration and value of other benefits for the year ended 30 June 2017, were as follows:

	<b>2017</b>	2016
	<b>\$</b>	<b>\$</b>
A W Baylis	<b>81,094</b>	67,335
J M Cronin*	-	19,266
K R Ellis	<b>83,444</b>	65,167
J C Hoare**	<b>81,094</b>	46,502
A R Lawrence	<b>78,144</b>	62,998
D W Leeder***	<b>75,544</b>	40,484
D A Pilkington	<b>144,933</b>	123,828
M J Smith	<b>83,444</b>	67,338
K Tempest*	-	20,343

*\*Retired 22 October 2015.*

*\*\*Appointed 20 August 2015.*

*\*\*\*Appointed 22 October 2015.*

## **LOANS**

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

**QUAYSIDE HOLDINGS LIMITED AND SUBSIDIARIES**  
**STATUTORY INFORMATION**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**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:

<b>Remuneration Range \$000</b>	<b>Port of Tauranga Limited</b>		<b>Quayside Holdings Limited</b>	
	<b>Number of Employees 2017</b>	<b>Number of Employees 2016</b>	<b>Number of Employees 2017</b>	<b>Number of Employees 2016</b>
100 – 109	22	25	-	-
110 – 119	17	17	-	-
120 – 129	18	13	-	-
130 – 139	12	9	-	-
140 – 149	7	15	-	-
150 – 159	7	4	-	-
160 – 169	6	3	-	-
170 – 179	5	2	1	-
180 – 189	3	2	-	-
190 – 199	2	1	-	-
200 – 209	2	3	-	-
210 – 219	1	5	-	-
220 – 229	7	2	-	-
230 – 239	5	4	-	-
240 – 249	3	2	-	-
250 – 259	1	-	-	-
260 – 269	-	-	-	1
290 – 299	-	-	1	-
370 – 379	-	1	-	-
410 – 419	-	1	-	-
470 – 479	-	1	-	-
490 – 499	1*	-	-	-
530 – 539	1	-	-	-
540 – 549	1*	1*	-	-
580 – 589	-	1*	-	-
610 – 619	1*	-	-	-
1,200 – 1,210	-	1*	-	-
1,240 – 1249	1*	-	-	-

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

**QUAYSIDE HOLDINGS LIMITED AND SUBSIDIARIES**  
**STATUTORY INFORMATION**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**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 2017.

***Twenty Largest Holders of PPS***

Rank	Name	Units at 30 Jun 2017	% of Units
1.	CUSTODIAL SERVICES LIMITED <A/C 3>	20,015,000	10.01
2.	JBWERE (NZ) NOMINEES LIMITED <NZ RESIDENT A/C>	16,638,000	8.32
3.	FNZ CUSTODIANS LIMITED	16,566,000	8.28
4.	CUSTODIAL SERVICES LIMITED <A/C 2>	9,956,000	4.98
5.	INVESTMENT CUSTODIAL SERVICES LIMITED <A/C>	8,046,000	4.02
6.	CUSTODIAL SERVICES LIMITED <A/C 4>	6,628,000	3.31
7.	CUSTODIAL SERVICES LIMITED <A/C 18>	5,651,000	2.83
8.	FORSYTH BARR CUSTODIANS LIMITED <1-CUSTODY>	2,396,000	1.20
9.	CUSTODIAL SERVICES LIMITED <A/C 16>	2,168,000	1.08
10.	TAPPENDEN HOLDINGS LIMITED	2,117,000	1.06
11.	JBWERE (NZ) NOMINEES LIMITED <54443 A/C>	1,110,000	0.55
12.	JBWERE (NZ) NOMINEES LIMITED <54440 A/C>	1,080,000	0.54
13.	JBWERE (NZ) NOMINEES LIMITED <54441 A/C>	1,070,000	0.53
14.	ATT INVESTMENTS LIMITED	1,000,000	0.50
15.	FLETCHER BUILDING EDUCATIONAL FUND LIMITED	1,000,000	0.50
16.	JBWERE (NZ) NOMINEES LIMITED <44626 A/C>	1,000,000	0.50
17.	KIA INVESTMENTS LIMITED	1,000,000	0.50
18.	FAITH PRISCILLA TAYLOR	1,000,000	0.50
19.	CUSTODIAL SERVICES LIMITED <A/C 1>	789,000	0.39
20.	JBWERE (NZ) NOMINEES LIMITED <54437 A/C>	700,000	0.35
<b>Totals: Top 20 holders of Perpetual Preference Shares</b>		<b>99,930,000</b>	<b>49.96</b>
<b>Total Remaining Holders Balance</b>		<b>100,070,783</b>	<b>50.04</b>

***Distribution of PPS Securities***

Range of Equity Holdings	Number of Holders	Number of Shares Held	% of Issued Equity
1 – 5,000	2	1,783	0.01
5,001 – 10,000	298	1,663,000	0.83
10,001 – 50,000	1,834	37,144,000	18.57
50,001 – 100,000	428	24,083,000	12.04
100,001 and over	243	137,109,000	68.55
<b>Total</b>	<b>2,805</b>	<b>200,000,783</b>	<b>100.00</b>

**ORDINARY SHAREHOLDER INFORMATION**

Holder	Number held	% of issued equity
BAY OF PLENTY REGIONAL COUNCIL	10,000	100.00



**QUAYSIDE HOLDINGS LIMITED  
DIRECTORY  
FOR THE YEAR ENDED 30 JUNE 2017**

**Registered Office**

53 Spring Street  
Tauranga 3110  
Ph: 07 579 5925

**Postal Address**

PO Box 13564  
Tauranga 3141

**Auditors**

Audit New Zealand  
On behalf of the Auditor-General  
745 Cameron Road  
PO Box 621  
Tauranga 3110  
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](http://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.